



**ASSOCIAÇÃO DE POLITÉCNICOS DO NORTE (APNOR)
INSTITUTO POLITÉCNICO DE BRAGANÇA**

**Analytical management and ways to improve the product range of
LLC «Kovelskiy hlibokombinat»**

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Final Dissertation submitted to *Instituto Politécnico de Bragança*

To obtain the Master Degree in Management, Specialisation in Business
Management

Supervisors:

Paula Odete Fernandes

Nataliya Vavdiyuk

Bragança, june, 2019.



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Abstract

The main objective of this research is focus in the management analysis of the formation of the assortment policy of an enterprise. Achieving the purpose of the study was made by defining the essence, significance and goals of the assortment policy of the enterprise; method, which we can assess the effectiveness of this enterprise; evaluation of the same efficiency by the chosen method of evaluation, as well as formation of proposals to improve the formation of the assortment policy of the enterprise.

For this study it was used the method of "Markon matrix", where at the output it was get a ready-made matrix with the analysed strategic areas of the enterprise management on the basis of what is possible to speak about their competitiveness.

The main results showed that the commodity assortment LLC "Kovelskiy hlibokombinat" is ineffective and not optimal. And every year its competitiveness is deteriorating. The main proposals for the improvement of its optimality were proposals for the introduction into the production of new products in order to change the structure of the commodity assortment of the enterprise and the possibility to adapt it to the needs of its market and increase assortment of commodity in the fight against the main competitors of the enterprise for the main market share. The model of variants of new products was offered and the calculation of future sales of this product was carried out. Also, one of the main proposals was an offer of growth of business activity in the field of marketing, as compared to the main competitors, marketing at the enterprise is very weak, namely advertising events and branding.

Keywords: assortment policy, product range of the enterprise, methods of managerial analysis, Markon matrix.

Resumo

O principal objetivo da presente investigação assenta em realizar uma análise de gestão da formação da política de portfolio de produtos de uma empresa. A realização da finalidade do estudo foi feita definindo a essência, significado e objetivos da política de portfólio de produtos da empresa; método para avaliar a eficácia da empresa; avaliação da eficiência; bem como a formação de propostas para melhorar a formulação da política de portfolio de produtos da empresa.

O presente estudo utilizou o método da "matriz Markon", onde no *output* obtém-se uma matriz com as áreas estratégicas analisadas na gestão empresarial tendo por base a competitividade. Os principais resultados obtidos mostraram que política de portfolio de produtos da LLC "Kovelskiy hlibokombinat" é ineficaz e não a ideal. Todos os anos a sua competitividade está a deteriorar-se. As principais propostas para a melhoria da sua otimização foram propostas para a introdução na produção de novos produtos, a fim de mudar a estrutura do portfólio de produtos da empresa, a possibilidade de adaptá-lo às necessidades do mercado e aumentar o portfólio de produtos na luta contra os principais concorrentes da empresa para a principal quota de mercado. Foi apresentado um modelo de crescimento produto-mercado com novos produtos e foi realizado o cálculo das vendas futuras do produto. Também, uma das principais propostas de melhoria assentava no crescimento da atividade empresarial no campo do marketing, em comparação com os principais concorrentes, pois o marketing na empresa é muito fraco, nomeadamente no que toca aos eventos publicitários e ao *branding*.

Palavras-chave: política de portfolio de produtos, gama de produtos da empresa, métodos de análise de gestão, matriz Markon.

Анотація

Основною метою дослідження є спрямованість на управління аналізом формування асортиментної політики підприємства. Досягнення мети дослідження було зроблено шляхом визначення сутності, значущості та цілей асортиментної політики підприємства; метод, за допомогою якого можна оцінити ефективність даної політики підприємства; оцінка цієї ж ефективності за вибраним методом оцінювання, а також формування пропозицій щодо поліпшення формування асортиментної політики підприємства.

Це дослідження було здійснено за допомогою використання метод "матриця Маркон", де на виході було отримано готову матрицю з проаналізованими стратегічними напрямками управління підприємством на основі чого можна говорити про їхню конкурентоспроможність.

Основні результати показали, що асортиментний асортимент ТОВ "Ковельський хлібокомбінат" є малоефективним і не оптимальним. І щороку дана конкурентоспроможність погіршується. Основними пропозиціями щодо вдосконалення його оптимальності були пропозиції щодо впровадження в виробництво нових продуктів для зміни структури товарного асортименту підприємства та можливість адаптації її до потреб ринку та їх впровадження з метою збільшення асортименту товару в боротьбі з головними конкурентами підприємства за головну частку ринку. Запропоновано модель варіантів нової продукції та проведено розрахунок майбутніх продажів цього продукту. Також однією з головних пропозицій була пропозиція зростання підприємницької діяльності в галузі маркетингу, в порівнянні з головними конкурентами, маркетинг на підприємстві дуже слабкий, а саме рекламні події і брендинг.

Ключові слова: асортиментна політика, товарний асортимент підприємства, методи управлінського аналізу, матриця Маркон.

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Introduction

Currently, companies are using various management tools to expand market activity. The formation and implementation of the assortment policy not only defines the company's position on the market among competitors, but also provides maximum profit opportunities. Therefore, the company's product range does not lose relevance and needs research among other managerial tasks, namely the issue of the commodity assortment of each company in terms of its optimality and efficiency is a strategic important. Because it is already a matter of competitiveness of the enterprise. Assortment management process requires the analysis and evaluation of the enterprise's activity, its competitors, the assortment policy estimation methods, which will be the basis for justification of its improvement directions.

The purpose of the master's thesis is the analytical estimation of the assortment policy enterprise, and also on the basis of this analysis, development of proposals for its improvement.

Achievement of this research has caused the need to identify and resolve the following main objectives of this study:

- to investigate the essence, importance and goals of the assortment policy of the enterprise;
- to determine the methods of estimation of management efficiency of the company's commodity assortment;
- to analyse the sales figures of the investigated enterprise;
- to carry out the analysis of the commodity assortment efficiency;
- to form the assortment policy of LLC "Kovelskiy hlibokombinat".

Nevertheless, the main purpose of this work is to assess the commodity range of LLC "Kovelskiy hlibokombinat" to determine the state of the assortment in the context of optimality and efficiency. And as a result, the main goal is also to develop possible initial steps to address the problems that will be discovered.

All sections of this research work are closely linked. With regard to the first section, this part of this study focuses on the essence and objectives of the product range as a whole. And also the main aspects of creating the optimal range of goods for each company in the direction of meeting the needs of consumers and the goals of the enterprise. This section makes it clear what a "product range" is and what it is for the consumer and the manufacturer. Also, in this part one can find the answer to the question, exactly, ie, what way can you form this product range.

The second section of this study describes the main methodology that was chosen for this analysis to evaluate the very optimality and efficiency of the product range of the enterprise to identify key issues. In the case of this work, the main method was chosen - "Marcon matrix". This technique is absolutely easy to use and helps to accurately distribute the product products of each enterprise in terms of profitability on the respective strategic areas of management, each of which has its own characteristics, which makes it possible to talk about their competitiveness, on the basis of the selected data.

With regard to the third section, according to the direction of research and in connection with other sections of work in this section, an assessment of the optimality and efficiency of the product range of LLC "Kovelskiy hlibokombinat" in order to identify potential problems of activity. On the basis of which will be developed a draft initial elimination of these problems. Also in this section the state of the bread market of Ukraine will be explored for a more complete understanding of its functioning and the peculiarities of its functioning, and an analysis of sales activities of LLC "Kovelskiy hlibokombinat", which is also the object of conducting a study to obtain data for the analysis of the assessment of the optimality and efficiency of the product range, will be carried out of this enterprise.

1. Theoretical framework

1.1. Essence, values and purposes of the commodity assortment of the enterprise

The unstable economic situation, lack of financial resources, the recession of demand and a large number of competitors require new approaches to business management, which should focus on the needs and desires of end users to be targeted at the client.

According to Krasilnikova and Bragin (2018), as many years ago, the main means of meeting the needs and demands of consumers were and are the final products in the form of products or services provided. In production conditions goods exist in the form of products of a certain nomenclature and assortment. To maintain competitiveness and ensure flexibility of response to market requirements, the issue of forming an effective product range structure in terms of its balance and rationality is extremely relevant and in the opinion of Pavlova (2017) it is precisely this effectiveness of one of the main and effective instruments maintaining the competitiveness of the production enterprise because it is the assortment and its structure distinguishes one enterprise from many others. This task is the key in the formation of «commodity assortment» of each industrial enterprise and any commercial organization.

In modern conditions of development and operation of enterprises on the basis of research Shapoval, Skrygun and Konnova (2016), assortment policy is one of the leading places in increasing the efficiency of production. Development of strategy is a complex iterative process of consideration of a certain number of alternatives to enterprise development, constant revaluation and periodic checking of the strategy, depending on the state of activity, as development and introduction of quality and balanced assortment of goods is extremely important means of the increase of competitiveness of the enterprise. In the absence of a balance of product assortment, the enterprise loses the required level of profit, loses its advantages on the market.

Assortment policy plays an important role in the operation of the enterprise in the market. The same opinion is supported in the work Dorenskaya and Morozova (2017), where they describe all possible factors influencing the enterprise activity on the potential market of the activity. An important aspect is the actions aimed at providing consumers with goods and services, and the commercial aspect is the achievement of economic efficiency of the enterprise in carrying out the procurement and sale of products.

In economic literature there are a number of definitions to the notion of "assortment policy", but scientists have not come to the only conclusion about the interpretation of this notion.

According to Prokofeva and Gavrilov (2015) the assortment policy is one of the main elements of the competitive strategy of the enterprise. In determining the assortment of goods, taking into account a number of principles, possibilities and constraints are the essences of the assortment policy.

A number of scientists the notion of "commodity range" is defined or very widely, – "it is a set of goods which are produced by the company, divided into assortment groups and assortment positions and is characterized by breadth, depth and ratio" (Yermosihenko, Erukhin & Bazylyuk, 2011, pp. 205-206), or more narrow, - "This is a set of goods that can be formed in different ways" (Balabanova, 2010, pp. 30-31). The narrower the notion, the less possible to find a difference in its interpretation. Some authors do not consider a separate concept of "commodity range", and give only the definition of "commodity nomenclature", identifying these two concepts. The leading expert in the field of marketing of Kotler notes that each product range requires its own marketing strategy (Kotler, 2008, p. 356), and the nomenclature characterizes only the list of assortment groups and commodity units. Between the product nomenclature and the assortment has a place of connection of a whole and a partial. At the same time, the nomenclature characterizes production activity at a higher organizational level compared with the assortment (Rumyantsev & Mikhaylova, 2011).

In the practical activity of the enterprise the product range is a collection of goods with different levels the profitability that is at different stages of their life cycle and accordingly has different perspectives in the market (Avdeveva, 2016). This definition of the essence of this notion is more approximate to the definition of the classic of marketing of Kotler (Kotler, 2008, pp. 356-357), which more accurately give an idea about the essence of this aspect of the activity of any competitive enterprise. Namely, they note that an assortment is a group of goods, closely connected with each other by the principles of operation, selling to the same groups of customers, implementation through similar sales channels or belonging to the same range of prices.

Thus, the notion of "product range" is rather multifaceted, but in general, it can be characterized as a set of all assortment lines offered by a specific manufacturer for a particular group of target consumers.

The essence of the commodity range consists in planning and selection of products for future production and sale in the market, as well as to bring the properties of these products in accordance

with the requirements of consumers. It is clear that this is, in fact, a continuous process, which is carried out during the whole life cycle of the enterprise, starting from the moment of origin to full bankruptcy or decline. As the needs of a potential consumer are constantly changing the enterprise should focus on meeting these needs fully.

The most complete description of the concept of "product range" can be obtained by means of its indicators, what is more, available describes in his work Malyuk (2014) (Figure 1).

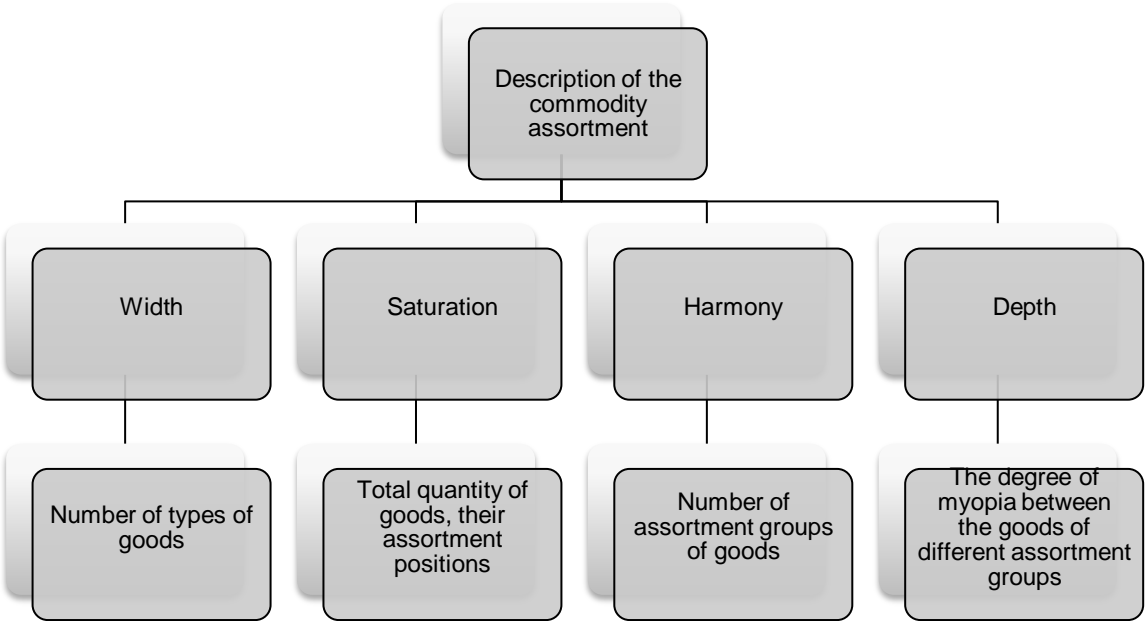


Figure 1. The main indicators of commodity assortment.

Source: Author's own elaboration based on Malyuk (2014, p. 23).

In the opinion of Malyuk (2014) the width of the range is the number of species, varieties and items of goods of homogeneous and heterogeneous groups. When analysing the assortment policy of enterprises-competitors as the base can take the maximum list of goods available at all subjects. Width can be an indirect indicator of market saturation of goods: the more latitude, the more saturation. In the conditions of deficiency, when demand exceeds the offer, manufacturers and sellers are more profitable to have a narrow range of goods, because at greater latitude demand large costs.

The width of the assortment depends on the purpose – or it is provided by the supplier of a comprehensive assortment, or it aims to conquer the market share. If the firm is primarily interested in profitability, its range is usually narrowed.

Factors affecting the product range: changes in the structure of market demand; rates of the NTP; the activity of competitors; financial possibilities of the enterprise; production and marketing innovation (Bozulenko & Shkabara, 2017).

The harmonic range is the ability to set a homogeneous group of goods to meet the same needs. The depth is characterized by the number of species, varieties and items of homogeneous group goods.

Saturation (update) range – the ability of a set of goods to meet the needs that have changed due to new goods. Renewal is one of the directions of the assortment policy of the organization, which is usually in the conditions of the saturated market. Dmitrichenko, Zybin and Kiyatov (2013) claim that the reasons that the manufacturer and seller call for the renewal of the range may be associated with the replacement of the old and the development of new products of the best quality or analogues that do not have.

The depth of assortment is the property of a set of goods of different groups, which characterizes the extent of closeness between the goods of different assortment groups in terms of their final use, requirements to the organization of production, distribution channels. The greatest depth differs from the group assortment and its variety, the smallest one is mixed (Dmitrichenko, Zybin & Kiyatov, 2013).

Also, as a certain system of the product range has its internal construction – logical placement of all elements, as well as give this very characteristic of understanding the essence of the notion of "commodity assortment". Researching this structure with the conduct of certain studies we show work Perevozova, Popadinets and Perevozova (2017) (Figure 2).

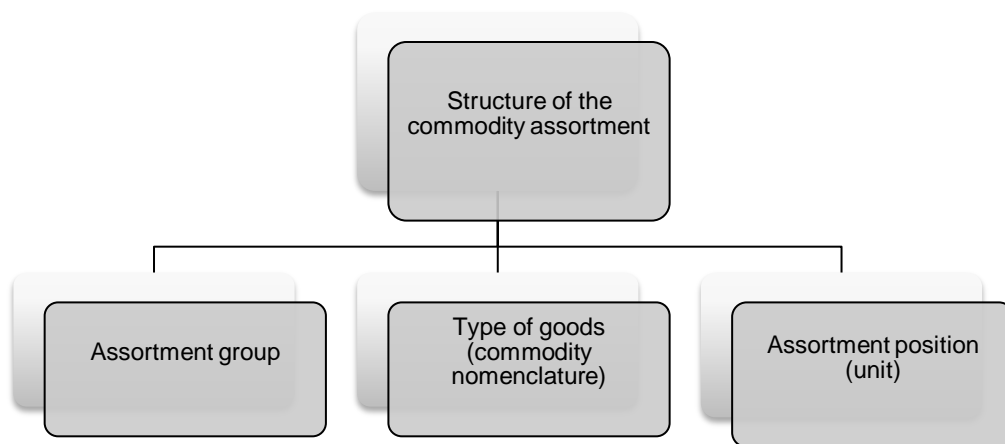


Figure 2. Scheme of commodity product range structure.

Source: Author's own elaboration based on Perevozova, Popadinets and Perevozova (2017, p. 93).

Like a certain category, the product range has its own specific classification forms. According to the classification proposed in work Bozulenko and Shkabara (2017) product range on any enterprise is

grouped according to location, coverage, the degree of satisfaction, nature of consumption (Table 1). The enterprise selects one or another range depending on the company's developed commodity policy, which is primarily based on the needs of consumers.

Table 1. Classification of commodity assortment.

Classification feature	Type of product
Depending on the nature of consumption	Real - valid. Projected - predictable. Educational - systematized for scientifically grounded signs for the achievement of educational purposes
Depending on the location of the goods	Industrial - the set of products produced by the manufacturer. Trading - molded trade companies
Depending on the latitude coverage	Simple - represented by a small number of groups and items of goods. Complex - represented by a large number of groups and items of goods. The spectacle - a set of goods of different kinds and names, the employee to meet similar needs. Vintage - a set of vintage goods. An expanded - set of goods, which includes a significant number of groups of homogeneous goods, but have certain individual signs. Collateral - a set of products, executes functions that are not relevant to the core of this organization. Mixed – a set of goods of different groups.
Depending on the degree of pleasure	Rational-a set of goods that satisfy the needs in the most part. Optimal-satisfies the real needs with the most useful effect.

Source: Author's own elaboration based on Bozulenko and Shkabara (2017, p.53).

The absence of individual goods, their narrow or unstable assortment, which does not meet the buyers demands, generate dissatisfied demand, increasing the cost of the population for the search of the necessary goods, negatively affecting the economic efficiency. Therefore, in the formation of the product range of the important requirement is the maximum satisfaction of buyers demand for the minimum time spent on the purchase and maintenance of effective work of the company.

The main task of assortment policy according to Abramovich (2017a) is to ensure the constant conformity of each product to the needs of potential customers, but to solve this problem it is necessary to take into account certain peculiarities of the market of goods. First, the tastes and preferences of potential customers are constantly changing. Secondly, in terms of active activity, the main players of the market intensified competitive situation according to which the enterprises should work more mobile and with the consumer needs.

Activity, aimed at achieving rationality of assortment, forms management of assortment.

Also, Abramovich (2017a) notes that the elements of control assortment policy - the formation of the assortment and setting the level of requirements for indicators that determine the rational range.

According to research Trush and Hrytsenko (2016), assortment development includes a set of goods that allows you to meet actual or foreseeable needs, as well as to achieve the goals set by the management of the organization.

The importance of the formation of the product range reveals (Kuznetsov, 2015), arguing that the formation of the range is based on previously selected goals and objectives of a particular organization. This defines the scope of the organization's policy, that is, the goals, tasks and main directions of forming the range defined by its leadership.

In the opinion of Tkach and Urban (2017), the factors informing of commodity assortment of the enterprise are: the level of technical-technological provision of production processes; availability of conditions and opportunities to launch new production; provision of highly skilled personnel at all levels of the production process; the system of supply.

Adapting foreign experience to practical marketing activity of Ukrainian enterprises, Russyn (2014) selects the following principles of formation of assortment:

- 1) Functional - is to form an assortment of entrepreneurship in accordance with functional activity of enterprise;
- 2) Consumer - orientation to the needs of potential consumers in the process of forming a range;
- 3) Household - the formation of assortment in accordance with the technological diary of the enterprise;
- 4) Price - forming of assortment in the ratio of "profit – the satisfaction of needs of consumers".

Trojan (2014) claims that the important factor in the assortment is the price of goods. The buyer must determine for himself the maximum price or price range within which he is going to pay for the purchase. Therefore, one of the criteria of rational formation of goods assortment in the shop is to ensure the matching of goods at a different price. Forming of the assortment of goods of enterprise enables to ensure consumer demand satisfaction, an increase of economic efficiency of enterprise and level of trade servicing of the population. From the warehouse and timely renewal of the product range of the enterprise depends on the degree of satisfaction of demand, expenses of the population, which are connected with the purchase of goods. The process of forming the commodity range is rather gross and includes a number of stages (Bardash & Khomenko, 2016) (Figure 3).

In the opinion Dmitrichenko, Zybin and Kiyatov (2013) to form a product offer it is necessary to apply a strategic approach, which demands from the market operators to take into account requests of consumers and tendencies of change of needs. Buyers map various trademarks, produced by different manufacturers in terms of compliance with their own needs, taking into account the price of the goods.

Stages of assortment formation

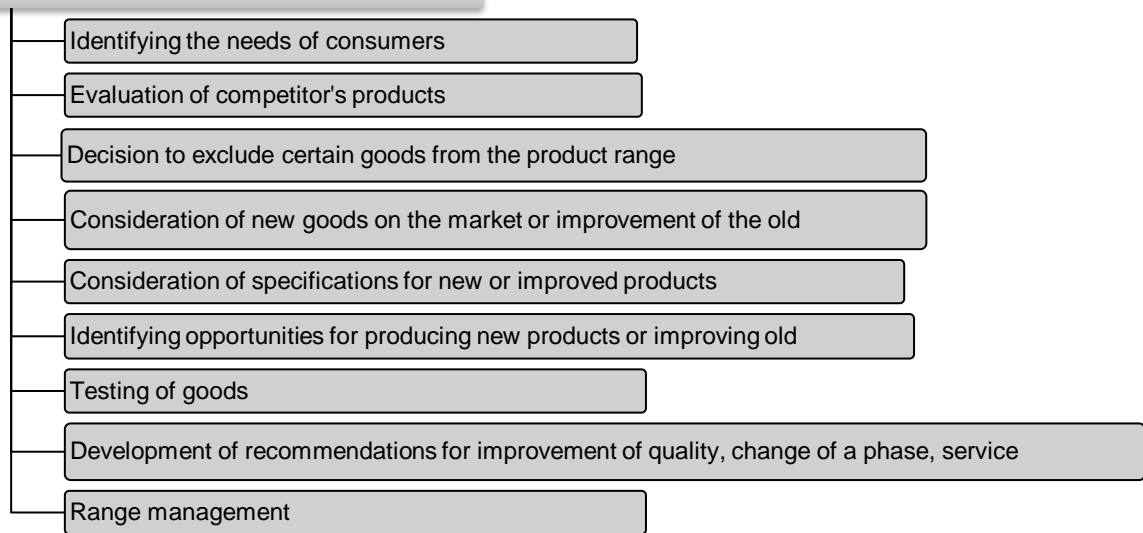


Figure 3. Main stages of product range formation.

Source: Author's own elaboration based on Bardash and Khomenko (2016, p. 2).

The flexibility of the commodity strategy is ensured, in particular, the inclusion in its range of different levels of quality, duration of the life cycle and skillful use of trademarks. The formation of assortment consists of: forming of commodity assortment according to consumer's request; ensuring competitiveness of the goods; determination of commodity strategies in accordance with the stage of life cycle of goods; policy innovations; definition of commodity brand, package and service; positioning of goods. There are also the relevant main lines of formation of the commodity assortment, which are depicted in "Figure 4".

Main directions of assortment formation	Reducing
	Stabilization
	Improvement
	Update
	Extension
	Harmonization

Figure 4. Main directions of assortment formation.

Source: Author's own elaboration based on Dmitrichenko, Zybin and Kiyatov (2013, pp. 79-80).

Assortment reduction is the quantitative and qualitative changes in the state of goods set due to decreasing of its latitude and completeness due to the fall of demand, deficiency of supply, loss of even or low profitability of production of some goods (Podoprigora, 2015).

Expansion of the range is the quantitative and qualitative changes of the set of goods by increasing the indices of latitude, completeness and novelty for reasons reverse causes of cut-off range.

The expansion of the range along with the increase in the commodity mass is important in terms of market saturation of goods. However, this direction of assortment policy does not exclude other directions, which complement it, providing new aspects.

The stabilization of assortment is such state of a set of goods, which is characterized by high stability in time and low values of novelty coefficient. This is quite a rare condition, inherent in most goods of everyday demand (Podoprigora, 2015).

Assortment renewal is the qualitative and quantitative changes in the state of goods set, which are characterized by the increase of novelty Bardash and Khomenko (2016). Improvement of assortment is a change of the state of goods set, which are carried out in order to improve its rationality.

Harmonization of an assortment – approximation of the real assortment to optimal or to the best analogues, at the same time most fully and in accordance with the established objectives of the organization (Bardash & Khomenko, 2016).

Investigating the effectiveness of the commodity assortment Malyuk (2014) selects the main objectives of assortment policy in the process of its functioning at the enterprise: establishment of real and predictable needs in certain goods; determination of the main indicators the range and analysis of its rationality; revealing of the sources of the commodity resources necessary for the formation of rational assortment; estimation of material possibilities of organization for issue, distribution and/or realization of individual goods; determination of the main directions of production formation; increase of sales volume through optimization of assortment structure; achievement of competitive advantage due to more attractive assortment; entering new markets; reducing the costs associated with the structure of the assortment; reducing the costs involved in the range structure.

In general, the product range is a set of relations between the subjects of the market with the selection of such products which best satisfy the demand of buyers, while providing the maximum yield on a given (planned) period of time. This shows the value of the commodity range for each enterprise. Thus, it is under this and disclosed the feasibility of this study, as this aspect is one of the fundamental platforms of the existence of each enterprise.

Therefore, the product range is a set of goods for services that the company provides to consumers to meet their own needs. The main purpose of the commodity assortment is to create a competitive and universal set of these products, which could generally satisfy all the needs of end users, as well as to be competitive in the company's activities.

1.2. Aspects of formation of optimum range for enterprise

According to the work Latysheva (2018), each company has its own unique business strategy in a particular consumer market. A strategy of activity is a complex action plan that defines the priority for the enterprise problems, its mission, the main goals and allocation of resources for their achievement.

So, accordingly, the assortment policy of each enterprise is formed. Initially, a strategy of activity is formed that defines the goals and the main ways of achieving them in such a way that the company has a common direction of development, and therefore, it forms the assortment policy of the enterprise on the basis of this.

According to Pavlova (2018), in the conditions of production there is a problem of resource potential in the formation of a product line for the manufacturer. As the resources act as a restriction for of the potentially attractive assortment, that from the outset meets the purposes of this subject.

At the same time, the manufacturer's resources for its purposes is only necessary, but not yet sufficient for the final formation of the assortment. Not all mass positions whose production for the considered business entity will be advantageous to meet the conditions of the environment.

Therefore, managing assortment, in addition to achieving compliance with the assortment of goals and resources business, it is necessary to ensure its compliance with the conditions of the external environment (market) of the subject. This raises the question of the optimality and efficiency of the product range on the part of the customer and on the part of the goods, described in his work Rummyantsev and Mikhaylova (2011).

The main task of this policy is the formation of an optimal range, which in turn allows to satisfy the basic needs of a potential consumer, as well as to ensure the competitiveness and profitability of this or that enterprise.

That is, in this context it is possible to consider the optimal product range both on the part of the consumer and from the manufacturer (Figure 5).

But as we see from "Figure 5" the main objective of optimal commodity range is to obtain benefits, both for the consumer and for the manufacturer of this product or service.

According to Bihdan (2014) this optimality of consumer and manufacturer is created on the basis of implementation of certain groups of features. For example, to determine the optimality of the commodity range for a potential consumer the segmentation is carried out demand. Demand segmentation is based on the application of various criteria of distribution of consumers on groups, different types and models of goods in different quality and volume. Each market segment tends to require various products and marketing complexes. The market segmentation uses two main groups of criteria: in the customer's requests, characterizing the differences from the perspective of their existing and potential needs and in view of their ability to pay for the satisfaction of their needs.

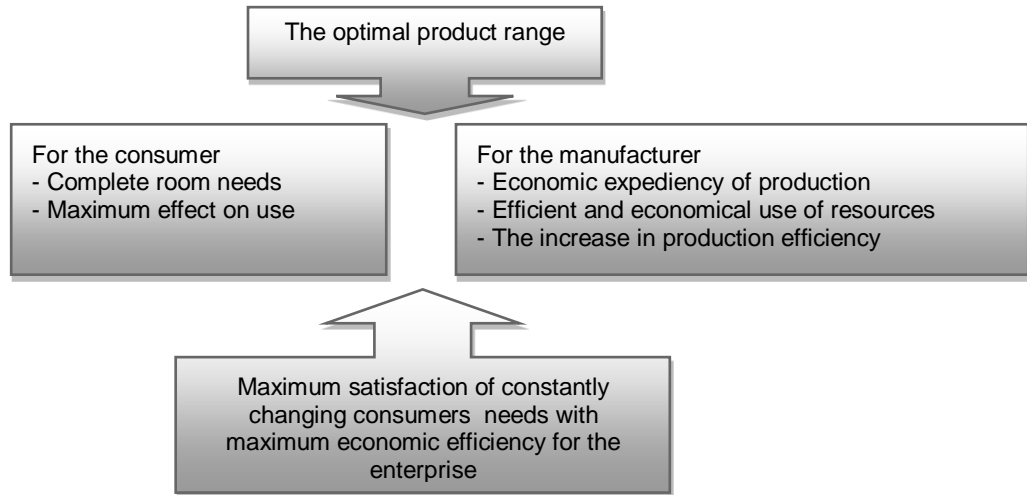


Figure 5. The optimal product range.

Source: Author's own elaboration based on Rumyantsev and Mikhaylova (2011, p. 2).

As far as the manufacturer of goods or services is concerned, (Balatsky & Bondarenko, 2015, pp. 175-176) in this work it is asserted that the creation of an optimal range is based on its optimal assortment, which is sold in the market at the same time, but differs in its degree of novelty, which allows companies to guarantee relatively stable general conditions for selling sales, cost coverage, and profit levels.

Of course, there is no one recommendation that the number of products and its modifications of the enterprise must simultaneously produce and sell on the market. Just as there are no unified sets of goods, which simultaneously rotate the market depending on their life cycle stage.

However, in order to ensure greater optimality and efficiency of the product range of any enterprise, it is recommended to produce the following groups of goods that are clearly shown in the work of Martynchuk (2014):

- main-goods, which bring the main profits of enterprises and are in the stage of growth;
- support-goods, which stabilize sales revenue and are in the maturity stage;
- strategic-goods designed to ensure future profits of the enterprise;
- tactical-goods are usually in the stage of growth and maturity and are called to stimulate the sale of major commodity groups.

The product assortment is formed by the company as a result of joint work of different subdivisions: department of marketing, sales department, planning department, financial department. Factors that

require analysis in the external and internal environment and influence the formation of the company's assortment are shown in "Table 2".

Table 2. External and internal environment factors affecting commodity range formation.

External environment factors	Internal environment factors
<p>Economic:</p> <ul style="list-style-type: none"> - Resources and energy prices; - Licensing of certain types of activity and production; - Equipment prices; - Value of the credit and investment resources; - Logistic component. 	<p>Financial and Economical:</p> <ul style="list-style-type: none"> - Own or borrowed financial resources to upgrade range; - Economic feasibility of a new product; - Estimation of costs for promotion of the goods to the market; - Aggregate economic assessment of feasibility of new.
<p>Social and demographic:</p> <ul style="list-style-type: none"> - Age, labour groups of population; - Incomes of the population; - Tastes and preferences; - The structure of consumption in cities and villages. 	<p>HR factors:</p> <ul style="list-style-type: none"> - Availability and cost of services of qualified specialists for the market to the updated commodity groups; - Payment for services marketers.
<p>Political:</p> <ul style="list-style-type: none"> - The state of markets; - Stability of market development; - Legislative changes. 	<p>Technological:</p> <ul style="list-style-type: none"> - The availability of technological capacities for renewal of production; - Storage conditions for a new product.
<p>Market:</p> <ul style="list-style-type: none"> - Market share of the manufacturer; - Concentration of competitors; - Availability of free niches in the market. 	<p>Infrastructure:</p> <ul style="list-style-type: none"> - Availability of prepared system for updating of the assortment (from acquisition of resources to realization).
<p>Technological:</p> <ul style="list-style-type: none"> - Availability of technologies and equipment on the market for the production of certain goods; - Rates of STP; - Production Innovations. 	<p>Retailing</p> <ul style="list-style-type: none"> - The presence of established products distribution channels; - The presence of wholesale buyers.

Source: Author's own elaboration based on Mazhara and Batova (2015, pp. 4-5).

In this case, Abramovich (2017a) argues that in addition to the above factors, an important factor for the formation of the assortment is the product price. The buyer must determine for himself the limit price or the price range within which he is going to pay for the purchase. Therefore, one of the criteria for the rational formation of goods assortment in the store is to ensure the comparison of goods at different prices. Formation of goods assortment of the enterprise enables to ensure the satisfaction of consumer demand, an increase of enterprise economic efficiency and level of trade servicing of population. From the warehouse and timely update of the assortment of goods of the company largely depends on the degree of demand, costs of population needs that relate to the purchase of goods.

Although the market is not present a group of products that are being developed, it should also be taken into account in the company's assortment policy, as it gradually prepares for market entry.

Of course, there will be products that leave the market. In this case, the important data of the groups and their market share, and according to Krakhmalova and Kakur (2016) the main product group is usually 73-85% of all goods that are rotated on the market.

According to Malyuk (2014) the structure of the "optimal" assortment portfolio of most enterprises includes exclusive (unique) range, obligatory (base) range, pulse (seasonal) assortment, additional assortment. The timely renewal of the product range (services) subject to changes market conditions is one of the most important indicators of business activity of enterprise and its competitiveness.

In the work of Rumyantsev and Mikhaylova (2011) proposed a certain algorithm of formation of optimum commodity assortment of enterprise (Figure 6).

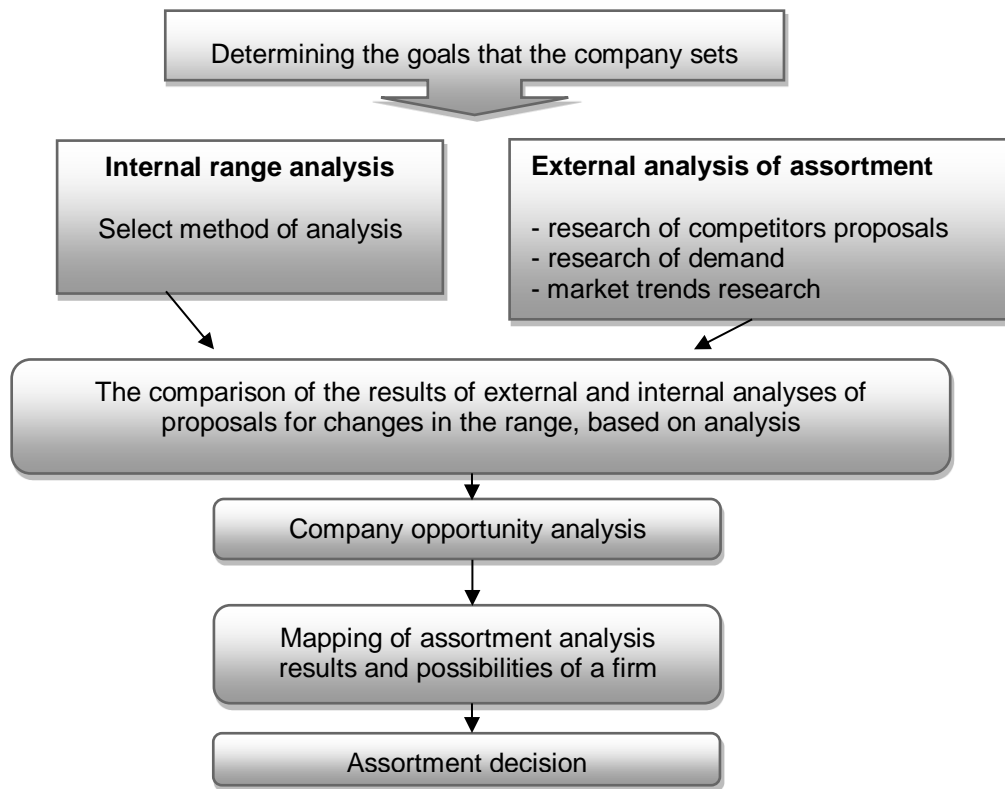


Figure 6. Algorithm of formation of optimum commodity assortment.

Source: Author's own elaboration based on Rumyantsev and Mikhaylova (2011, p. 3).

Formation of optimum range can be carried out:

- creation of parametric series (product line) – horizontal strategy;
- differentiation of goods, appointing each new variant for, specific market segment;
- a concentric strategy;

- diversification of production and development of commodity nomenclature (product mix) - conglomerate strategy.

The formation of commodity assortment is made by a certain sequence.

Thus, the company should take into account a large number of factors, both external and internal, for effective formation of the assortment. And only on the basis of their analysis and with the help of special methods it is possible to determine the optimal structure of assortment.

1.3. Theoretical aspects of company's assortment policy formation

Current conditions of formation of market relations are characterized by significant structural changes and become a significant influence on strategic development of enterprises, which results in changes of market demand structure, its conjuncture fluctuations and increasing aggravation of competition in the market. That is why the question becomes relevant formation and implementation of effective assortment policy in enterprises.

Formation of optimal and efficient commodity assortment for the enterprise is only the last stage of forming of assortment policy for the given enterprise. That is, we can say that this is the last stage, which gives the rationale for the formation of this aspect of the activity of this or that enterprise. As the optimality and efficiency of the commodity assortment understand its adaptability and competitiveness of the modern market, and thus the assortment policy, in turn, the primary basis is involved in the competitiveness of the enterprise.

According to Kharchenko and Pavlenko (2017) the assortment strategy is a subsystem of marketing strategy, aimed at analysing, developing and making strategic decisions on nomenclature, assortment, the volume of sale of goods, quality, the sale of goods in certain markets. It is focused on solving issues of development or introduction of new products, its maintenance and output of outdated goods from the market, which allows ensuring the combination of the producer's interests and consumer.

The most well-thought assortment strategy for the enterprise not only allows to optimize the process of updating offers on as well as the management of the enterprise as a unique indicator of action, able to correct the current decisions.

In the market economy, the level of specialization of societies is determined by the number of segments they serve. These segments are often defined by the enterprise as a "strategic zone of management" (SZM). Determining the amount of data in strategic areas of business for enterprises is of great importance, as it is their correlation and possibilities of the enterprise will be responsible for optimality of its commodity assortment and efficiency of assortment policy company.

The main factors defining the SZM are the needs and products that meet them. In determining the SZM it is necessary to estimate the quantitative and qualitative characteristics of which include: the

capacity of the SZM, which is characterized by the volume of current demand; dynamic characteristics of demand; competitive position of the company in the segment; expected sales in current and prospective period; distribution and sales features; actual and forecast values of profit, profitability and other indicators.

Formation of the assortment policy of the enterprise is a very intensive process, which includes a number of stages. Many authors considered this question. But they are all based on the result, which makes Didenko and Savelyev (2015) that most of the steps in the management process are a series of obligatory and important measures. An important aspect of a serving assay potential and existing consumers, since the enterprise, needs to determine the target audience for which the products will be developed and manufactured. The difficult task at this moment is the segment of consumers, which is the process of dividing the market into smaller parts, in each of which consumers are characterized by general advantages, react equally to the same stimuli and show a similar behavioural reaction. Consumer analyses are constructed on data obtained from the study of the consumer's portrait of the target segment. To determine the needs of different methods, in particular, it can be focus groups, questioning, observations, interviews, internet surveys. However, it should be noted that not all enterprises can afford the use of such methods (Figure 7).

Given in the work Didenko and Savelyev (2015) the algorithm of management of assortment policy of the enterprise is formed with consideration of well-known managerial approaches, among which are the process, systematic and situational. According to him, the management of the assortment policy of the enterprise envisages the development of the general concept. Its implementation requires a detailed strategy for each assortment group.

The next important point, namely the research of competitive products, tells Skotenko and Andreyuk (2016). Difficulty at this stage can lead to insufficient information about certain products. Product development should take into account the results of the survey of consumer preferences as well as available options. This is a complex process that involves systematizing information and highlighting unique product characteristics that allow you to occupy a special place. In determining the volume of production, it is necessary to take into account both the potential of the entity and the existing market needs. Also Skotenko and Andreyuk (2016) informs that the complexity at this stage consists in a balanced final decision to share each product in each assortment group in order to prevent overproduction, lack of supply of the required volume of production, and optimal satisfaction of existing consumer demand.

After the goods are released to the market, all further actions on management should be based on tracing the stages of the life cycle of each of the types of products. Yevchenko (2016) explains the fact that this product has an individual duration of this cycle, and the decision-making process must take into account the stage at which the products are present at that time. On the one hand, if the growth phase is observed, the product will bring the company's income and leadership may not take action on

market promotion. In turn, at the saturation phase, as is known, the need or application of a complex of measures to the creation of conditions for the further promotion of goods on the market due to its improvement and stimulation of sales, or gradual output of the current assortment.

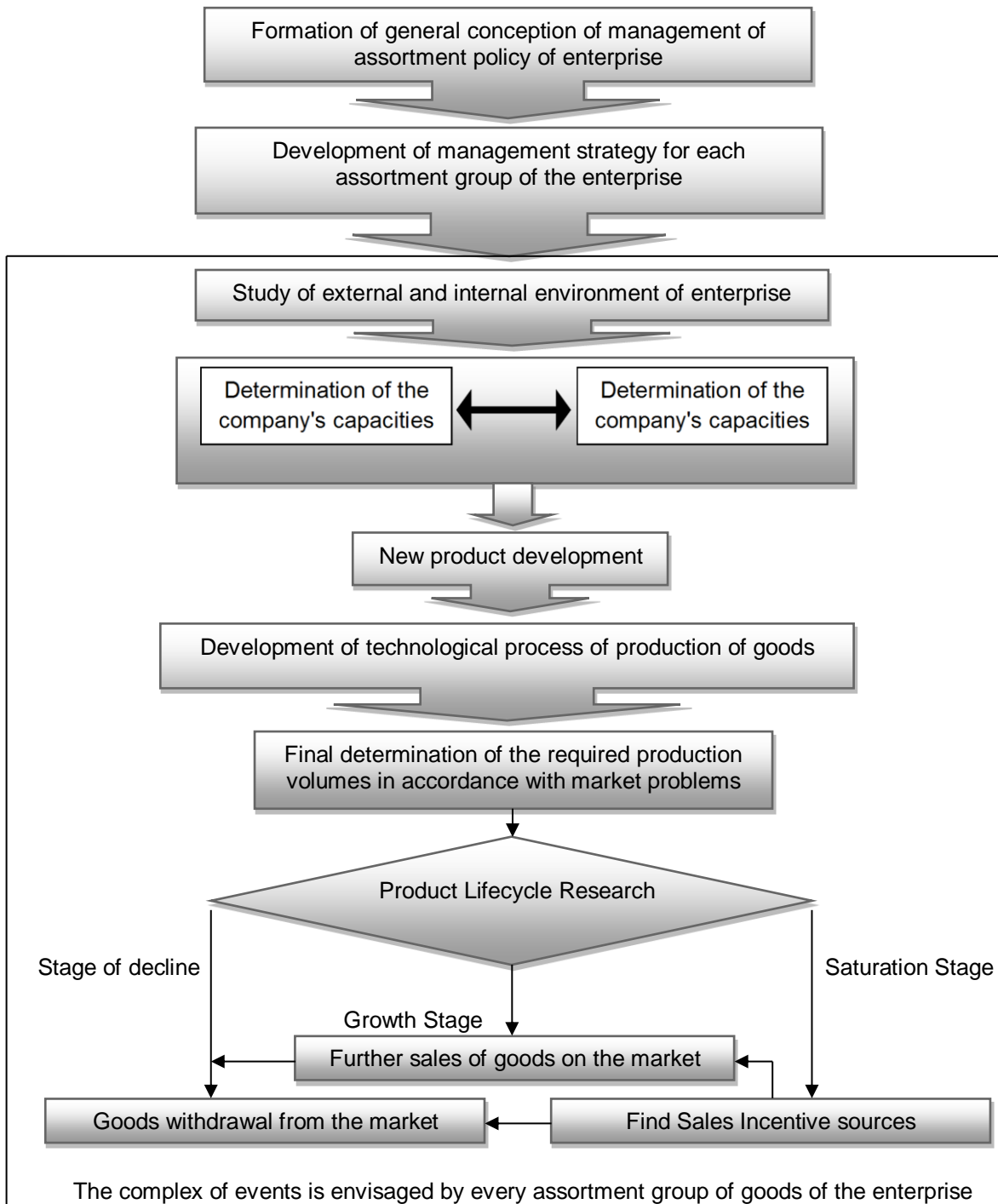


Figure 7. The control algorithm of the assortment policy of the enterprise.

Source: Author's own elaboration based on Didenko and Savelyev (2015, p. 3).

Presented in "Figure 7" the algorithm of management of assortment policy combines all basic approaches, which are common in management science. Including in accordance with the process approach the list of basic actions, which are necessary for realization at management of assortment policy of enterprise, is determined. Feature the systematic approach, in this case, is to take into account the necessity of realization of measures for each commodity in all without exception of the assortment groups. The situational character in the proposed algorithm is the inherent variation of managerial influences on the results of determination of stages of the life cycle produce a basis for decision making.

Thus, on the basis of the said above it is possible to conclude that management of assortment policy should be considered as a complex process, which is aimed at the achievement of a number of partial goals for the realization of the general purpose of activity of the market subject, which is effective and stable functioning achieved by a harmonious combination of consumer needs with entrepreneurial possibilities.

2. Research Methodology

2.1. Objective of the study and Research Hypotheses

The purpose of my master's thesis is the analysis of the company's assortment policy.

Achievement the purpose of this study has caused the necessity to determine and solve such basic tasks:

- To research the essence, importance and goals of the assortment policy of the enterprise;
- To determine the methods of estimation of management efficiency of the company's commodity assortment;
- To analyse the sales figures of the investigated enterprise;
- To carry out the analysis of the commodity assortment efficiency;
- To form the assortment policy of LLC "Kovelskyi hlibokombinat".

Specific goal No. 1: Planning and adjustment of the basic assortment of goods, combined on the basis of specialization, price, reputation, etc. will ensure the achievement of the planned volume of turnover in the realization of certain types and types of goods through assortment structure of turnover.

Specific goal No. 2: Realization of assortment policy will ensure the growth of potential and real profit level, an increase of competitive positions on perspective commodity markets and vice versa.

Specific goal No. 3: With the growth of the total gross margin, marginal income or marginal profit will increase the benefits of the assortment position of the enterprise and vice versa.

2.2. Description of Data Collection

The main data for the research of optimality and efficiency of the commodity range LLC "Kovelskyi hlibokombinat" will be taken from the reports on the results of the company's activity during the period analysed years, namely 2014-2018. As for the analysis of the Ukrainian bread market, the data, in this case, will serve as reports of the State Statistics Service of Ukraine¹.

2.3. Method of evaluation of commodity management effectiveness assortment of the enterprise

To assess the effectiveness of management of the company's commodity assortment It is necessary to analyse the indicators of sales activity of the enterprise, the volume of realization of a company on the main markets of activity, analysis of main markets Enterprises, analysis of sales channels of the enterprise and share of each of assortment groups on the market of activity of enterprise.

The management system of the company's assortment policy is dependent on all elements of the production process, from the quality of work at all stages of reproduction, from effective use of all kinds of resources and other factors. To investigate the features of the existing assortment of bakery products can be using the basic indicators describing the assortment in different aspects.

Perevozova, Popadinets and Perevozova (2017) is subject to the issue of forming a commodity assortment, as this process for each enterprise is individual and depends on the number of factors both external and internal, among their markets of sales, demand, production, financial and other resources enterprises, etc. For the most part, it consists of products, having demand and successfully realized on the market. Also, the author on the example of a particular study is shown that the choice of methods of evaluation of the efficiency of this assortment, too, for each enterprise is individual.

In work of Lavrov, Putitina and Uglova (2018) this author also emphasizes that the estimation of efficiency of the product range for each enterprise-is an individual process in the direction of the choice of this assessment. Since there are a considerable number of methods that help to plan and correct their prospective product range, which is to meet the specificity of the activity. The author also focuses on the fact that in practice there are many methods of formation of assortment, which differ in methods of analysis (marginal approach, statistical approach, approach on the basis of activity of enterprise), the form of representation of the final results (diagrams, tables), subject of assortment analysis.

But the main thought, which is considered in the works of all the authors, and which finds continuation in the work Margarita (2018) is that the formation and evaluation of the efficiency of the product range is a permanent and at the same time a very difficult process which contains the entire life cycle, from the stage of the plan to the stage of implementation of the office marketplace. Since the work of

¹ See at <http://www.ukrstat.gov.ua>

Putyatina, Barsova and Orlova (2018) the purpose of evaluating the effectiveness of the commodity assortment is to create such a set of assortment units for realization, which would meet the requirements of the company both by profitability and by risk, which can be achieved through systemic diversification with further distribution of resources between separate assortment units in the already diversified assortment set to achieve the company's strategic objectives.

In this study, as the main method of assessing the efficiency of the commodity assortment of the investigated enterprise will be used "Markon matrix", proposed by the Italian consulting firm "Markon". On the basis of this method, the analysis of the formation of assortment policy of enterprise will be carried out. The most fully given method of evaluation of the efficient formation of the commodity assortment is most fully described in the work of Cuban (2010). The advantage of the method "Markon" is that the marketing study of the range of all parameters describing the logistic process (turnover, quantity, total stock of profit, price) are processed simultaneously. This method uses simple analysis techniques, ensuring clarity of results. The main disadvantage of the method is the dependence of analysis results from the accuracy of the cost division to the variable and permanent component. The method "Markon" can be applied when there is a need to develop typical proposals for a particular product group, as well as in making managerial logistics decisions on the company's assortment as a whole, using the strategic approach.

According to the website "Economics: theory and practice"² the source data in the use of this method of valuation of the commodity, the assortment is grouped into qualitative, defining, typical characteristics of specific products and quantitative, which include the main economic data. Unlike other matrix methods, this matrix is constructed using a much larger number of parameters, including: the number of products sold (Q), product unit price (P), average replacement costs per unit (C), total gross margin (MCA), gross margin per unit of production (MCU), percentage of gross margin in the total amount of income from the sale (MCI).

Thus, in this method, three parameters are used:

- General gross Margin (MCA):

$$MCA = P * Q - C * Q \quad [1]$$

where P – product unit price;

Q – Quantity of sold products;

C – Average replacement costs per unit of products.

- Gross margin per unit of products (MCU):

$$MCU = \frac{MCA}{Q} \quad [2]$$

² See at <http://www.ekonomikam.com/ecfins-294-3.html>

- Gross margin percentage (MCI):

$$MCI = \frac{MCA}{Q*P} \quad [3]$$

Future, the research results are images of the "Markon method"³ explains that after the calculations of each parameter, each assortment position is assigned to binary codes (0 or 1), depending on whether positively or negatively differs from the average weighted value. The assortment portfolio values a certain option of a separate product position. Each assortment position receives two blocks of binary codes: a block of parameters Q, P, C and a block of parameters of MSA, MCU, MCI. The assortment positions having the same series of these parameters are characterized by the same position on the market and belong to one marketing group.

After determination of six-digit code of each product position the matrix, which vertical contains variants of parameters block of Q, P, C, and horizontal – variants of parameters block of MSA, MCU, MCI. The specified matrix has 64 cells, but mathematically possible, based on the interdependence of parameters Q, P, C, MSA, MCU, MCI, there are only 24 cells (Table 3).

After doing the data of calculations and giving each of the assortment position of the code, the assortment of the position with the high general yield margin to reach the top of the matrix, low – to its lower part. Assortment positions, which have a high volume of weight in the commodity portfolio of the enterprise get to the left part of the Matrix, which has a low volume of weight – to the right part of it.

Table 3. Example of the "Markon matrix".

A, U, I	Q, P, C							
	111	110	101	100	011	010	001	000
111								
110								
101								
100								
011								
010								
001								
000								

Source: Author's own elaboration based on "Markon method"³.

In general, the matrix can be divided into four zones depending on the level of margin of the assortment position and the specific weight of them in the commodity portfolio of the enterprise (Table 4).

At the last stage of analysis of estimation of efficiency of commodity assortment of enterprise, the assortment positions of the enterprise are placed in the "Markon matrix " according to on the basis of

³ See at <https://rozn.info/MatrixMarkon>

the following conclusions concerning the policy of development and policy of existence of this assortment group in the structure of the enterprise. Each zone of the matrix has its name and the corresponding characteristic (Table 5, with possible assortment groups).

Table 4. Example of the characteristics of the "Markon matrix" zones.

A, U, I	Q, P, C							
	111	110	101	100	011	010	001	000
110	High margin Large volumes				High margin Small volumes			
101								
100								
011	Low margin Large volumes				Low margin Low volumes			
010								
001								
000								

Source: Author's own elaboration based on "Markon method"³.

Also using this research results are images of this website "Markon method"³ it is quite understandable to get an idea about the character of each zone of this matrix.

Table 5. Example of the "Markon matrix".

A, U, I	Q, P, C							
	111	110	101	100	011	010	001	000
111	WG				BD			
110								
101								
100		RG						
011					WD			
010								
001								
000		BH				D		

Source: Author's own elaboration based on "Markon method"³.

Sometimes different sources give sharp names of these zones and their characteristics. But the general characteristic that accurately reflects each strategic area is almost similar in every study where this technique is used. White giants⁴ – goods that are successfully sold in markets with stable/growing demand, which is a firm due to large sales volumes and often large gross margin, major profits. This is a self-supporting good, a profit from which is used for the development of others, as well as to support the off-line positions.

⁴ See at <http://kvod.narod.ru/MarconP.htm>

Red giants are goods that also have a great "energy", albeit relatively smaller than white giants. Bring a large share of profits. However, these assortment positions are not at the stage of growth, but at maturity stage. Such a product tougher competitors than the white giant, so the profitability of it a little lower. It's also a self-occupied position.

If in the process of controlling does not control costs or promote more intensively in the market of the red giant, it can eventually turn into a black hole, a product that absorbs a large number of resources, but does not bring a suitable return in the form of a gross margin that is below average. Such goods are necessary or removed from production, or if the management feels that the potential of sales they still have invested in improving their production and/or more active market promotion (Abramovich, 2017b).

According to the Cuban (2010) satellites are goods that do not bring high profits but are not produced in a large volume. The situation is typical when the management is not in a hurry to withdraw from the production which is "unpromising" in terms of profit of goods, limiting the volume of its production, or this product, despite its financial vulnerability, is required by the firm for some other reasons (prestige, advertising, traditions, social significance). Often, this group of products get products made from waste base production (low variable costs at low prices on the finished product).

A white dwarf³ is a production that has a certain profitability reserve but also does not bring significant revenues and gross margin. This can be new products introduced to the market or a kind of basic goods that saturate the range of the company. White dwarf's position in decreasing profitability turns into a satellite, with a mistake of guidance on the potential of the product and the absence of effective control of expenses – in a black hole. For a more successful development depending on the nature of the product, it will turn into either the red giant (which is characteristic mainly for the thickness of mass or conventional demand) or in a blue dwarf.

Blue dwarfs are goods that differ greatly by profitability but are in limited demand. This can be an elite product in force of high quality (large prices and variable production costs at small demand) or known brand, waste production (nothing is worth it, but sold – hence high profitability rates) (Abramovich, 2017b). Carefully analysing the provisions of each articulation in the "Markon matrix", the management of the enterprise can reasonably decide on additional production or decreasing its volume in the section of each type of product, the perspective of current and anticipated investments of resources in separate assortment positions.

But still, the work of this author is not complete enough. Thus, as considered by the "Markon matrix" is the only expression of the static picture of the company's assortment (at a particular moment). Over time, the position of each position depending on the accepted managerial decisions and external factors may change. Due to this great interest is the use of the dynamic method of Markon, which is studied in research Abramovich (2017b). The essence of this method is that it can be used as a pattern

for analysis of previous and in the form of analysis deviations from previous indicators by Markon method (Table 6).

Table 6. An example of a dynamic "matrix Markon".

A, U, I	Q, P, C							
	+++	++-	+-+	+--	-++	--+	---	---
+++								
++-		Winning				Exploited		
+-+								
+--								
-++								
--+		Bandages				Programmable		

Source: Author's own elaboration.

According to the Abramovich (2017b) the dynamic method of Markon splits the assortment into zones in which separate goods are divided into winning goods, "respond" too invested funds in them), exploited (provide funds for financing of other directions), supporting (goods in which resources are involved, do not give a positive result for the company) and the lost (lose interest of consumers, their production is economically justified).

Exploring this method of analysis of the commodity range Cuban (2010) species thereof as certain advantages and disadvantages. It is possible to include the possibility of analysing the efficiency of production and marketing activity in the sphere of assortment policy and other directions on a set of parameters, and this comparison occurs simultaneously. This method relies on a relatively small database and uses simple analysis techniques, ensures clarity of results. Also, it is important that the method does not operate the full cost, which often contains errors of distribution of overhead expenses and ignoring the behaviour of expenses when changing sales volume. The Markon method allows conducting a joint analysis of internal and external factors forming the assortment policy of the enterprise, which is very important for marketing and strategic control. Instead, Abramovich (2017b) in his research proves that the dynamic Markon method allows you to track any changes that have not yet become explicit for other methods of analysing the assortment policy.

Thus, according to the chosen method on the basis of the "Markon matrix" is planned to investigate the efficiency of a commodity assortment in terms of analysis of its basic indicators, which characterize its logistic process. In the process of analysis, it is planned to use the dynamic method of the "Markon matrix", because this type of matrix can be used as a picture for analysis of previous periods.

3. Empirical Results Analysis

3.1 Analytical evaluation of the market of bread and bakery products in Ukraine

Bread and bakery products have an important place in the diet of the Ukrainian population because they are designed for everyday satisfaction with physiological needs of people. However, the differentiation of the needs of consumers depending on their income, preferences, the possibilities of using different kinds of bread and bakery products as a result of their health, the issue of expansion of the commodity range of bread producers and bakery products through implementation of innovative approaches to their activity.

The market of bread and bakery products of Ukraine is one of the most important spheres of the economy, which has a lot of potentials and provides the population with the main foodstuffs. Today the bakery industry of Ukraine with the help of its production capacities, mechanization of technological processes and expansion of the range is able to provide the population with various kinds of bakery products at a reasonable price. Food value of bakery products is of great importance because they provide more than 50% of the daily needs of a person in energy and about 75% needs in the vegetable protein.

In mind of Kyzuo, Kosar and Paguta (2017) the Ukrainian market is represented by a large number of domestic enterprises. Much of the food products are imported. However, the peculiarity of the market of bread and bakery products of Ukraine is almost one hundred per cent provision of domestic production products. This is because bread and bakery products have a short shelf life and must be realized within a short period of time. The ability of baking products to quickly lose the consumer properties and the impossibility of transporting it for long distances protects the domestic market from

the import of imported goods and, consequently, allows domestic producers to avoid competition with foreign enterprises.

Ukraine is one of the countries with strong consumption of bread in Central and Eastern European cultures (CEE). Ukraine has rich wheat cereal and sugar resources, which are the main ingredients for the production of bread and flour, as well as confectionery products.

However, according to the agrarian agency "Agravery"⁵ production of bread and bakery products in Ukraine in the last 17 years decreased by 2.2 times.

Dynamics of bread and bakery products production in terms of 2000-2017, shown in "Figure 8".

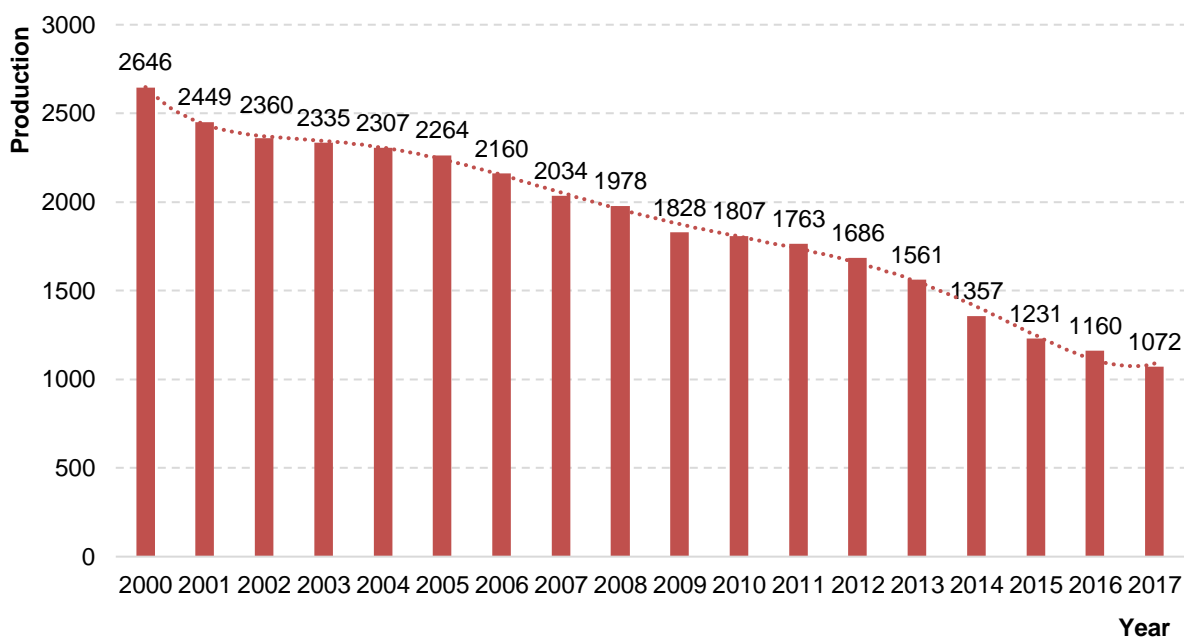


Figure 8. Dynamics of bread and bakery products production in the section 2000-2017, thsd.t.

Source: Author's own elaboration based on official site of State Statistics Service of Ukraine¹.

At the same time, according to the agrarian agency "Agravery"⁵ based on the indices of the official statistics of the average consumption of bread of Ukrainians during 2000-2017 years decreased from 50 kg to 26 kg per person per year. And if you compare this figure for example from the 1995 year, the consumption of bread decreased more than 3 times.

The decrease in the production of bread and bakery products in Ukraine in recent years has been caused by the following factors: reducing the purchasing power of the population; rising prices for bread and bakery products, which is caused by devaluation of the hryvnia; emergence of a large

⁵ See at <http://agravery.com/uk/posts>

number of small enterprises, mini-bakeries, natural persons-entrepreneurs; loss of sales markets and stop of production capacities on occupied territories of Crimea, Donetsk and Lugansk regions; high level of population migration and reduction of population population; transition to the rational use of bakery products; baking baked goods at home; no return of stale bread from the trade network.

As to the analysis of the implementation of bread and bakery products in value terms, we can say that in recent years it is possible to note the increase in the volume of products sales in 2018, compared to 2010, almost in 2 times (Figure 9).

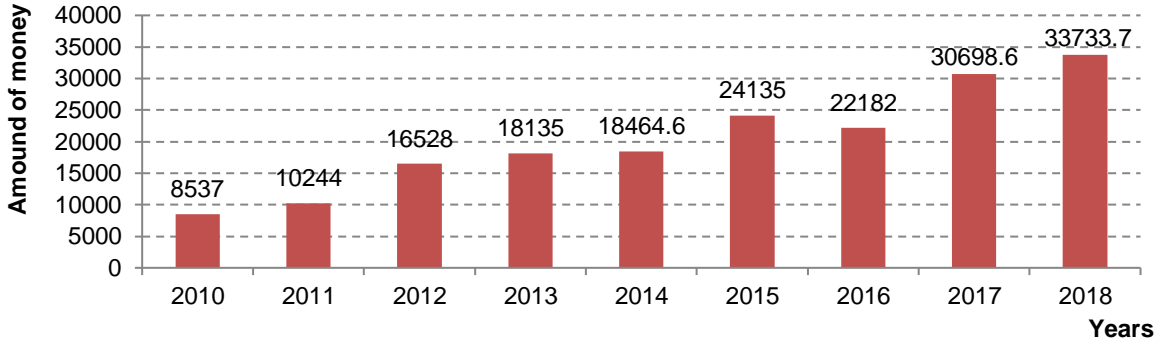


Figure 9. Dynamics of production of bread and bakery products in the cost expression in Ukraine in 2010-2018, million. uah.

Source: Author's own elaboration based on official site of State Statistics Service of Ukraine¹.

The bakery industry in Ukraine is one of the most important areas of food security of the country. In our country, in 2018, the structure of consumption of bread was such a kind like in the "Figure 10".

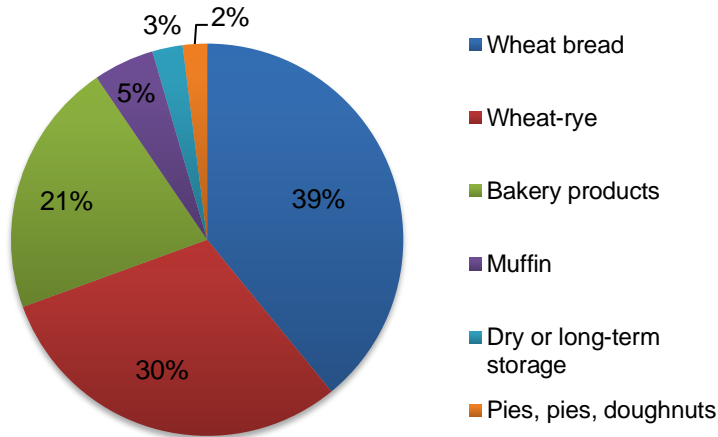


Figure 10. Structure of bread consumption in Ukraine in terms of 2018.

Source: Author's own elaboration based on Agrarian Information Agency⁵.

However, according to official data of the Internet edition "Today LIFESTYLE"⁶ for the last 3 years, the preferences of Ukrainians, about the choice of this product have gradually changed. Increasingly, Ukrainians began to replace bread with healthier products and original pastries.

Also, this tendency can be observed on the indexes of production of bread and bakery products according to the data of State statistics of Ukraine¹ (Table 7).

Table 7. Production of certain kinds of bread and bakery products in 2015-2017, thsd.t.

Type of production	Years		
	2015	2016	2017
Bread wheat	533705	493020	449311
Wheat-rye bread	401096	370010	342320
Muffin products	275661	278354	265179
Dry or long-term storage	65677	70024	72347
Pies, doughnuts	43768	43063	49310
Bread wheat	5966	7066	8864

Source: Author's own elaboration based on official site of State Statistics Service of Ukraine¹.

Thus, in accordance with these data we can conclude that consumption of traditional kinds of bread (such as "Bread wheat" and "wheat-rye bread"), Ukrainians gradually decrease. All the most popular in society are the original varieties of bread and bakery products, as well as products designed for a healthy lifestyle.

Today the market of bread and bakery products is filled with products from different manufacturers and in a wide range. But the main problem of Ukraine in the development of this industry is the state regulation of bread prices, as the bakery has a need for real support, or indirectly, through the target aid to vulnerable populations, as there are not enough funds for technical refit and modern equipment. Even if the state does not regulate the price of bread, it will not rise, because in this market in Ukraine is quite a big competition.

That is why in Ukraine there is another negative trend in this market, the fact that many manufacturers of bread and bakery products are in the shadow. It is also a very negative factor for the development of the industry, which requires significant capital infusion and significant modernization from the legal point of view. As the existence of the shadow economy in this sphere is also a negative phenomenon for all industrial sector of Ukraine. The largest producers of bread and bakery products in Ukraine in the regions can be seen in "Figure 11" (official site of State Statistics Service of Ukraine¹).

Thus, in accordance with the given data, the absolute giants of this industry in Ukraine in 2017 were Kyiv, Dnipropetrovsk oblasts and quite powerful production capacities separately allocated in Kiev.

⁶ See at "<https://ukr.segodnya.ua/lifestyle.html>"

As for the comparison of production capacities by the regions in terms of 2013-2017, then in accordance with the data of "Figure 12" (official site of State Statistics Service of Ukraine¹). One can observe the loss and reduction of production capacities on the occupied territories of Ukraine. Well, of course, there is a significant decline in production on the fresh regions caused by the above-mentioned factors.

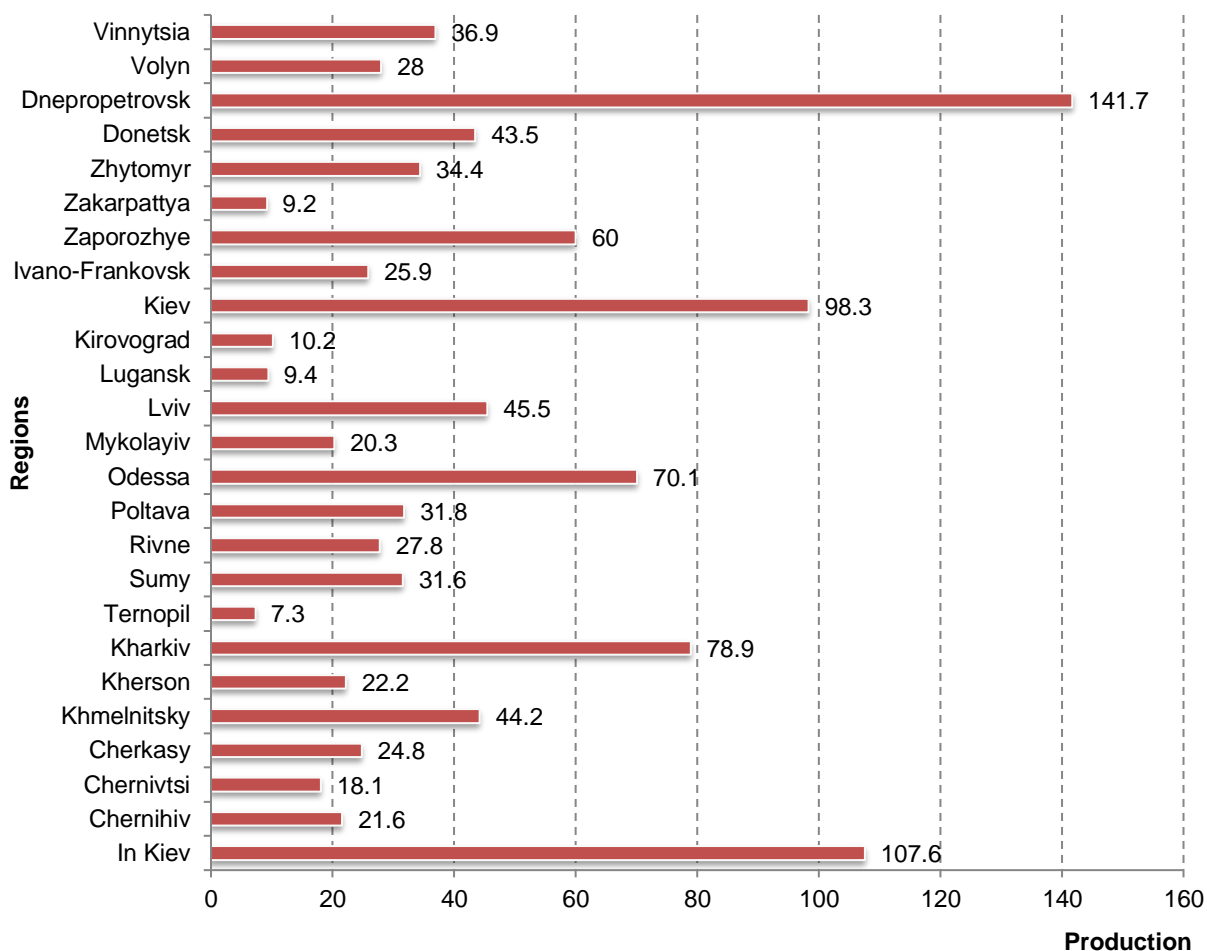


Figure 11. Production of bread and bakery products by the regions of Ukraine in 2017, thsd.t.

Source: Author's own elaboration based on official site of State Statistics Service of Ukraine¹.

In Ukraine, the market for bread presents domestic products by 97-98%. Imported grain products in Ukraine – 2-3%. Basically, it is half-frozen bread. Until recently, he imported only from Lithuania (TM Mantinga), Denmark (TM Danish Baker), France (TM Delice), Turkey (TM Dardanel Hazir Gida San), Hungary, Poland and Germany. Now frozen bread already produces several domestic firms. The prospects of this direction are obvious since in the European Union countries the implementation of

frozen bread has already caught up producing traditional bread varieties (Internet source - Rynok khleba Ukrainy⁷).

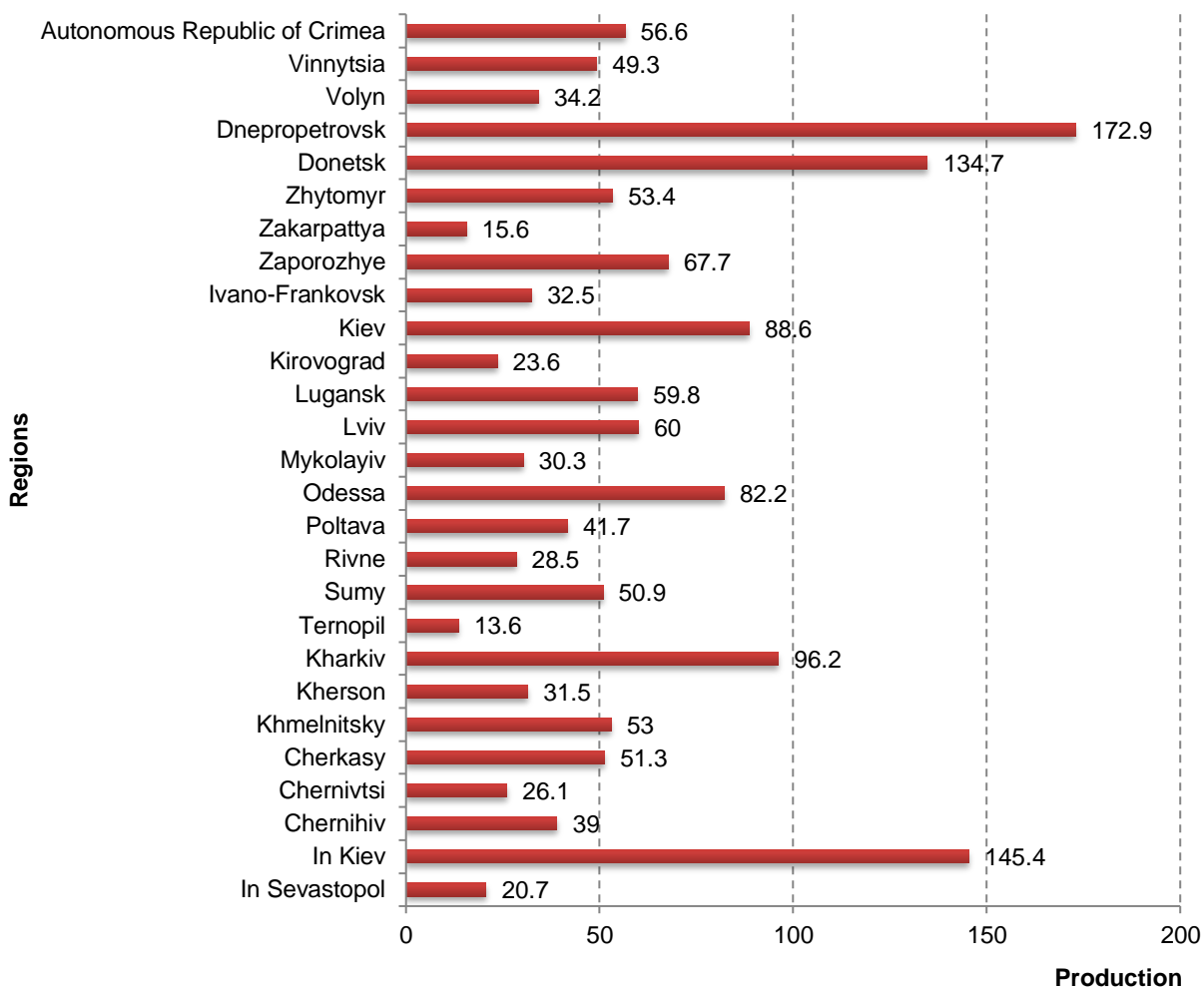


Figure 12. Production of bread and bakery products by the regions of Ukraine in 2013, thsd.t.

Source: Author's own elaboration based on official site of State Statistics Service of Ukraine¹.

The baking industry belongs to material production because the share of material expenditures in the total cost of products is about 50%. On average, the cost of bread and other raw materials is 50%, the cost of marketing - 15%, general and administrative expenses - 14%, energy costs - 3%, salary costs - 5%. These components form the price of products of bakery enterprises (Figure 13) (official site of State Statistics Service of Ukraine¹).

⁷ See at <http://www.rosinvest.com/news>

It should be noted that as a result of a significant deterioration in recent years raw materials base of the baking industry, many enterprises, especially mini - bakeries, to reduce the production costs began to use food additives, which reduce the duration of the technological cycle, increase the output of bread from flour.

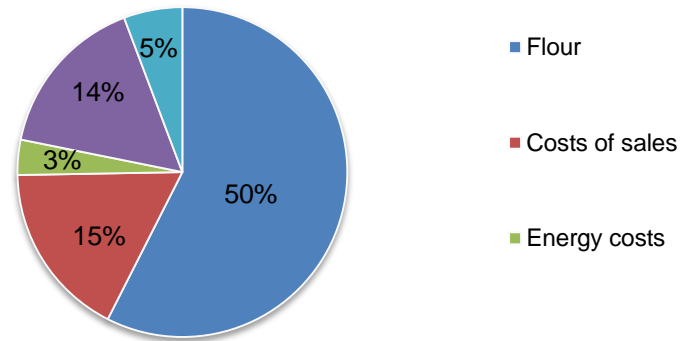


Figure 13. The structure of the cost of baking bread is a simple recipe in 2017 year.

Source: Author's own elaboration based on official site of State Statistics Service of Ukraine¹.

These indices and form the price for bread and bakery products in Ukraine. This price in 2018 compared to our closest neighbours is the lowest in Europe (Figure 14) (Information portal – Numbeo⁸).

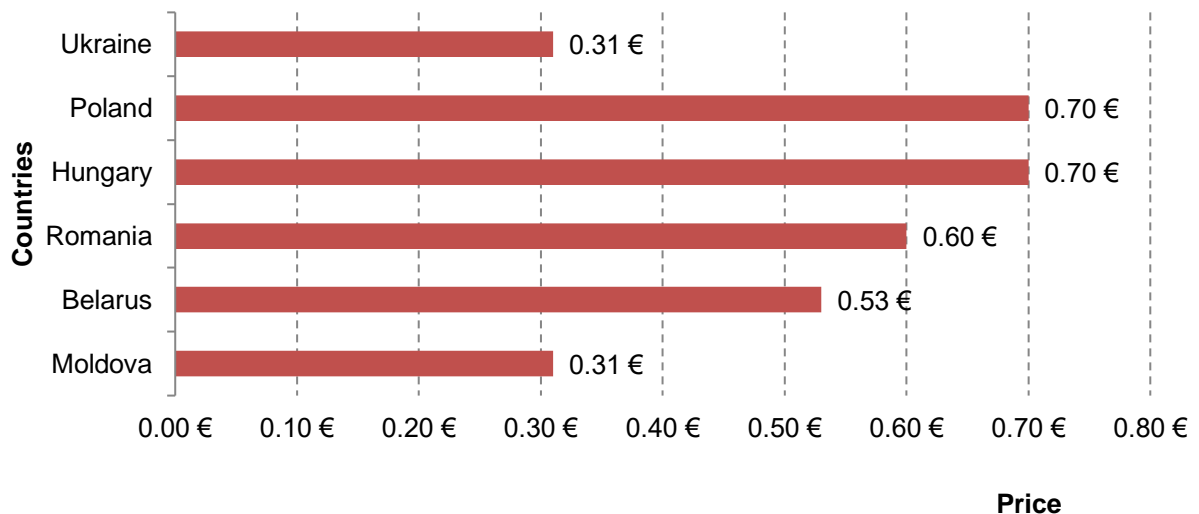


Figure 14. Bread prices in Ukraine in 2018 and neighboring states.

Source: Author's own elaboration based on Information portal – Numbeo⁸.

⁸ See at <https://www.numbeo.com/cost-of-bread>

Bakery industry uses mainly domestic raw materials: flour, rye malt, sugar, molasses, salt, margarine, butter, vegetable oil, yeast, starch, milk dry, eggs, dried fruits, jam, etc. Production of bread and bakery products depends largely on the situation on the market of flour and fluctuations on the grain market because the main pricing article in the structure of the cost of bakery products is flour. The flour of bakery enterprises buys mainly in private companies of their region, the small part provides the flour of its own production and the Agrarian Fund of Ukraine. The biggest suppliers of flour in Ukraine is stated reserve of Ukraine, PJSC "State Food Grain Corporation of Ukraine", HC "Bread of Kiev", Group of Companies Lauffer, LLC "Dnipro Mlynovi Kombina", OJSC "Vinnytsya KHP". The market also employs a huge number of private mini-mills, the combined capacity of which, according to experts, allows to cover the needs of domestic flour market by 10%.

The largest producers of bread and bakery products in Ukraine are 6-7 companies that control almost half of the market. The main ones in 2017 were such companies as PSC "Kyivkhib", LLC "Khibnyi holding" "Bead Investment", "Concern Khibprom", LTD "Hlibokombinat Kulynitichi", "Formula of taste" group and holding "Golden Harvest" Lauffer Group. The total share of other producers amounted to 48.1%.

The largest manufacturer in the domestic market of bread and bakery products in 2016-2017. According to the indicator of market share is PJSC "Kyivkhib" - 14.7, 5%, which consists of five bakeries in Kyiv and four enterprises in the Kiev region. Till 2016, during 2013-2015, the largest share of industrial production belonged to the holding "Golden Harvest", which is a part of the Group Lauffer, and owns enterprises in the Odessa, Kharkiv, Donetsk, Luhansk oblasts. But, in 2016 the "Golden Harvest" holding considerably reduced its production as a result of the loss of markets and production capacities in the zone of fighting and occupied territory of Crimea, Donetsk and Lugansk regions. The third in the rating on the volume of production of bread and bakery products in Ukraine is the holding company "Bread Investments", which consists of seven bakeries. This company has increased its share of bread and bakery products from 6.5 to 11% in the last 5 years.

The peculiarity of the bakery industry of Ukraine is that it is represented by a wide network of domestic bakeries and bakeries, which provide bread to the population. In Ukraine, there are 1747 enterprises producing bakery products. About 80% of bakery industry products are produced by large industrial enterprises. The remaining products are manufactured by mini-bakeries and bakeries in supermarkets. The latter are very actively developing in recent years.

It is necessary to mention the presence of own raw material base, which can serve as a competitive advantage for the baking industry of Ukraine.

On the latest trends in the bakery industry of Ukraine, there is considerable attention to the fact that many inhabitants of the country aspire to a healthy lifestyle and fight overweight, growing popularity of innovative products – bread dietary and prophylactic direction containing cereal mixtures, bran, fructose, honey, nuts, vegetable and fruit supplements. According to the data of the State Statistics

Service¹, this product share accounts for about 5 – 7% of the total sales volume. However, as the producers assure (Agrarian Information Agency – Agravery⁵), the need of the population in a group of dietary bakery products enriched with vitamins will grow.

In Ukraine, there are also about 400 industrial bakeries and approximately the same amount of private low - power bakeries productivity from 1 T products per year and more. Most mini - bakeries in Ukraine - a bakery with incomplete production cycle, baking of bakeries on the basis of frozen semi-finished products, whose performance is from 200 to 5 thousand kg per day. According to the State Statistics Committee, the similar format of enterprises accounted for 4 - 5% of the national market of bread. So-called «Bakery Industries» (a combination of bakeries and cafes) work, mainly in the capital, but lately, appear in the regions. The largest bakeries in Zakarpattia, Ivano-Frankivsk, Ternopil, Chernivtsi, Kherson, Mykolaiv, Zaporizhia and Kharkiv regions are the most registered. The share of bread, which is manufactured by mini - bakeries, in the overall volume of production in these regions is higher than on average in Ukraine and varies within 15 - 35%.

Thus, assessing the market of bread in Ukraine we can say that this industry of our country is experiencing not very favourable times. Throughout Ukraine's independence, as a sovereign state, there is a decline in production caused by both demographic factors and other highly influential factors (such as the loss of potential markets through a neighbour's actions – aggressor).

This industry provides 99% of the demand for seed and bakery products in Ukraine. In this market, there is also a sufficiently powerful competition, which is divided among a few powerful manufacturers of this product. Among the negative features of this area is the excessive control of the state, which gives an impetus for its development. Because due to the considerable price of the prices do not have significant jumps up.

Such competitive environment requires maximum concentration of efforts of enterprises on active creation, support and development of competitive advantage through the formation of successful competitive strategies, which would provide further development, as a separate enterprises and the whole industry in general.

3.2. Analysis of main indicators of sales activity of LLC "Kovelskiy hlibokombinat" in 2014-2018

To assess the efficiency of the commodity assortment of LLC "Kovelskiy hlibokombinat" it is necessary to conduct the analysis of its sales activity on the potential market of activity it is necessary to conduct the analysis of its sales activity. It is through this analysis, we will be able to get visual information about whether or not the company is profitable or not. Thus, and in accordance with this, we will know the optimal structure of the company's assortment to ensure this profitability.

According to the received data about the activity of the enterprise 91% of all products of LLC "Kovelskiy hlibokombinat" is sold in the local market, i.e. Kovel and Kovel region.

The main markets of production of LLC "Kovelskiy hlibokombinat" are given in "Figure 15".

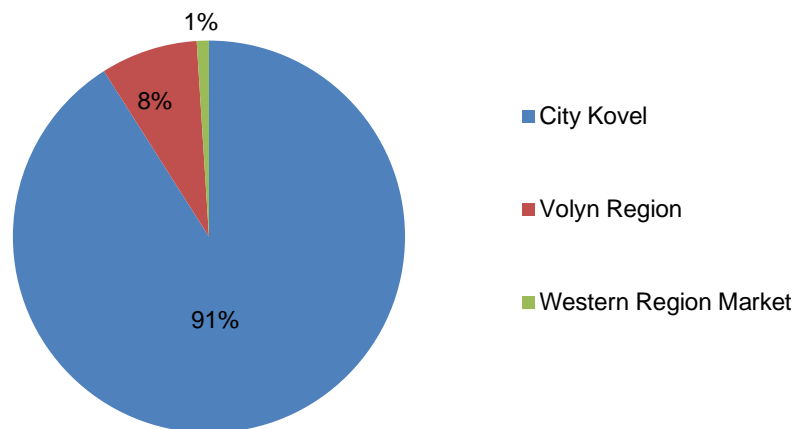


Figure 15. The main markets of production of LLC "Kovelskiy hlibokombinat" in 2018.

Source: Author's own elaboration based on financial statements of the enterprise.

The biggest performance indicators achieved such kind of products as "Bread and bakery of short-term storage" and in 2018 was 58613 thous. uah.

As for the realization of products on the market of Volyn region, in accordance with data, there is a small percentage of production of products of LLC "Kovelskiy hlibokombinat" on this market. The largest volumes of realization reached such kind of production as "Bread Wheat" and in 2018 was 33217 thous. uah.

There is also a certain percentage of product sales within the Volyn region, which is the main market of the enterprise. In relation to other markets of activity, LLC "Kovelskiy hlibokombinat" realizes mostly pastry in neighbouring regions and the percentage of this realization is very insignificant.

As for realization in the market of the Western region, the LLC "Kovelskiy hlibokombinat" in this market implements such kind of products as "Cakes and confectionery other with the addition of sweet holding substances", namely "Cakes", the volume of realization which in 2018 was 21582 thous. uah. The Implementation of this product took place on the territory of Lviv and Rivne oblasts. Although in the context of 2017-2018 years the performance of products in 2018 is lower than in 2017.

In terms of analysis on main markets of sales by 2014-2018 the structure remains unchanged. The main market markets are listed in "Table 8". The analysis of product sales indices is given in "Table 9".

Table 8. Sales of the main markets of products in 2014-2018, thous. uah.

Type of production	Amount of realization in value terms, ths. uah				
	2014	2015	2016	2017	2018
Bread and bakery for short-term storage:	21386	36024	39943	59712	58613
Bread wheat	14480	24016	26087	34198	33217
Rye-wheat and wheat-rye bread	4923	7720	8908	20611	19898
Bakery products	11983	4288	4948	4903	5498
Cakes and confectionery bakery other with the addition of sweeteners	11807	18860	21723	23541	24567
Cakes	11288	17208	19869	20968	21582
Fancy products	519	1652	1854	2573	2985
Crunchy bread, crackers, toast and the products like toasted	282	610	570	593	587
Sweet biscuits including elephant, other than partially or fully covered with chocolate or others.	357	593	579	447	341

Source: Author's own elaboration based on financial statements of the enterprise.

Table 9. Sales of the main markets of products in 2014-2018.

Type of production	2015/2014		2016/2015		2017/2016		2018/2017	
	Actually, +,-	By structure, %	Actually, +,-	By structure, %	Actually, +,-	By structure, %	Actually, +,-	By structure, %
Bread and bakery for short-term storage:	14638	68,4	3919	10,9	19769	49,5	-1099	-1,8
Bread wheat	9536	65,9	2071	8,6	8111	31,1	-981	-2,9
Rye-wheat and wheat-rye bread	2797	56,8	1188	15,4	11703	131,4	-713	-3,5
Bakery products	2305	116,2	660	15,4	-45	-0,9	595	12,1
Cakes and confectionery bakery other with the addition of sweeteners	17053	943,7	2863	15,2	1818	8,4	1026	4,4
Cakes	15920	1236,0	2661	15,5	1099	5,5	614	2,9
Fancy products	1133	218,3	202	12,2	719	38,8	412	16,0
Crunchy bread, crackers, toast and the products like toasted	328	116,3	-40	-6,6	23	4,0	-6	-1,0
Sweet biscuits including elephant, other than partially or fully covered with chocolate or others.	236	66,1	-14	-2,4	-132	-22,8	-106	-23,7

Source: Author's own elaboration based on financial statements of the enterprise.

Thus, in accordance with the analysis of the volume of implementation on the main markets of products in 2014-2018, LLC "Kovelskiy hlibokombinat" we see that such assortment groups as "Bread and bakery of short-term storage" and "Cakes and products confectionery bakery other with the addition of sweeteners" during this period shows growth in value on average 20% per annum. This growth was caused also by the rise of bread prices, but also on the data of assortment groups, there is also the growth of sales volumes in natural indexes.

In 2012 the expansion of LLC "Kovelskiy hlibokombinat" was carried out at the expense of opening of a new confectionery shop. This innovation of new production areas in the form of a pastry shop from the very beginning gave competitive positions for the company. First of all, LLC "Kovelskiy hlibokombinat" came into a new market segment with new products, which is shown in "Table 10".

Table 10. Assortment positions of confectionery shop LLC "Kovelskiy hlibokombinat".

SIC	Type of production	Product name
– 10.72 – production of pies and cakes	Cakes	"Kapriz", "Cappuccino", "Lemon", "Kyivsky", "Panynochka", "Solomika", "Bird's milk with cherries", "Berry tale", "Chocolate", "Men's fads", "Souvenir", "Smile", "Custard", "Ekler", "Umka", "Potatoes", etc.
	Round Loafs	"Festive", "Wedding", "Solemn".
	Cupcakes	"Cheesy", "Honey-Sand", "Berry".
	Rolls	"Honey", "Karpaty".

Source: Author's own elaboration based on financial statements of the enterprise.

Innovative products were the production of cakes for festive events of various and individual design.

As for the main competitors, according to the Agricultural Information Agency⁵ the main players of the market of Volyn region in 2017 were several company, which are shown in "Figure 16".

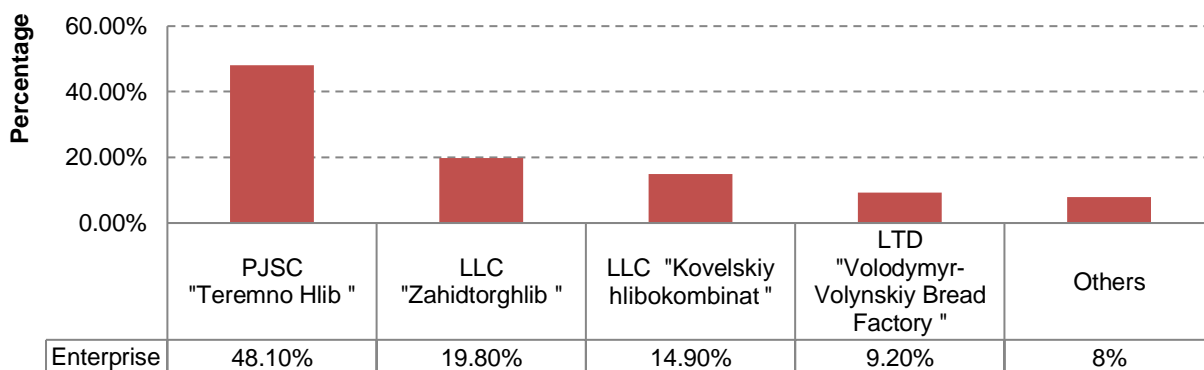


Figure 16. The main producers of bread and bakery products in the Volyn region in 2017.

Source: Author's own elaboration based on Agricultural Information Agency⁵.

The leader of the market of Volyn region is PJSC "Teremno hlib". The total proportion of this manufacturer amounted to 48, 1%.

On the basis of this one can find confirmation of 1 hypothesis, because on the basis of the official site of PJSC "Teremno hlib" and data of LLC "Kovelskiy hlibokombinat" it can make the level of the structured commodity range of two enterprises with the help of basic indicators of the product range, which is shown in "Table 11".

Table 11. Relationship between assortment PJSC "Teremno hlib" and LLC "Kovelskiy hlibokombinat".

The main indicators of commodity assortment	PJSC "Teremno hlib"	LLC "Kovelskiy hlibokombinat"
Width	14 types of products	11 types of products
Saturation	159 product units	127 product units
Harmony	group assortment	group assortment
Depth	100%	79,8%

Source: Author's own elaboration.

Thus, we provide specific goal № 1, that planning more optimum planning of commodity assortment of the PJSC "Teremno hlib" according to the data shown in "Table 11" gives him more turnover of products, and consequently a greater share of the market of activity.

Thus, according to the data obtained, it can be argued that LLC "Kovelskiy hlibokombinat". Actively works and has quite large sales indicators to end consumers. But it is inferior in the market to its main competitors. Since one of the main reasons for losing the leading positions is insufficient structuring of a commodity assortment of this enterprise, namely it's not optimality and ineffectiveness.

3.3. Evaluation of the commodity assortment of LLC "Kovelskiy hlibokombinat"

According to the chosen method, we will analyse the efficiency of assortment positions by means of the matrix Markon, because this matrix allows observing changes in this position during the analysed period of activity of the enterprise. The source data for the analysis of the efficiency of the commodity assortment of LLC "Kovelskiy hlibokombinat" is presented in "Table 12" and "Table 13".

Table 12. Source data for analysis of the "Markon matrix" in 2014-2016.

TP	2014			2015			2016		
	P	Q	C	P	Q	C	P	Q	C
1	4	5017	2,58	5,5	4895	2,5	5,8	4580	1,8
2	4,5	880	2,8	18	960	6,8	28	1108	11,5
3	5,8	16	1,85	6	15	1,9	6,5	16	1,9
4	15	3	5	14	3,7	5,9	15	4	5,8

Source: Author's own elaboration based on financial statements of the enterprise.

Table 13. Source data for analysis of the "Markon matrix" in 2017-2018.

TP	2017			2018		
	P	Q	C	P	Q	C
1	5,8	8599	2,5	6,7	8586	3,5
2	6,5	1298	4,1	7,9	1332	3,7
3	7,0	14,5	4,6	8,0	23	4,9
4	9,2	3	5,9	12,7	3,7	7,2

Source: Author's own elaboration based on financial statements of the enterprise.

Data from "Table 12" and "Table 13" define new parameters Markon on each assortment group in "Table 14" and "Table15".

Table 14. Analysis of the main parapets of the commodity assortment of LLC "Kovelskiy hlibokombinat" in 2014-2016.

TP	2014			2015			2016		
	MCA	MCU	MCI	MCA	MCU	MCI	MCA	MCU	MCI
1	17158,1	3,4	68,4	14685	3	54,5	19236	4,2	70
2	8036	8,2	54,7	20048	11,2	62,2	34782	16,5	58,9
3	63,2	4	68,1	61,5	4,1	68,3	73,6	4,6	70,8
4	30	10	66,7	30	8,1	57,9	36,8	9,2	61,3

Source: Author's own elaboration based on financial statements of the enterprise.

Table 15. Analysis of the main parapets of the commodity assortment of LLC "Kovelskiy hlibokombinat" in 2017- 2018.

TP	2017			2018		
	MCA	MCU	MCI	MCA	MCU	MCI
1	16432	4	61,5	16110	4,5	56,3
2	40623,2	13,6	43,9	73926	18	51,4
3	63,8	4,4	62,9	56,1	5,1	63,8
4	33,3	11,1	65,3	20,6	10,3	52,8

Source: Author's own elaboration based on financial statements of the enterprise.

The next stage of this study will be awarding each assortment position of the binary code (0 or 1), depending on whether it is positive or negatively different from the average weighted value according to the assortment portfolio value of a certain parameter of individual assortment position in "Table 16". After that, after making the data calculations and giving each assortment the position of your code, an assortment of position with a high general yield margin to reach the top of the matrix, low – to its lower part in "Tables 17", "Table 18" and "Table 19".

Table 16. The codes of each assortment group of the commodity assortment of LLC "Kovelskiy hlibokombinat" in accordance with the analysis for 2014-2018.

TP	Code value									
	2014		2015		2016		2017		2018	
1	101	101	101	100	101	101	101	101	001	101
2	010	110	110	111	100	110	110	110	110	010
3	001	001	001	001	001	001	001	001	001	001
4	010	011	010	010	010	010	011	011	001	010

Source: Author's own elaboration.

Table 17. Characteristics of areas of the assortment analysis for 2014.

A, U, I	Q, P, C							
	111	110	101	100	011	010	001	000
110								
101	1				2			
100								
011								
010								
001	-				3, 4			
000								

Source: Author's own elaboration.

Table 18. Characteristics of areas of the assortment analysis for 2015-2017.

A, U, I	Q, P, C							
	111	110	101	100	011	010	001	000
110								
101	1, 2				-			
100								
011								
010								
001	-				3, 4			
000								

Source: Author's own elaboration.

Table 19. Characteristics of areas of the assortment analysis for 2018.

A, U, I	Q, P, C							
	111	110	101	100	011	010	001	000
110								
101					2			
100								
011								
010								
001	1				3, 4			
000								

Source: Author's own elaboration.

Thus, in accordance with the conducted analysis one can observe that 1 and 2 groups are steadily given the potential profit of LLC "Kovelskiy hlibokombinat". Only that changes this amount of sales and according to the proportion of margins in the profit of the enterprise from the sale of the assortment group. As for 3 and 4 assortment groups in the course of the analysed period, it is possible to draw conclusions that data of assortment groups may exist to support the production of two others as the enterprise does not sell this product in large volumes and does not receive over profit from the sale of these products.

Based on the received data we construct a matrix of Markon (Table 20-23).

Table 20. The "Markon matrix" analysis of assortment groups for 2014, 2017.

A, U, I	Q, P, C							
	111	110	101	100	011	010	001	000
111	WG				BD			
110					2			
101					1			
100					RG			
011					4			
010					WD			
001					3			
000					BH			
					D			

Source: Author's own elaboration.

According to the analysis of the situation with strategic zones the same as in 2014, only there are changes in positioning 2 groups and changing the position of "Blue dwarfs" to "White giants", that is, this year significantly increased profitability and demand for this product.

Table 21. The "Markon matrix" analysis of assortment groups for 2015.

A, U, I	Q, P, C							
	111	110	101	100	011	010	001	000
111		2				BD		
110		WG						
101			1					
100			RG					
011					WG			
010					4			
001							3	
000				BH			D	

Source: Author's own elaboration.

Table 22. The "Markon matrix" analysis of assortment groups for 2016.

A, U, I	Q, P, C							
	111	110	101	100	011	010	001	000
111		WG				BD		
110				2				
101			1					
100			RG					
011					4	WG		
010								
001							3	
000				BH			D	

Source: Author's own elaboration.

The situation is analogous to 2015, which is connected with the change of position of 2 assortment group, which can be associated with decreasing profitability of this type of product.

Table 23. The "Markon matrix" analysis of assortment groups for 2018.

A, U, I	Q, P, C							
	111	110	101	100	011	010	001	000
111		WG				BD		
110								
101			1				1	
100			RG					
011						WG		
010		2					4	
001							3	
000				BH			D	

Source: Author's own elaboration.

For 2018, there is a shift in all assortment groups, only 3 groups remain stably unprofitable in all years of research. Other assortment groups do not have the charm to any particular product group, but 1 group, for example, is characterized by falling demand, 2 - falling of this profitability. For the 4 assortment group, this group is characterized by the direction of a transition to the strategic zone "Descents", indicating the decline of this group.

On the basis of this we build a dynamic "Markon matrix" of commodity assortment of LLC "Kovelskiy hlibokombinat" in "Table 24".

Table 24. The Dynamic "matrix of Markon" analysis of commodity assortment of LLC "Kovelskiy hlibokombinat" in terms of 2014-2018.

A, U, I	Q, P, C							
	111	110	101	100	011	010	001	000
111		WG				BD		
110						2		
101			1					
100			RG					
011						4		
010						WD		
001							3	
000			BH					D

Source: Author's own elaboration.

Thus, according to the received data, we can observe that assortment group, as "Bread and bakery of short-term storage" during the analysed period brings a large share of profit to the enterprise and occupy the zone "Red giants", although in 2018 the approach to the zone "Blue dwarfs", which can be connected with decreasing demand for products is observed. As for "Cakes and confectionery bakery other with the addition of sweetened substances" this product during the analysed period was at the stage of growth and occupied the zone «Blue dwarfs». However, at the time it was observed to the zone "Red dwarfs", which is connected with increasing demand for this product and increase of profit from the sale of this product.

"Crispy bread, crackers, toast and the products like fried" during the analysed period is an outsider at this enterprise and occupies the zone "Descents".

As for "Sweet biscuits, including elephant, except partially or fully covered with chocolate or other, mixtures containing cocoa", the occupies a zone of White dwarfs, indicating that this product has a reserve of profitability, but does not bring significant revenues and gross margin. And in accordance with data in 2018, there is approaching of this assortment group to the zone "Descents".

Thus, according to the analysis, we learned that the strategic areas of the activity occupied each assortment group during 2014-2018. The data movement of assortment groups is also graphically

shown from one zone to another manifestation of this period. This analysis also helped to know exactly which assortment group belongs to one or another strategic zone, as well as what role they play for enterprise activity.

The advantage of the method of management of a range of goods on the use of "Markon matrix" is that with its help it is possible to inspect the structure of commodity assortment on a permanent basis automatic order system uses the calculation of the "Markon matrix" in the formation of applications and provides recommendations on possible actions with the goods: to increase the balance or to reduce, raise the price or to reduce.

3.4. Improvement of management of the assortment policy of LLC "Kovelskiy hlibokombinat"

According to the analysis of estimation of efficiency of the commodity assortment of LLC "Kovelskiy hlibokombinat" by means of the chosen method of "Markon matrix" we can understand that the efficiency and optimality of this commodity range are on the not rather satisfactory level. Also, we can see that most of the products of this enterprise are at the stage of decline. More or less profitable are the two of the four assortment groups of LLC "Kovelskiy hlibokombinat".

The other two assortment groups are at the stage of decline and are not profitable for the enterprise. However, their exclusion from a commodity range is due to the enterprise only losses. So, as for example, such assortment group as "Crunchy bread, rusks, toast and items like fried" is made of recycled products, which gives waste from the first two types or for example, as for "Bread and products of bakery short-term storage" comes in the form of the return of the nuns spoiled and impossibility to implement this product.

In "Table 25" there are possible food innovations for LLC "Kovelskiy hlibokombinat", which will not only meet the current needs of the market but also provide the efficiency and competitiveness of the company's commodity assortment.

Basically, if analysing the name of the assortment position of this enterprise it is possible to understand that in the main enterprise does not carry out production of products that meet market demands and is innovative competitive. For example, this assortment group, such as "Bread and bakery of short-term storage", which must be the basis for the collection of profits from activity for the most part of the product has the traditional assortment of bread. And such assortment group as "Cakes and confectionery bakery other with the addition of sweeteners" is characterized by not the entirely modern design of products, which is known also is of great importance for the potential consumer of this product on the market of bread and bakery products of Ukraine. Also, in the formation of assortment policy of the given enterprise, it is necessary to take into account the latest trends of consumer

preferences in this market, which can also improve the optimality and efficiency of commodity assortment of LLC "Kovelskiy hlibokombinat".

Table 25. Main directions possible food innovations for LLC "Kovelskiy hlibokombinat".

Innovative bakery products	
Type of product	Product subspecies
Elite varieties of high quality raw bread	- Bread with high content of dietary fiber - Bread from organic flour
Frozen products	- Bedrock on pancakes - Pita
Packaged products	- Bread weighing 200 g - Mini-croissants - Toast
Dietitic products	- Bread with flax seeds - Gluten-free bread with potato starch - Gluten-free bread with corn starch - Gluten-free bread from rice flour - Bread with sunflower seeds - Bread with sesame
Production of sports direction (fitness-products)	- Buckwheat bread - Bread without salt
Products enriched with vitamins, minerals and useful additives	- Multi-grain bread - Bread with the addition of spirulina
Low-calorie products of health action	- Bread made of dispersed grain
Production with long shelf life	- Crackers with poppy seeds - Crackers with raisins - Crackers with sunflower seeds - Bread sticks (grismini)
Products with impurities (dried fruits, nuts, greens, cheese, etc.)	- Bread with figs - Bread with dates - Baguette of sunflower seeds

Source: Author's own elaboration.

But if analysing the products of the largest three competitors LLC "Kovelskiy hlibokombinat" on their official sites, then for the data of the enterprise's products enriched with vitamins, minerals and useful additives, as well as elite sorts of bread from raw materials. Higher quality is not innovative products. Thus, as this production is already successfully implemented the data of enterprises on the market of bread of Volyn region.

However, despite the fact that the enterprises are already implementing data product group of products still for LLC "Kovelskiy hlibokombinat" there are certain advantages for entering this market of activities with such products.

Such advantages will be given to the enterprise its main competitors in the market of bread of Volyn region. These advantages are clearly shown in "Figure 17".



Figure 17. Benefits for the enterprise from the launch of already existing products on the market of bread of Volyn region.

Source: Author's own elaboration.

In other words, this production has long been realized on the market. That is, LLC "Kovelskiy hlibokombinat" does not need to pump out considerable funds of its withdrawal to the market. And that the most important enterprise will be on the market with a large assortment in the data of assortment groups and the price of products will be lower than in existing competitors.

So, for this enterprise will take an upgraded range is extremely necessary. Since the assortment of LLC "Kovelskiy hlibokombinat" as we see in the context of our analysis of its effectiveness is at the stage of decline, but still some assortment of the group is in the stage of maturity and bring quite significant profits venture.

Thus include some products in the assortment of the enterprise and eliminating the range of positions which are not very effective and rational we can effectively balance commodity assortment LLC "Kovelskiy hlibokombinat" and thus bring it closer to modern market needs.

For example, the production of products with impurities, namely "Bread with figs". This product is in considerable demand from competitors. As in accordance with the recent tendencies of the market of bread and blister products of Ukraine, consumers are increasingly abandoning traditional sorts of bread. The prescription composition of this bread and other peculiarities of its manufacture are shown in "Figure 18". Calculation of the possible cost of this bread using Agricultural Information Agency and statements of the enterprise data is shown in "Table 26".

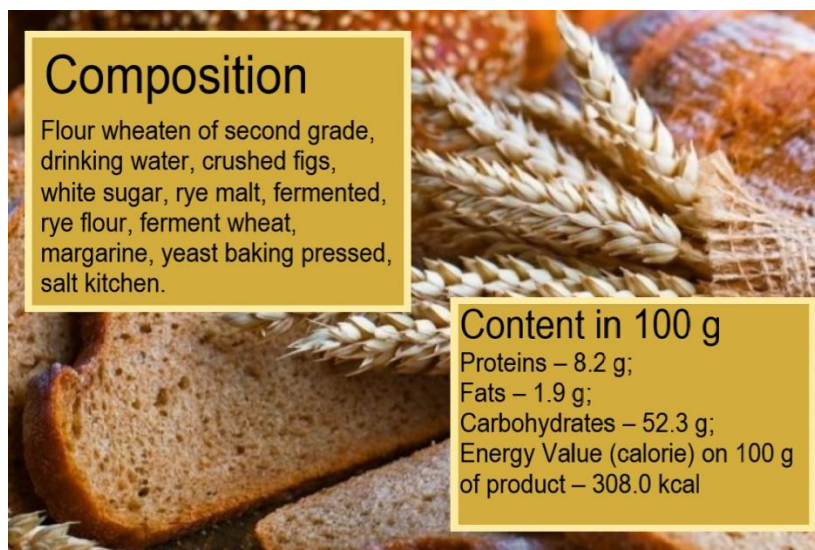


Figure 18. The prescription composition of "Bread with figs" and other peculiarities of its manufacture.

Source: Author's own elaboration.

Table 26. Possible costing of "Bread with figs" per 1 ton of production.

Cost items	Amount, uah	Specific gravity %
Flour	3180	11,4
Other basic materials	610	2,2
Main wages	3502	12,6
Additional wages	889	3,2
General production costs	971	3,5
Administrative costs	1207	4,3
Sales costs	1239	4,4
Full production costs	20196	
Profit	3029,4	
Wholesale price	23225,4	
VAT	4645,08	
Wholesale-selling price	27870,48	

Source: Author's own elaboration based on Agrarian Information Agency⁵ and statements of the enterprise.

So, in terms of the fact that this type of products is planned to produce in volume 0.3 kg one unit, the cost of this unit of production will be 8.36 uah, which is significantly cheaper than the same products of PJSC "Teremno hlib".

But the implementation of products, not only specifically this type, and all possible new assortment of units, which are given in "Table 25" is impossible without a pretty massive marketing complex. Since,

as we see even from the site of the main competitor LLC "Kovelskiy hlibokombinat", this company spends quite significant, as well as financial and human resources to promote their products. Even if we visually assess the appearance of the products of two enterprises, you can immediately notice the difference.

In this case, the packaging of products is also important. Therefore, in "Figure 19" there is a possibility of the "Bread with figs".

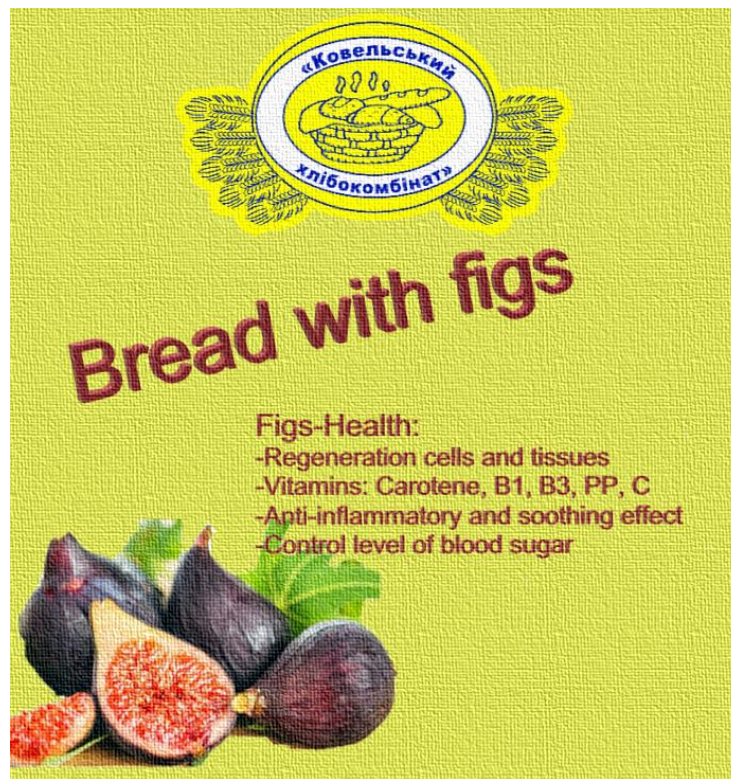


Figure 19. A possible image of a package for "Bread with figs".

Source: Author's own elaboration.

These improvements in commodity range LLC "Kovelskiy hlibokombinat", namely the exclusion of the most non-commercial commodity positions and rational according to market needs inclusion of new types and units of products will help LLC "Kovelskiy hlibokombinat" raise not only their performance but also to gain more market activity on which it works.

"Figure 20" provides a possible forecast of sales increase by the LLC "Kovelskiy hlibokombinat" in carrying out optimal balance of its commodity range.

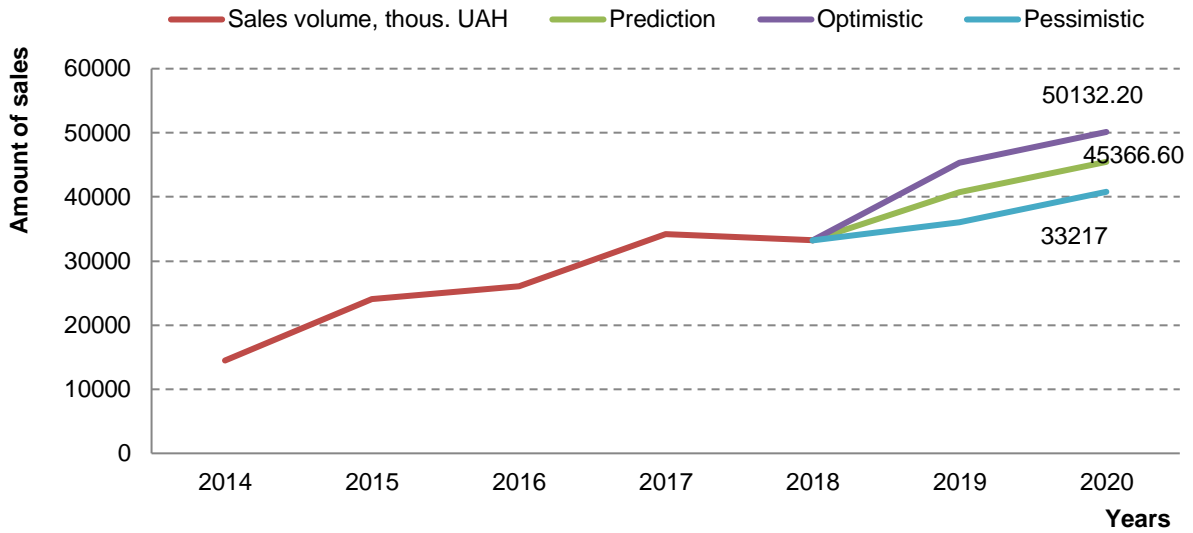


Figure 20. Forecast sale of LLC "Kovelskiy hlibokombinat" for the next periods.

Source: Author's own elaboration financial statements of the enterprise.

Thus, even with a pessimistic sales forecast, Kovelsky Globokombinat may increase its sales volume by 8% in 2019 and by 22% in 2020. It means that even as we clearly see in Figure 20, the company's implementation of all measures to modernize its product range may give a positive effect.

And in general, the implementation of the strategy of modernization of commodity assortment by improving its optimality and efficiency will give the company new opportunities in the potential market of activity.

Conclusions, Limitations and Future Research Lines

The main conclusion, which can be made on the basis of this study, is that the product range of LLC "Kovelskiy hlibokombinat" is ineffective and not optimal. Thus, as well as in the analysed periods of the company's activity, namely 2014-2018, the company lost the competitiveness of its assortment policy as a whole. As can be seen from "Figure 16" this enterprise has only 14.90% of the bread market share of the region in which it operates. And in combination with its main competitor PJSC "Teremno hlib", which has in its asset as much as 48.10% of the market share, says that if the company grows in the same direction, then in the next periods of its activity it may even become an outsider of this market.

In this paper, it was analysed in 2014-2018 period of activity of this enterprise, namely LLC "Kovelskiy hlibokombinat". And according to the results of this work it is possible to say that in this period of activity of this enterprise it lost all its assortment positions which could be said to be strategic. Because two from four assortment groups of the given enterprise brought more than 90 % of profit from activity. To say that it has lost them it will be wrong. The main idea of this conclusion is that all highly competitive assortment groups of LLC "Kovelskiy hlibokombinat" started to lose their profitability and competitiveness in the period of 2014-2018.

For example, during 2014 the enterprise had in its assortment two assortment groups, namely, this assortment group, as "Bread and bakery of short-term storage", was the basis of activity and was a part of the group of "Red Giants", which means that this assortment group brings a large share of profit. However, these assortment positions are not at the growth stage, but at the maturity stage. That is, even when the products were outdated. And by 2018, this assortment group as a whole had become a "white dwarf". That is, it is a product that has a certain reserve of profitability, but does not bring significant income and gross profit. According to this guidance, decisive action should be taken, as these products can be generally "hopeless" goods.

The situation is similar with other assortment groups of the enterprise. This assortment group of companies, such as "Cakes and confectionery bakery products other with added sweeteners", which also with the support of a highly profitable group in 2014-2018, moved to the group "Red Giants" in the analysis in 2014-2018. In other words, the group is losing its profitability and competitiveness.

As for other assortment groups, they have long ceased to be profitable for the company. Their presence in the assortment is due only to the fact that these products are made of recycled materials.

That is, LLC "Kovelskiy hlibokombinat" produces this product only to reduce the cost of production waste and return non-produced products.

The main idea that proceeds from this research is that the company needs to cardinaly deal with the structure of its commodity assortment of goods. Sales have nothing to do with this. Because you can see from "Table 8" in the period 2014-2018, the company had an increase in revenue from sales. But it was all because in this period there was also an increase in prices for bread and bakery products.

Because as it is possible to see from "Figure 8" that during the last seventeen years in Ukraine the decrease in production of bread and bakery products is strongly enough felt, namely in 2,2 times.

Therefore, the main attention of LLC "Kovelskiy hlibokombinat" should be presented restructuring of the product range. Because, as it was said earlier in "Section 3.1", the current needs of consumers in Ukraine are not the same as before, and in order to increase its market share of LLC "Kovelskiy hlibokombinat" it is necessary to follow the current needs of consumers, as does PJSC "Teremno hlib". Table 25 shows all possible product upgrades of this company's product range at the early stages. And which may increase the competitiveness of the whole product range.

That is, in the future it is said that the company may even fail due to such structuring of the product range. Optimality and inefficiency of this assortment is mainly due to the fact that all commercial products of LLC "Kovelskiy hlibokombinat", which is at the stage of maturity and decline. In 2012, the company introduced the latest product innovations, namely, the introduction of new products into production. But, as we know, in order to be profitable and profitable, it is necessary to follow the market requirements so that the company does not collapse completely.

This paper presents a project of initial improvement of optimality and efficiency of the company's product range, which can improve the position of LLC "Kovelskiy hlibokombinat" in the market of its activities.

This study is quite effective in determining the optimality and efficiency of the product line of LLC "Kovelskiy hlibokombinat". But this is not enough. As in this study, we used a small amount of data and therefore, perhaps, we get only a superficial picture of the company's activities.

This study may be followed by a deeper study of the structured product range of LLC "Kovelskiy hlibokombinat" and its further improvement based on the use of other, more detailed methods of analysis.

However, the main value of this work and the method used in the process of realization of the goal of this work is that from this analysis it is possible to easily and clearly understand the existing problems of assortment policy of this enterprise, namely, LLC "Kovelskiy hlibokombinat".

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