

COMMERCIAL ENTERPRISE: ESSENTIAL CHARACTERISTICS, FUNCTIONS, EMPHASIS IN GROUNDING STRATEGIES FOR POLICY DEVELOPMENT

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Abstract:

The article defines the objective reasons stipulating the substantial potential of commercial activity in Ukraine, which is characterized by increasing competition. Taking into account the results of scientists-economists' research and other sources the essence and peculiarities of the characteristics of commercial enterprise are considered. The main functions of commercial enterprises: economic, industrial and technological, external economic, social are characterized. The determination of commercial enterprises by different characteristics depending on the factors of their operation is given. It is noted that recently on-store retailing as an alternative to commercial enterprise has been increasingly getting importance.

The attention is focused on the need to take into consideration the aforementioned features and characteristics of commercial enterprise while developing strategy of its promising economic development using marketing techniques.

The essence of the term "strategy" and the possibility of using different kinds of development strategies of commercial enterprise as a non-dated plan of specific activities covering a long period are considered.

Operating, investing, market economic strategy, strategy of diversification and differentiation, often used in the activity of commercial enterprise are analyzed.

It is proved that the development of such a strategy should be carried out taking into account the socio-economic situation of the region in which commercial enterprise is located.

The article highlights the features of the socio-economic development of Chernivtsi Oblast, changes which have recently occurred in the field of commercial activities. Current trends in the regional economy are defined.

Based on the results of the development of trade in the studied region, it is conceptually shown that for a medium-term perspective the strategy for perspective economic development of commercial enterprise should be stabilizing, breakthrough and innovative.

Key words: trade, commercial enterprise, functions of commercial enterprises, development strategy

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INTRODUCTION

Commercial enterprises which are points of trading activities localization play an important role, firstly, in the everyday life of population as places of work concentration and suppliers of goods and services for them, and secondly, in the functioning of society, because due to them, you can create more jobs, replenish the budget, ensure a certain level and quality of life. The peculiarities and their effectiveness influence both the competitiveness of those territorial systems (village, district, region) within which there are commercial enterprises, and international cooperation of the aforementioned systems with similar systems in other countries. Taking into consideration the above and the fact that they are very dynamic structures that within a short period of operation may change the format of trade, ownership, morphology and structure, it is obvious that commercial enterprises, especially peculiarities of their functioning, functions etc. should be permanently in the spotlight of scholars who must not only diagnose their condition, but also develop proposals concerning implementation of promising strategic directions of development. The above mentioned updates both the research of noted issues in general and the subject of this article in particular.

THEME AND PURPOSE OF THE STUDY

The relevance of the issues raised above led to their active learning in a variety of ways. Thus, general aspects of commercial enterprises are developed in the writings of such scholars as V.Apopiy, N.Holoshubova, L.Didkivska, A.Mazaraki, T.Futalo et al. The results of the study of the effectiveness of their functioning are presented in the works of such scholars as V.Apopiy, I.Blank, Ye.Boiko, O.Vovchak, V.Zahorskyi, V.Ivanytskyi, A.Mazaraki, V.Martsyn, B.Mizyuk, Ye.Mnych, A.Sadyekov, N.Ushakova, A.Fridman, A.Sheremet, O.Yashchenko, M.Yatskiv et al. The issue of enterprise development strategy is developed by such scholars as L.Balabanova, B.Minzyuk, A.Hermanchuk, A.Mishchenko, O.Anyskova, K.Radchenko, I.Ansoff, V.Karlof, M.Porter and others. However, over time there are new problems associated with the operation and rationale for the development prospects of commercial enterprises, including theoretical problems. It brings new research findings to the agenda in this area.

The purpose of the article is to attract the attention of scientists, managers and businessmen to the importance of the study of peculiarities of functioning of commercial enterprises in terms of Ukrainian contemporary realities, particularly the need to clarify their essential characteristics, functions, and new approaches to the justification of perspective development strategies.

PECULIARITIES OF COMMERCIAL ENTERPRISES FUNCTIONING IN THE CURRENT STAGE OF DEVELOPMENT

In difficult conditions of prolonged transformation of the Ukrainian economy from a command to market commercial enterprises are characterized by dynamic development indicators and significant growth potential. Specificity of consumer demand of population, diversified by the location of their residence, congenital and acquired demographic signs of their bearers, seasonality, income, and hence the level and quality of life, stability of socio-economic situation in the country in general. Currently the success of all commercial enterprises requires exploring of the possibilities of widespread use of theoretical models of modern marketing and further implementation of a variety of marketing techniques and strategies: from the formation and mainly the support of positive image of enterprises to improving of the quality of goods on sale, personnel training, the formation and further expanding of the range of additional services that can be offered to consumers, elastic pricing policies and so on.

Focusing on the activities of commercial enterprises in Ukraine is also relevant because of the increasing concentration of both formal and informal employment in these enterprises caused by inter-sectoral reallocation of labor (Aspir P., Futalo T., 2009). This implies that the decrease in employment in industry and agriculture of the country is accompanied by increase of the labor force engaged in services (the name of aggregate block of sectors, which combined trade, repair of motor vehicles, household goods and personal items, as well as the activities of hotels and restaurants), the dynamic of indicators for the period from 2000 to 2012 (Figure 1) is especially representatively shown.

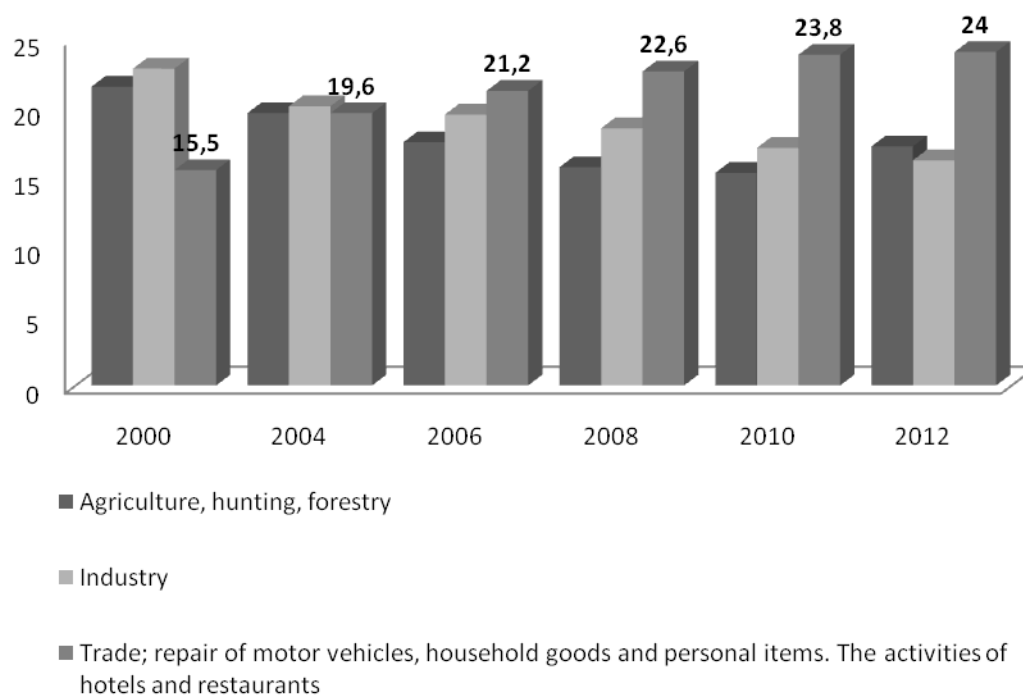


Fig. 1. Changes in the structure of employment of Ukraine as an example of some aggregated sectors (Statustychnyi shchorichyk Ukrainy, 2012)

In Ukraine it is the commercial activity that has the greatest potential taking into consideration the objective circumstances among possible types of economic activities: industrial, commercial, and finance-credit. It is indirectly confirmed by the above picture. That is, commercial enterprises, as some of the most represented subjects of commercial activity, increasing number of employees, thus confirming the growing competition in this segment of the market, and commercially-diversified strategies of development serve as a guarantee of their market stability.

THE ESSENCE OF THE CONCEPT OF “COMMERCIAL ENTERPRISE”

In the scientific literature there are several definitions of the essence of commercial enterprise, but there is no standard, widely accepted interpretation of this definition.

Well, a commercial enterprise is interpreted as a primary, main link of trade sphere, its independent economic entity with a right of legal entity, established for the purchase, sale, and also storage of goods, providing various kinds of related services in order to meet the market demand and get profit (Velychko V., 2004).

It is interpreted as a complex commercial system, the characteristic features of which are openness, self-organization, order, which creates added value as a result of the sale of goods by means of the staff members and effective management of commercial enterprise and is in a constant state of dynamic development (Rykhshyn N., 2002)

In another publication it is stated that commercial enterprise as an open system ensures its viability through the transformation of resources received from the environment, the finished product in the form of goods sale and provision of services to the subjects of the environment (Moshek G., 2011).

The attention is focused on the fact that in the market conditions the enterprise is an independent economic entity whose activity presupposes the enterprise owners' freedom in the distribution and use of obtained profit, a personal property and capital (Mazaraki A., 1999).

In the Commercial Code of Ukraine it is generalized: an enterprise is an independent entity established by the competent authority of the government or local authorities or other entities to

meet public and private needs through systematic implementation of the production, research, trade, other economic activities in the manner provided both by the Commercial Code of Ukraine and other laws. It is the Commercial Code of Ukraine that legally enshrines the principles of modern enterprises operation in accordance with conditions of a market economy (Gospodarskii kodeks Ukrainy, 2003).

Summing up, we believe that commercial enterprise (CE) is a registered independent economic entity, which having rights of legal entity, carries on commercial, sometimes its own manufacturing and research activities in order to obtain an appropriate profit (income).

However, referring to the above definitions we can state that while the interpretation of commercial enterprise essence each of them makes various accents relating to certain aspects of its operation. It is necessary to take into account when developing strategies for prospective development of commercial enterprise, because shaping of goals and approaches to its strategy implementation depend on the definition taken as a basis.

FUNCTIONS OF COMMERCIAL ENTERPRISES

While developing strategies for prospective development of commercial enterprises it is also important to consider the functions performed by them. In the scientific literature there is a focus on the functionality of commercial enterprises, their performing of usually economic, industrial and technological, foreign economic and social functions. *Economic* function appears in managing of goods sales and own production (if there is such a process as an appropriate structural division of an enterprise), making contracts, hiring staff and their work organizing, income distribution, calculated efficiency, pricing, market research. *Industrial and technological* functions connected with ensuring of its own production process (such as baking, cooking, etc.) necessary tools and their use, introduction of new technologies. Often commercial enterprises, as practice shows, organize subsidiaries to ensure feedstock manufacturing. This is especially significant for food commercial enterprises and their networks. *Foreign-economic* function is particularly relevant at current stage - in the conditions of recession of domestic production; it involves participation in the international exchange of goods, joint production with foreign partners, joint projects. Performing *social* function, commercial enterprise cares about improving of employees' working conditions and recreation, creating a favorable psychological climate in the team, providing assistance and benefits to employees and their families, conducts charitable activities (Apopii V..2005).

But at the same time, we should keep in mind that the volume and nature of the functions performed by commercial enterprises are determined by the type and size of the enterprise, the degree of economic independence, technical equipment, location in the area and other characteristics of commercial enterprises and factors of their operation.

Depending on the number of employees, turnover commercial enterprises are divided into small, medium and large. By scale of commercial operations CE are divided into wholesale and retail stores (Gospodarskii kodeks Ukrainy, 2003).

By the form of ownership commercial enterprises are divided into private, business, municipal, state, including departmental as well as those which have foreign capital in the statutory fund. The list of legal forms of business enterprise includes joint-stock company (JSC), a limited liability company (LLC), not so often additional liability company (ALC), general partnership (GP), limited partnership (LP). By specialty commercial enterprises can be classified into universal (shopping centers, supermarkets, department stores), specialised (including brand ones) and highly specialized. By the nature of customer service: markets, based on self-service, with limited service; fully serviced. By the chosen pricing CE are divided into those that can withstand low prices; middle and high level of prices (Gospodarskii kodeks Ukrainy, 2003).

It should be added that nonstoreretailing as an alternative activity of CE is increasingly taking a bigger segment of the trade. It is the use of vending machines that can provide non-stop sale of goods (newspapers, candies, cigarettes, soft drinks, toiletries, etc.) and self-service. However, these machines require constant monitoring plan which includes inventory replenish,

getting rid of breaks, protection against theft. "Hawking trade" also belongs to this. This type of retailing has adherents among a number of manufacturers who rely on meeting customer demands through the organization of supplies of goods chosen from the directory at a convenient time for the customer. In contrast to trade by mail or phone trade via the Internet is rapidly increasing its volume.

The above confirms that both the scope and nature of the functions performed by the commercial enterprise depends on the group, class, or type of its belonging. Establishing such information should be the basis for a strategy of the perspective development of commercial enterprise.

CHARACTERISTICS OF STRATEGIES OF PERSPECTIVE DEVELOPMENT OF COMMERCIAL ENTERPRISES

In its activities, each company is building its own medium- or long-term strategy of perspective economic development. The term "strategy", based on a literal translation of the term from Ancient Greek, is interpreted as a general non-detailed plan of specific activity covering a long period; way to achieve a complex goal.

Operating, investing, market economic strategy as well as diversification strategy and differentiation strategy are singled out (Garkavenko S., 2002). An *operating* strategy, being a component of the overall business plan of the company, is primarily focused on solving specialized issues and problems associated with achieving the goals of its individual unit. Implementation of *investment* strategy that experts consider as a system of conceptual goals and leverage of their achievement, aimed at finding the required amounts of financial resources - investments that, in principle, are always appropriate in a competitive environment. Expanding sales of the company is possible through the implementation of measures of *market* strategy: studying the market potential, forming the volume of potential resources in case of force majeure, analysis of life cycle of product demand, introduction of methods of price competition and others. The purpose of *diversification* strategy is to avoid any dependence of the business entity through new raw material market and production distribution market, providing new services, new types of business activities which totally single out specific company in the segment of other similar ones. *Differentiation* strategy is implemented through an economic entity policy of picking out production (services) as a special, different from competing products (services).

SOCIO-ECONOMIC DEVELOPMENT OF CHERNIVTSI REGION

The choice of strategy, its rationale largely depends on the state of social and economic development of the region, where commercial enterprise is located.

For example, for the period of national independence in traditional agricultural Chernivtsi Oblast (over 58% of the population lives in rural areas) there was formed its own distinct specificity of consumer market, differentiated by the place of population residence: urban settlements / rural areas (Regionalna programa rozvytku malogo i serednogo pidpryemnytstva u Chernivetskii jblasti na 2013-2014 roky, 2012). On the background of the general downward dynamics (Fig.2) the retail of urban settlements (in 11 cities and 11 towns) is characterized by high profitability, appearing of new business entities, diversified by type, types and formats of commercial enterprises and significant concentration of employment in commerce, but in the countryside the curtailing process of chain stores of consumer cooperatives with a strictly limited range of consumer products is accompanied by private retailers.

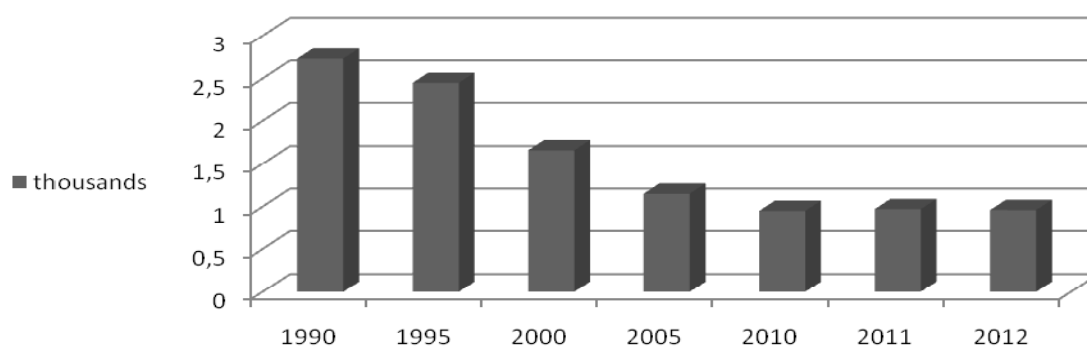


Fig.2. Dynamics in the number of retail entities in Chernivtsi Oblast (Statustychnyi shchorichyk Ukrainy, 2012).

More inert transformation of the rural consumer market also restrained by a number of objective reasons: “implementing” of new approaches, activities in rural areas always lags behind the rates of urban settlements; in the villages due to a high level of agricultural production naturalization solvency of the population is low a priori; former monopolist of rural consumer market - a system of consumer cooperatives lost positions due to destruction of an established system of economic relations and goods supply by cooperative storage facilities, as well as by reducing the volume of domestic production, procurement and sales activities. In addition, in market conditions organizational principles of business have drastically changed, competition appeared, various economic strategies began to be actively implemented, which eventually led to pervasive changes in economic trade.

The rate of investments payback increases the attractiveness of urban areas in terms of placing stores of new formats, besides the “level of attractiveness” is proportional to a population number in settlement. The largest segment of commercial enterprises is, of course, concentrated in the regional center, where there is up to 30 % of the population; 21 warehouses of 27 stated their legal address in Chernivtsi.

The above features of the socio-economic condition of Chernivtsi Oblast require special attention to the grounding of prospective economic strategy for every commercial enterprise. Hypothetically, it could be argued that urban shopping facilities in the region should prefer strategy of diversification and differentiation, thus directing the implementation of operational and investment strategies for a short and long term. In rural areas, it is expedient to focus on a new, more comprehensive commercial network, shops of which will trade consumer goods. Their development would occur first in line with market strategy, i.e. the study of the market potential, forming the volume of potential resources in a case of force majeure, life cycle analysis of the product demand, the introduction of methods of price competition and others. Retail will be “revitalized” by appearance of competition in rural areas, as a result consumer will win. Promoting of the CE development in rural area of the region should be a subject of regional policy, especially if such assistance is able to play a role of a multiplier of socio-economic development of the territory due to increasing of employment, the level of communication with other economic entities etc. Dynamics of employment of citizens unemployed in labor activity in Chernivtsi Oblast is shown in Figure 3.

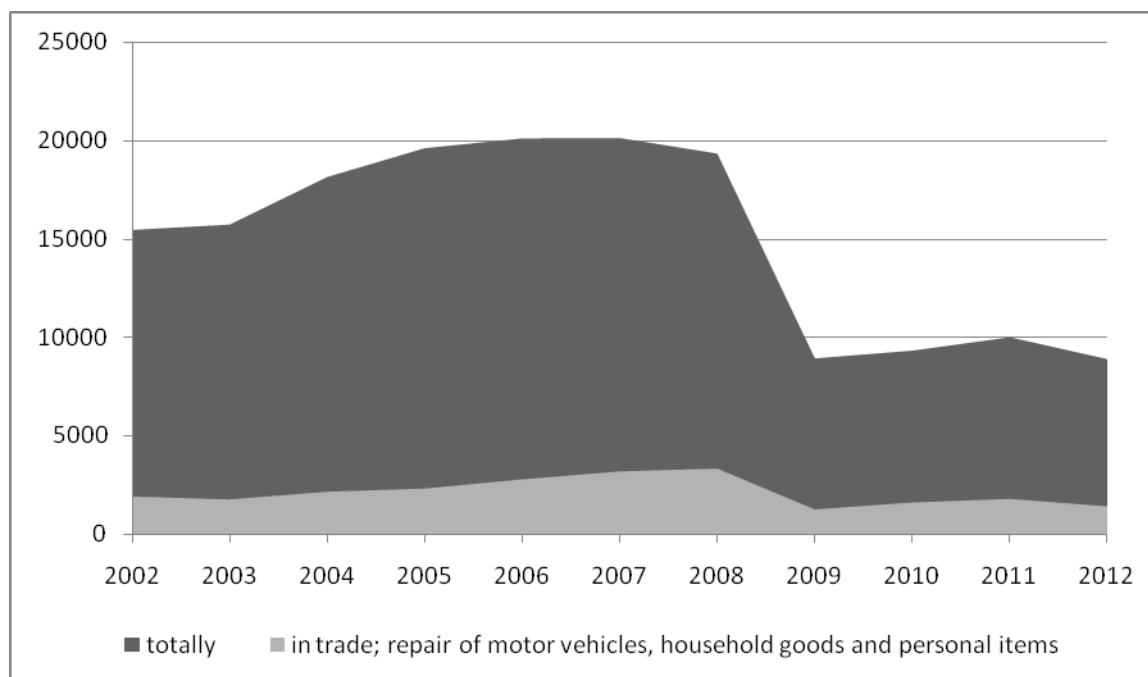


Fig.3. Dynamics of employment of unemployed in labor activity in Chernivtsi Oblast, individuals (Statustychnyi shchorichyk Ukrainy, 2012).

Aggregated branch “Trade; repair of motor vehicles, household appliances and personal items” accumulated from 11% in 2003 (min) to 18% in 2011 (max) of all employed people in the region. In 2012, there were employed 16% of those who were satisfied with a job; it is not difficult to assume that most of them are concentrated in trade.

In 2012 gross regional product of Chernivtsi Oblast increased by only 100.5% according to the level of 2011. In 2012 there were recorded 978 wholesale and retail enterprises, including enterprises of repair of motor vehicles and motorcycles in the region. Two of them are large enterprises (0.2% of the total number of enterprises of relevant activity); 32 medium-sized companies (3.3% of the total number of enterprises of relevant activity); 944 small businesses (96.5 %, respectively), including 799 (or 82% of the total number of enterprises of relevant activity) which are micro enterprises. In the region small businesses make up 95%, the absolute majority of enterprises by all other economic activities; micro enterprises make up 78% out of them.

Investments in tangible assets dominate in the structure of capital investments. Investments in housing (61%), non-residential buildings (13.2%), machinery, equipment and supplies (12%) dominate in the total investment in fixed assets in 2012. 7% of investments is directed to engineering structures. The most profitable economic activity in the area is fixed in the sphere of finance and in the traditional regional fields of agriculture and forestry, hunting. The industrial potential of Chernivtsi region is formed by the enterprises of the food industry, metallurgical industry and manufacture of fabricated metal products, machinery, repair and installation of machinery and equipment, light industry, manufacturing and distribution of electricity, gas and water, wood processing and the production of wood products, manufacture of other products. At the present stage the economy of Chernivtsi Oblast is developing mainly by upgrading on a new technical basis, by means of productivity increasing. Many investments were spent on reconstruction and modernization of existing businesses, as well as resource saving, namely, production and distribution of electricity, gas and water in the industry. Main indicators characterizing agricultural production of Chernivtsi Oblast indicate that economic activity is managed in an extensive way.

On 01.01.2013 there were two commodity exchanges in the region. Lumber, wood and wood products were the main objects of trade in the structure of the concluded exchange

agreements. All above totally gives reasons to believe that the fundamental changes in the medium term should not be expected in the region.

Thus, the expected lack of major changes in Chernivtsi Oblast in the medium term (Regionalna programa rozvytku malogo i serednogo pidpnyemnytstva u Chernivetskii oblasti na 2013-2014 roky, 2012) imposes special demands on developing strategies of promising economic development of every commercial enterprise. It should be primarily stabilizing (i.e. which consolidate the position of CE in the regional market), breakthrough (because it has to provide attracting of new resources for trading, clients for promotion and marketing of products), innovation (without innovation the commercial enterprise can not modernize its activity).

CONCLUSIONS

The research showed that commercial enterprise is poly-functional by the nature of business organization. This means that the average commercial enterprise usually performs economic, industrial and technological, foreign economic and social functions. At the same time, in its work each enterprise forms its own medium- or long-term strategy for economic development. However, without specifying the essential characteristics and functions of commercial enterprises it is impossible to develop and implement a strategy for its perspective economic development, which must be stabilizing, breakthrough and innovative for a medium-term.

Current diversification of commercial enterprises, increasing the efficiency of their operation requires the creation of appropriate economic potential of the enterprise on the basis of the development and implementation of strategic changes in its management.

Chernivtsi Region has considerable potential for economic development of commercial enterprises, which depends on many factors. One of the most important factors is the local business climate and business diversification.

The choice of a certain type of diversification strategy depends on many factors, all of which are an object for further research.

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