

## THE ORETICAL BASIS OF TRADE NETWORKS IN RETAIL UKRAINE

**Statement of the problem.** Modern process of reform and economic restructuring in Ukraine, creating market space make changes in all spheres of economic activity of the complex, one of which serves retail. The processes of deregulation, privatization and commercialization of trading companies resulted in the gradual replacement of the functions of economic management on regulatory and extension of liberal principles of retailing. However, changes in commercial enterprises by ownership, organizational and legal forms of entities and their relations with the public authorities did not lead automatically to overcome the difficulties faced by retailers in the new economic conditions. Along with some positive gains in retail and there are negative trends, the result of which is a significant increase in the proportion of retail turnover and the predominance of small and non-mixed shops, markets and small retail trade network, characterized by a limited range of products and a low level of quality customer service, and hence low profitability or even loss-activity. The lack of deep research on this issue, on the one hand, and the need to identify areas of development and methodological foundations of the development strategy of forming trade networks in the retail food trade, which occupy a large share in the structure of different populations, on the other hand, it is relevant nowadays [8, p. 59].

**Analysis of recent researches and publications.** Significant contribution in this problem made our authors: I. Kylymnyk, A. Mazaraki, V. Nikishkin, V. Novikov, A. Tsvetkov. Among the foreign experts who examine different aspects of the problems of retailers are: P. Miniard, N. Rigli, V. Harper, L. Shtern.

**Statement of the task.** The aim of the article is to outline the theoretical foundations of retailers in retail Ukraine.

**Main material.** Formation of market space economy Ukraine has a direct impact on the functioning of retail determine appropriate changes of structural and organizational. The relevance of this issue stems from the importance of the role and functions performed by the retail trade as part of the economic environment of the country. Following the logic of the study, we consider the nature and value of retail trade at the macroeconomic level.

Retail is one of the main components of the consumer market, serving a mirror image of the state of economic development, coordinated system of inter-sectoral and regional linkages. As the most important economic activity in the circulation of commodities, it is associated with all phases of social reproduction, accommodate the needs of the population in goods and services by maintaining the balance between supply and demand, giving impetus to the formation of preferences among consumers, developing new products and increasing production volumes. Addressing the final stage of the movement of commodity products and sectors under the economic interests of consumers and producers of goods, has a powerful influence on the development of all phases and the process as a whole, contributes to filling the budgets of all levels, strengthening the financial system.

A competitive environment functioning entities require fundamental adjustments to economic policy,

which should be the determining factor for effective mechanisms for innovation and economic restructuring, as is known to the crisis cease to exist and survive weak enterprise capable, with appropriate management system, technological base [7, p. 115].

Transformation of Economy of Ukraine directly influenced the change trends of the entire economic sector and, consequently, trade as its component. This thesis some extent confirmed by modern processes of retail in Ukraine, including the need to distinguish the appearance on the market of new organizational structures that serve retailers.

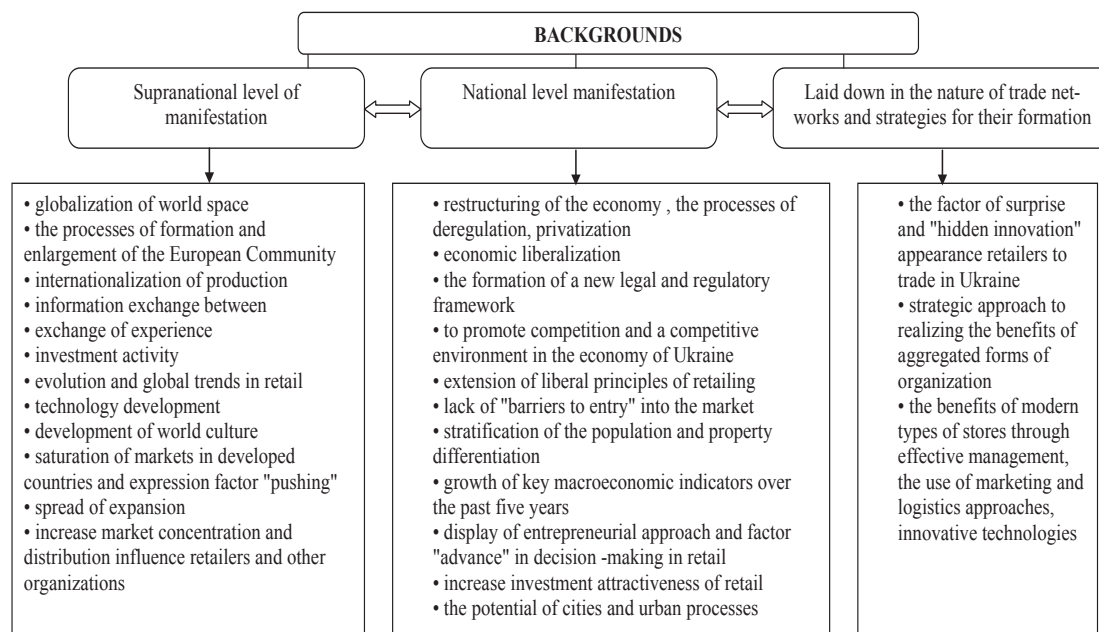
For the Ukrainian market such organizational formation of a new phenomenon, while in the developed countries of Western Europe and the United States are widely development, proving its efficiency and capacity. But like any phenomenon, they require research and review in the light of assumptions, which laid the foundation for their formation and development in the context of the national economy as a result of the relevant factors specific processes of nature.

This scientific study was based on a systems approach and using the principles of system analysis with a comprehensive view of the study of objects and phenomena. Retail trade in food products is a system that consists of commercial properties with different ownership and organizational forms of management, which form the retail network, and serves an integral part of higher order – the economic, the operation of which, in turn, make impact elements supranational level. In this regard, all of the processes consisting of retail network, which found its expression in need of a comprehensive study to enable them assess and predict future possible changes [6, p. 51].

Review of major developments in the world economy in general and the economy of Ukraine, in particular, gives rise to distribute the conditions that formed the basis for the formation and development of commercial networks in retail Ukraine into three groups according to their levels of manifestation: the supranational level, with the manifestation of the global world level, national level, at both the level of development of the national economy, are determined by its socio-economic situation and development trends, conditions that are laid in the nature of trade networks and strategies for their formation. This division of the main prerequisites for homogeneous groups can be represented by the scheme shown in the pic. 1.

Based on the components of the scheme, it can be argued that the elements are represented by three characteristic types of display (character forms): positive, negative and contradictory. The last type of display character inherent in the first globalization processes and global development trends in the development of economy of Ukraine in the mid 90's of theXX century.

Globalization is an objective phenomenon that can not be stopped or avoided a «requirement of modern social development and technological progress». In a world- historical scale, as the Russian scientist S.I. Dolgov, it acts as a «positive movement for the further economic and social development with the strategic perspective and in the present tense and in the current tactical interests that conflict has, linked to



**Pic. 1. Background of retailers in the retail food trade of Ukraine**

the obvious advantages for some companies, industries and sectors of the economy and apparent losses for others». Globalization processes worldwide contribute to the development of technology as the main driving force of economic growth, development and further improvement of global telecommunication networks and electronic communication, which provides a steady exchange of information between countries and provides opportunities to explore progressive international experience and implementing it in practice. In this case, such an outcome study and implementation of progressive experience in the processes of formation of corporate retail chains in the retail food trade in Ukraine.

In addition to stimulating the formation process of world culture, technology, embedded in the processes of globalization, individualisation also reflects the lifestyle and hyperdynamic consumer behavior and other market participants, and is «... the driving force for numerous fundamental changes, affecting the functioning of the corporations that put in the new conditions. «These tests, according to H. Vissemy «require increasing» the proportion of «entrepreneurship in the management company» [1, p. 36].

The block prerequisites «national level» separate dedicated entrepreneurial approach to trade, the implementation of which is accompanied by the expression of the factor «advance» in reaching the market, and the need for «determining the degree of risk that the circumstances in the particular (specified) time and space needs implementation (realization) actions that guarantee the success in the future» [2, p. 49]. This thesis confirms the emergence of a new for the Ukrainian market situation and stresses the need for a strategic approach to the organization of business entities in the market [5, p. 71].

As noted above, the development trend of the economy of Ukraine mid 90's of the XX century had a negative manifestation, but from a position of influence on the formation of trade networks are marked with the author as those which may have contradictory. On the one hand, laying the foundations of the transition economy has led to a significant neglect even those food shops such as «supermarket» that functioned effectively, and loss of much of its functionality. On the other hand, their financial weakness due to a direct threat or implementation of catastrophic risks and initiated by

management and shareholders lease transactions, sales of commercial properties contributed to the rapid expansion of modern chain stores, bringing the practice prevailing weakness of shops that exist as independent, in competition with combined with network entities. The author is a supporter of the thesis that the development of the country requires the preservation of national characteristics, so retail should, if possible, has your face features, shaped by decades of development. In each of the developed countries of Europe and the U.S. population is purchasing behavior as a result of the prevailing habits and prefer a particular type store in Italy are small shops, France – hypermarkets, UK – supermarkets, Germany – discounters.

So, globalization trends and processes of the global market growth are accompanied by guidance on consumer trends and generally uniform standards, but at the same time, there is also the preservation and display of consumer demand for both personal and structured according to the socio-economic and cultural background. The key role in determining the development priorities of the country, particularly in trade, should belong to the state.

The saturation of the markets of developed Western countries and a slowdown in development, gradual stagnation in consumer demand, increasing concentrations of them retailers, gaining competitive nature hard manifestations include the effect of the factor of so-called «pushing» because in such circumstances to compete for most individual stores rotating reduction in their number. For most businesses, combined with powerful retail chains, the predominant factor in the search for ways of further development is that the rate of growth of these structures in most cases exceeds the growth rate of capacity markets in general. One of the most common ways of finding opportunities for further development, which in recent years has been widely spread, the processes of expansion of international operations and expansion – expansion of the scope and limits of activity, expansion into new geographic markets for regional, national and international levels. Main display parameters of retailers are to increase the number of stores that are part of the corporate structure.

Summarizing all the above of globalization can be described as its objective, the most influential, was fo-



cused primarily on the implementation of the requirements of the competition, but at the same time contradictory process. By its influence, it determines the further development of the national economies of the world because of high rates of growth of direct investment, introduction of new and innovative technologies. As a result of this competition gets pretty tough character: out of many companies in the international and global level leads to the changing nature of competition, it goes to the level of the struggle for the part in global market.

Commencement of prerequisites for the development of trade networks manifestation at the national level provides an indication of the restructuring of the national economy was caused by the requirements of entry into the transformational nature of the transition to a market and the need for entry into the global economic system. The basis of the transformation processes in Ukraine, the preconditions of these processes incorporated measures of institutional and organizational and creating an appropriate legislative and regulatory framework, as reflected in pic. 1. This is primarily a process of denationalization privatization and achieving diversity of ownership of commercial enterprises, eliminating the monopoly of state units, commercialization, and liberalization of prices of market structures of management.

Reforming Ukraine's economy and a competitive environment were important components of market reforms in the retail food trade in the making of a new economic system. Price liberalization, providing entities the right to set the price of goods on the market, has created thus an essential condition for the development of price competition.

By prerequisites can be attributed to the formation of the real estate market with the release of a single segment of commercial real estate, which supports the development of trade networks by providing relevant market actors premises – office, retail, warehouse operations as a result of activation of the lease, sale, development and consulting and development companies, specializing in the development and implementation of all stages of projects – from land acquisition to operation of the constructed object. Some foundations positive perception of chain stores consumers laid gradual increase in the Consumer Confidence Index in Ukraine: a positive trend index gained manifestation especially among households with incomes below average, indicating the improvement of financial situation and the propensity to consume [6, p. 2].

The growth of the main indicators of Ukraine's economy for the past five years laid the foundation for the growth of both earnings and savings of the population and its purchasing power, the differentiation of households by income and at the same time to expand the retail market and the gradual formation of a competitive environment and the characteristics inherent trade developed countries. The main of them are diversifying methods of competition, finding and implementing new forms of trade, improved methods of selling goods at retail. However, by this group and prerequisites author considers the importance of providing a thorough approach to strategy formation retailers. This process in the current economic conditions celebrates innovation and the need for a comprehensive study, which was reflected in the thesis.

As part of the third group can be identified as prerequisites for psychological problems, because of the gradual loss over the years the prevailing consumer preferences and adherence to certain types of food stores as types of stores that existed 5-10 years ago, disappear, and a positive perception of chain stores like new phenomenon.

In addition to identifying key assumptions, which laid the foundation for the development of retail chains in the retail food trade in Ukraine, a separate allocation and require consideration of factors in modern conditions have an effect on the development of these organizational structures market.

These factors should be considered in four positions, depending on the nature of the impact: positive (promoting) and negative (deterrent), direct and indirect, supranational, national, urban and internal corporate, explicit and potential. The effect of supranational influence factors should be considered in the light of globalization as «the highest stage of internationalization of the economy, politics, environment and social life, a prerequisite of which serves a total corporatization of the world and the growth of the mighty power of global corporations.»

In the third group of factors of national character are two levels: macro and micro level. At the macro level, the following factors: economic factors (economic growth, the dynamics of the main economic indicators of economic development), political, legal, social, cultural, urban and administrative-territorial, psychological, and micro (motivation, resource capabilities, targeted economic installations behavior of producers, suppliers, intermediaries, competitors, customers, decision-making and implementation tools) [4, p. 79].

Among the factors the national character of the positive impact of macro-level can be divided into a competitive environment in the retail food trade and the development of competition. According to L.I. Didkivska definition, the first of these factors is described as «a set of organizational, legal, institutional, financial, economic and other conditions ... defining and influencing business development, competition ... for the most complete satisfaction of and needs of consumers and profit» [3, p. 55]. The author notes that the role of government in creating an enabling environment for the realization of the potential of competition is dominant.

A favorable factor that attracts foreign investors to the domestic market, serving a difference in terms of return on investment in the construction of commercial properties: in Ukraine, the figure is 4-7 years, in Western Europe, its value fluctuates within 12-15 years. The negative factors constraining the nature of the exposure is insufficient level of market knowledge, not high potential consumer activity and the ability of most of the population, sustainable growth rate of sales of goods in the organized and unorganized markets, the process of establishing and developing effective corporate governance mechanisms that lasts.

The development of the scope of consumption and living standards defines the interaction of two main components: income, including their dynamics, performance level and differentiation, and consumer goods and services market, in particular, the saturation of the market and its supply dynamics and prices.

Entry into the development of economy of Ukraine market-based agenda the issue of interoperability of increasing income differentiation of households and differentiation of consumer markets to the need for consumption of the poor and middle classes as a stable pillar of the overall market. The main point of conflict today is increasing the scope and range of product offering, which offers an increasing number of commercial properties, including those that are part of the retailers on the one hand and on the other – a limited amount of effective and appropriate demand. From the psychological point of view of chain stores affect the market because of the factor «shift attention» to a new type of entities, which include commercial enterprises with features familiar to the consumer (in comparison

with the former supermarket) and the generally positive attitude of consumers to self-service stores.

**Conclusions.** Thus, this research have shown that the basic premise that laid the foundation for the formation of corporate retail chains in the retail food trade can be divided into three main groups according to the hierarchical levels of manifestation: the supranational level, with expression of the global international level, national level that occur at the level of national economic development, determined by its socio-economic situation and development trends, conditions that are laid in the nature of trade networks and strategies for their formation. The manifestation of these groups have prerequisites complex and generally found the incentive effect of the structural changes in the retail Ukraine.

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