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FORMATION OF COMMODITY STOCK MANAGEMENT STRATEGY AT TRADE ENTERPRISE PURSUANT TO PRINCIPLES OF CATEGORY MANAGEMENT

Purpose. *The purpose of the article is to study the formation of commodity stock management strategy at trade enterprise pursuant to principles of category management.*

Methods. *During research it was used: methods of theoretical generalization and comparison to form the concept on commodity stock management strategy, analysis and synthesis to define the purpose of commodity stock management strategy; dialectic method to form the succession in formation of commodity stock management strategy; method of induction for transition from definition of commodity stock management strategy and category management to commodity stock management strategy.*

Results. *Pursuant to the research, being performed, the components for formation of commodity stock management strategy pursuant to principles of category managements with orientation to the needs in the market and achievement of strategic purposes at enterprise were suggested.*

Scientific novelty. *The author suggested the definition of commodity stock management strategy pursuant to principles of category management that, unlike existing ones, takes into consideration the strategic set of enterprise and establishment of optimal size for commodity stock due to commodity categories. The main strategic purposes and succession in development of commodity stock management strategy, which differ from existing ones with orientation to the needs of the market (consumers and suppliers) and with consideration of corporate strategic purpose, as well as strategic potential of enterprise, were further developed.*

Practical implications. *The results, being received, are recommended in order to improve the efficiency in commodity stock management at trade enterprises.*

Keywords: *commodity stock, commodity category, commodity stock management strategy, category management, optimal value of stock.*

Problem statement. Commodity stock occupies the significant part in the assets of trade enterprise and the rate of monetary funds turnover and period for their release depends directly on the value of commodity stock. Under conditions of market economy it is important to understand that the possibility to receive the commodity circulation and further the profit is built on such value and on such structure of commodity stock that would provide with maximum satisfaction of demand from consumers while making the expenses as minimum as possible. Such efficiency in commodity stock management underlies the formation of strategic approach.

Analysis of recent researches and publications. The issues on commodity stock management at retailing enterprises are described and studied in scientific practical works both by national and foreign scientists: Mazaraki A.A., Veryga Yu.A., Khomenko N.V., I.O. Blank, N.M. Ushakova, T.G. Dudar, L.V. Frolova, L.O. Ligonenko, J. Bukan, E. Konigsberg, P. Zermati, etc. The following directions of research were described: principles and methodological approaches to formation and planning of commodity stock, among which ABC, XYZ-methods, balanced scorecard system, classical indices for calculation of need in stock, etc. However, the general

purpose for operation of trade enterprises under modern conditions of strategic trend is first of all not to receive the maximum profit but maximally to meet the needs of the market, i.e. closely to cooperate with suppliers and consumers. Such principles for development of enterprise are included into category management as one of efficient methods of management for assortment of trade enterprise.

The theoretical aspects of management for trade enterprises, based on category management, were studied by such scientists and practitioners as V. Snegiryova, O. Sergiyenko, V.V. Somova, V.A. Grosul, D. Kuznetsov, etc.

Purpose of article. Taking into consideration the urgency of research subject for trade enterprises and the depth in study of existing problems on commodity stock management at trade enterprises, the purpose of the article is to study the formation of commodity stock management strategy at trade enterprise pursuant to principles of category management.

Statement of main material. Strategy is only a component in commodity stock general management, which some scientists [1] define as a complex of measures, aimed to form commodity stock and to maintain its optimal volume.

The succession in stock management is a cyclic procedure, known as “Deming Cycle PDCA (Plan–Do–Check–Act)”, and it includes four stages: planning the indices, related to commodity stock (Plan), fulfillment of process for creation of stock (Do), control and analysis for indices of efficiency in stock management (Check), correction for management process according to detected deviations (Act) [2, p. 29]. The strategy in this chain is at the stage of planning and control of indices, however this cycle does not include the assessment for actual state of the whole enterprise, and the commodity stock management strategy is only a component in resource strategy, which subordinates to corporate one. Such mutual agreement of corporate, functional and operative strategies shall underlie the adoption of commodity stock management strategy at enterprise.

Almost all definitions of concept on commodity stock management strategy relate to definitions of standards for stock; however there are peculiarities in the grounding process of the strategy itself.

Thus, due to some definition the commodity stock management strategy includes the development of grounded norms for stock, its planning, accounting, analysis, control for actual state and operative regulation [3, p. 197]. The drawback in such definition is the isolation of commodity stock forming process from the general strategy of enterprise, absence of certain agreement in strategic set.

Some authors understand the stock management strategy as a totality of rules, according to which the decisions are taken in processes of strategic and operative planning, control and regulation for a set of parameters, related to stock [4, p. 498]. Such understanding of the term is very close to the previous definition and includes almost the same succession in process for development of strategy.

Ryzhkov Yu.I. defines the stock management strategy as a structure of rules to define the moment and volume of profit and reduces it to definition of some constant parameters [5, p. 38]. We think that this concept is not developed enough; especially it concerns how these parameters shall directly be taken into consideration in strategy forming process. Besides, commodity stock is not only the source to receive profit but a way to meet the needs in the market.

We think that the most optimal definition of commodity stock management strategy is that it is a complex of measures, aimed to form and to maintain its optimal size, based on general strategy of enterprise [3, p. 197].

In the whole, strategy is a plan to manage the enterprise, aimed to consolidate its positions, to meet the needs of consumers and to achieve the anticipated purposes [6]. Thus, we suggest defining the commodity stock management strategy as a complex of measures, which includes grounding the optimal size and periods for replenishment of commodity stock due to categories pursuant to the needs of consumers, taking into consideration the general strategic purpose of enterprise and agreement with strategic set of trade enterprise.

While grounding the commodity stock management strategy, it is very important to follow to certain purposes, which may differ due to many factors.

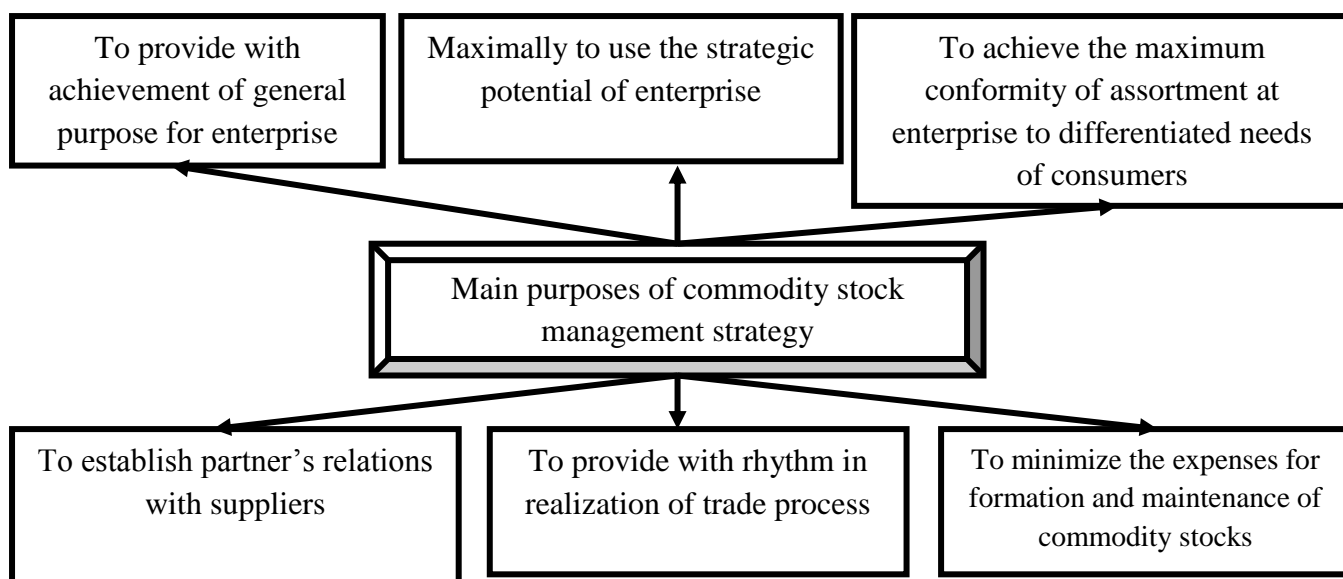
The main purposes for formation of commodity stock at trade enterprises are [3, p. 197]:

- to provide with stability of assortment and rhythm in realization of trading technological process in shops and other sales points for continuous sale of commodities to sellers and satisfaction of their demand as full as possible;
- to accumulate seasonal goods, seasonal production, early delivery and designated use;
- to conduct operations with wholesale (small-scale) quantities of commodities during the periods of beneficial trade conditions in the market (increase in demand with decrease in product proposal);
- to prevent depreciation of available cash assets at enterprise under conditions of inflationary economy.

The purposes, being defined, mainly possess the internal trend that is impossible while achieving the maximum competitiveness of enterprise and maintaining high competitive status.

Some scientists simplify and reduce the main purposes, which are pursued at formation of strategy. Thus, the main purpose and tasks for formation of commodity stock at trade enterprises is to provide with stability of assortment pursuant to commodity nomenclature and rhythm in realization of trading technological process in shops and other sales points for continuous sale of commodities to sellers and the fullest satisfaction of their demands [1]. Nevertheless, all described purposes are mostly often related and aimed to one – to provide with loss-free business of trade enterprise. However loss-free business cannot be the strategic purpose for existence of enterprise in the market, thus we think that it is necessary to have some correction of purposes for development of commodity stock management strategy pursuant to category management (Pic. 1).

Category management – it is an independent kind of activity on management for trade assortment, aimed to develop the assortment according to the volume and structure of demand pursuant to the most efficient use of financial, material, information and labor resources. We speak about such management system, which allows coordinating the interests of consumers, manufacturers and trade agents in the uniform strategy for development of assortment [7, p. 82].



Pic. 1. – Main purposes of commodity stock management strategy pursuant to principles of category management

It is impossible to achieve the set strategic purposes without efficient formation of commodity categories in the structure of assortment at trade enterprise according to the needs in the market. It means that the main peculiarities for suggested purposes are accentuation of attention to formation of categories according to feature of consumer's advantages and agreement with general strategic purpose of trade enterprise and pursuant to corporate, business and functional strategies. Let's mention that the commodity categories very often act as strategic business units and stock management process consists of purchase and sales within the category with single center of responsibility.

Veryga Yu.A. and Khomenko N.V. [1] distinguish a certain succession in realization of commodity stock management: analysis of state and efficiency in commodity stock management; development of norms and standards for commodity stock of current keeping; development of plan for formation of commodity stock at enterprise; operative accounting, which is held pursuant to existing forms for accounting and reporting.

Voskoboyeva O.S. [3] suggests the following succession in formation of commodity stock management strategy:

1. Definition of purposes for formation of commodity stock.
2. Establishment of information base for commodity stock management.
3. Analysis of state and efficiency in commodity stock management.
4. Standardization of commodity stock.
5. Planning the volume of commodity stock.
6. Expertise of developed plan for formation of commodity stock.
7. Operative regulation and control for state of commodity stock.

Morina G.V. defines another succession in grounding commodity strategy [8, p. 244], which has some simplified form and takes into consideration the enlarged stages: choice of strategy for enterprise, assessment of strategic possibilities for

enterprise, consideration of criteria for choice of strategy. The preset algorithm has the severe market orientation, where the main purpose is to provide with competitiveness of enterprise and its further development.

In general, we think that it is reasonable to realize the formation of commodity stock management strategy due to the following stages:

1. Analytical: definition of general strategic purpose, monitoring for influence of environmental factors and needs of the market, definition of potential for enterprise and stages of its life cycle.
2. Research: separation of commodity categories, definition of stage in life cycle of categories and demand on them; formation of norms and standards for commodity stock due to categories and principles for ordering; choice of scheme for relations with suppliers due to commodity categories.
3. Operating: planning the volume of commodity stock due to categories, development of measures to correct the values of commodity stock at the expense of such methods as merchandizing, price strategies and other marketing measures.
4. Control-assessing: regulation and control for state of commodity stock, study on achievement of set purposes within commodity categories and the whole trade enterprise.

There are some stock management strategies [9]:

- strategy of the greatest diligence – the size of necessary stock is defined as the sum of maximum commodity consumption (due to any position) during one day for a long period of supply, which took place due to the orders, issued by enterprise;
- strategy of additional reserve – the guarantee for needs in this case is provided at the expense of establishing the additional reserve for material resources;
- strategy of percent from demand – it is based on analysis for frequency of demand on stock due to results from work during one day.

Each strategy is associated with certain expenses to bring commodity stock to consumer. The optimal strategy is the strategy that minimizes expenses. Only variable components in function of expenses, which depend on chosen strategy, are taken into consideration in comparison of strategies [5].

The following strategies are distinguished due to periods and volumes for replenishment of commodity stock [10, 11]:

- due to periods of orders: periodical strategies and strategies with critical levels;
- due to volume of orders: constant volume of batch or batch, which restores the available stock (in the sum with the order, being made before), up to top critical level,

It means that there are two main strategies with periodical and stepwise level in restoration of commodity.

The alternatives for discussed strategies are the use of ABC, XYZ-approaches, creation of assortment matrices while forming the volume of commodity stock.

Taking into consideration the market trend in commodity stock management

strategy pursuant to principles of category management, it is necessary to set the standards for stock due to categories pursuant to the value of possible demand, stage of life cycle and establishment of value for minimum balance at warehouse.

Conclusions and perspectives for further researches. Thus, we defined the concept and main components for formation of commodity stock management strategy, corrected the main purposes pursuant to principles of category management and defined the key stages in formation of strategy. While forming the components in commodity stock management we took into consideration the peculiarities for trade and category management, as well as applied the market strategic approach to operation of trade enterprise, which is aimed to improve its competitiveness.

The orientation to strategic purposes of the whole enterprise, assessment of strategic potential, definition of stage in life cycle and formation of commodity categories depending on demand of consumers improves the efficiency in commodity stock management and will provide with achievement of main strategic purpose in operation of trade enterprise – to meet the needs and to improve the competitiveness.

The main direction for further research is to define the methodological approach to formation of commodity stock management strategy due to categories according to corporate strategy of trade enterprise.

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