**The formation of shopping centers market in Ukraine**

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**Abstract:** The article investigates the process of shopping centers market formation and four stages of it's development. We reviewed the evolution of the business activities of retail companies in the Ukrainian market and formation of national retail chains. We analyzed the location of the network entities and the identified key (main) towns of their activities. We identified economic factors which play a significant role in the choice of a regional center for the construction of a new shopping and entertainment complex.

***Keywords:*** *market of shopping centers, shopping center, shopping network, network shopping malls.*

At the beginning of XXI century. in Ukraine there has been rapid development of new forms of commerce and entertainment due to the growth of the population solvency. Within 2000 – 2015 appeared about 200 commercial and shopping centers. In the first phase of development it was reconstructed department stores, cinemas, etc, which are in concept, space and their architecture have little in common with professional requirements. In recent years the market has expanded with modern technology built shopping malls.

An overview of recent research and publications showed that the problem of the shopping malls market formation in Ukraine has not found sufficient reflection in the scientific literature. This is due to the novelty of problems showed above. The trends of integration processes in the market of shopping malls demonstrated in the works of V. Stalna, R. White, N. Goncharuk. A separate publication of T. Holowachuk, L. Guth, K., Kharuk devoted to the development of trade networks and the formation of strategies.

The purpose of this article is to investigate the process of the shopping and entertainment complexes market formation and outline the future prospects.

Modern science is distinguished by such features as the increasing role of methodology in the study of cognitive processes and development of specialized knowledge. The methodology performs the function of regulating the methods and techniques used in the learning process. For the purposes of scientific research primary and secondary information are used. For investigation and fixing of modern state of the market and entertainment shopping complex in real situations the method of observation is used. With this method primary information for the study was collected. Secondary data received on the basis of available information, analytical reviews and consulting agencies.

In Ukraine now successfully working and continue to be generalist the projects for multi-use facilities, which combined a lot of different activities. Such objects consist of single or group buildings on a fairly large scale site. Because of it’s large area they are situated in the suburbs or outside the city. The main investors for such megastores become a major construction companies which has an attractive land plots and technology for building mixed-use complexes or in other words a single property stores.

According to the dictionary of legislative terms "integral property complex is an enterprise, which, as a single property complex includes all kinds of property intended for it’s activity, including land plots, buildings, constructions, equipment, inventory, raw materials, production, rights of claim, debts and also the right for a trademark or another marking and other rights, unless otherwise provided by contract or by law" [1]. So the set of objects we can name as the company and also as a complex.

On the first stage of development of the shopping and entertainment centers market operated three types of objects: specialised, mixed, multi-function. Table 1 shows the principles of creation and examples of the market infrastructure.

Table1.

Classification of market infrastructure objects

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| --- | --- | --- |
| **Types of projects** | **Principles of creating** | **Example** |
| Specialized | Focused on one activity. | Lunapark, cinema, casino, computer gaming club, a fitness club. |
| Mixed | Combine 2-3 activities. | Shopping and entertainment center, fitness club, entertainment complex, aqua fitness club, health and beauty club. |
| The entertainment component is an ancillary activity. | Shopping centre, cultural centre, trade fair centre. |
| Multifunction | The combination of different activities. | Shopping and entertainment center. Shopping and entertainment Megacomplex. |

Source: compiled by the author.

Trade and entertainment businesses may have open and closed type, which leads to seasonality in object work. Versatile and multi-functional objects are areas of entertainment, combining a variety of activities, both outdoor and indoor. They may even contain a open water park, and also a indoor type of water park, through the use of modern technology for moving the roof in the summer.

Thus the shopping mall is conglomeracy of trade, sports, leisure, recreation and consumer services, which are hand-picked according to the same concept and conduct their activities in a specially designed room or group of rooms and are positioned as a single functional unit.

Infrastructure of shopping and entertainment company in the world, from the analysis point of view, is a complex model that evolved from a simple structure to an existing multi-level, interconnected on a wide range of system parameters.

 Examining the market of shopping centers in Ukraine, first of all, let's consider the stages of their development within the limits of 2000-2015. In particular, shopping complexes gradually mastered new activities and developed into a multifunctional trade and entertainment centers (Fig. 1).

Fig. 1. The stages of shopping malls market development.

Source: developed by the author.

As mentioned above, on the first stage shopping galleries was created in the renovated premises. Later on the second stage began the construction of new premises for the placement of commercial centers that included a grocery supermarket and shops of clothes and shoes. The third stage is marked by a switching in the operation of shopping centers of catering establishments, which now serve as leisure centres. At the fourth stage of market development to the infrastructure of shopping centers introduced various kinds of entertainment. At this stage, entrenched practices to build new and modern buildings with extensive technical capabilities for possible further reconstruction or re-conception of shopping and entertainment complex.

According to consulting companies investors prefer multifunctional shopping and entertainment complexes, which leads to a quantitative superiority over other types of infrastructure market. This is due to the desire to reduce risks through differentiated services that are offered in shopping malls. At this moment in Ukraine it’s hard to find single large objects. In a multifunctional shopping and entertainment centers different areas complement each other. This format is convenient for consumers, because the centres have all the necessary ingredients for life, namely: trade, sport, recreation, health, hospitality. By combining in one enterprise of various institutions, a synergistic effect appears which results in increased attractiveness for shoppers and expanding the boundaries of the target market.

We should also note the tendency of the combination in one enterprise of a wide range of different services and facilities, not interconnected. The result is megacomplex are created, the infrastructure of which allows holding of cultural events (concerts, shows, exhibitions, fashion shows and hairdressing, demonstration of new movies), sports (competitions, performances) and wellness (workshops, presentations).

On the second stage of the shopping centers market development by retail companies began to form a trading network. They arose on the basis of current production or by labeling products under another brand. The significant difference of development of national retail chains is that for their western counterparts it took almost a century to come to the model of combining of commerce and leisure. Domestic retail network borrowed this foreign experience much quicker.

Also, it should be noted that some networks are producers of agricultural products, household appliances and stuffalike. To ensure sales, companies create their own trade network, which include owned or rented shopping centers. To attract more visitors to the shopping complexes it’s combined with entertainment.

Fig. 2. The evolution of business activities of the retail companies at ukrainian market.

Source: developed by the author.

Note that in Ukraine retail chains have begun to invest in commercial real estate, for the purpose of business expansion and ensure consistent development of core business, since margins in the retail business reduced. The decrease in the level of profitability of trade, has forced the owners of grocery chains to seek new areas for its activities, in particular investment in to the retail properties. Large retail chain generates a significant flow of money in owning the brand and ability to attract a large number of buyers. However, low margins and a minor amount of fixed assets is a significant disadvantage of this type of activity.

The marginality of the above-mentioned business is much higher than in retail, but generated cash flow much lower. Thus, these two areas are concentrated in one portfolio, complementing each other. Among residential, hotel, office real estate - related trading is the market activity for large networks.

Profitability of trade is low, however, brings a stable income, creating a high value of company in the long term. The profitability of the business sphere of leisure is higher, but it is not so significantly increases the cost of the company. The data indicates the transformation of the sphere of the retail market operators activity by diversifying it’s business portfolio, among them, "Rainford", "Amstor", "Karavan", "Magelan".

In the last years it has been developed and now successfully functioning the networks of trade and entertainment centers: "Karavan", "Magelan", "Continent", "Duffy", "Square", "Equator", "Dеро't Center", "Port City". After analyzing the location of the network objects, we should note that part of the network chooses the strategy of capturing major cities and the rest take the strategy which includes small regional centres (Tab. 2.).

Таb.2.

The precense of ukrainian networks Shopping Mallsin ukrainian cities

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| № | **Network name** | City name |
| 1 | «Кaravan» | Kyiv, Dnipropetrovsk, Kharkiv. |
| 2 | «Маgelan»  | Kyiv, Dnipropetrovsk, Kharkiv, Mykolaiv, Poltava. |
| 3 | «Continent» | Kyiv, Dnipropetrovsk. |
| 4 | «Duffy» | Dnipropetrovsk, Kharkiv. |
| 5 | «Square» | Kyiv, Poltava, Simferopol, Sevastopol, Sumy, Cherkasy. |
| 6 | «Equator» | Kyiv, Kharkiv, Berdiansk, Poltava, Rivne, Chernivci, Cherkasy. |
| 7 | «Depo’t Center» | Kirovograd, Kryvyi Rig, Lubny, Mykolaiv, Chernivci, Cherkasy. |
| 8 | «Port City» | Mariupol, Vinnucia, Lutsk, Uzhgorod, Zaporizhzhya. |

Source: compiled by the author.

As you can see the key cities to develop networks of trade and entertainment centers are Kyiv, Dnipropetrovsk, Kharkiv, cities with population over 1 million people in high level of rents, which reduces the payback period of the project. Also these cities has the highest consumer activity.

In general, economic factors play a significant role in the choice of a regional center for the construction of a new shopping and entertainment complex. In particular, the average wage level and its dynamics, the growth rate of retail trade turnover of enterprises, average household income, the structure of their cash income, distribution of income, the share of consumer expenditure and their structure, size and market growth rate.

Today in Lutsk per 1,000 inhabitants there is 307 square meters of space in shopping malls, in Mykolaiv per 1,000 inhabitants 279 sq. m., in Vinnucia per 1,000 inhabitants 282 sq. m., in Zaporizhzhya per 1,000 inhabitants 72 sq. m [2]. While compared with small regional centers in Kyiv per 1000 inhabitants there are 381 square meters of space in shopping malls, in Dnipropetrovsk per 1,000 inhabitants 373 sq. m, in Kharkiv per 1,000 inhabitants 315 sq. m [2], but the potential has not been exhausted, there are great prospects for development of shopping centers market, because with the advent of new modern facilities, took place the outflow of consumers to the professional complexes.

Features of these complexes strategies formation due to the nature of shopping and entertainment company, which is expressed in wide format and versatility of this type of entrepreneurial activity. The emergence of professional shopping and entertainment centers formed the notion of an anchor tenant. For trade services serves as anchor a foreign or national retail chain in the format of a supermarket or hypermarket, for entertainment services – one or several types of entertainment (water park, 3D movie theater, bowling, roller skating, ice skating, and so on).

So, it is possible to allocate four stages of the shopping centers market formation in Ukraine which have shaped today's stage of development. In the last years has increased competition in the market of shopping centers, while implemented a lot of new professional objects that meet modern requirements. To gain a competitive advantage new trade and entertainment complexes need to enter the market with original concepts and unique forms of pleasure.

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**Становление рынка торгово-развлекательных центров в Украине**

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**Аннотация:** В статье исследован процесс становления рынка торгово-развлекательных центров и выделены четыре этапа его развития. Рассмотрена эволюция бизнес-деятельности розничных компаний на украинском рынке и образования национальных торговых сетей. Проанализированы местоположение сетевых объектов и выявлены ключевые города их деятельности. Определены экономические факторы которые играют значительную роль в выборе областного центра для строительства нового торгово-развлекательного комплекса.

***Ключевые слова:*** *рынок торгово-развлекательных центров, торгово-развлекательный центр, торговая сеть, сетевые торгово-развлекательные центры.*