



Peculiarities and Prospects of Development of Contemporary Retailing: The Global and Ukrainian Realities

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ABSTRACT

Researching the current state and possible prospects of development of the trade industry is of considerable importance under contemporary conditions. The article considers the role of retail trade in the national economy of the country. The authors have determined the meaning of retailing and inherent peculiarities of retailers stipulated by the national specificity. Having examined dynamics of development of retailing, the authors reveal a positive tendency and peculiarities of the dynamics. Over the last few years, retail sales of enterprises operating in the retail sector and the amount of retail space have increased. Furthermore, large retailers acquire small stores. The authors have examined the current state and peculiarities of development of retail chains in Ukraine compared with chains of other countries and indicated problems of their development. The authors have analyzed retail sales for the whole country and in the regions of Ukraine as the main indices characterizing development of retailing. The article analyzes the contemporary global tendencies of development of retailing and its specificity in the context of the following tendencies: Partnership; acquisition; the merger of offline and online trading; development of innovations and new technologies in retailing; formation of loyalty of customers in Ukraine, as well as all around the world.

Keywords: Retailing, Trade Networks, Ukraine, Peculiarities of Trade, Innovations in Retailing, Tendencies of Development

JEL Classifications: L81, M30, L10, O30

1. INTRODUCTION

Transformation processes, which occur in the contemporary economy of almost every country and all around the world, influence the activity of retail trade enterprises, change conditions of their functioning and determine new prospects and opportunities. To develop successfully, retailing should meet the progressively growing demands and requirements of consumers. Such process stipulates the necessity for continuous research of current trends and tendencies being inherent to the national as well as world consumer markets, examination of consumer behaviour and consumers' reaction to implementation of innovative technologies of trade by various business processes, market segments and product groups, undertaking a well-considered strategy of development, etc.

A goal of this article is to determine peculiarities and prospects of development of contemporary Ukrainian and global retailing. In order to accomplish this goal, the authors have researched dynamics of development of retailing in Ukraine, indicated leaders of the retail sector, ascertained the main tendencies of development of the sector and its peculiarities in Ukraine and in the world and prognosticated its development, taking into account specificities of development of the national economy.

In the process of research, the authors have analyzed the current state of retail trade in Ukraine in general and in the regional aspect by the retail sales figure. The authors have indicated the main peculiarities of retailing in Ukraine. The authors have determined the mutual influence of the gross domestic product (GDP) per capita and retail sales as well as prognosticated the mentioned

ratios for a further period. The authors have analyzed the current state and identified peculiarities and problems of development of trade networks in Ukraine compared to other countries. In addition, the article indicates the main global tendencies of development of retailing, which affect retailing in Ukraine as well.

2. THE ROLE OF TRADE IN THE NATIONAL ECONOMY

At the current stage of development of the global economy, trade plays a major role. Trade is one of prior sectors in almost all countries in the world.

Retail trade is a complicated and comprehensive notion (Chorna, 2010).

- Firstly, it is a part of the sphere of commodity turnover, which mediates the exchange of products of labour, using money. Retail trade is an act of exchanging money for goods and services being beneficial for parties participated in this process. During the exchange, a consumer seeks to purchase a necessary high qualitative product (service) and a retail seller seeks to gain profit. In the process of purchasing, a consumer satisfies psychological needs and increases own social status. Purchasing fosters self-expression and self-assertion of a customer;
- Secondly, it is an independent sector of the economy presented by intermediaries between production and final consumption in different markets of commodities and services. The retail trade sector is a set of business entities in retail trade, which encompasses legal entities (privately held or government-owned retail trade enterprises, including markets) as well as individuals (entrepreneurs selling goods to an end consumer). Retail trade enterprises sell goods to the population and ensure that an assortment and quality of goods meet demand of the population, organize a corresponding level of servicing customers and render various services. A purpose of the commercial activity of a retail trade enterprise is to gain profit.
- Thirdly, it is an indicator of the state of trade markets and the economy in general. A level of retail trade development shows a level of development of the national economy in general and describes the specificity of competition.
- Fourthly, it is a specific type of business. Retail trade is inherently entrepreneurial activity in the sphere of exchange

related to selling goods (services) to end consumers for personal, family, household or collective use. This is a final step of distribution. Berman and Evans determine the following peculiarities of retail trade, which distinguish them from other types of business: An average amount spent per purchase transaction is considerably lower than the same figure of manufacturing enterprises; end consumers make many unplanned (impulsive) purchases; a majority of ordinary consumers should be attracted to a retail store in some way (Berman, 2013).

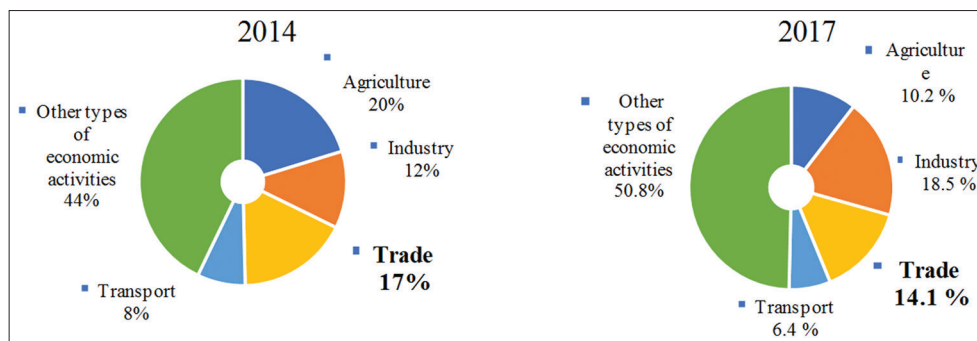
Thus, retail trade performs an important social function: On the one hand, it solves a problem of employment through creation of new jobs; on the other hand, it meets needs of the population for goods and services. Simultaneously, it significantly contributes to formation of the GDP and plays the determinative role in balancing production and consumption. This enables to form a considerable share of the gross value added (GVA).

During the last few years (2013–2017), the authors have observed negative tendencies of development of Ukraine's economy and its low level. These tendencies have led to the change of a position of Ukraine by the index of nominal GDP per capita. According to calculations of the International Monetary Fund, Ukraine ranks 113th out of 193 countries in 2013 and 13th out of 186 countries in 2017 in the List of per capita nominal GDP for countries and dependencies. The position of Ukraine is considerably lower than positions of neighbouring countries (Hungary - 54th, Poland - 55th, Romania - 62nd in 2017) ("List of Countries by GDP," 2018).

The decline in GDP per capita began in 2013 due to the political and economic crisis and military actions in the eastern part of the country. The decline accelerated in 2014–2015. Development of the trade sector has slowed down during 2014–2015 correspondingly. In 2016, the Ukrainian economy showed GDP growth for the first time since 2013. In 2016–2017, the GDP increased by 2.3% and 2.1% respectively. A share of trade in formation of the GVA of Ukraine prevails among other economic sectors (14.1–17%). In 2017, it gave way to a share of industry (Figure 1). Its decline in 2017 was stipulated by two major reasons:

- a. The decrease of purchasing power of the population due to reduction of real incomes and, as a result, a share of consumption expenditure.
- b. Adaptation of industrial enterprises to implications of

Figure 1: Gross domestic product sector composition in Ukraine, 2014–2017



Source: Own research based on the data of the state statistics service of Ukraine

political instability and the military conflict in the east of the country through orientation of a policy towards activation of collaboration with new partners.

Economic growth of the national economy conduces to activation and development of retail trade. The increase of GDP per capita indicates an increment of a development level and, commonly, growth of labour productivity. These processes result in the increase of an amount of produced domestic consumer goods (supply) and formation of consumer demand, which foster the growth of retail sales. It is worth mentioning that ensuring a relation between production and consumption is one of peculiarities of retail trade.

To estimate dependence of an amount of retail sales on an amount of GDP of Ukraine for 2010–2016, the authors have conducted a correlation and regression analysis. This analysis has enabled to obtain a model describing the interrelation of these indices.

$$Y=17.966x+199385$$

Where:

y - Retail sales;

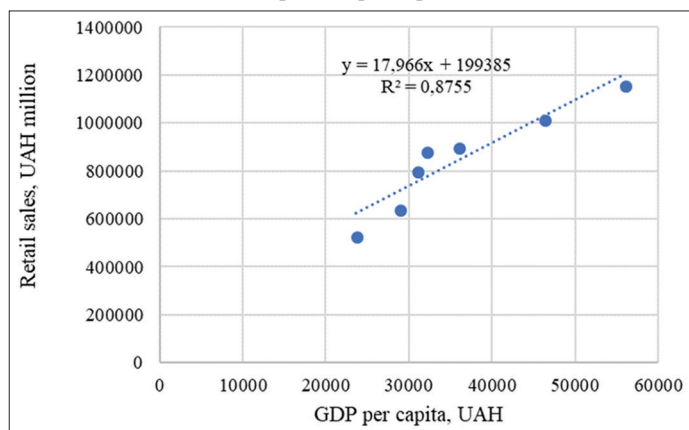
x - GDP per capita, UAH.

Validating the regression model, the authors have determined that the correlation coefficient (r) is equal to 0.94 and the coefficient of determination (R²) is equal to 0.88. These indices confirm the adequacy of the regression model. Thus, the presented model indicates a close relation between the examined index and selected parameters of the reliable model (Figure 2).

The considerable spread of globalization processes in the global economic system affects dynamics of various changes in an environment, where trading enterprises operate. Therefore, the authors suggest considering an effect of uncertainty in the process of prognostication of necessary figures.

Having taken into account these peculiarities, the authors prognosticate development of retail trade in Ukraine for 2018 by the figure of retail sales. For this purpose, the authors have

Figure 2: Interrelation between the retail sales of Ukraine and gross domestic product per capita, UAH



Source: Own research

applied the method of analytical smoothing time series, using a linear trend model. This method consists in substitution of factual levels of time series with theoretical ones calculated according to a linear equation:

$$y_t = a_1 t + a_0$$

Where:

y_t - Smoothed values of the series, which should be calculated;

a₀ and a₁ - parameters of the linear model (the initial value and annual increment);

t - serial number of a period.

Having done calculations, the authors obtained two predictive models.

The model for retail sales is as follows:

$$Y_{r.t. \text{ turnover}} = 97699t + 458464.$$

The model for GDP per capita is as follows:

$$Y_{GDP} = 4774t + 16677.$$

The values of the coefficient of determination (R²) for the first and second models are 0.97 and 0.89 respectively. Such results indicate sufficient accuracy of the prognostication.

The forecasts for indicators of retail sales and GDP per capita for 2017–2018 are shown in Figure 3.

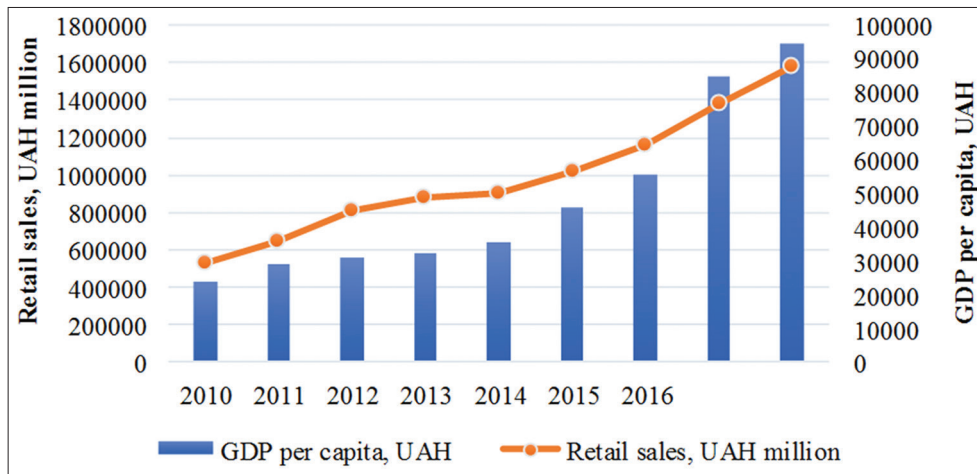
Modelling possible changes of the GDP per capita and retail sales enables the authors to ascertain positive tendencies of these indices. Such tendencies reflect activation of retailing in Ukraine in the near future.

3. ANALYZING TURNOVER OF RETAIL TRADE ENTERPRISES IN UKRAINE

Trade as a sector of the economy is a set of enterprises, which divide into wholesale and retail trade enterprises. Wholesale enterprises are intermediaries between the production sphere and retail trade sector, whereas retail trade enterprises are a consumption sector. Selling goods to an end consumer is called retailing.

Retailing is the large-scale business. Retail trade companies collaborate with wholesale companies but sell goods through retail channels. Inherent peculiarities of retail companies encompass: (a) Orientation towards a consumer with various incomes; (b) specificity of formation of a value chain within the concept of Porter, where each element of the chain contributes to formation of the value of a trade service (Porter, 1991). A chain element such as servicing consumers of goods, which manifests in the form of enhancing quality of a trade service, is one of priorities for retail trade enterprise; (c) formation of a loyal consumer based on development of new loyalty programs, which will help a retail trade company to deal with customers efficiently, to continue collaboration with them and to involve new ones; (d) rapid adaptation of a business to

Figure 3: Forecasts for indicators of retail sales and gross domestic product per capita, UAH



Source: Own research based on the data of the state statistics service of Ukraine

changes of an environment and formation of an appropriate reaction to a customer, taking into account changes of customer’s tastes and a reaction to innovations; (e) formation of a product policy, taking into consideration cyclicity of trade. Drawing on the classic theory of retail trade evolution, which is called the wheel of retailing theory (Hollander, 1960), the authors conclude that the wheel spins faster in the contemporary trade environment and new forms of retail appears in response to changes of consumption needs; (f) profit of contemporary retailing consists of trade margin, advertisement, promotion, selling retail space, gaining revenue from product distribution under contract with producers, etc.

A retail sales figure is the main index characterizing development of retailing. Public recognition of the value and consumer value of a part of GDP in the consumption sphere is expressed in the form of this index. Revenues of Ukrainian enterprises functioning in the retailing sector and legal entities have slowly incremented during the last few years. Having researched dynamics of retail sales in Ukraine during 2011–2017, the authors determined that the period from 2014 to 2015 was most deeply affected by the crisis. During 2014–2015, economists observed considerable reduction of its volume by 9.6% and 21% respectively (Table 1). The authors attribute this reduction to the general financial and political crisis in the country that has resulted in the decrease of purchasing power of the population (Figure 4).

During the mentioned period, retail sales in real prices have increased at the expense of price growth stipulated by the high inflation rate. In 2015, the inflation rate increased by 43.3%. During 2016–2017, there has been a tendency for the increment of retail sales (Figure 5). Nevertheless, the growth rate of its volume in 2016 was considerably lower than the growth rate in real prices. The volume in real prices accounted for 4.2% and 16.3% respectively. In 2016–2017, the inflation rate in the country has declined, whereas the retail sales volume has tended to increase. Such situation explained development of trade in the recent years. For instance, the inflation rate in 2017 declined to 13.7% and retail sales was equal to 878.7 UAH billion. This figure is 31.8 UAH billion more than in 2016.

Figure 4: Indices of retail sales of enterprises in 2010–2017, %



Source: Own research based on the data of the state statistics service of Ukraine

In the regional context, the largest shares of retail sales are belonged to the dnipropetrovsk (9.5%), odesa (8.1%), Kharkiv (7.8%), Kyiv (7.2%) and Lviv (6.4%) regions, whereas the smallest shares are belonged to the Chernivtsi (1.2%), Ternopil (1.1%) and Luhansk (0.5%) regions (Table 1). The low level of sales in these regions is explained by comparatively low purchasing power of the population stipulated by the low level of income per capita in these regions. In 2016, an average amount of income per capita in the country accounted for 35,776.9 hryvnias. In the mentioned low-income regions, this figure accounted for 27,055.0 hryvnias, 26,826.1 hryvnias and 12,347.4 hryvnias respectively.

A considerable share of retail sales of the country is related to the capital region. This is an inherent feature of development of the Ukrainian retail. The city of Kyiv traditionally provides nearly a fifth of revenue of all the retail trade enterprises in the country. However, sales of Kyiv retailers in relative terms increase at a slower pace. Kyiv gives way to the Zakarpattia region, the retail sales volume index of which accounted for 18.9%, Lviv region (12.8%), Kyiv region (12.3%), Odessa region (12.2%), Cherkasy region (10.9%), Poltava region (10.1%) and Kherson region (10.0%).

Table 1: Retail sales of Ukraine by regions in 2017

Region	Structure of retail sales by regions, %	Retail sales volume index in 2017 compared to 2016 (in nominal prices), %	Retail sales per capita, UAH	Ranking list of regions by sales per capita
Ukraine	100	8.6	13.9	-
1. Vinnytsia region	2.1	10.8	7.8	23
2. Volyn region	1.6	-14.3	9.2	17
3. Dnipropetrovsk region	9.5	7.8	17.3	5
4. Donetsk region	2.7	3.0	3.7	25
5. Zhytomyr region	2.1	4.5	9.9	14
6. Zakarpattia region	2.1	18.9	9.7	15
7. Zaporizhzhia region	4.4	4.2	14.9	6
8. Ivano-Frankivsk region	2.0	5.9	8.4	20
9. Kyiv region	7.2	12.3	23.9	2
10. Kirovohrad region	1.8	4.3	11.0	12
11. Luhansk region	0.5	-1.5	14.8	7
12. Lviv region	6.4	12.8	14.8	8
13. Mykolaiv region	2.2	9.7	11.5	11
14. Odesa region	8.1	12.2	20.1	3
15. Poltava region	2.8	10.1	11.8	10
16. Rivne region	1.6	1.5	8.1	21
17. Sumy region	1.7	9.6	9.0	18
18. Ternopil region	1.1	-3.2	6.2	24
19. Kharkiv region	7.8	5.2	17.1	4
20. Kherson region	2.2	10.0	12.2	9
21. Khmelnytskyi region	1.9	6.0	9.0	19
22. Cherkasy region	1.9	10.9	9.2	16
23. Chernivtsi region	1.2	2.9	7.9	22
24. Chernihiv region	1.7	3.2	10.0	13
25. The city of Kyiv	23.4	9.7	46.8	1

*Excludes data for the temporarily occupied territory of the autonomous republic of Crimea, the city of Sevastopol and the anti-terrorist operation zone. Source: Own research based on the data of the state statistics service of Ukraine

According to the official data of the State Statistics Service of Ukraine, retail sales in relative terms incremented by 9.6% in January 2018 compared to January 2017. The statisticians observed the highest increase of retail sales in January 2018 compared to January 2017 in the Zakarpattia (by 21.8%), Sumy (by 13.9%), Cherkasy (by 13.8%), Chernihiv (by 12.4%), Mykolaiv (by 12.1%) and Vinnytsia (by 12.0%) regions.

Thus, there is uneven development of retail trade by regions of the country. This process is stipulated by significant differentiation of purchasing power of consumers due to considerable fluctuation of their incomes.

4. THE STATE OF NETWORK TRADE IN UKRAINE

Nowadays, organizations and enterprises, which perform their activity within stationary networks, form a considerable part of retail sales. In 2016, a network of retail trade enterprises in Ukraine consisted of 49,326 commercial establishments. This number is less than in the previous years (Table 2). A number of commercial establishments per 1000 people and an amount of retail space per 1000 people have shown a consistent tendency to decrease since 2013. In 2016, there was an increment of the amount of retail space per 1000 people by 0.17%.

During 2010–2016, indices of the number of commercial establishments, the number of commercial establishments per

1000 people and the amount of retail space have reduced by 23.9%, 14.29% and 1.85% respectively. That is to say, the authors observe a tendency to reduction of the number of establishments at the expense of enlargement of business and acquisition of small retail companies by larger commercial establishments.

Significant competition between retailers resulting in due allocation of the market is inherent to the contemporary economy of Ukraine.

Nowadays, the influence of innovations, which form the facilitative image for companies, their brands, goods and services, on consumers ensures competitive advantages. Current tendencies in business imply emergence of problems in the economy and obtaining complicated information. As a result, retail trade faces the peak of hyper competition (Dabija et al., 2017).

According to the data of GT Partners Ukraine, there are about 130 retailers in the market of Ukraine. The Ukrainian market shows the considerable index being 4.3 times higher than the same index of neighbouring Poland, where about 30 retailers operate. In the long run, only large networks will continue to function in the market (“V Ukraine Stanet,” 2016). For instance, the large network malls have begun to purchase smaller competitors in the market of food retail sector. Furthermore, some large networks acquire other giants. The latest example is acquisition of nine hypermarkets of the Karavan network by Auchan retail (a French trade network). In general, several agreements on acquisition of retail networks are concluded in Ukraine annually. According to the data of the Ukrainian Retail

Association, the large networks increase their retail space and strengthen presence in regions owing to buying local market players or segments of their networks. The large operators are interested in the purchase of small networks at a low price because these stores may be integrated into an existing network. In the long run, only large networks may remain in the market.

In 2016, GT partners Ukraine lists the top 10 food retail networks in terms of an amount of retail space. The Fozzy Group Company (Silpo, Fozzy Cash and Carry, Thrash! Fora, Le Silpo brands) ranked first. The company ATB-Market with the ATB brand ranked second. The total amount of retail space of 530 commercial establishments belonged to Fozzy accounted for 537,200 sq. m. The total amount of retail space of 835 stores belonged to ATB accounted for 370,400 sq. m. (Figure 6). The total amount of retail space of METRO Cash&Carry Ukraine (METRO trademarks) and its 26 commercial establishments accounted for with 183,000 sq. m. Tavria V, which possesses 75 various stores (Tavria V, Kosmos) with the total amount of retail space of 143,600 sq. m., and Furshet, which possesses 81 stores with the total amount of retail space of 127,000 sq. m., also entered the top-five list. Companies such as Alians Market (Fresh, Arsen, Kvartal, Soiuz, Yevrotek), PAKKO-Holding (Vopak, Pakko), BILLA-Ukraine and

Volwest Group (Nash Krai) ranked sixth, seventh, eighth, ninth and tenth respectively (“Reitinh,” 2017).

A majority of large retailers continue to undertake a policy aimed at the increase of a number of stores. Having increased the amount of retail space of its stores by 34,000 sq. m., ATB-Market became a leader in strengthening presence among the leading retailers in 2016.

Other large companies such as Fozzy Group, Epitsenter K and Auchan also continue to capture the market and expand their networks, merging other operators. In 2017, Auchan bought nine malls of the Karavan network and sold a part of the Furshet supermarket network to the Austrian company “V12 partners GMBH”. During this period, Varus purchased a share of assets of Billa. The investment company “Dragon Capital” merged the equity shares of the retail network “Krai”. Enlargement through the increase of a number of enterprises within a network and consolidation of operators’ assets are currently the main tendencies of development of retailing in Ukraine.

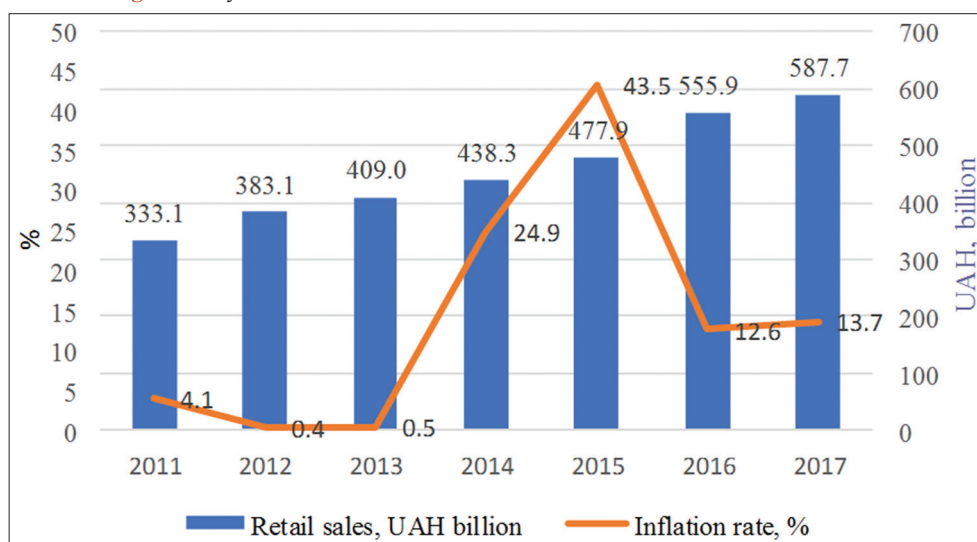
The growth of retail sales volume in proportion to the increase of the amount of retail space is also an inherent feature of development of the food retail networks in Ukraine (Table 3).

Table 2: Network of retail trade enterprises in Ukraine (at the end of the year, units) for 2010–2016

Years	Total number of commercial establishments		Number/amount per 1000 people			
	Units	Growth rates (2010 serves as a base year), %	Commercial establishments		Retail space	
			Units	Growth rates (2010 serves as a base year), %	Space, square mean	Growth rates (2010 serves as a base year), %
2010	64,815	-	14	-	1,842	-
2011	64,211	99.07	14	100.00	1,975	107.22
2012	62,250	96.04	14	100.00	2,040	110.75
2013	59,818	92.29	13	92.86	2,073	112.54
2014	49,607	76.54	12	85.71	1,806	98.05
2015	49,587	76.51	12	85.71	1,805	97.99
2016	49,326	76.10	12	85.71	1,808	98.15

Source: Own research based on the data of the State Statistics Service of Ukraine

Figure 5: Dynamics of retail sales and the inflation rate in Ukraine in 2011–2017



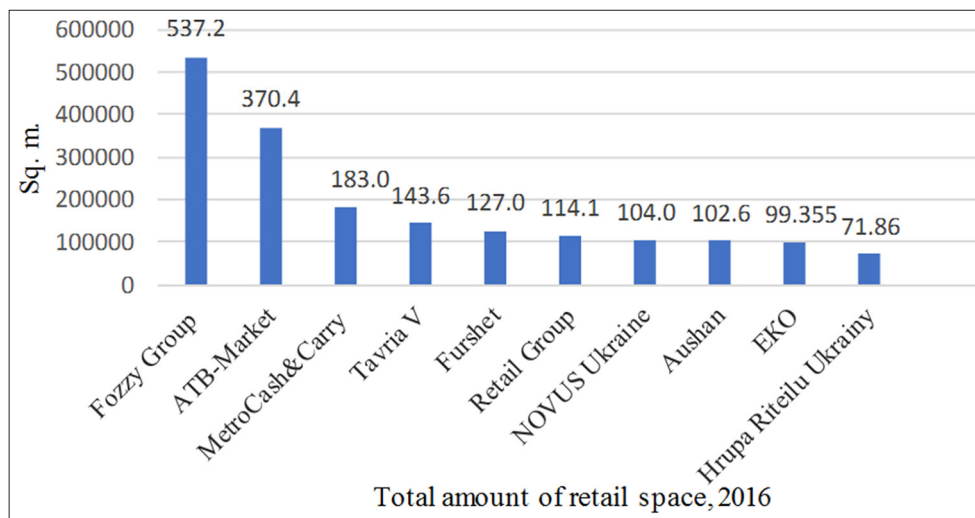
Source: Own research based on the data of the state statistics service of Ukraine

Table 3: The largest food retailers in Ukraine in terms of retail sales volume (according to the data of the Ukrainian Retail Association), 2016

Company	Number of stores in 2016, units	Retail sales			Retail sales per 1 store in 2016, UAH million
		2015, UAH billion	2016, UAH billion	2016 as a percentage of 2015, %	
ATB-market	835	46.7	58.5	25.2	70.06
Fozzy group	530	46.5	55.2	18.6	104.15
METRO	25	10.3*	11.9*	15.5	476.00
Auchan	11	8.9	11.5**	29.9	1045.45
Retail group	65	6.1	7.5	23	115.38
Tavria V	75	6.3	7.4**	17.5	98.67
VARUS	59	5.4	6.4	18.5	108.47
EKO market	114	5.8	6.2	6.9	54.39
NOVUS	36	4.8	6.1	27.1	169.44

*Data for fiscal year 2016 - from 1 October to 30 September. **Estimation is based on indirect indices. Source: Own research based on the data of the Ukrainian retail association

Figure 6: The largest food retail networks of Ukraine in terms of a total amount of retail space in 2016



Source: Own research based on the data of GT Partners Ukraine

The authors indicate that the index of retail sales of networks such as Auchan, NOVUS, Fozzy Group and VARUS increased at the fastest pace. Their growth rates were equal to 29.9%, 27.1% and more than 18% respectively. Networks such as Auchan and Metro are the top networks in the ranking in terms of retail sales per one store. This index for Auchan exceeds 1 million hryvnias and accounts for 1,045.45 million hryvnias. The retail sales volume of METRO and NOVUS accounts for 476.00 and 169.44 million hryvnias respectively. Large amounts of retail space have stipulated formation of such indices.

Under conditions of deficit of free space and inclination of consumers to purchase food products being necessary for daily intake near home, food stores, which are located on the ground floors of buildings in residential districts, actively develop. In the last five years, a number of minimarkets in Ukraine has increased by 50%.

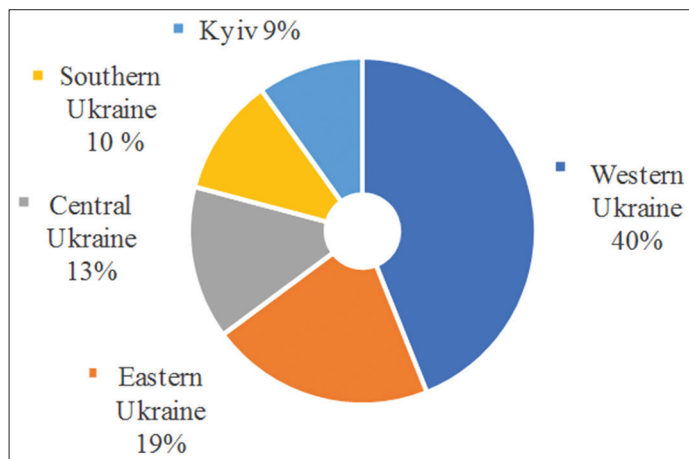
According to the data of RAU.UA, a list of top 10 minimarket networks by a number of stores includes the following networks: Hash Krai; Delvi; LotOK; Rukavychka; Apelson; Faino Market; Ekonom+; Blyzenko; MIDA. The minimarket networks spread across Ukraine. That is to say, there are no restrictions and advantages in geographical distribution. Nevertheless, the networks are unevenly located. The largest number of minimarkets (40%) is

located in Western Ukraine. In Eastern and Central Ukraine, a share of the networks is considerably less and account for 19% and 13% respectively. The smallest number of stores (9%) with such format is located in Kyiv (Figure 7). Concentration of stores of large trade networks and trade malls in big cities stipulates such specificity of geographical distribution of retailers located in residential districts.

Non-food retail trade of Ukraine is divided into the following segments: Household appliances and electronics; drug stores (household chemicals and personal hygiene products); DIY (hypermarkets of construction materials).

Fokstrot, Eldorado and COMFY are the largest operators by retail sales and a number of stores in the segment of household appliances and electronics. Networks “Diawest,” “Moyo” and “Protoria” maintain a major market shares in the segment of digital electronics. Allo, Tsytrus and Mobilochka maintain a major market shares in the segment of mobile communication. Networks such as Watsons, Yeva and Prostor are leaders in the segment of drug stores. The DIY segment is developing because informal traders conduct up to 50% of operations related to selling construction materials. Large networks “Epitsentr” and “Nova Linia” are leaders of this segment.

Figure 7: Geographical structure of the minimarket networks in Ukraine, 2016



Source: Own research based on the data of RAU.UA

General tendencies of development of the non-food retail sector are similar to development of the food retail market. In addition, large networks of the non-food retail segment acquire small stores, enlarge retail space and open new stores. These tendencies foster the increase of sales.

Therefore, development of retailing in Ukraine shares the same specificities as retailing in countries of Eastern Europe. For instance, large companies in Romania enlarge retail space, increase a number of new stores and acquire small independent retailers (Dabija et al., 2017).

During 2016–2017, Ukrainian enterprises, including retailers, have gone through a tough time. Difficulties manifested themselves in the form of hazards challenging the economy and speed of transformation occurring in the social life of Ukrainians and affecting their prosperity. Nevertheless, the authors have noticed clear positive trends in Ukrainian retailing.

For example, sales have begun to grow in several segments of retailing, particularly in DIY retailing. In this sector, retail sales volumes have considerably increased compared to the previous years. Retail trade networks have begun to develop in regions, where competition is weak and network retailing acquire informal trade. Although market size has not increased, reallocation of informal trade and other distribution channels lead to increment of enterprises' sales. In 2016, retail trade enterprises demonstrate the growth of retail sales by 30–40%.

Retail trade enterprises have modified their customer strategy. Customers have changed a buying scenario due to the change of incomes. They purchase goods at a lower price and form a new understanding of a visited store under the influence of important factors.

5. THE MAIN TENDENCIES OF DEVELOPMENT OF GLOBAL AND UKRAINIAN RETAILING

Development of innovations and innovative technologies significantly influence peculiarities of development of

contemporary Ukrainian and global retailing. Innovations in retailing encompass numerous aspects related to sales, brands, application of information technologies, diversification of means of communication, transformation of formats and design of stores.

The necessity for changes stipulated by new preferences, general tendencies of the market, the change of an environment, emergence of new elements of marketing mix, actions of competitors have caused innovations in retail trade. To correspond to reality, the retailers should make innovative decisions and apply innovations. The main decisions are concerned with application of new methods of adaptation to unstable behaviour of customers, which may contemplate diversification of consumer demand in combination with an increase in the number of information sources, application of new electronic services with changes of characteristics and opportunities of exploitation, the use of social networks for selling products, information technologies for interaction with customers, etc. (Dabija et al., 2017).

Ukrainian retailing has emerged just recently. In Ukraine, the first modern formats of trade have entered the market at the end of the twentieth century, i.e., much later than in other formerly socialist countries of Eastern Europe. Hence, development of Ukrainian retailing largely repeats their tendencies.

An analysis of published scientific papers (Dabija et al., 2017; Fedulova, 2017; “The State Statistics Service,” 2018) and own research of theory and practice of retailing (Chorna, 2010; Shumilo, 2014) have enabled the authors to indicate the main contemporary global tendencies of development of retailing:

- The increase of consumers' demands;
- Further enhancement of online trading;
- Partnership or acquisition of world giants;
- New opportunities for retailing based on new technologies.

Let us consider each global tendency of global retailing in more detail.

The increase of consumers' demands. The very consumers form new trends. Therefore, their requirements are a primary source of changes in retailing. A contemporary consumer is interested in expansion of services, improvement of service quality and functionality, comfort in the process of purchasing, a wide assortment and achieving emotional satisfaction together with a favourable price. A great number of goods and services escalates an issue of choice in retailing and increases a need for personalized communications with a customer. To meet demands of customers, large networks change interior, exterior, an assortment of goods and create unique propositions regarding a range of goods and the fascinating and entertaining atmosphere at a store, usually monitor efficiency of loyalty programs and offer auxiliary services for customers. Choosing a store, a contemporary consumer pays attention to a product price as well as the value of a trade service. The value is formed owing to a unique proposition, the fascinating and entertaining atmosphere, a high level of servicing and meeting requirements of costumers, a set of auxiliary trade services.

Some companies are moving towards selling services and solutions. A significant number of food retail networks have

already open stores at medical clinics and cabinets of local dentists and nutritionists. Hy-Vee, a chain of supermarkets in the USA, is merging with Orange Theory Fitness Centres to integrate education and nutrition services. Development and production of a new range of products in the fashion segment happen at a rapid pace. For the last five years, Spanish Inditex (Zara), Sweden H&M and Japanese Fast Retailing (Uniqlo) have unceasingly increased retail sales volumes. They have reduced a fashion cycle to about five weeks compared to six-nine months being necessary for traditional retailing. Offering a prompt new proposition enables customers to stay ahead of the competition successfully (Pidsumky, 2017).

Further enhancement of online trading. Active development and accessibility of modern Internet technologies conduce to receiving an opportunity to purchase necessary goods anytime and anywhere. This problem is solved owing to online trading being one of the most dynamic markets. Online trading is included into a small number of those economic segments, which continue to grow and develop.

According to the data of Nielsen, the Asia-Pacific region takes the lead in online trading in the world. Customers in China and South Korea are leaders in online buying cosmetics and food, whereas customers in countries of Western Europe are leaders in online buying everyday products. In 2017, retail sales in China incremented by more than 10%. Further development of online trade has become an incentive of the growth. Online shops, especially Alibaba, have continued to encourage consolidation of traditional offline and online shops. Alibaba and JD.com, the two largest online shops in China, merged or invested in different retail formats and opened new offline shops in 2017. Consolidation and acquisition of offline trading by these companies will continue in 2018.

In 2017, in times of the political and economic crisis, sales at online shops of Great Britain increased. Such process facilitated sharp growth of the gap between leaders and outsiders owing to the growth of sales in the online sector, which increment from month to month. There has never been such gap between leaders and outsiders.

In the new world of electronic commerce, Amazon again holds the top spot among the largest companies. Sales of the corporation increase by 20–30% annually. It will provide more than 50% of the growth of online sales during holidays. Its share accounts for more than 1/3 of the entire market (Melnyk, 2017).

In 2015, Ukraine became the most rapidly growing market of electronic commerce in Europe. All the indices in various sources show that online trading penetration in Ukraine is increasing in terms of volume as well as value. At the beginning of 2017, 91% of Ukrainian customers noticed that they bought products on the Internet because such transactions was convenient and advantageous (Lyshchuk, 2017).

There are a small number of national retail trade networks, which have online shops, in Ukraine. Networks such as Furshet, METRO, NOVUS, Fozzy Cash&Carry and Tavria V possess online

platforms in the territory of Ukraine. The online retailers render services for customers only within certain cities or several regions. It is a peculiarity of Ukrainian online trading. Online sales are still a perspective direction of development of retailing in Ukraine.

Partnership or acquisition by world giants. A process of acquisition of smaller companies by large retail chains is one of the contemporary characteristics of the business. A process of purchasing small stores at a lower price is enough interesting because these stores may be operatively integrated into a functioning network.

During the last period, contemporary changes in retailing led to destruction of traditional business models. Hence, there is a need for a merger of offline and online shops in order to provide a better standard of servicing.

For instance, Amazon as the largest trade company successfully increases its market share and sets the tone for development of retailing. Over the last few years, the company has extended its collaboration with other networks, particularly with Morrison's in London, with Eatlove s Serious Eats and Allrecipes in the USA. In August 2017, Amazon bought a supermarket chain "Whole Foods" and became an operator of traditional retail. Amazon proposed Amazon Go being a new conception of stores without cash registers and staff. French Auchan and Chinese Alibaba join their offline and online expertise for examination of new opportunities of development in China, using a network of Sun Art Retail Group, in which Auchan holds a majority of shares.

Wal-Mart, the biggest retail chain in the world, invests billions of dollars to implement Grocery Online, to increase the volumes of sales and to use its large chain of stores for gaining an advantage over Amazon. The retail giant has bought Jet.com, ShoeBuy, Moosejaw, ModCloth and Bonobos to rapidly increase its share of online sales instead of building from scratch.

The largest market players create strategic alliances for more rapid development. Wal-Mart and JD.com became partners in June 2016, setting a goal of taking leading positions in Chinese retailing. Under the agreement, Wal-Mart sold own e-commerce business "Yihaodian" to JD.com and gained a 5% share in the Chinese Internet giant, which has increased up to 10% since that time. Recently, JD.com has announced that it is planning to develop online shops in Thailand in partnership with Central Group being a Thai leading retail chain (Pidsumky, 2017).

Ukrainian networks also cooperate online. Zakaz.ua, a website of electronic trading, is a partner of networks such as Auchan, NQVUS, METRO and FOZZI group. Their collaboration is related to delivery of goods. Although a number of retailers working in close cooperation in the sector of online trading are not considerable compared to foreign retailers, this direction rapidly develops in our country.

New opportunities for retailing based on new technologies. Rapid development of technologies and breakthrough technologies transform business models in trade. Contemporary retailing

actively implement complex enterprise resource planning - systems, systems for consolidation of reports, automatization of logistic operations, inventory management, staff management, application of different technical means for security, application of new means for informing customers such as electronic receipts and information stands.

A new class of services have formed dramatic expansion of smartphones, which allows to effectively communicate with a customer or to place orders through websites or mobile applications.

Development of cloud technologies is one more important trend. They significantly accelerate accomplishment of integration goals: Inclusion of particular divisions in general information space; integration with information systems of external counteragents. Using these services and information systems, in which all these modules are organically connected to each other, a trading enterprise successfully achieve its objectives (Fedulova, 2017).

To increase the value of a business and to enhance relations with a customer, retailers apply new technologies such as artificial intelligence, augmented and virtual reality (AR/VR) or robotics.

For example, Google has presented a new platform of machine learning called TensorFlow, whereas Amazon has announced a number of corresponding changes. Voice command devices based on artificial intelligence gain more and more popularity. Companies such as Amazon Echo, Eho Dot and Google Home apply them in own activity. At the end of 2017, Wall-Mart began to collaborate with Google, offering consumers voice shopping. Companies such as IKEA and Spanish El Corte use AR/VR technologies. Unmanned stores will be a novelty in retailing. To scan commodity codes with smartphone programs and to purchase them, customers will use unmanned apparatus that are controlled with smartphones. Certain companies, e.g., Amazon and Chinese Suning, are preparing for launching these stores. Auchan will use this technology to open a chain of its stores in China.

6. CONCLUSIONS

Having done the research, the authors determine that retailing in Ukraine gradually develops. The state of the national economy, which is affected by some restraining factors, stipulates specificity of development of retailing. The mentioned factors include the military conflict in the eastern part of Ukraine and the decrease of purchasing power of the population caused by reduction of real incomes that leads to reduction of consumer demand. Nevertheless, the authors ascertain some positive tendencies in Ukrainian retailing. Over the past few years, the retail sector has shown the following results: Retail sales volume of enterprises operating in the sector has grown; the amount of retail space has increased; large retailers have been acquiring small stores.

In general, Ukrainian retailing emulates the following global tendencies of development and contemporary specificity:

Partnership; acquisition; merging offline and online trading; development of innovations and new technologies in retailing; formation of customer loyalty.

At the same time, there are some peculiarities of Ukrainian retailing related to national specificity, which encompass: Firstly, disproportions of geographical allocation of retailing, i.e., concentration of retail establishments in the capital region and big cities; secondly, uneven geographical allocation of retail formats, i.e., large outlets are mainly deployed in big cities, whereas minimarkets actively strengthen their presence in the territory of Western Ukraine; thirdly, rapidly developing online trading is oriented towards combining online and offline types; fourthly, enhancing customer service quality, the increase of the value of a trading service, the focus on performing a social function; fifthly, development and implementation of an innovative commodity policy at retail trade enterprises.

Comparing Ukrainian and global retailing, the authors indicate that global retailing develops at a faster pace. Thus, Ukrainian retailers should monitor innovative changes in foreign retailing, follow the global experience, examine and implement this experience into practice, taking into account peculiarities of the domestic industry.

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