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PROSPECTS AND RISKS OF USING BASE VALUE ON THE EXAMPLE OF BELRUSINVEST

This article explores the use of a yearly fixed base value as a pricing, payment, and agreement strategy at JSC “Belrusinvest”, a logistics company in Belarus. By implementing a standardized value, the company seeks to streamline financial operations, simplify pricing, and improve revenue forecasting. While this approach offers advantages like pricing transparency, easier accounting, and reduced administrative work, it also presents risks. Key challenges include potential misalignment with market dynamics, inflation, and changing customer expectations, which could hurt competitiveness. Additionally, clients may see the fixed pricing as inflexible or disconnected from market trends. This analysis examines the impact of this strategy on “Belrusinvest’s” competitiveness, customer satisfaction, and financial performance, considering both economic theories and the real-world challenges of the logistics sector.

Keywords: *Base value, pricing strategy, Belrusinvest, logistics, payment, agreement terms, competitiveness, transparency, inflation, market dynamics, geopolitical, infrastructure, real estate, customer satisfaction, financial stability*

The logistics landscape in Belarus reflects broader global trends shaped by geopolitical dynamics and local innovations. Strategically located between Western Europe and the East, Belarus is enhancing its logistics capabilities, although this journey presents both opportunities and challenges. Significant upgrades to logistical infrastructure—such as expanding logistics hubs and transport networks—demonstrate the country's ambition to establish itself as a logistics hub. These developments signal a shift towards diversifying the economy beyond traditional industries. Geopolitical factors heavily influence logistics strategies. The relationship with Russia, marked by financial interdependencies and loan agreements, suggests a partnership that could reshape trade routes and logistics costs [2].

However, unique challenges persist, including border tensions and increased security measures that create unpredictability for logistics operations.

On December 22, 2023, the House of Representatives approved in two readings the draft law "On Amending the Law of the Republic of Belarus "On Amending Laws on securities market issues". Thus, the moratorium on linking rents to foreign currency was extended for another year [4].

Moving forward, JSC “BELRUSINVEST” (later the term **company** can be used) is a dynamically developing enterprise, which manages more than 50,000 sq. m. of commercial real estate since 2007 [1].

In its commercial activities, the company focuses on the implementation of long-term promising projects and the establishment of strong and transparent relationships with partners and customers.

The main priority areas of activities are:

1. Warehouse logistics;
2. Commercial real estate management;
3. Transport logistics.

The logistics industry in Belarus, particularly for a company like JSC “Belrusinvest”, operates in an environment shaped by both internal developments and external pressures. The nation’s geopolitical position places it at the intersection of Eastern and Western trade routes, which is both an opportunity and a risk. As Belarus strengthens its infrastructural base with new logistics hubs, expanded railway systems, and modernized warehouse facilities, companies like “Belrusinvest” are strategically poised to capitalize

on these developments. However, this advantage also means that “Belrusinvest” must navigate the complexities of international trade relations, potential sanctions, and evolving market demands.

One key aspect of “Belrusinvest’s” strategy is the implementation of a fixed base value for its transactions. This pricing model is designed to bring stability and predictability, particularly in times of economic uncertainty. For a company managing over 50,000 square meters of commercial real estate and involved in a variety of logistics services – such as warehouse logistics, transport logistics, and commercial real estate management – standardized pricing can simplify operations and improve long-term planning [1].

The rigidity of a fixed base value can hinder adaptability in a volatile market. Fluctuating inflation and changing customer expectations may prevent timely price adjustments, risking misalignment with market conditions and eroding competitive edge. Customers might feel dissatisfied if fixed pricing fails to reflect economic shifts, potentially driving them to competitors with dynamic pricing.

Furthermore, Belarus's relationship with Russia significantly influences the logistics sector. Shared infrastructure and economic agreements can lead to coordinated logistical strategies, but they also create vulnerabilities. Political tensions or economic sanctions could disrupt goods flow, challenging companies like “Belrusinvest” to balance geopolitical dependencies with operational flexibility.

New government regulations could also reshape this landscape. Changes in trade rules, tax policies, or border controls would directly impact logistics operations. Increased border security, for instance, may slow processes and elevate costs, while tax structure adjustments could affect profitability [2; 4].

Now lets discuss the practical and theoretical implementations of the base value in a “business case”.

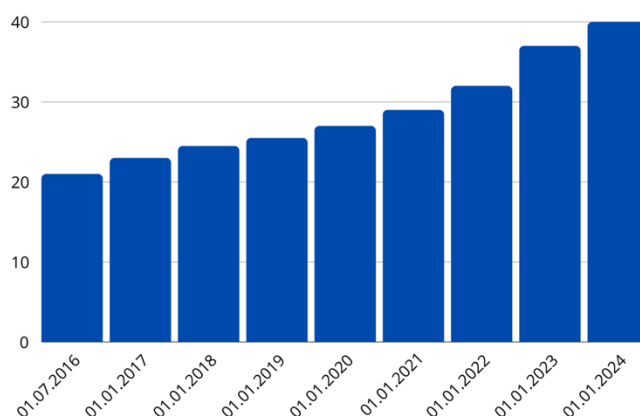
Plan:

1. Research the tendencies of base value growth/decline;
2. look at a “new draft” agreements of the rental of real estate and a contract for the provision of logistics services, that included base value as a foundation of price formation;
3. make a “theoretically possible” revenue plan, where judicially the system of a base value is implemented (Base value price = 40 rubles);
4. conclusion.

Tendencies of growth of a base value

Date of change of the base value	Amount (in Belarusian rubles)	The document initiating the change in the size of the base value
01.01.2024	40	Resolution of the Council of Ministers of 27.12.2023 №944
01.01.2023	37	Resolution of the Council of Ministers of 30.12.2022 №967
01.01.2022	32	Resolution of the Council of Ministers of 30.12.2021 №792
01.01.2021	29	Resolution of the Council of Ministers of 30.12.2020 №783
01.01.2020	27	Resolution of the Council of Ministers of 12.12.2019 №861
01.01.2019	25,5	Resolution of the Council of Ministers of 27.12.2018 №956
01.01.2018	24,5	Resolution of the Council of Ministers of 22.12.2017 №997
01.01.2017	23	Resolution of the Council of Ministers of 28.11.2016 №974

Date of change of the base value	Amount (in Belarusian rubles)	The document initiating the change in the size of the base value
01.07.2016	21	Resolution of the Council of Ministers of 27.06.2016 №496



Tendencies of growth of a base value

1) Above you can see a graphical representation for the tendencies of growth of a base value, in a form a chart [3].

The data on the change of the base value from 2016 to 2024 shows a steady and predictable increase in the amount, reflecting inflation and economic conditions in Belarus. This consistent growth demonstrates the effectiveness of using a base value as a pricing, payment strategy, and agreement term within companies like JCS “Belrusinvest.” By adjusting the base value incrementally, the company can maintain financial stability while ensuring transparency price change for its clients. The base value’s regular adjustments make it a reliable tool for simplifying transactions and long-term planning, while still allowing for flexibility in response to market changes [3].

2) Real Estate Rental Agreement

Clause 3.1 [5].

“The rent under this agreement is determined based on the base value set by the Council of Ministers of the Republic of Belarus.

The rent is calculated from the rental rate for 1 square meter of the rented area, which is 0.00 base values (during the negotiations, the landlord and the tenant agree on the stated price), including 20% VAT, per month. Accordingly, the rent amounts to 00.00 (during the negotiations, the landlord and the tenant agree on the stated price) base values per month, including 20% VAT.

The Tenant pays the rent in Belarusian rubles to the Landlord's bank account, based on the base value at the time of payment.

The Tenant must pay the rent to the Landlord monthly, no later than the 5th day of the current (payable) month.”

Logistics Services Contract

Clause 4.2 [5].

“The Client makes a prepayment for the services under this contract in the amount of 10 (ten) base values, including VAT. Subsequently, the Client is required to pay for the services provided monthly, no later than the 20th day of the current (reporting) month (for services rendered from the 1st to the 15th of the current month) and no later than the 5th day of the following month (for services rendered from the 16th to the last day of the reporting month).”

3) Now, by using the plan of the warehouse, we can judicially implement the new system of a base value. The warehouse is divided into two parts: freezers with fridges (2426 sq meters, with 2571 pallet spaces) and “dry” warehouse (16715 sq meters in total, where 14995 sq meters are used for the space).

The calculations:

Base Value Price: 40 rubles

Total Pallet Spaces Available: 2,571 (Freezers and fridges)

Let the monthly price per pallet space in freezers and fridges be 1.5 base value price.

Monthly Price = 1.5×40 rubles = 60 rubles

Total Revenue from pallet spaces = $2,571 \times 60$ rubles = 154,260 rubles

Dry warehouse space available: 14,995 sq meters

Let the price for using 3 sq meters per Month: 0.5 base value price.

Monthly Price for 3 sq meters = 0.5×40 rubles = 20 rubles

Number of 3 sq meter units in 14,995 sq meters = $14,995 / 3 = 4,998.33$ (approximately 4,998 units)

Total Revenue from Dry Warehouse = $4,998 \times 20$ rubles = 99,960 rubles

Summary of Revenue

- Total Revenue from Pallet Spaces: 154,260 rubles
- Total Revenue from Dry Warehouse: 99,960 rubles

Overall Total Revenue:

- Total Revenue = Revenue from Pallet Spaces + Revenue from Dry Warehouse
- Overall Total Revenue = $154,260 + 99,960 = 254,220$ rubles (**Gross profit**)

Conclusion:

The implementation of a fixed base value system at JSC “Belrusinvest” provides significant benefits that enhance its operational efficiency and market positioning within the logistics sector. By establishing a standardized pricing model anchored in a predictable base value, the company can streamline its financial operations, simplify pricing structures, and improve revenue forecasting.

The regular adjustments to the base value, as evidenced by the historical trends from 2016 to 2024, demonstrate its alignment with inflation and economic conditions, ensuring that pricing remains relevant and transparent. This predictability fosters trust and confidence among clients, who benefit from clear and consistent pricing mechanisms. Additionally, the base value model minimizes administrative burdens, enabling quicker decision-making processes and a focus on core logistics operations. Furthermore, the ability to forecast revenue more accurately allows “Belrusinvest” to engage in long-term planning and strategic initiatives, enhancing its competitiveness in a rapidly changing market landscape. While challenges such as market volatility and geopolitical influences exist, the use of a fixed base value provides a reliable framework for navigating these uncertainties.

To conclude, the base value system is not only a new beneficial tool for financial stability but also a strategic asset for JSC “Belrusinvest,” reinforcing its commitment to transparency, adaptability, and customer satisfaction in the logistics industry. This approach positions the company favorably for future growth and resilience in an ever-evolving economic environment.

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