

## **THE IDENTIFICATION OF THE FACTORS OF THE DEVELOPMENT OF THE SPECIALIZED RETAIL BUSINESS IN UKRAINE**

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**JEL classification: F 17**

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### **Abstract**

*The article deals` with the investigation of the specific character of the influence of modern trade business on the specialization processes in the sphere of retail trade of Ukraine. The analysis of the qualitative and quantitative changes in the specialized retail business under the influence of the development of trade business has been carried out. Some factors which determine the modern condition and problems of functioning of the specialized trade in Ukraine have been identified. The impact of innovations on the development and deepening of the specialization of trade enterprises in modern conditions has been characterized.*

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**Keywords:** retail business (trade), trade business, trade specialization, specialized trade, retail trade enterprise, innovations.

### **1. Introduction**

Modern processes of the specialization of trade enterprises are being formed under the influence of the domestic and foreign factors which are constantly changing and embrace the wide spectrum of economic, social, organizational and legal aspects.

Trade business of the development of the specialization is structurally divided into domestic and foreign business and is determined by such specific features as the level of the deferenciation of trade enterprises, the structure of retail trade enterprises, the forms and methods of services, the contingent of the consumers, the level of the marketable demands and the structure of the commodity consumption [1, p. 423].

Bu its essence trade business is the whole complex of the basic conditions, circumstances and factors which interact in the sphere of enterprise, influence its nature and the scape of its development. The impact of the trade business can be stimulating, that is positive, repressed (restrained) and negative. This influence on the processes of the specialization of the trade enterprises has its own peculiarities which can be revealed and evaluated during the analyses of conditions which are the components of the trade business [2, p. 328].

### **2. The degree of investigation of the problem at the present time, the purpose of the research**

An important contribution to the study of the features of specialization in the retail trade carried engaged scholars such as Apopiy V. V, Berman B., Vinogradova S. M., Kachan O. E., Levi M.,

Lisitsa V. V. However, they were mostly carried out by specialized commercial enterprises classification without considering factors that influence the development and status of specialization. Therefore, there is a need for a comprehensive study of factors, affecting the formation, development and current state of the specialized trade enterprises in Ukraine.

The main purpose of this paper is detecting and identifying of influencing factors of development in the retail trade specialization.

### **3. Methods and materials applied**

The theoretical base of this paper are modern theories and concepts of specialization.

Complex of factors influencing the business environment for the specialization's development was discovered by abstract and logical method.

The system-structural method was used for system analysis of the process of specialization.

Specialization's trends were identified with institutional and evolutionary method.

### **4. Results and discussions**

The economic foundation of the trade specialization is the uninterrupted labor division in the forms which are demanded by the objective conditions and marketability. The type of economy, economic position, business-climate and free enterprising are among them [3, p. 85].

The type of economy expresses the character of economic development. During the industrialization, collectivization and later on in the period of the restoration of the Ukrainian economy after the World War II business alongside which economy of those times was developing in general extensively which didn't stimulate the processes of specialization. The basis for the development of specialization way laid down during the period of so called planned economy of the developed socialism. But during the transitional period (till 2000 years) when the transformation of commodity circulation rose greatly in importance and scale the above mentioned process became unobtrusive.

When Ukraine had obtained the status of the country with market economy its trade began to grow qualitatively. Thus the process of specialization was activated. But the further total economic and financial crises, deep inflation, the rise of price indexes and some other negative economic phenomenon led to the economic destabilization and aggravated social and economic situation which determined the domestic market in Ukraine and accordingly its trade as an important part of it.

Thus the crucial level of the national commodity production narrows inadmissibly the marketability of goods and services, and during the total economic crises destabilizes the market. Under such condition the specialization of the trade enterprises is a risky one for the businessmen. Due this fact the reduction of numbers of the specialized retail trade could be seen in the manufactured goods sector from 4,900 to 3,300 enterprises and in the provision goods sector from 3,400 to 2,700 enterprises during 2005 – 2015 years [4, p. 107]. In general the risks and dangers of currency fluctuation in impart sphere the processes of goods specialization of business. But suffice it to say that the specialization in import originated from different countries is stirring up.

The freedom of commercial enterprise is a complex category. It includes such things as a free choice of business, trade liberalization, the absence of the barriers for entering commodities and services market, deregulation of business, minimum transaction losses, optimum taxation. All these conditions in total create favorable business climate for trade, meets standard demands and is reflected in the international ratings.

According to World Bank Ukraine was the 83<sup>d</sup> out of 184 in the “Estimation of Business Regulation” rating in 2015. Special difficulties in carrying on business in Ukraine are seen in the permit system and in the defense of minor investors in the taxation. Suffice it to say that according to the similar rating (2008 y.) Ukraine was only the 133<sup>d</sup> out of 157 countries [5, p. 35].

The freedom of business has also another advantage that is the formation of the interseller competition. In the competitive conditions specialization gains very important significance. Functioning under the conditions of free competition retail trade tries to improve their position diversifying the assortments of their commodities and services, differentiating their types which leads to narrow trade specialization. Such a narrow assortment approach during the specialization provides business with some competitive advantages, such as: the satisfaction of special consumers in commodities and services, opening of the specialized shops, constant supply of new goods` assortments, deep knowledge of goods and market demands.

Specialized shops use up-to-day know-how for the planning of their trade zones, organization of technological process, merchandising and franchising. Suffice it to say that types of shops and forms of trade networks are being created on the basis of specialization. They are functioning aggressively at the consumer market seizing it`s new segments and creating non-traditional niches of goods and services.

Types and scales of specialization in retail trade is determined, to a great extent, by the institutional midst which is the sum total of the interacting components of economic, organizing and socio-psychological character! This actively influences the development and functioning of retail trade. The first two parts belong to the formal institutions, the rest of them to the informal ones.

During the last two decades a large scale transformation of the ownership took place in the sphere of trade turnover. As a result the collective form of the ownership was eliminated, the private form was made a fetish. Nowadays the forms of ownership are distributed as the follows: 96-98 percent of retail trade is in private ownership, 2,0 – 2,5 percent`s of it is municipal property and – 0,1 – 0,2 percent`s belong to the state. (The same figures characterize the joint ventures and foreign companies in Ukraine).

The transformation of the forms of the ownership has gone from one extremity when state ownership in trade was 75 p/c/ in 1990) to the other when private ownership is over helming in 2015 with is characterized by mass development of small and even microbusiness. The monopolization of private ownership can`t be clearly determined for the processes of specialization. On the one hand free business and strengthening of the competition give the impact for searching the ways of specialization, but on the other hand such specialization can`t be called affective, because it had been formed not on the objective foundation of the social division of labor, but as a result of the assortment differentiation under the influence of the growing competition. Under the conditions of crises phenomena specialized shops proved to be unstable and thus their number reduced during the recent years.

The essential impulse for the development of specialization was seen after “The Conception of the Home Trade Development of Ukraine” was adopted on the 20<sup>th</sup> of December 1997, and “The Programme of Home Trade Development” № 632 was approved by the Decree of “The Cabinet of Ministers of Ukraine” of 24.06.2009. abovementioned documents were aimed at the growth of quantity and improvement of the structure of consumer's goods of the domestic origin, at the structural reconstruction and optimization of the trade network, at better provision of the population with trade floor space in the shops, at sanctioning up-to-date standards of services at the development of the competition in retail trade.

Crucial improvement in the specialization of the trade enterprises was expected from the adoption of the Ukrainian Law “On the Domestic Trade” but for more than 5 years the ready project of this Law has been rejected by the Supreme Soviet of Ukraine [6, p. 255].

Accordingly there is no direct Law which can regulate the development and functioning of the Ukrainian domestic trade therefore the problems of specialization are left without a proper legal basis.

Thus the formal institutions which had to regulate the development of specialization of retail trade proved not to be efficient enough. The legal basis of the functioning of the functioning of trade and depending of the specialization of trade objects is also out-of-day and nonaffective. Thus the institutional midst is being formed unsystematically fragmentarily and without aproper legal regulations.

Special role in the formation of the institutional midst is played by the informal institutions such as customs, traditions, national peculiar, arts, faith, way of living, moral principles. They assume even greater importance in the development of a social function of trade. Thus under the influence of informal institutions specialized shops have appeared recently where national peculiarities, traditions, customs, religious cults the life-style of town and country population have been manifested. In the framework of the above mentioned conditions one can distinguish socioeconomic, organizational and institutional factors which influence the specialization in the retail trade.

Thus in the complex of socio-economic factors the scope and structure of purchasing demands and commodity offer determine the formation the types of specialization, the level of consumers income and their paying capacity, and also providing trade with resources for the development of the scope and rate of specialization; the structure of the consumers audience for the formation of varied specialization; and the innovation activity for the dynamics its improvements [6, p. 256].

The institutional factors do not only provide the processes of formation of specialization in the retail trade but also, to a great extent, determine the efficiency of its development. In this case the formation of business specialization depends on the legal basis, which regulate the development of national economy. The regulation of the processes of specialization is being accomplished with the help of normative providing of trade and the improvement of specialization is determined by the competition which exists at the market. During the last years the innovations have become an active factor of development and deepening of specialization, being implemented in the forms of progressive organization, management of up-to-date technologies, new goods and services, non-traditional methods of selling commodities and services, stimulating of trade. The innovation activity of business is aimed at strengthening its competitive offers and efficiency of functioning

following qualitative and quantitative changes. Alongside new types of specializations, non-standard trade enterprises are being formed under the influence of innovation factors.

The innovations in the sphere of trade technology (the use of automatic self-service systems, automatic electronic trade scales, capable to recognize goods, the introduction of the technologies of radiofrequency identification of goods, etc.) generally are of electronic character so they motivate technological progress aimed at qualitative renovation of the basic trade technologies and creation of the preconditions for the specialization of enterprises. Commercial-marketing course of the innovations directly promotes the development of new types and deepens trade specialization. For example category management, branding, creation of its own trademarks enhances assortment specialization. At the same time the use of merchandising allows to represent efficiently goods in the shops with different specialization [7, p. 4].

Organization and management innovations which include progressive forms and methods of sales, omnichannelity of sales, using up-to-date (with the help of logistics) systems of management of the commodity stock and the chain supply. And they are the most important in the innovational activity of business. The scale and tempo of specialization greatly depend on their intensity.

The innovations in the sphere of pricing (the use of sectorial or stimulating pricing, different kinds of price reductions etc.) are of great importance for strengthening competitive positions, activating sales, attracting sales, attracting new consumers and providing profitable business.

## 5. Conclusions

To sum up we can say that complex processes of specialization call forth new the tendencies in the up-to-date development of retail trade in Ukraine, which gives a chance to use the business potential of the trade enterprise efficiently and makes some improvement in it; respond to deep changes in the market demand structure and satisfy it as much as possible; change the structure organization and management.

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#### **Rezumat**

*În articol se cercetează specificul influenței mediului modern de afaceri din Ucraina asupra proceselor de specializare a comerțului cu amănuntul. Este efectuată analiza modificărilor cantitative și calitative, produse în sistemul entităților comerciale specializate, sub influența componentelor mediului de afaceri. Se identifică factorii ce caracterizează starea actuală a comerțului specializat în Ucraina și problemele funcționării lui. Este caracterizat impactul contemporan al inovațiilor asupra dezvoltării și aprofundării specializării întreprinderilor comerciale.*

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**Cuvinte-cheie:** comerț cu amănuntul, mediu de afaceri, specializare a comerțului, comerț specializat, entitate de comerț cu amănuntul, inovații.

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#### **Аннотация**

*В статье исследована специфика влияния современной бизнес-среды на процессы специализации в сфере розничной торговли Украины. Проведен анализ количественных и качественных изменений системы специализированных торговых предприятий под влиянием развития составляющих бизнес-среды. Идентифицирован ряд факторов, определяющих современное состояние и проблемы функционирования специализированной торговли в Украине. Характеризовано влияние инноваций на развитие и углубление специализации торговых предприятий в современных условиях.*

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**Ключевые слова:** розничная торговля, бизнес-среда, специализация торговли, специализированная торговля, розничное торговое предприятие, инновации.

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Received 14.12.2016

Accepted 28.12.2016

Published 30.12.2016