

FORMATION OF A MODEL FOR MANAGING THE POTENTIAL OF REGIONAL MARKETS

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Abstract. In an unstable and rapidly changing economic environment, it becomes even more difficult to determine the state and prospects of development of specific markets, especially regional ones, where specific conditions are in place. In order to effectively coordinate the development of a particular regional market, it is necessary to clearly define the extent to which its potential has been exploited and to identify the factors that influence the formation of the regional market's potential. The *subject of the study* is the theoretical and methodological foundations of managing the potential of regional markets. The *aim of the study* is to develop a model for managing the potential of the regional market. *Methodology.* To achieve the goal of the study, the following tasks were set and solved: a critical analysis of approaches to the definition of the concept of "regional market potential" was carried out, the theoretical and methodological foundations for the formation of a model for managing the potential of the regional market were substantiated, the components of this model were clarified, and the types of links between the components of the model for managing the potential of the regional market were identified. The paper uses the following methods and approaches to research: abstract and logical approach used in the study of the theoretical and methodological foundations of interaction management, analysis of theoretical approaches to the formation of a model for managing the potential of the regional market, inductive and deductive (used to determine the factors influencing the formation of a model for managing the potential of the regional market), systematisation and generalisation (to clarify the concept of "regional market potential"). *Results.* The research considers the processes of formation and management of the potential of regional markets. It reveals the essence of the concept of "potential of the regional market" on the basis of studying the definition of the concept of "potential". The article describes and groups approaches to determining the market potential of a region and formulates its own definition of the regional market potential as "the upper limit of production, sales and consumption of a certain type of product in the region, at which the financial interests of market participants are maximally satisfied, for which the existing resources are sufficient". The article characterises the structure of the regional market potential: the forming component (production, consumer and trade potential) and the ensuring component (socio-economic potential of the region). A model of management of the regional market potential is proposed. *Practical implications.* The proposed model will help to clarify the role and functional relationships between the components of the regional market potential and take into account the peculiarities of the functioning of regional markets in the implementation of market forecasts. *Value/originality.* In the structure of the regional market potential, unlike the well-known ones, the forming and ensuring components of the regional market potential are distinguished. The addition of the trade potential component to the traditional forming components, such as consumer and production potential, will allow taking into account trade opportunities and conditions for fast and high-quality trade organisation in the region.

Keywords: regional market potential, consumer potential, production potential, trade potential, factors of influence, management model, agricultural products.

JEL Classification: A10, R12

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1. Introduction

As a result of the historical and economic preconditions for the development of individual territories, there is a varying degree of development not only of commodity markets, but also of regional markets. This can be explained by many reasons: regional population density, income levels, industrial development and job availability, commodity specifics of production in certain regions, and thus opportunities for the production and consumption of certain groups of goods. The saturation of regions with certain products, demand for certain types of goods, the dynamics of production and consumption of products all characterise the future opportunities and trends in the sale of a certain group of goods within a particular regional market, and thus characterise the potential of this market.

The study of various aspects of the theory of enterprise potential management is devoted to the works of many domestic scientists – Ye. Beltiukov, I. Dolzhanskyi, R. Krasnokutskaya, O. Olesiuk, I. Riepina, H. Udalykh, O. Fedonina, and others. The study of the issues of managing the potential of regional markets is covered in the research of such authors as: S. Alieksieev, T. Ruzhytska, D. Teslya, S. Shults, T. Zaychuk. However, the structure of the regional market potential and the impact of its individual components on the degree of development of the regional market potential have been insufficiently studied.

The aim of the study is to form a model for managing the potential of the regional market. To achieve the research goal, the following tasks have been set and solved: to carry out a critical analysis of approaches to defining the concept of "regional market potential", to substantiate the theoretical and methodological foundations for the formation of a model for managing the potential of the regional market, to clarify the components of this model and to identify the types of links between the components of the model for managing the potential of the regional market.

The article uses the following methods and approaches to research: abstract and logical approach used in the study of the theoretical and methodological foundations of interaction management, analysis of theoretical approaches to the formation of a model for managing the potential of the regional market, inductive and deductive (used to determine the factors influencing the formation of a model for managing the potential of the regional market), systematisation and generalisation (to clarify the concept of "regional market potential").

2. Genesis of the Concept of "Regional Market Potential"

The state of market conditions characterises both the realities of cooperation between all market

participants at the current stage of development and outlines the possibilities for the development of a particular market under certain circumstances. Opportunities for economic entities to fulfil their needs depend not only on the type of products sold on the market, but also on the region in which the products are sold. Possibilities of satisfying the interests of representatives of supply and demand in the market are commonly referred to as its potential.

Economic science has borrowed the term "potential" from physics, and accordingly, the concept of market potential is "...the production and consumer capabilities of business entities that determine the equilibrium level of supply and demand." (Derevyanenko, 2001; Krstevski et al., 2024)

Considering potential as an economic category, one usually relies on three main concepts: resource (as a set of resources and links between them), functional (as a set of functions that ensure the realisation of abilities and opportunities), resource-target (as a set of resources and abilities to achieve certain results, goals) and other concepts. The optimal structure of the capability should have a minimum number of components, but at the same time, they should fully perform the assigned functions. Some authors, such as Kovalska L. S., distinguish such a concept as "regional potential", interpreting it as a set of economic, social and natural resources available in the region (Kovalska, 2012).

It is when considering the definition of the region's market potential that there is a discrepancy in the views of scholars (Table 1).

Based on the analysis, this paper offers the following definition of the concept, in particular, that the regional market potential is the upper limit of production, sales and consumption of a certain type of product in the region, which maximises the interests of market participants, for which existing resources are sufficient.

The potential of a regional market is assessed primarily as an opportunity to sell products in a particular region, with the maximum possible consumption of products in a given region being taken into account. In turn, when assessing the potential of the regional food market, the norm recommended by the Ministry of Health for rational food consumption should be used to calculate the absolute market potential.

Today, according to the Ministry of Health, the rational consumption of meat and meat products is 83 kg per year (while the average consumption in Ukraine in 2021 was 53 kg per year). Therefore, it is the assessment of the potential of regional markets that should be given sufficient attention today. Thus, today, the potential of regional food markets (Figure 1), using the example of meat consumption in the regions of Ukraine, demonstrates the underconsumption of this food product in the diet.

Table 1
Approaches to determining the market potential of the region

Approach basis	Definition
Consumption options	Possibilities of consumption by the regional market of a specific quantity of a specific product in different environmental situations (taking into account risks) during the year (Alieksieev, 2014)
System of relations	A system of relations between producers, intermediaries and consumers of goods and services (Plotnytska, 2015)
Sales volume	The amount of sales of any product or group of products of the entire industry in a certain market over a certain period of time (Krasnokutskaya, 2008)
Resulting performance potential	The resulting potential of any industry complex and the accumulation of economic potential (resource, production, export, investment, and so forth) (Revutska et al., 2012)
Upper limit of demand	Absolute market potential as an upper bound on demand (Zaychuk, 2012)
Part of the region's economic potential	A part of the economic potential of a region, a separate set of interconnected elements of its economic system, distinguished by the principle of their function in the market, characterising the region's ability to produce and consumption opportunities (Teslya et al., 2014)

Source: compiled by the authors

To determine the untapped potential of the regional market, a comparison of the consumption of meat and meat products by region of Ukraine in 2021 with the consumption rate recommended by the Ministry of Health, taking into account the consumer preferences of the population, will be made. The untapped potential can be considered as the potential sales volume for enterprises engaged in the production and sale of meat and meat products, provided that the level of socio-economic security of the population improves and consumption of meat and meat products grows.

3. Conceptual Approaches to the Formation of a Model of Interaction of Components of the Regional Market Potential

The region's market potential is developed and shaped by a number of factors (Savchenko et al., 2023):

the availability of powerful industrial production facilities; the level of development of the region's market infrastructure in general; the development and availability of logistics routes for the sale of products; the demographic situation in the region, which has a direct impact on the creation of aggregate demand; household incomes that form the purchasing power of demand; the region's resource base (raw materials, material, labour, financial resources; the possibility of selling products outside the region, taking into account the possibilities of international trade.

A clear and unambiguous picture of the structure of market potential, especially regional potential, has not yet been formed. This is due to the fact that research on this issue is carried out within the framework of individual manifestations of potential. As a result, a rich toolkit for assessing the market, production, and financial capabilities of an enterprise has been

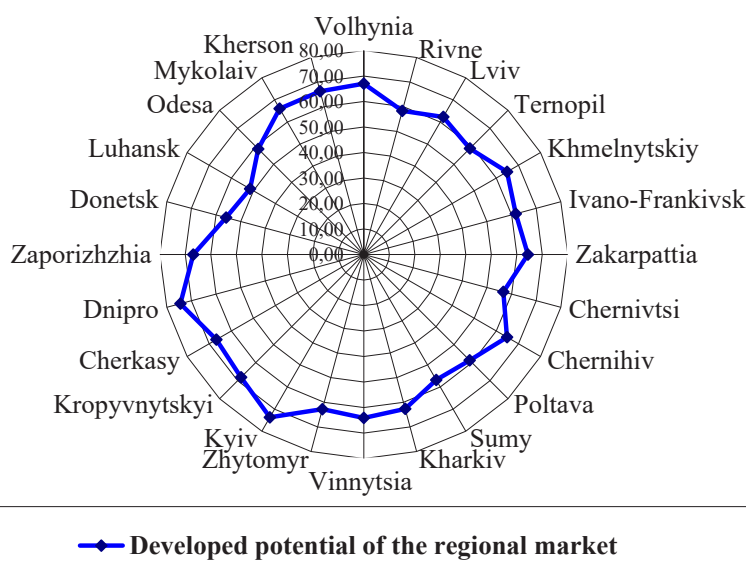


Figure 1. Share of the utilised potential of the regional food market (meat and meat products) in Ukraine, %

Source: compiled by the authors

accumulated, but at the same time, there is a lack of comprehensive coverage and a systematic approach to presenting the structure of market potential. The most common opinion is that the total market potential consists of production and consumer potential.

Production potential as a component of market potential characterises the ability of aggregate production to supply products to this market. At the same time, it also reveals the peculiarities of its components: both in terms of the production potential of individual enterprises and production factors: production capacity utilisation, technology innovation, human resources, and financial resources. Consumer potential characterises a certain capacity of the regional market in terms of consumption of a particular type of product. The authors of this study agree with this opinion, but at the same time note that such a characterisation of the aggregate potential of the regional market does not take into account some aspects that influence its formation.

Market potential is also considered from the macro and micro levels. At the macro level, the overall market potential (opportunities) for consumption and production of a particular type of product is determined, depending on the market conditions of a particular region. At the micro-level, production, consumer and trade capacities are characterised separately.

Thus, the components of the regional market potential can be divided into two categories (Figure 2): forming (production, consumer and trade potential) and ensuring (socio-economic potential of the region).

The constituent components form the basis of any business process – the structure of the regional market is formed on the basis of consumer, production,

trade opportunities and needs. Support and realisation of the production, consumer and trade potential of the regional market is achieved through the realisation of the socio-economic potential of the region.

Production potential describes the material and technical condition of the poultry sector and the availability of production and technological support required for the production of products, as well as the ability to quickly reorient production facilities and launch new products. Production potential is the material and resource base that ensures or limits the ability of production to achieve business prospects.

Consumer potential as a component of market potential characterises the aggregate demand for products. If one considers consumer potential from a regional perspective, it can be described as the purchasing power of consumers identified by a certain territorial feature.

In addition to the purchasing power to absorb a certain amount of goods, which directly depends on the income of the population, consumer potential characterises the structure of the assortment with which the manufacturer reaches the consumer.

Consumer potential is also a reflection of the economic and social development of the region, as it shows, on the one hand, the level of provision of the region's population with the necessary products, and, on the other hand, the ability of the population to make purchases.

The size of potential demand indicates the degree of attractiveness of the region for enterprises and serves as an incentive for the development of their production potential.

In turn, consumer potential allows to forecast the potential capacity of the regional market. Market

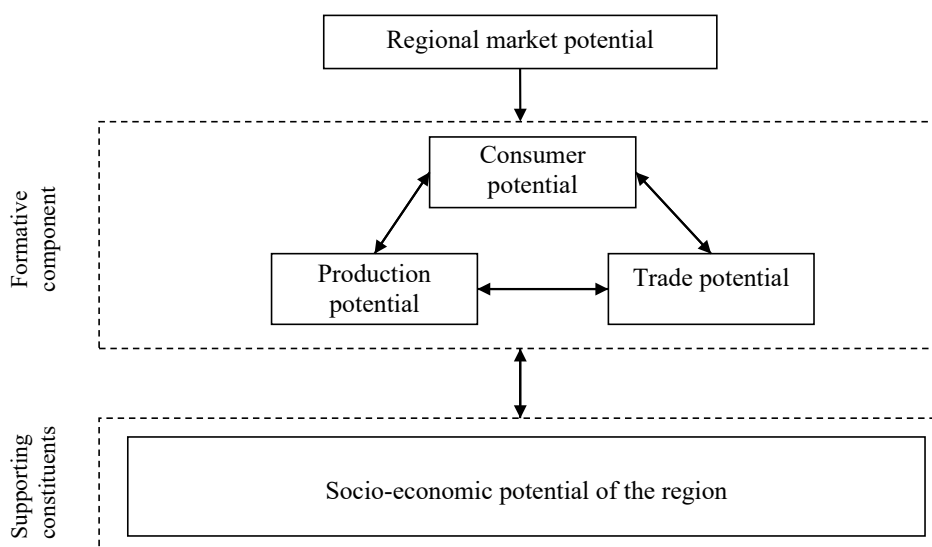


Figure 2. Regional market potential management model

Source: compiled by the authors

capacity is the amount of goods that a market can absorb under certain conditions in a given period of time.

Both the production and consumer potential of the region is influenced by the level of trade potential, which is also a component of the regional market potential.

Trade potential is characterised by the ability of producers to deliver and the availability of retail chains to sell their products, and by the availability and convenience of purchases for consumers.

The component that ensures the potential of the regional market is the socio-economic potential of the region. The level of the region's social and economic potential is evidenced by socio-economic indicators that characterise the situation in the region, such as the number of available population, available income per capita, population expenditures per capita, consumer price index, etc.

It is the development of the region that is the starting point for the formation of the regional product market, as this is what determines the growth or decline trends for a particular type of product in the region.

A certain region can be viewed as a certain market segment, which means that the attractiveness of a region can be characterised by: the availability of the regional market (from the perspective of producers – the degree of market monopolisation and barriers to entry; from the perspective of consumers – the price and logistical availability of products; from the perspective of intermediaries – the ability to supply products);

– potential profitability of the market (pricing policy of both producers and intermediaries, possible sales volume, level of consumer solvency;

– development of the regional market (the level of consumer demand satisfaction, the degree of product saturation in the market, the established communication links and the degree of awareness of the terms of cooperation among all market participants.

On the basis of determining the characteristics of a particular region and the degree of involvement of all resources in the production and consumption

of products, it becomes possible to formulate a conceptual approach to improving the efficiency of using the potential of the regional market. This approach requires the formation and selection of a certain system of indicators, which, on the one hand, will meet the specifics and requirements of a particular industry, and, on the other hand, will take into account the possibilities for the territorial separation of regional markets as single objects of research in the national market system. The methodological approach should be aimed not only at stating the results of the study, but also at finding opportunities to increase the level of the market's exploited potential.

4. Conclusions

The article describes and groups approaches to determining the market potential of a region and formulates its own definition of the regional market potential as "the upper limit of production, sales and consumption of a certain type of product in the region, at which the financial interests of market participants are maximally satisfied, for which the existing resources are sufficient".

The authors define the components of the regional market potential, which can be conditionally divided into two categories: forming (production, consumer and trade potential) and ensuring (socio-economic potential of the region). The constituent components form the basis of any business process – public authorities set goals, objectives and ways to achieve them based on consumer needs and production capabilities of the region. The support and implementation of the set goals is based on the level of human and land resources in the region, infrastructure development, speed of information processes and compliance of the level of innovation with modern market requirements. The proposed model will help to clarify the role and functional relationships between the components of the regional market potential and take into account the peculiarities of the functioning of regional markets in the implementation of market forecasts.

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Received on: 23th of January, 2024

Accepted on: 12th of March, 2024

Published on: 05th of April, 2024