

# **DEVELOPMENT OF THE NATIONAL ECONOMY: MODERN CHALLENGES AND NEW OPPORTUNITIES**

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## **PROSPECTS FOR THE DEVELOPMENT OF THE MODERN RETAIL TRADE MARKET IN UKRAINE**

### ***Summary***

*In the era of globalization in the world economy, when the level of competition and technological progress is growing, trade participants need to monitor development trends, because this particular area of activity acts as a source of gross domestic product and filling the country's budget can develop in non-standard conditions and generate significant profits. This is especially true for retail, which requires increased attention from the state and develops under the influence of a number of factors, which have social, legal and economic nature. The variability of these factors affects trends in the development of the market environment and the functioning of trading enterprises, requiring effective approaches to ensure the efficient use of resource potential. Therefore, the analysis of the current state and the identification of prospects for the development of this market are crucial for achieving stable positive results of enterprises in Ukraine and finding ways to solve pressing problems in this area.*

*The modern period of development of the Ukrainian economy is characterized by a significant expansion of the trade sector, where there is increased competition in the market of goods offered for sale, the complication of economic relations between trading enterprises, their counterparties and consumers, the emergence of effective methods of revitalization in the sale of goods.*

*In connection with this, there is a question of identifying certain opportunities and problems, as well as ways to solve them in the future development of trade networks in the Ukrainian retail market. The main purposes of this work are to assess the current state, and identify prospects*

*for the development of the modern retail market in Ukraine, and to identify problems that arise along the way.*

*Based on the analysis of trade networks in Ukraine and assessment of their current status, the development trends of retail trade networks are determined. The ways of stable functioning of shopping centers and stimulation of their improvement are offered. The necessity of forming a scientifically grounded development strategy is proved, which will allow to identify the prospects and the weaknesses of the introduction of entrepreneurial activity.*

### **Introduction**

The modern period of the Ukrainian economy's development is characterized by a significant expansion of the trade sector, where competition in the commodity market is growing, and the complexity of economic relations between trading enterprises, their counterparts and consumers and, at the same time, there is the emergence of effective methods of activating sales. This determines the need to consider the problem from a scientific point of view.

Retail trade is an integral part of the national economy, which characterizes economic growth through the dynamics of consumer spending. Considering retail trade as a commercial or exchange activity, it should be noted that it is also an important element of the goods movement system and occupying an intermediate position between the social and industrial spheres, sells goods and products to final consumers.

A significant contribution to the development of the theory and practice in assessing the efficiency of economic activity of trade enterprises was made by V.V. Apopii, L.V. Balabanova, I.A. Blank, N.D. Vynohradskyi, N.A. Vlasova, L.A. Lihonenko, A.A. Mazaraki, A.A. Sadekov, N.N. Ushakova and other researchers.

Scholars focused on the study of the problem of assessing the efficiency of economic activity of a trading company, the study of the role of trade for the development of the national economy, competitiveness of trade enterprises, features of price policy formation and organization of trade activity.

The lack of a stable theoretical and methodological base in the field of trade leads to its chaotic existence and requires an immediate change in the current situation that will facilitate the development of retail networks in the national market.

Traditionally, trade is considered as a type of economic activity and a scientific basis for its development has been almost neglected. In this regard, the development of the national trade is not the highest level, therefore, requires careful study. Development and implementation of substantiated proposals on the strategic direction of the development of trade in the national market can become the key to solving the socio-economic problems that the country and its individual regions are important for the Ukrainian economy,

where trade is one of the leading spheres of economic activity. In connection with this issue, the question arises about the definition of certain opportunities and ways of their solution in the future for the development of retail networks in the Ukrainian retail industry market. This can serve as an impetus for the flow of funds to territorial communities on the basis of intensive growth.

Despite the wide range of developments, the issues related to the definition of the prospects of the development of retail chains in the retail market, which is extremely important at the present stage of the national economy, are still unresolved.

### **Part 1. The state of the modern retail market in Ukraine**

During 2014-2016, there was a stable development of the retail market, but in 2017, there was a negative trend, namely a sharp decline in nominal sales by 359974.9 million UAH (or 30.62%), which was due to a decrease in an indicator, the segment of entrepreneurs by 63.02%. One of the reasons for this result was changes in tax legislation. Thus, in 2017, the size of the minimum wage doubled, which led to an increase in the tax burden. In addition, the procedure for paying the uniform social contribution was changed, namely, the right of entrepreneurs to be exempted from paying USCs in the absence of activity was eliminated. Thus, in 2016–2017, more than 71,000 individual entrepreneurs ceased to operate in the retail sector [1]. So, part of the retail turnover simply went «into the shadows». This phenomenon was explained by the fact that there was a slight increase in this indicator in the segment of legal entities, which amounted to 5.46%. The decrease in real incomes of citizens should also be noted. In addition to the depreciation of the national currency, the negative dynamics of retail trade turnover was influenced by such a factor as the increase in utility tariffs. According to the UBR study, most ordinary Ukrainians have reduced their consumption and buy goods only when necessary. The reduction in consumer lending also had a negative effect on the purchasing power of citizens [2].

It should be noted that one of the factors reducing the retail turnover is more often the devaluation of the national currency. This factor significantly affects the decline in business activity of importers, as prices for their goods in hryvnia equivalent are rising. Then entrepreneurs are faced with a choice: to reduce their margin or trade at an uncompetitive price. Consumers of the domestic market, as a rule, pay more attention to the quality of goods, require more additional services (organization of a cafeteria, completing holiday sets from available goods or selling flowers at the department store) and after-sales service.

In 2018-2019, there was a positive trend to increase retail sales by 14.14% and 17.84%, respectively, which indicates an increase in the purchasing power of households. The dynamics of domestic retail sales are presented in table 1.

In 2019, Ukrainians spent 10,96692.2 million UAH in supermarket chains, home stores and online sellers (excluding markets). By world standards, this is very little: 13 times less than the turnover of the world's largest retailer – the American Walmart, and almost a quarter less than the Swedish IKEA [4].

If we pay attention to the regional structure of retail trade in Ukraine, which is shown in Figure 1, we can see that four oblasts, including Kyiv, form 51.52% of the total retail turnover. Moreover, in all regions in 2019 there was an increase in real consumption. At the same time, the smallest increase was observed in Chernihiv oblast, namely 1.4% of retail trade, and the largest increase took place in Kyiv oblast – 20%. The leader in terms of retail trade in Ukraine is the city of Kyiv, which accounts for 19.53% of the total, due to the higher level of income of the capital's residents compared to the population of Ukraine. At the same time, in 2019 in Kyiv, there was an increase in the physical volume of trade by 15.1% compared to 2018. These data can be seen in graphical form (Figure 1).

Table 1

**Retail turnover in Ukraine in 2014-2019**

Indicators	Years					
	2014	2015	2016	2017	2018	2019
Retail trade turnover, mln UAH	901923.7	1018778.2	1175319.2	815344.3	930629.2	1096692.2
Growth rate,%	-	12.96	15.36	-30.62	14.14	17.84
Index of physical turnover of retail trade (in comparable prices),%	91.1	79,3	104.3	106.5	106.2	110.5
Retail turnover of retail trade enterprises (legal entities), mln UAH	438342.7	477966.6	555975.4	586330.1	668369.6	795204.2
Growth rate,%	-	9	16.32	5.46	14	18.98
Retail turnover of individual entrepreneurs, mln UAH	463581	540811.6	619343.8	229014.2	262259.6	301488
Growth rate,%	-	16.66	14.52	-63.02	14.52	14.96

*Source: developed and compiled by the author based on data [3].*

The specifics of the retail market include the rapid development of e-commerce. The growth of this type of trade is due to the annual penetration of the Internet into the territory of Ukraine. The number of the Internet users is 71%, and 67% of those who visit sites related to e-commerce. Following the results of 2018, Ukraine was ahead of all other European countries on such indicator as rates of growth of sales in the Internet – for our country this

figure was 35% (Turkey – 34.9%, Belgium – 34.2%, Romania – 24.2%, the Czech Republic – 23.3%, Hungary – 20.4%, Greece – 18.8%) [5].

The border between the Internet and the physical retail store is becoming increasingly blurred. This is obvious, as bureaucracy has not yet penetrated the industry and it is not subject to heavy taxes. However, the interest of the legislature in e-commerce is growing, and the regulation of this activity is currently being considered. State intervention in e-business threatens entrepreneurs with higher taxes and limited freedom of action, which can significantly reduce its attractiveness. However, its reasonable regulation will protect consumers' rights and reduce their risks. For the full development of e-commerce in Ukraine, there is a lack of clear rules for regulating commercial activities on the Internet, which would not limit the actions of entrepreneurs and, at the same time, protect the rights of consumers in the network. In 2019, the volume of the e-commerce market increased by 25% compared to 2018 and amounted to 81.25 billion UAH (Figure 2), which was 7.41% of the total retail trade. In the structure of the Ukrainian sales via the Internet, the largest share is occupied by non-food products. Appliances, clothing, footwear, cosmetics are popular. Recently, the volume of online food orders from well-known supermarkets, restaurants and cafes is growing.

World sales are expected to grow by 15% worldwide, while traditional retail sales are expected to grow by about 5%. Most supply chain managers believe that it is no longer possible to rely only on traditional sales channels as drivers of growth [7, p. 71].

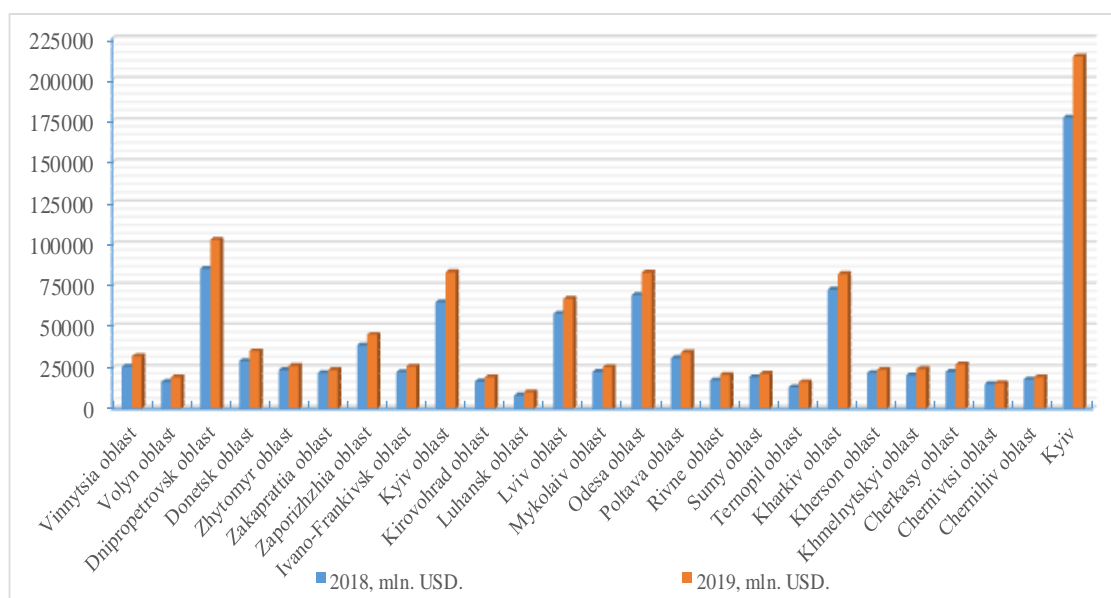
There is also a place to be the following trends in the market: the formation of relationships with customers through mobile applications, messengers (Viber, WhatsApp, Telegram); active participation of buyers in various contests, promotions, games held on the pages of social networks, when a potential buyer is required to perform a simple task, such as posting your photo with the product or feedback on the company's page, repost, etc., and get a discount or a valuable gift for that from the company.

Transformation processes in retail trade affect not only changes in sales channels, but also the retail outlets themselves. On the one hand, the number of retail outlets with large retail space (supermarkets, hypermarkets, malls, etc.) is growing, and on the other hand, there is a reduction in the number of small shops that do not have enough competitive advantages to compete with big business.

According to the State Statistics Service of Ukraine, 60.2% of retail turnover is non-food group of goods; 39.8% – food [1].

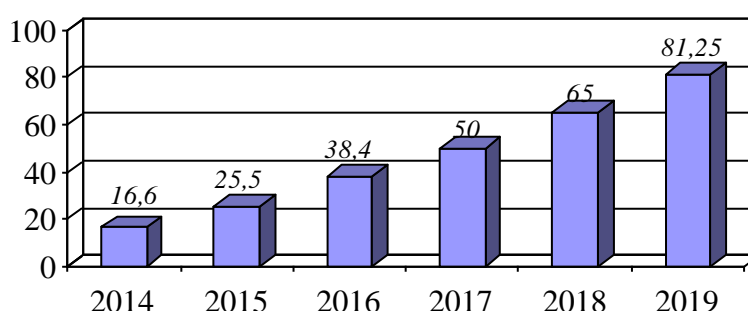
The processes taking place in the field of food trade have a significant impact on the industry trends. Jewelry, medicine, clothes, food were best sold last year. The leader in the number of stores in the field of FMCG-retail in Ukraine is the ATB retail chain, it occupies more than 50% of the market in Dnipro, Kharkiv, Kryvyi Rih, Mariupol, Mykolaiv, Poltava, Vinnytsia, Zhytomyr, Zaporizhia and Ternopil. In some oblasts, there are local flagships

in the market of consumer goods: in Lutsk – Silpo, Fora and Nash Krai; in Chernivtsi – Vopak; in Lviv – Rukavychka; in Odesa and Mykolaiv – Tavria V [8]. The success of the network EVA, that sells cosmetics and household chemicals, which has opened 214 stores across the country in a year and their total number is about 1 thousand [4], is worth noting.



**Figure 1. The volume of retail trade in 2018-2019 in the oblasts of Ukraine**

Source: built by the authors based on the data [3]



**Figure 2. The Internet sales in Ukraine for 2014-2019**

Source: compiled by the author according to [6]

According to the results of 2019, the ATB network has increased turnover by 22.4% to 126.8 billion UAH, and took first place in the FMCG-retail market in terms of revenue. The increase in turnover has been the result of expanding the company’s sales network, which has 1,080 stores (88 stores

more than in the previous year) [9], and the introduction of new technologies, improving production, logistics and marketing processes.

To attract buyers, domestic retailers are constantly experimenting with formats. An example of this is that ATB (discounter format) aimed at frugal customers, which is opening new stores larger than before, improving the lighting of the presented goods and equipping the trading halls with coffee machines and machines for making fresh juices. Also ways to attract the attention of consumers are: design of stores in black to create a visual effect of a premium store; design of trade halls, which are decorated in different styles (for example, the animated film *Mavka. The Forest Song* has become the main motif of the trade hall of the capital Silpo); expansion of product groups and increase in the range of imported goods.

In terms of revenue in the FMCG-retail market, ATB is also in the lead in 10 cities, but in Ternopil, Lutsk, Chernivtsi and Rivne, Metro managed to raise more money. Despite the growth of the money market, the number of FMCG-retail stores in Ukraine is declining – in 2018, by 20% compared to a year earlier [8]. The market trend in large cities has become a large concentration in shopping centers, and in small settlements and villages, on the contrary, the number of new outlets is growing.

Disorganized street trade creates significant competition for retail trade enterprises, which in most cases does not follow the rules of trade in consumer goods, sells counterfeit goods and is not able to guarantee consumer protection. Non-stationary street trading is traditionally a shadow sector of the economy, but for many people it is the only source of income. But if the methods of state regulation of such trade were fully applied, the country could reduce the shadow component of business and improve the state of the national economy.

## **Part 2. Prospects for the development of retail networks in the Ukrainian retail sales market**

The sphere of trade is a leading direction of the Ukrainian economy and greatly affects its socio-economic development state. Considering trade as the leading industry in the country, scientists emphasize the importance of introducing innovative organizational and legal forms of entrepreneurship, namely, retail networks [10, p. 26]. N. Vlasova and O. Kolchakova consider the retail network as a «set of trading objects that have common management principles (preferably guided by a single center), united by the name of the same type (sign-plate), assortment and price policy, strategy for the development and operation, and, at least, realize one of the main advantages of a network company in comparison with a separate retail facility. Their entrepreneurial activity is carried out in order to obtain a synergistic effect and is aimed at satisfying consumer's demand in goods and services» [11, p. 22].

Foreign experience highlights the advantages of the unions of a retail facility in a single network, which is conditioned by the needs of consumers,

the convenience of operation and cooperation with suppliers, the perspective development of retail sales [12-13]. It is the retail network, such as «the aggregate of retail trade enterprises and other trade units located in a certain territory for the purpose of selling goods and customer service» [14], is capable of providing various consumer needs, in connection with which it gets widespread.

In recent years, there has been a significant increase in retail trade networks in Ukraine with the construction of own shopping centers with an area of up to 100 thousand m<sup>2</sup>. According to ICSC standards in Ukraine, there are 4,600,000 square meters of trading space in the shopping center. Thus, our country ranks 12th in Europe in terms of market space in the shopping center. According to ICSC standards, the saturation of trading areas in the shopping center is 103 m<sup>2</sup> per 1,000 inhabitants. This is the 4th place from the end [9]. This situation causes hot discussions both in the community of investors and among ordinary consumers. This situation is due to several factors, which in each case may have a dominant link. They include: the complexity of economic relations between trading enterprises, high competition in the market, the requirements of society, peculiarities of life and needs of the population. These factors lead not only to the active creation of shopping centers, but in the future, to their fast closing. The experience of foreign countries points to such a frequent phenomenon. Therefore, for a stable functioning of shopping centers, as well as other facilities, a robust strategy is needed that allows to outline prospects and to identify weaknesses in running entrepreneurial activities.

It is interesting to note that it is not possible to just build a shopping center and expect a considerable profit from it. Designing a shopping center is a complex task and it requires taking into account a number of factors, which, in turn, are closely interconnected. Successful development of the shopping center depends largely on the concept and idea. At its heart there is its location, the availability and quality of the leased premises, as well as the situation that is currently in the market. The choice of the price segment in which it is hoped to develop such a center is also important: low («economic»), medium, above the average or high. Besides, it is necessary to understand in what region or city one or another leaseholder is demanded and what commodity groups are better to choose.

Recently, «neighborhood stores» and «stores around the corner» are being actively developed, which are designed for visitors to nearby houses with goods of first priority (from food to household cleaning goods). The correctly built logistics of delivery, competent use of labor resources and the use of advanced technologies – this is what raises the competitiveness of any trade network.

For the successful integration of commercial enterprises into a market economy, it is necessary to provide opportunities conducive to their functioning. An important requirement for such integration is the ability of the trading company to compete with other market players. Thus survival and



development of any enterprise in the market environment is directly connected with its efficiency of its activity as inefficient management leads to losses of competitive positions and loss of the market.

An information base is needed to make management decisions. Therefore, in order to increase the management level and efficiency of the trading company, analytical work should be established and improved. The development of theoretical and methodological issues, related to the measurement, analysis and planning of efficiency, is an important prerequisite for creating an effective management mechanism of the trading company and its adaptation to market conditions. The category of efficiency by its nature has the property of the objective function and is then used as a generalizing criterion of expediency and rationality of economic and organizational decisions of commercial enterprises. Through the category of efficiency, the most important characteristics of economic activity as dynamism, integrity, multidimensionality, the relationship of different parties, are reflected.

Each trading company is a complex economic system consisting of different elements, between which there are different links. Therefore, it is difficult to measure and express the efficiency of a trading company as the only indicator, no matter how generalizing it may be. Despite numerous developments, the accepted and generally accepted formula for calculating such an indicator is still not found. Theoretical and practical work on the analysis of economic activity of a trading company emphasizes that «efficiency – a category of complex, and according to many experts, can be assessed only on the basis of a system of indicators» [10].

Evaluation of effectiveness should be carried out not by one indicator, but by their combination, as efficiency is determined by many factors that have different forms of manifestation. Identifying the effectiveness of the trading company, as well as any business entity, provides a comprehensive analysis of the economic activity of the trading company, which allows a detailed study of aspects of this activity.

As is often noted in the scientific literature, complexity should be based on a systems approach. That is, a comprehensive analysis should be characterized as a systematic approach to assessing the effectiveness of all economic activities of the trading company. The system approach allows to study a trading enterprise more deeply, to receive more detailed idea of the enterprise, to carry out development of the grounded variants of the decisions of problems and then to choose the most expedient decisions for achievement of the set tasks.

A comprehensive assessment of the efficiency of economic activity of a commercial enterprise may include a different combination of indicators used depending on the objectives. The complex analysis should cover all essential aspects of activity of the trading enterprise and give a wider picture of its activity that gives considerable practical value for definition of criteria and indicators of efficiency and activity of the trading enterprise.

The option of assessing the effectiveness of the trading company is determined by the leaders of the trading company based on various factors that affect the functioning of the company. Turning to market relations, a unified system is created for evaluation of indicators that fully characterize the efficiency of the trading company.

Scientists have tried to expand the content of performance indicators by using organizational indicators, competitiveness parameters, but the disparate data are usually not systemic. Most often, different indicators are assigned to the same group in essence and purpose, which gives them duplication in different classification groups. This suggests that the system of indicators with a complete description of all aspects of the efficiency of the trading company has not yet been determined. There is no clear classification of performance indicators of a trading company.

It should be considered that, when determining the effectiveness of the trading company, it is appropriate to take into account the coverage of the main aspects of its activities, the degree display of results, generalization of indicators for evaluation. Quantitative measurability of the assessment of the trading company and taking into account the universality of different types of organizational forms allow a better approach to identifying the parameters of efficiency. These requirements have become the main choice of indicators for assessing the effectiveness of the trading company.

Classification features distinguish in the general system of efficiency work indicators of the trading enterprise in to blocks of analytical direction: financial and economic, organizational, logistical, competitiveness. Each of the blocks is a local analysis of efficiency, which characterizes it from a certain point of view and allows you to fully assess the existing situation. Together, these structural elements reflect the efficiency of commercial enterprises. The relationship of the selected blocks of indicators determines the scheme of a comprehensive analysis of the efficiency of the trading company as a set of local analyzes.

Financial and economic data of the trading company are indicators of the implementation of costs, which characterize the efficiency of resource use, performance indicators. The financial condition of a trading company is a complex concept and the result of interaction of all elements of the system of financial relations of a trading company and is determined by a set of production and economic factors and characterized by a system of indicators reflecting the availability, location and use of financial resources. A general idea of the financial condition and performance of a trading company provides a rapid analysis of its financial statements, based on the dynamics of the balance sheet currency and financial performance of the trading company. To characterize the financial condition of the trading company, it is necessary to use financial and economic indicators that meet the following criteria:

1) indicators should reflect the knowledge intensity of the industry, i.e., it is necessary to calculate the coefficients of labor potential, efficiency of management staff and intellectual capital;

2) indicators must objectively reflect the state of material and technical base and fixed assets of the enterprise;

3) it is necessary to divide the assets of the balance sheet according to the degree of liquidity, and liabilities – as the maturity of the debt for a comprehensive assessment of the level of liquidity and solvency;

4) indicators should reflect the degree of efficiency of investment capital use.

The organizational block contains the following indicators of the trading company: economic relations with suppliers, economic relations with customers, indicators of the organization in warehousing. In a changing market environment, the analysis of the organization of the trading company is the key to its successful operation. The degree of satisfaction of demand of the trading enterprise as the buyer is characterized by indicators of the organization of economic communications with suppliers.

The logistics unit consists of the following effective factors: accounting and reporting on transportation, filling out documents, issuing certificates related to transportation, etc.

The block of competitiveness includes the availability of parameters of the innovation component, strategic plans and tactical steps to address them.

In a market environment and competitive environment, companies try to unite on a voluntary basis. The purpose of such a merger is to reduce costs, strengthen competitive positions, and prevent the risk of ruin and bankruptcy.

The discovery of modern hypermarkets was an important event for the Ukrainian retail business. This fact marked the beginning of the rapid transition of retail trade to the modern world format and became the starting point for many private trade organizations in redefining their market strategy. The leaders of the spot market placed a bet on, firstly, the fastest expansion of the trading network with the gradual penetration of the regions; and, secondly, on the creation of modern procurement logistics as a key factor in growth and reduction of procurement prices; thirdly, on creation of common standards for service and merchandising throughout the network. As a result, rapid growth and concentration of turnover of commodities of several leaders and the lag of other enterprises and state trading, their loss of market share are observed.

In the context of modern formats of trade in Ukraine, the most active development has been received by such formats as discounters and hypermarkets. According to statistics [1], Ukraine has the largest retail infrastructure, which now has over 6,000 retail facilities with a total area of more than 950 thousand square meters. The annual growth of trade infrastructure is consistently up to 100 thousand m<sup>2</sup> of retail space (or 200-250 facilities), which allows to have a system of development and placement (small, medium-sized businesses, supermarkets and hypermarkets) today, and

to achieve high adaptability network to the needs of the population. It should also take into account the fact that hypermarkets are targeted at large cities with a fairly high level of income. And discounters are developed not only in the Ukrainian cities and regional centers, but also in district centers and small cities, where there are much lower level of competition and the smaller number of consumers. In the regional cities over the past 5 years there has been a significant increase in investment in the construction of commercial facilities. If we recall the trading markets, we can say that this segment of trade itself has completely reached limits. It can be argued that there are optimization of the network and improvement of infrastructure due to the development of the network principle, the construction and reconstruction of existing stores.

Nowadays, the following retail networks compete in the consumer market: in the segment of the food chain – Silpo, ATB, Tavria, Metro, Fozzy, etc. In many ways, the country's trade infrastructure development strategy repeats the development model in Europe, but with a significant retard. At present, a model, which is based on the creation of perfect competition and where only the strong players in the market remain, setting the common rules and trends on the market, is formed in Europe.

The opening of new shopping centers only intensifies competition. Therefore, existing large commercial facilities will first face the low filling of leaseholders, which is already partly happening. The emergence of a difficult situation can be the attraction of large international brands and the introduction of new types of services.

The investigative company GT Partners Ukraine has prepared a global report on the FMCG-retail market in Ukraine for 2016. In the focus of attention, there is the number of outlets and the emergence of new stores over the past year. In this case, the company did not share the network according to the format and area of trading facilities – only their number was taken into account. Consequently, several of the most profitable Ukrainian networks: Metro Cash&Carry Ukraine, AUCHAN Ukraine, Retail Group (TM Velyka Kishenia, Velmart) and others did not hit to the top 10 of grocery networks. But local operators who opened many small outlets in the format of «stores around the corner» or «express»: the Volwest Group, Delvoy, TD Avanta and others hit there.

The analysis of grocery networks in Ukraine shows that most retailers continue to place a bet on increasing the number of outlets. ATB is considered as the undisputed leader. In 2016, the country's largest retailer, both in terms of revenue and of number of stores, has increased the network by 111 facilities – up to 835 outlets, including purchasing part of the Western Ukrainian network «Barvinok». In addition, all the company's stores with headquarters in Dnipro operate under the same brand, regardless of region, area and format. ATB also began updating its old markets. The second line is once held by the largest and most profitable FMCG-group of Ukraine – Fozzy Group. Unlike a competitor, it develops several brands, depending on the specifics of one or another object: hypermarkets Fozzy Cash&Carry,

supermarkets Silpo, stores around the corner near «Fora», Thrash discounters. According to GT Partners data, the group opened 59 stores in a year, but the total number of retailer outlets increased by just 8. Most likely, this is due to the emergence of a new brand in the company's portfolio – a network of discounter Thrash!, which develops including on squares used previously for Silpo stores. In addition, Fora decided to leave some regions (for example, the Kharkiv oblast). So, Fozzy has not only opened but also closed the stores in 2016. Volyn company Volwest Group closes the top three stores – one of the few grocery retailers in Ukraine, which chose the development of the network for franchising. So far, the group's brands portfolio includes three brands: Nash Krai, Nash Krai Express, Discount. In January 2016, it became known that the retailer will also develop a network of supermarkets SPAR. By account of GT Partners, by the beginning of 2017, Ukraine had 214 outlets operating under TM Group: for the year, there were 50 new facilities. But it should be taken into account that the company owns a few stores: most of them are opened on franchising and belong to partners of Volwest Group [8].

The increased level of competitive environment intensifies the activation of trade enterprises in the direction of implementation of modernization at all levels of activity. Modernization of shopping centers covers radical changes and updates on the technical, technological, organizational, managerial, investment and innovative scale and, most importantly, in the features of improving the provision of services. The advantages of modernization consist in the features of its involvement as an integral process, which should include a set of individual transformation processes and is the basis for achieving sustainable and innovative movement and perspective development of enterprises [9, p. 126]. It is proposed the introduction of modernization measures to improve the activities of trade networks, which should be implemented in the form of trust between entrepreneurs and consumers on the basis of business reputation; ensuring the quality of goods and a high level of service; planning of the process of functioning and introduction of innovations; the development of progress strategies and monitoring its implementation.

It is investigated that the tendencies of the development of retail chains in the Ukrainian retail market are cyclical.

Thus, there is a need for changes at different levels:

- organizational and managerial (review of the scale of change, the identification of sensible spots, review of existing domestic policies, the formation of thematic areas, the introduction of a comprehensive update);
- technical and technological (introduction of new equipment, involvement of consumers in specific processes of service provision, availability of modern technical and technological components, advanced technologies in advertising, storage and sales of goods);
- economic (attraction of innovative business ideas, marketing steps, acquisition of a franchise, search of interested investors and tenants, settlement of the price segment);

– scientific and technical (introduction of the latest scientific developments of the domestic and foreign manufacturer, close cooperation with domestic scientists, involvement of technological engineering).

Consequently, the need for modernization in the shopping centers of the country is not in doubt, which is due to the increase of competitiveness in the domestic market.

For future, it is necessary to justify the introduction of such instruments, as trust between entrepreneurs and consumers on the basis of business reputation, high quality of goods and service, reliability and brand, development strategy for the future and other.

### **Conclusions**

Summing up, it should be noted that retail trade remains one of those industries that is actively developing each year, showing rapid growth and not only increases its own profits, but also supports the entire economy.

Among the main factors influencing the change in retail trade, there are purchasing power, consumer opportunities and preferences of the Ukrainian population; condition and problems of commodity supply; development of material and technical base of retail trade; institutional transformations in the Ukrainian trade; increasing concentration of trade enterprises and competition between them.

In recent years, the structure of the retail trade network has significantly improved, the share of unorganized trade is decreasing, a network of discounters and hypermarkets is developing, and representatives of foreign retail trade networks are appearing.

The main trends in the development of retail trade in Ukraine include: growth of retail turnover, and increasing the importance of retail trade for the economy; changes in the structure of sales of food and non-food products in the direction of increasing food sales; expansion of varieties of product sales channels; rapid development of Internet commerce; growth of retail space in Ukraine, reduction of the number of small retail outlets.

Recently, shopping centers have become widespread in Ukraine, which provide a wide range of services, together with the fact that they sell goods, and, therefore, they are in demand among consumers. Successful development of the shopping center depends largely on the current concept and logically constructed strategy. The problem of functioning of shopping centers is connected with the incomplete use of large premises, difficulties in the sale of goods, the presence of skilled personnel, significant costs for energy and heat and the high level of competitiveness on the part of small retail outlets. All this requires a conscientious study at the design stage of the shopping center, taking into account the environment, identifying the likely internal causes of negative manifestations in management and activities. Often, such factors have not been detected in time, therefore, the introduction of modernization principles is required. The prospects of trade networks in the national market

may be a development strategy that will outline the prospects and identify the weaknesses in carrying out the entrepreneurial activity.

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