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CURRENT STATE OF THE CONFECTIONERY MARKET OF UKRAINE: ANALYSIS OF THE DEVELOPMENT AND PROSPECTS FOR INTRODUCING A NEW PRODUCT

Today the Ukrainian confectionery market has some differences from the foreign one. The problem is that domestic companies cannot provide such a wide range of sweets. The development of the confectionery industry is quite attractive, which allows manufacturers to intrude and implement a variety of new products. Tendencies in the confectionery market of Ukraine and current trends in the world market show the possibility and feasibility for the company to introduce a new product in this market, which will be in demand. The unfavorable situation in 2014 led to a significant reduction in market position for most manufacturers. It was identified that AVK has lost its leading position in the chocolate products market. Therefore, today the task of restoring leadership through various marketing and production activities, diversification of the range is relevant. For the confectionery company, it is proposed to return the lost leadership by introducing a new product - chocolate with KRESKO particles. Chocolate is the second most popular confectionery. The assessment of feasibility introducing the novelty showed that such a product will be in demand both among fans of the company's products and other consumers. A registered trademark will help protect the new product from unfair competition and counterfeiting.

Key words: confectionery market, dynamics, assessment, leadership, competitiveness, introducing a new product.

Fig. – 3, Tabl. – 1, Ref. – 6.

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СУЧАСНИЙ СТАН КОНДИТЕРСЬКОГО РИНКУ УКРАЇНИ: АНАЛІЗ РОЗВИТКУ ТА ПЕРСПЕКТИВИ ВПРОВАДЖЕННЯ НОВОГО ПРОДУКТУ

Несприятлива ситуація у 2014 році призвела до значного зниження позицій на ринку для більшості виробників. Виявлено, що компанія «АВК» втратила лідируючу позицію на ринку шоколадних виробів. Тому, на сьогодні актуальною є задача повернення лідерства різними маркетинговими та виробничими діями, диверсифікацією асортименту. Для підприємства кондитерської галузі запропоновано повернення втраченого лідерства шляхом введення нового продукту – шоколаду з частинками KRESKO. По популярності серед кондитерських виробів шоколад знаходиться на другому місці. Оцінка доцільності впровадження новинки показала, що такий продукт буде користуватись попитом як у прихильників продукції підприємства, так і інших споживачів. Зареєстрована торгова марка сприятиме захищенню нового продукту від несумлінної конкуренції та виникнення підробок.

Ключові слова: кондитерський ринок, динаміка, оцінка, лідерство, конкуренція, впровадження нового товару

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СОВРЕМЕННОЕ СОСТОЯНИЕ КОНДИТЕРСКОГО РЫНКА УКРАИНЫ: АНАЛИЗ РАЗВИТИЯ И ПЕРСПЕКТИВЫ ВНЕДРЕНИЯ НОВОГО ПРОДУКТА

Неблагоприятная ситуация в 2014 году привела к значительному падению рыночных позиций для большинства производителей. Выявлено, что компания «АВК» потеряла позицию лидера на рынке шоколадных изделий. Поэтому, сегодня актуальной является задача восстановления лидерства разными маркетинговыми и производственными инструментами, диверсификацией ассортимента и др. Для предприятия кондитерской отрасли предложен метод достижения утраченного

лидерства путем внедрения в производство нового продукта – шоколада с частичками KRESKO, поскольку по популярности среди кондитерских изделий шоколад находится на втором месте. Оценка целесообразности внедрения новинки показала, что такой продукт будет интересен как почитателям продукции предприятия, так и новым потребителям. Зарегистрированная торговая марка будет содействовать защите нового продукта от недобросовестной конкуренции и появления подделок.

Ключевые слова: кондитерский рынок, динамика, оценка, лидерство, конкуренция, внедрение нового товара.

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Problem definition. The confectionery market in Ukraine is quite developed and saturated. Looking at the totals, it is safe say Ukrainian consumers like sweets, so the development in this area is quite promising. The economic autonomy of enterprises enables to market a new product, considering the clientele. Given the unfavorable situation in 2014, most manufacturers have significantly lost their market position, including AVK. The company was in the top three leaders in the Ukrainian confectionery industry, holding a leading position in the chocolate market. Therefore, today's challenge is restoring leadership by various marketing methods, workplace actions, changes in product mix and so on.

Review recent research and publications. National scientists were involved in the confectionery market development: Rubtsova A. K., Boyvan Y.V. and Shashina M. V., who analyzed ways to improve the potential and offered prospects for the confectionery industry development, Nesterova A.A., Lozovska H., Kilnitska O., Kravchuk N., Kutsmus N. - assessed the state and development prospects of the chocolate industry.

Definition of objectives. Among a great deal, are very few studies and feasibilities of introducing a new product on the confectionery market to improve competitive position in the industry.

Outline of main researching. The Ukrainian confectionery market is considered a dynamic market, due to the continuous emergence of new enterprises to complement the competitive environment. The largest share in 2018 was produced domestically – 94,2% in total (5459 companies: 6 large, 274 medium-size companies and 5179 small businesses).

State Statistics Service of Ukraine revealed for 2018 the most of the Ukrainians' costs are for food – nearly UAH 290 billion (43,3 % in total costs value), of which a large share belongs to confectionery products. At the end of 2018, the share of the confectionery industry in the marketing of food products was about 15%. On average, UAH 250,14 per capita per month was spent on confectionery in Ukraine (7,1% in total costs value). Thus, in the same year, enterprises sold sweets, including sugar, for UAH 22,1 billion (24,7% of food turnover, which became the largest share). On average, UAH 250,14 per month was spent on confectionery per capita in Ukraine (7,1% of total costs). Thus, in the same year, enterprises sold sweets, including sugar, for UAH 22.1 billion (24,7% of food turnover, which became the largest share).

The economic crisis in Ukraine in 2013 affected all areas of activity, including the confectionery market. Production volumes also decreased due to the events of 2014, at the same time several large manufacturing plants were closed on the territory of hostilities. Thus, manufactures Konti and AVK suspended production for the Ukrainian and world markets for several months [1]. The confectionery market of Ukraine can no longer be called a struggle of three top leaders, as it was a few years ago. If in 2016 Roshen (28,7%), Biscuit-Chocolate (7,9%) and AVK (7,6%) were singled out, today it is only one clear leader - Roshen Corporation [3]. Other companies occupy much lower positions, and every year their market share changes (Fig. 1).

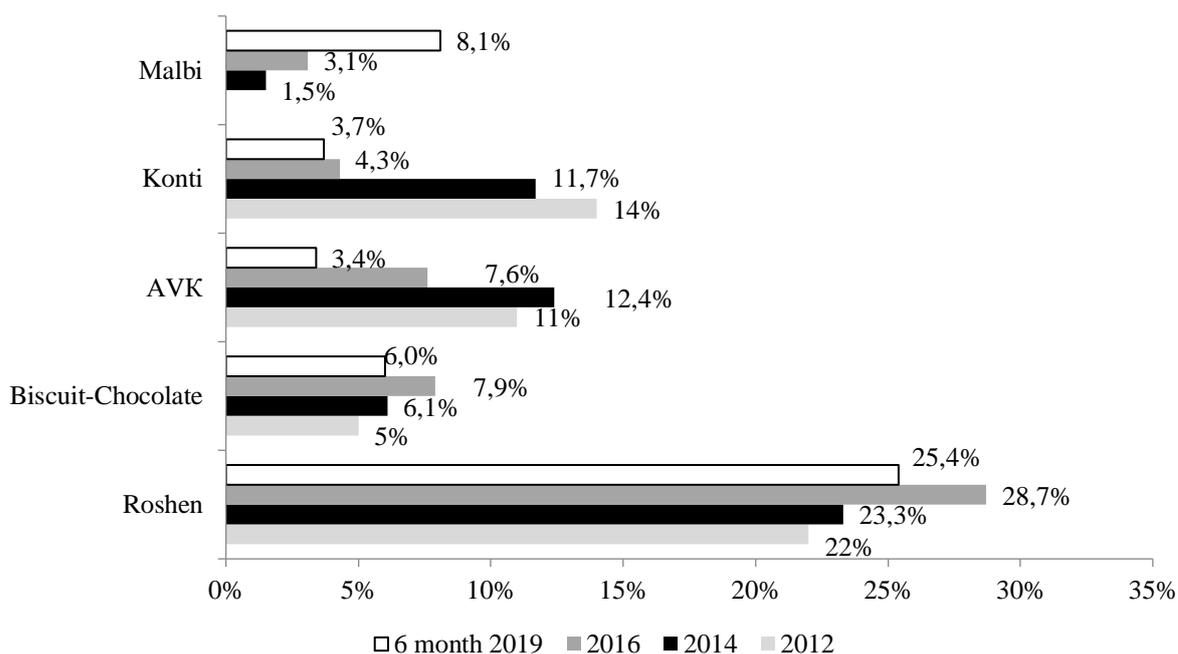


Figure 1. Trends in the share of the confectionery market, %

Source: built by author on [3]

The annual global ranking of "Top 100 Candy Companies" in 2019 included Ukrainian confectionery corporations ROSHEN and KontiGroup, taking 27th and 44th place, respectively. However, compared to last year, they lost a bit: ROSHEN was in 25th place, KontiGroup – in 43rd [4]. AVK was not included in the ranking in 2019 due to financial difficulties, but in 2018 the company ranked 64th with a net profit of USD 275 million.

Products of the Ukrainian confectionery industry includes about 2000 items. However, according to the analysis of this market, conducted by Pro-Consulting - a permanent member of the Ukrainian Marketing Association since 2005, - not all products are equally profitable for manufacturers. Therefore, there is such a phenomenon as segmentation. Conventionally, the market is divided into the production of flour (cakes, pastries, cookies, waffles, etc.), sugar (caramel, marmalade, halva, marshmallows, white chocolate, chewing gum) and chocolate products (chocolate in various forms, chocolates and sugar products containing cocoa) [.

According to the State Statistics Service of Ukraine, starting from 2016, the market began to recover, and volume increased by 0,1% compared to 2015. In 2018, this figure increased by 1%. According to the results of 2018, the confectionery market of Ukraine added 1,1% in monetary terms compared to 2017 and reached UAH 21,4 billion.

In kind, more than half of the sweets produced in 2018 were flour products (49,1%), chocolate products accounted for 26,5%, and sugar products, respectively, 24,4% in total value [2]. The largest share in the confectionery market in monetary terms in 2018 had the segment of chocolate bars (+29,8% compared to 2017), second place flour products (+23,1%), third place - weight chocolates, which compared to sales in monetary terms increased by 23,2% last year (Fig. 2).

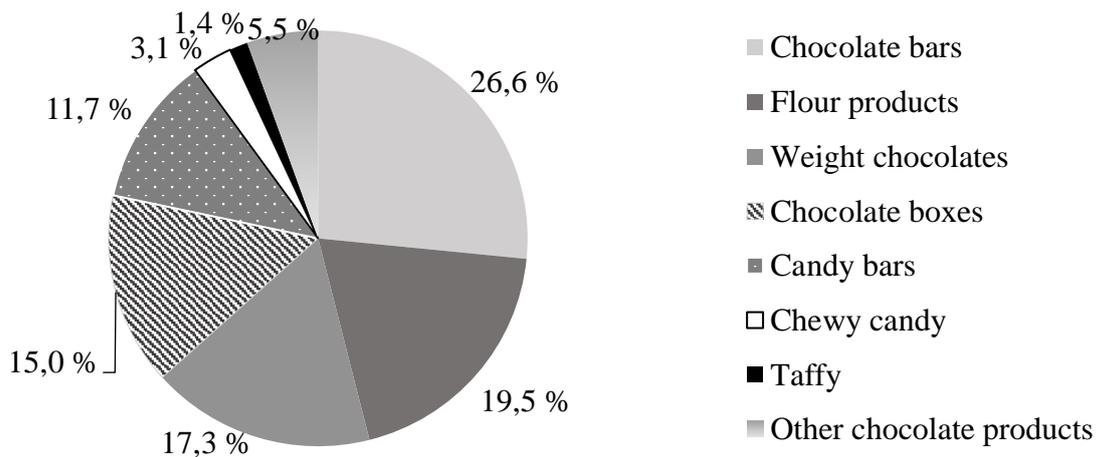


Figure 2. Share of segments in the confectionery market 2018 in monetary terms, %

Source: built by author on [5]

We must conclude that Ukrainian consumers are real lovers of sweets. Thus, according to the website Mind, Ukraine is in the top ten in terms of candies consumption in the world. About 15 kg of confectionery products per person per year. That is why the development of the confectionery industry is quite attractive and gives each manufacturer the opportunity to implement and pursue new products. Today, the Ukrainian confectionery market differs from the foreign one in that domestic enterprises cannot provide such a wide range of sweets. The domestic manufacturer adheres to the strategy of copying the strategic actions of the leader. They are supporters of conservative views. And only a few years ago, seeing that imported sweets with interesting flavors and fillings are in demand among the population, they began to introduce new products, experimenting with flavors.

Most of these experiments are not a new taste, but a new kind of filling (consistency, mixing different flavors) with known flavors (strawberries, blueberries, truffles, oranges, caramels, nuts, raisins, etc.). Chocolate bars have undergone the most such changes. Although domestic producers did not have strange exotic flavors, new product lines began to be added to the standard ones: chocolate with jam, with salt, with "explosive" caramel, with chia seeds, with cookies, with waffle, with coconut, with chili pepper, flavored with apples and grenadines, cherries and black currants and others.

In general, chocolate and chocolate products have always been popular among the population of Ukraine, and according to some data, Ukrainian eats about 2 kg of chocolate a year. According to statistics, 73% of Ukrainians are regular consumers of chocolate. In terms of popularity among confectionery, chocolate is in second place and occupies, as already mentioned, 26,5% of the total confectionery industry. Figure 3 shows the statistical information for 2018 on the structure of the chocolate market capacity. The leader in the structure of consumption is chocolate and ready-made foods containing cocoa in packages weighing less than 2 kg (85,5%), of which chocolates are the most consumer (38%), and the least - chocolate with filling (2%) and with grains, nuts and other natural impurities (10,5%) .

It is known that until 2014, AVK was a leader in the production of chocolates, but the situation changed after the closure of factories in the temporarily occupied territories of Ukraine. For now, the company wants to regain its share of this market. Therefore, after analyzing the trends of the Ukrainian confectionery market and studying food trends in the world market (in particular, the sweets market), we can conclude that the introduction of a new product, namely bar chocolate with KRESKO particles, will be appropriate and in demand.

Today, fashion trends encourage a healthy lifestyle. Most people follow their diet by

carefully choosing foods and setting aside their favorite chocolate bar because of its horrible composition due to its lack of beneficial properties, high sugar content and low protein. Thanks to this approach to the choice of chocolate, according to Pro-Consulting, in 2018, chocolate bars with whole nuts became popular (+ 77,4% compared to 2017). That is, even if the consumer allows himself sweets, he is looking for those that will bring the greatest benefit to the body, and nuts just have a lot of useful properties. AVK has several chocolate bars: black and milk with whole hazelnuts and three handmade chocolates from masters, so it would be advisable to develop another novelty.

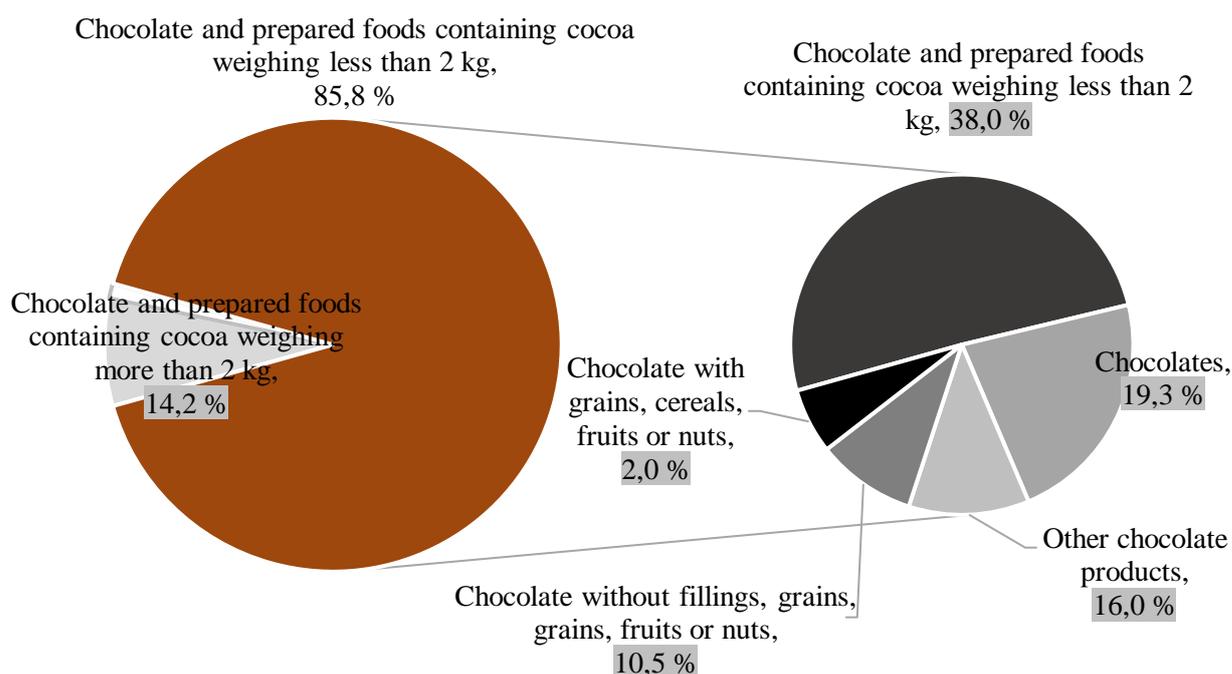


Figure 3. Capacity structure of the chocolate market in 2018

Source: built by author on [5,6]

AVK became the first on the Ukrainian market with an extrusion product TM KRESKO in 2017. It was positioned as a charge of vitamins and trace elements, because the product contained 7 useful cereals – a complex of vitamins and minerals. Currently, KRESKO is one of the most popular products in the company's range, after chocolate and chocolate candies. Therefore, it is proposed to combine two the most important objects of AVK's income - to start the production of dark chocolate with KRESKO particles.

Using an expert method, the feasibility of producing such chocolate for the company and the Ukrainian confectionery market in general was assessed (Table 1). The degree of determination of the impact (on the enterprise and the market) of some parameters in the table will be described on a scale of "high", "medium", "low".

Analysis reveals AVK has a fairly wide range of bar chocolate, compared to market data. The presence of low-carbohydrate chocolate is an important point in consumer choose. The company offers the lowest content in chocolate in the entire confectionery market. KRESKO TM products are one of the favorites of AVK customers, so consumer expectations will be high, but in the confectionery market in general - average, as the high level of competition in the

industry plays a crucial role.

Table 1

Assessment of the introducing feasibility to the market a new product from the company "AVK" - chocolate with particles KRESKO

Evaluation parameters	Assess characteristics	
	for confectionery market	for manufacture
Chocolate bar selection	- Roshen – 21 bars - Konti – doesn't have - Biscuit-Chocolate – 10 bars - Malbi (Lubimov, Millennium, Oskar le Grand, Charivnyi vechir) – 53 bars	21 bars
Analogues	non-existent	non-existent
Trend in the chocolate market	high	high
Popularity of TM KRESKO products among consumers	average	high
Availability of chocolate with useful properties	- chocolate with chia - chocolate with nuts - chocolate with cereals - chocolate with dried fruit	- chocolate with nuts - hand-made chocolate with cereals and fruit
Chocolate with low carbohydrate content, e.g. sugar	- chocolate with stevia (grams of carbohydrates – 22) - chocolate with fructose (grams of carbohydrates – 28)	- chocolate with stevia (grams of carbohydrates – 15) - chocolate with fructose (grams of carbohydrates – 25)
Volume of the bar chocolate market for sales in UAH in 2017, %	10,2 % in total sales on the confectionery market	0,5% in total sales of bar
Food security, including confectionery trends	high	high
Consumer expectations	average	high
Possibility of replicating	low	-

Source: built by author

In 2017 company AVK accounted for only 0,5% in the total sales (in UAH) of bar chocolate. Today this figure is slightly higher. Over the past 1,5 years, the confectionery company has actively sought to regain the market lost in 2014. About 9 new chocolate bars were released. Therefore, such a novelty will allow the company to enter the market without analogues, and since KRESKO is a registered TM, the probability of copying is very low (it is possible that competitors will develop chocolate bars with other extrusion products). Thus after carrying out a comparative description and analysis, it became possible to arrive at the conclusion, that AVK is advisable to develop and implement a novelty - chocolate with KRESKO particles.

Conclusions. As a result of the analysis made it was revealed that products-leaders in the Ukrainian confectionery market are flour products (49,1%), but the largest share in the confectionery market in monetary terms in 2018 had the segment of chocolate bar (+29,8%). It leaves no doubt that the main market leader is Roshen Corporation. AVK has dropped in the rankings due to hostilities in the main areas of concentration of its capacities. As a result, there is some evidence to suggest that it was quite expedient for AVK to offer the return of leadership by introducing a new product - chocolate with KRESKO particles. The assessment of feasibility introducing the novelty showed that such a product will be in demand both among fans of the company's products and other consumers. A registered trademark will help protect the new product from unfair competition and counterfeiting.

The study of Ukrainian confectionary market current state affords firm grounds for detailed examination of the competitive advantages of domestic sweet manufacturers. For a company AVK in particular, it is necessary to create a development strategy based on the introduction of a new product into the market.

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