

STRATEGIES OF SHOPPING CENTERS IN UKRAINE

Nelia Ivanechko

Department of International Management and Marketing
Ternopil National Economic University
Ukraine



Abstract. In the article we held a study of strategies which are applied by shopping centers on the market of Ukraine. We analysed the definition of the shopping mall and implemented our own interpretation. We considered the peculiarities of strategies formation by domestic trade and entertainment centers. We defined marketing strategy for growth. To increase sales, profits, and scale of its activities - shopping malls are using marketing strategy expansion of integrative growth. Trading networks use growth strategy of diversification. Network shopping centers applied a growth strategy, namely the strategy of market development. Local shopping centers used marketing strategy of product differentiation. A small portion of shopping centers applies the strategy of prestigious prices, other shopping centers of Ukraine work for visitors with middle income and use the strategy of target prices or target profit.

Keywords: marketing strategy, growth strategy, trading and entertainment center.

1. Introduction

The increasing life expectancy and rising affluence has led to the emergence of a large group of people who disponet free time. They began the time dedicated to rest after work and preparation for further work to be used for consumption of goods and services, which, respectively, contributed to the formation of a special demand for retail and entertainment services. This process has led not only to expansion of the supply of goods and services, but also to the creation of new forms of provision and development of new infrastructure that allowed to combine in one or more buildings of a set of enterprises of trade and services, which operate within the same trading-an entertainment complex.

2. Materials and Methods

The rapid development of shopping-entertainment services and the increase of their proportion in the economy led to the positioning problem emergence of this segment in the Ukrainian market. The basis for the research is the complex of obtaining information methods. Research development tools strategies of shopping centers requires the scientific methods application of scientific cognition. Research trading strategies and entertainment centres are planned to be carried out using Boolean laws and regulations in a variety of ways from collecting factual material, studies, and synthesis, the identification and explanation of individual patterns to logical, related system, which can be used to justify the already known facts. Because the process of cognition begins with the usual observations, moving toward abstract thinking, we used the primary data observation collection method. For the purpose of research we used secondary information. Data regrouped according to the statistical classification to current market information that will enable us to form a General "portrait" of the market shopping and entertainment centers.

3. Results

The infrastructure of the market shopping and

entertainment facilities are presented with new objects, mainly shopping centers (SC).

They work successfully in Ukraine and continue developping projects wide multi-use facilities, which combined a lot of different activities. Such objects consist of single or groups of buildings on a fairly large scale site. The main investors of these mega complexes become large construction company, which has an attractive land plots and technologies for the construction of complex mixed-use complexes.

The organizational structure of shopping centers form the following departments: Department of rent, marketing and advertising, human resources Department, technical Department, financial Department, accounting Department and security service. In addition to administration, in the shopping center there are tenants who conduct business activity on the leased premises. The area under entertainment and dining options for citizens can be rented out or shopping and entertainment center will carry out activities in these areas.

We must admit that it is impossible to obtain official statistical information on shopping and entertainment centers of our state, through which decreases the quality of marketing and financial analysis. [1]. Further it is stated that the area of individual rooms, rented, report directly to the entities that they rent. The owners of the above complexes are predominantly physical persons-entrepreneurs. In statistical observations are recorded data on retail trade and maintenance of restaurant facilities owned enterprises (legal entities), excluding items that are owned by natural persons-entrepreneurs.

Mainly shopping centers in the cities place in densely populated residential neighborhoods, which significantly affects the coverage area. Each shopping and entertainment complex consists of three coverage zones, or service, that is the territory inhabited by the majority of customers and visitors. The first coverage area is the territory inhabited by

the majority of customers. Buyers from the first zone are considered to be the core group, because their number is equal to 70 - 80% of the total number of regular consumers. The second zone covers a broader, compared with the first area, the territory. The population is 15 - 20% of consumers who are referred to as non-permanent groups. The third, or peripheral zone is the most extensive service area. Generally, it provides 5 - 10% of regular customers shopping and entertainment complex.

In the recent past, there has been the construction of shopping centers near transportation arteries on the outskirts of the city and the satellite towns. Shopping malls outside the city - it projects with a regional dimension to the strategically good location. They offer a wide selection of products, services and entertainment that gives them reason to be contenders for the status of the trade and entertainment center for the entire region. At the present stage in Ukraine, some shopping centers located outside the city, in particular this: "Rose Park" 50,000 sq m, "AeroMall" 20 kv 509. m, "Central Park" 108 000 sq. m., regional "FABRIKA" 82 000 sq. m., regional "King Cross" 105 000 sq m super-regional "Mall of Ukraine" 180 590 sq m, super regional "Respublika" 284 271 sq. m., regional "Riviera Shopping City" 85 000 sq m regional "Meganom" 81 500 sq m, regional "Donetsk city" 115 000 sq. m., regional "Karavan Megastore" 99 800 sq. m., regional Magellan 93 470 sq m regional "Port City" 72 800 square meters, the Terminal 74 600 sq. m. the Above complexes designed for tourists and shoppers from throughout the region.

Market entertainment and shopping services operate different objects according to the area size. The square is a large shopping and entertainment complex, which is more than 50 000 sq m, average between 20 000 - 50 000 sq m, small in the range of 4 000 - 20 000 sq. m; shopping centers in medium and large sizes are spread within Ukraine. Shopping malls area has certainly increased because of the rise in the supply of goods and services. To increase sales, profits, and scale of its activities, shopping malls used integrative growth marketing strategy. This marketing strategy includes strategies designed to improve results by combining efforts with other participants[2, p. 59]. This also includes the vertical integration strategy, as reflected in the consolidated actions of all participants in the distribution channel of goods and services trade and entertainment complex.

It should also be indicated that the trade network is actively investing in commercial real estate in Ukraine, which will eventually provide an opportunity to expand the business and to ensure sustainability of core activity. This can be explained by the fact that in the retail business margin decreases. Due to the constant increase in rental rates of retail space profitability of domestic trade networks even before the crisis of 2008 was characterized by a descending order. As the level of profitability of trade was constantly falling, the owners of grocery chains had to diversify its business with the aim of finding new areas for its activities, among which investment in commercial real estate.

The advantage of large retailers is evident in the stimulation of the formation of a significant cash flow, brand recognition and ability to attract a large number of buyers. However, this activity has disadvantages, among which are low margin and low volume of fixed assets.

In Ukraine there are such network of shopping centers "Karavan", "Magellan", "Continent", "Duffy", "Square", "Equator", "Depo't Center", "Port City". First of all, they covered such cities as Kiev, Dnepropetrovsk, Kharkov, Poltava, Cherkasy, Mykolayiv. It is in these cities, there are more than two network shopping malls. Thus, the network has used one of the growth strategies, namely the strategy of market development.

In the part of the shopping malls network, anchor has its own supermarket or hypermarket, that sells one of the products under its own trademarks. Trademarks can be a product of both: its own production and made for ordering in other enterprises of the company.

Note that the trading network, with its own grocery supermarkets, hypermarkets and private label brands, started its activity with shopping centers. Subsequently, to increase the flow of consumers they added entertainment component, which led to the diversification of the business.

It is worth noting that the diversification strategy has taken into consideration other retailers and networks list of shopping malls that are not final, as far as today the company "Amstor" and "Auchan" declare the implementation of shopping centers projects. In particular, Amstor is the largest trading network in the East of Ukraine, which operates 26 hypermarkets in the implementation phase of the shopping Mall project with an area of 80 000 sq. m. in Odessa. Anchor grocery hypermarket will be "Amstor" with its product brands: "Good benefit", Bazhana Marka", "Products from the village", "Delicatesse".

Major retail company "Auchan Group (France) acquired a 20% stake in CJSC "Furshet", which owns 69 stores in Ukraine and Moldova. "Auchan" and "Cocktail" in our state has created two joint ventures. One of them deals with the extension of the network to which includes hypermarkets "Auchan", and other enterprise "Immochan" - the formation of a network which is formed by the shopping malls. The first project of this company has become a shopping and entertainment center "Rose Park" in the Donetsk region.

In the domestic market entertainment and shopping services have experienced separation of local and network shopping centers. Refere to local shopping malls, which are not included in the network and operate under their own name without labeling. Anchor in local shopping malls there is an entertainment part, and trade institutions and other related created services which added significant value for consumers. Local shopping centers used marketing strategy product differentiation.

To include network enterprises controlled by one management company. The management company can be a consulting company, specialized or private management company, development company and the like. In this case, the management company, as a rule, is the owner or a hired

Director. The management company is controlled directly rentier or a holding company.

In our state the feature of the real estate business lies in its connection with the management of assets, the market value of which is only growing. Indicator margins of this business are significantly higher than in the retail trade, even though cash flow, formed by them, is at a very low level. Therefore, these two activities concentrated in a single portfolio, linked and complement each other. Among the different types of real estate (residential, office, hotel, etc.) is a retail property market which is considered common to the activities of large companies engaged in networking. At the same time, they can enter in a Corporation owning real estate development and consulting companies.

Development companies profit from the creation of real estate. Of course they are the authors of the draft, while buyers of the land plot, investors, organizers design of the facility licensed designers, employers, General contractors and property managers. Development company as participants of the market shopping and entertainment services in Ukraine are divided into those who build shopping malls and profit from their sale, and those who build for their own retail business. Using analytical reviews of consulting companies "Ernst&Young", "CBRE", "DTZ" and "Colliers", highlight the development companies that act as important market participants trade and entertainment services: "Karavan Real Estate", "Arricano Group", "ADF Group", "Vita Veritas", "Domus", "Duffy", "K. A. N. Development", "The Edge, Alef Estate"

Consulting companies are conducting research, such as market analysis, marketing assessment of the concept of the object, the analysis of the existing shopping and entertainment complex and the expertise of the marketing concept. In addition, they provide advice on investment attractiveness of land, carried out an analysis of ways to improve the use of land, develop the concept of shopping and entertainment enterprises and carry out the audit of the existing complex. These companies offer a comprehensive range of services for the management of shopping centres. This can be a complex operation that involves engineering and technical support systems of the building, cleaning of common areas, security, promotional activities, work with tenants, or short-term crisis management situation in the current object. Development, consulting and management companies are also engaged in the brokerage. In relation to the market shopping and entertainment brokerage services foresees the marketing campaigns implementation to promote the market of a particular object, seek buyers and tenants, the correct positioning of the object to enhance the value, negotiating on behalf of the owner of the facility, and ultimately the preparatory work for the drafting of documents for the transaction.

Rentier is a person or group of persons who receive income from rental property. In the ranking of Ukrainian investor magazine Forbes Ukraine half of these persons receives income from lease of areas shopping malls. The management of these facilities provides hired a management company or a private company. The owner company can

simultaneously perform the functions of the developer, to engage in brokerage and develop concepts for future projects. At the same time, the company, the owner may transfer a portion of the functions, namely the development of the concept and brokerage, in the subordination of the consulting company.

It should be noted that in Ukraine in the scientific revolution mainly fall terms of foreign origin. The terminology used in new business areas, chiefly English borrowings.

As noted previously, the market shopping and entertainment services have experienced the merging of development and retail to expand their own market share. Strategy of market development is a form of increasing sales, market share and profits and provides for the penetration of the company into new markets. In fact, shopping centers trying to create a certain image, well-chosen product range and create the overall atmosphere, with a clear focus on a specific social class with a typical income.

Domestic trade and entertainment centers are designed for customers with medium and high incomes. To do this, use the following strategies: strategy values, strategy, efficiency, strategy, personal contacts, and strategy experiences. Shopping centers, aimed at visitors with the average level of income, apply the strategy values, i.e. they offer better quality goods at lower prices than the competition and efficiency strategy for consumers who value their time. Shopping centers emphasize the superiority of purchases in one parish, and in one place.

At the same time shopping centers for consumers with higher income levels use the strategy of sensations, that is, focus on the sensations that causes the execution of this purchase. In such a case is created in the shopping-Mall atmosphere plays an important role. Exciting atmosphere rise are passed through specially organized events, demonstrations, the effect of which is enhanced by architectural effects and light effects. Consumers who receive a high income, prefer personal qualified service professionals who know their business perfectly. Therefore, it is vitally important strategy of personal contacts, because consumers are worried about their own well-being and quality of life. In Ukraine for consumers who receive high income, working only a few shopping centers: "Kapital" (Kharkiv), "arena city" (Kiev), "Mandarin Plaza" (Kiev), "Feride Plaza" (Vinnitsa), "Grand Plaza" (Dnepropetrovsk), "Victory Gardens" (Odessa). The above complexes differ from the others primarily by the presence of luxury brands" delicatessen and grocery store. Besides exquisite designer interiors provide an opportunity for shopping and entertainment centers to adopt a strategy of prestigious prices, which to some extent can be considered a variant of the strategy of discriminatory prices.

All other shopping and entertainment centers of Ukraine are working for customers with medium income level and use the strategy target price or target profit. Consumers with low income prefer markets that have spread strategy flexible prices.

4. Conclusions

Summarizing, we can state that shopping Mall (shopping and service center) is a conglomeration of enterprises of trade, public catering, sports, entertainment, recreation, domestic service, providing a wide range of services, mainly to leasehold, in which the anchor for the shopping services are enterprises of foreign or domestic trade network in the format of a supermarket or hypermarket, an entertainment services company that provides one or more types of entertainment (water Park, 3D cinema, bowling, roller skating, ice skating, and the like). Shopping Mall is positioned as one functional unit with its own brand, but any company that provides trading, or entertainment services, retains its features and peculiarities of the activity.

The shopping centers strategies formation peculiarities include: intensification possibilities of the enterprises to consolidate the efforts of various market participants,

promotion in different areas of business, as well as in those that do not relate to your core business. As a result of the market shopping and entertainment services companies use growth strategy, namely the strategy of integrative growth strategy of vertical integration), the strategy of intensive growth (development strategy market development strategy product/service), a strategy of diversification (horizontal diversification strategy); pricing strategies prestigious price and target profit.

References.

[1] Instructions on how to complete the forms of state statistical observations relative to the trade network and the network of restaurant industry [Electronic resource]. - Access mode: <http://www.ukrstat.gov.ua/>

[2] Kudenko N.V. Strategic marketing / N.V. Kudenko.— K.: KNEU, 1998. — 152 p.

Information about author

Nelia Ivanechko, Department of International Management and Marketing, Ternopil National Economic University, Lvivska St, 11, Ternopil, 46010, Ukraine, e-mail for correspondence: nelaiv@mail.ru