

**DEVELOPMENT OF UKRAINIAN ENTERPRISES AFTER FINANCIAL CRISES****Natalya RAKSHA***Kyiv National University of Trade and Economics, Ukraine  
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*The article deals with the main tendencies of companies' development in 2011 and in early 2012. The main factors that influence the activity of trading networks are investigated. The priority directions of formation of an enterprise competitive advantage under new economic conditions are proposed.*

**Key words:** *competitive advantage, trading networks, financial crises, strategic management, Ukrainian enterprises*

**JEL Classification:** *L22, M10, M31.*

**I. INTRODUCTION**

Retail trade as an important part of Ukraine's economy today is undergoing a dynamic transformation stage of development. Economic reforms deepening, developing of new forms of trade, rapid changes of methods of doing trading business and difficulties of adjusting to them make it necessary to investigate problems of further development of trading networks. Under the conditions of developing of market model of economy in Ukraine, it is necessary to change the system of views on an enterprise development management in unstable and hard predicted outside environment and that is why the strategic management, and especially as a result of its activity, competitive strategy of an enterprise assumes ever greater importance in the conditions of global competition strengthening.

**II. DEVELOPMENT OF UKRAINIAN ENTERPRISES AFTER FINANCIAL CRISES**

Orientation of Ukrainian enterprises on formation of market type behavior strategy which is based on the definition of market positions provides the adequate response to the potentially dangerous outside changes on the world markets and also increases the effectiveness of the applied strategy. Macroeconomists of the International Monetary Fund (IMF) gave the most optimistic prognosis of world economic growth in 2011 by 3.9% and in 2012 by 4.3%. Specialists of the World Bank forecasted that in 2011 sum total world gross product will increase by 2.7% and in 2012 by 3.2%. Economists of UNO hope that in 2012 world economy will increase only by 2.4% ([www.world.eizvestia.com](http://www.world.eizvestia.com)).

At the same time, experts evaluate GDP of Ukraine in different ways. According to the prognosis of main specialists of Forex Club centre average-annual quarter rate in 2012 will be 4.68% Fund of Blazer gives its own, less optimistic prognosis of GDP growth - at the level of 4% (Biven, 2008, p.288). Such sectors of economy as trade, transport which are domestic demand oriented are showing apparent increase.

Real income of Ukrainians in 2012 is expected to rise by 3-4% and the situation in the sphere of employment will also be improved. The level of unemployment of population of 15-70 years old may be reduced by 7-7, 5%.

If we analyze the tendencies which take place in the domestic trade, then according to the prognosis of the leader of Forex Club information-analytical centre the increase of retail trade volume in Ukraine in 2012 is expected to be at the level of 6%. Experts forecast the increase in consumer crediting of population by 15-20%, which will promote the increase in retail trade volume in Ukraine. The expected increase in the economy of Ukraine in separate sectors will also promote the renovation of retail trade.

The review of the latest publications and own researches show that in the conditions of economic crisis the main task for the management of any enterprise is its survival. The main problems that enterprises faced with in 2012 are: competition strengthening in price policy, inflation processes and devaluation of hryvna, reduction of sales volume necessity to reduce operation expenses, dropping of demand on goods and services (especially in non-food segment), staff reduction and dismissal, problems of payments reimbursement by partners. In 2011 52 trade enterprises were examined with the aim of definition the prior types of trade enterprise activity; these

enterprises included trading networks (25%), medium size enterprises (33%), and enterprises of small business (42%). Specialists and leaders of marketing and human resource departments took part in survey. (tab.1). Among the types of enterprise activity in the crisis period the following are the most important: management of relations with clients and formation of their loyalty, development of new products and services, new market penetration; less significant becomes the problem of staff reduction in the 3d and 4th quarters.

**Table 1: The tendencies of changes priorities different kinds of activities trade enterprises in 2011 year, % of have been asked**

The period	CRM	Promotion of new products and services	Implementation in new markets	Personnel reduction
1 quart.	59	34	28	31
2 quart.	66	44	44	29
3 quart.	75	56	27	21
4 quart.	70	63	32	15

Source: Private investigations

Deep changes that took place in the retail trade first of all touch the methods of goods promotion to the market; to improve the quality and increase the volume of service national operators open new formats of shops reconstruct and consolidate the channels of distribution

At the same time according to the survey data ‘Ernst and Yang’ most of enterprises (68 Ukrainian and international companies) confirm that they responded to the economic crisis by means of reducing expenses (biz.liga.net). Respondents pointed out such traditional ways of reducing expenses as: administrative (82%), agreements with real estate owners as to more profitable conditions (80%), increasing operational effectiveness (62%) including staff reducing and bonus reducing (more then 50%). It is said that such methods of reducing expenses provide competitiveness and profitability for a long-term perspective.

Trade enterprises which did not manage to occupy the leading positions and profitable niche or dominate in these or those regions, found themselves in a very difficult situation: due to their small size they became non-competitive concerning expenses and opportunities. It is much more difficult to develop and protect one’s market share against both national and international competitors. Such enterprises must change their strategies in order to keep their positions and achieved level of profitability in long-term perspective.

According to State government of statistics retail trade turnover in 2011 dropped by 20.6% in comparison with 2010 and amounted to 229.855 billion UAH. Total turnover of retail trade (including street markets and natural persons-entrepreneurs trade) in 2011 amounted to 442.793 billion which is 16.6% less than in 2010.

Leading trading networks actively incising their power and effectiveness intensify competition as a whole. More than 50% in the structure of commodity turnover of trading networks belong to national operators (tab.2) At the same time local operators occupy the second position,-17.8%, regional –the third (16.6) and international operators (14.2%)

**Table 2: Characteristics of trade operators in Ukraine**

The name of operator	Quantity	Trade area, thous. sq. m.	Specific gravity of commodity turnover retail network (%)
<b>National operators</b> (retail networks are in 4-5regions ),	8	816	51,4
<b>Regional operators</b> (in 2-3 regions),	7	294,5	16,6
<b>Local operators</b> (are in one region)	48	352,5	17,8
<b>International operators</b>	5	279,5	14,2

Source: Local retail is decrease, <http://biz.liga.net/articles/EA090164.html>

The biggest trading spaces occupy national operators – 816 thousand sq.m.. Then follow local operators (352.5 thousand sq.m) regional (294.5 thousand sq.m) and international networks (279.5thousand sq. m): trading networks stage by stage extend the geography of their presence displacing and sometimes take over medium – size and small enterprises, uncontrolled markets. Such tendency is conditioned by the increased demand of consumers not only to the quality of goods but also to the shopping process technology.

Despite the crisis in Ukraine, thanks to the policy of competition, companies strengthen their position on the market. The largest in Ukraine retail trading discount network ‘ATB’ in 2011 opened 83 trading enterprises, thus expended the network up to 372 shops and the geography presence – to 114 cities of Ukraine. Commodity turnover of ‘ATB’ trading network in 2011 amounted to more than 8.9 billion UAH (VAT including).

Under difficult economic conditions 'Nash Krai' network could optimize expenses and continue expanding the network. According to the results of their activity in 2011 commodity turnover of the network amounted to 450 million UAH, operational income of 'Nash Krai' network rose by 1.5 times as company's media informed. 22 shops were opened during the year, 7 of them are private and 15 of them are franchise. By the end of 2011 'Nash Krai' network had comprised 55 shops ([www.pau.com.ua](http://www.pau.com.ua)).

In 2011 'Velyka Kyshenya' network is going to increase sales by 20-25 % if the consumption in the country remains at the same level: the company is also going to open 20 new shops at the expense of company's resources basically on the rented spaces ([www.retailstudio.org](http://www.retailstudio.org)).

International trading operator 'Ashan' smoothly penetrated the market and aggressively tighten up its positions in commodity turnover volumes, expanding the trading spaces, locating itself on the bought out territories of the bankrupt network 'O'Key'.

The main advantages of operator 'Ashan' are synergy of such business competences as the policy of low prices, using logistic system of management, rational display of goods, world experience of management, planning personnel training to provide the best level of consumers service.

To achieve competitive advantages and to increase their influence on the market, enterprises use offensive and defensive actions. Under offensive activity the enterprise conducts an aggressive competitive struggle, which is aimed at displacing competitors out of the market or to minimize their market share.

Viable positions of subjects of economic activity provide the basis for competitiveness' protection and thus are transformed into strategic positions of enterprises. Trading companies are eager not to lose their clients but to attract new clients – consumers of services. It is also necessary to search for additional ways of preserving the competitive positions on the market, One of the trends to provide survival under crisis conditions is to choose effective strategy of development on the basis of formation competitive advantages of economic activity subjects

With the aim to keep and strengthen strategic positions, trading networks intend to concentrate on two main directions: optimization of expenses and increase of volume of goods and services realization. The trend of expenses optimization envisages re-engineering of key business-process and organizational structure of management, reducing the outlay at the expense of optimization of operation activity, increasing the effectiveness of management. Marketing activity of trading networks-leaders in 2012 will be directed to the strengthening of the competitive price advantage. To our mind, we will see active development of private trading labels (PL), expanding action proposals of trading networks. Thus, for example, many trading networks plan to increase in the current year the percentage of goods with PL by 20% of assortment list. 'ATB-market' Ltd, 'Furshet' Ltd, PLC 'Fozzy group' declare the development of social programs to provide consumers with low level of income with essential food-stuffs at minimal prices ([www.pau.com.ua](http://www.pau.com.ua)).

The existence of powerful transnational trading networks on the market of Ukraine intensifies the processes of competition and thus stimulates the domestic retail to develop new strategic guiding lines in order to strengthen their competitive positions.

Advantages of formation of strategic competence of leadership in expenses allow having high rate of success on the market of high dependence on price, retaking market share of competitors, increasing the profitability due to reducing expenses, increasing the autonomy of an enterprise as a result of saving the expenditures (service, energy supply), optimal combination of parameter 'price-quality'.

From the above mentioned it is clear that more close the business strategy and the processes of using competitive business and personnel management potential are, the higher competitive advantage and enterprise activity effectiveness.

Leading retailers of the market use pricing policy strategy which provides for unchanged prices for goods. Ukrainian retail holds stable competitive position on the market due to the optimization of logistics processes, reducing rent rate and buying prices. Trading network makes timely payments to suppliers that do not raise prices for goods ([www.retailstudio.org](http://www.retailstudio.org)).

The search for the sources of investment, expansion and development of network, expansion of range of goods, more precise position of network in format 'shop in the house' and 'express' remains prior in plans for next year. So, stable development of trading networks is found on the base of effective management of expenses in the crisis period and pricing policy that meets the consumers' demands.

For example, 'ATB-market' plans to expand logistics base of an enterprise in 2012: building of two regional distributive centres – one of them will serve shops in the southern regions of Ukraine, other – in the northern regions (now the enterprise owns four distributive centres of category 'B'). Strategy of network ATB 'Market' development for the nearest 3-5 years is aimed at approaching to European standards of trade in the discount format.

Sales volume increase of enterprises is provided by formation of strategic alliances and by increasing its market share.

Active influence on management of sale will exercise precise marketing researches in order to define target auditory, brand-management, organization of sales, formation of flexible pricing policy, development of

new channels of sale, e-commerce, introducing into the process of realization of new goods, including goods with private trading label (TL)

Low percentage of PL goods in Ukraine can be explained by the existence of small number of powerful manufacturers, which could provide continuous supply of goods and guarantee stable quality of goods. It intensifies sharp competition in both production sphere and in retail trade.

The biggest part of enterprise authority provides its system of relations with competitors. It is this sphere of relations of enterprise with outer environment that reveals shortcomings related to the hierarchy of company values. The problem of bluff possibility in business despite numerous discussions, scientific and practical disputes on this topic remains still open and each trading network has the right to choose its own strategy, not following the stereotypes. Nowadays the actual question on the market of retail is competition in the sphere of pricing policy. Most enterprises exercise 'pricing wars', discount programs because of reducing the volumes of sales and adaptation to new economic climate. Separate Ukrainian companies practice implementation of pricing acts that envisages the price for certain group of goods cheaper than competitors offer. Thus trading networks can attract additional consumers who can buy not only cheap goods but also other goods\services in their assortment.

### **VIII.CONCUSIONS**

Besides, the future development depends on key group of specialists, whose knowledge and competence define the activity of company at the executive level. It is important to correctly forecast personnel needs, plan future demands to personnel and plan training and retraining considering strategic guiding lines of development of enterprise business. Implementation of new instruments of continuous growth of professional level of personnel by means of experimental programs, new ways of motivation and methods of stimulating the employees, systems of personnel qualification improvement in the atmosphere of encouraging the independence and comfortable conditions of work will promote the success in the long-term perspective of trading networks ([www.retailstudio.org](http://www.retailstudio.org)).

Thus competitive strategy of enterprise is important element of successful and protracted existence on the market; this strategy defines an individual character of enterprise activity and peculiarities of its policy concerning the consumers. But if the company wants to be a leader of the world reputation, it must follow certain ethical demands and competitive policy. Bad reputation of enterprise increases the risk of doing successful business of organization. The atmosphere of respect to partners and competitors, honesty and professionalism must become inseparable part of corporate philosophy of trading networks.

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