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MICROECONOMIC PROCESSES IN THE TRADING ACTIVITIES OF SMALL AND MEDIUM-SIZED BUSINESSES

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МІКРОЕКОНОМІЧНІ ПРОЦЕСИ В ТОРГОВІЙ ДІЯЛЬНОСТІ МАЛОГО ТА СЕРЕДНЬОГО БІЗНЕСУ

The microenvironment is rapidly evolving, increasing uncertainty and risks in trading activities. Considering these and other challenges, the study of microeconomic processes in the trading activities of small and medium-sized businesses is becoming increasingly relevant. The outlined relevance has allowed us to determine the aim of the research as the general identification and systematic analysis of microeconomic processes in the trading activities of small and medium-sized businesses. It has been stated that to study the trading activities logic of small and medium-sized businesses, it is important to identify their interconnected actions and decisions. Five key microeconomic processes can be identified (demand and supply formation, pricing, supplier selection, inventory management, marketing, and promotion), which not only influence individual aspects of the activities of small and medium-sized business entities but also shape the overall logic of their operations. Each microeconomic process uniquely guides the tactical and strategic decisions and actions of small and medium-sized business entities, as

it has its specific impact on their trading activities. The analysis of demand and supply formation and interaction determines which goods or services will be offered in the market, their quantity, and their price. Pricing, based on this analysis, details the algorithm for setting prices, taking into account procurement costs, the competitive environment, consumer demand, and business objectives. The selection of suppliers determines the process of searching for, evaluating, and choosing those who best meet the needs of the business, ensuring an optimal balance of price and quality. Inventory management aims to ensure uninterrupted trading activities, minimize storage costs, and prevent losses from spoilage or obsolescence of products. Marketing and promotion determine the methods for attracting and retaining customers, increasing sales volumes, enhancing brand recognition, and strengthening market positions.

Мікросередовище стрімко еволюціонує, збільшуючи невизначеність та ризики в торговельній діяльності. Враховуючи ці та інші виклики, дослідження мікроекономічних процесів у торговельній діяльності малого та середнього бізнесу стає все більш актуальним. Визначена актуальність дозволила встановити мету дослідження — загальну ідентифікацію та системний аналіз мікроекономічних процесів у торговельній діяльності малого та середнього бізнесу. З наведеними положеннями констатовано, що для вивчення специфічної логіки торговельної діяльності окремих суб'єктів малого та середнього бізнесу важливо ідентифікувати властиві їм взаємопов'язані дії та рішення. Можна виділити п'ять ключових мікроекономічних процесів (формування попиту та пропозиції, ціноутворення, вибір постачальників, управління запасами, маркетинг та просування), які не лише впливають на окремі аспекти діяльності суб'єктів малого та середнього бізнесу, а й формують цілісну логіку їхньої роботи. Кожен мікроекономічний процес особливим чином впливає на тактичні та стратегічні рішення та дії суб'єктів малого та середнього бізнесу, оскільки має специфічний вплив на їх торговельну діяльність. Аналіз формування та

взаємодії попиту та пропозиції визначає, які товари чи послуги пропонуватимуться на ринку, їхню кількість та ціну. Ціноутворення, ґрунтуючись на цьому аналізі, деталізує алгоритм встановлення цін, враховуючи витрати на закупівлю, конкурентне середовище, попит споживачів та цілі бізнесу. Вибір постачальників визначає процес пошуку, оцінки та вибору тих, хто найкраще задовольняє потреби бізнесу, забезпечуючи оптимальне співвідношення ціни та якості. Управління запасами спрямоване на забезпечення безперебійної торговельної діяльності, мінімізацію витрат на зберігання та запобігання втратам від псування або застарівання продукції. Маркетинг та просування визначають особливості залучення та утримання клієнтів, збільшення обсягів продажів, підвищення впізнаваності бренду та зміцнення позицій на ринку.

Key words: *process; demand and supply; microenvironment; pricing; supplier selection; inventory management.*

Ключові слова: *процес; попит та пропозиція; мікросередовище; ціноутворення; вибір постачальників; управління запасами.*

Problem statement. Since its inception and up to the present day, the economy of small and medium-sized business (SMB) trading remains one of the most dynamic systems, characterized by a unique microenvironment in which each entity operates. This microenvironment is rapidly evolving, increasing uncertainty and risks in trading activities. For example, the increasing demands and unpredictability of consumers make it challenging for SMBs to identify the specifics of changes in consumer preferences. Demand instability, caused by both these changes and external factors such as economic crises or pandemics, creates difficulties in inventory planning, which can lead to either shortages or surpluses of goods. Limited financial and warehouse resources further complicate the creation of optimal inventory levels for SMBs. Given these and other challenges, studying microeconomic processes in the trading activities of small and medium-sized businesses is becoming increasingly relevant. The identification and analysis of these processes enable SMBs to make more informed decisions, improve business efficiency, and contribute to the overall economic growth of the country.

The analysis of recent researches and publications. The content of microeconomic processes as a category defining the development and characteristics of small and medium-sized business (SMB) operations has been studied by economists such as Petrushenko Yu.M., Lotysh O.Ya., Overchenko V.I., Mazhak Z.M., and Sofiy M.I. In particular, scholars generally view microeconomics as a component of economics that studies the behavior of individual economic agents, including SMBs, and the mechanisms by which they make decisions.

However, detailed identification and in-depth systematic analysis of such processes in the trading activities of small and medium-sized businesses remain insufficiently addressed by scholars.

Goal setting (formulation of goals of the article). The research aim is the general identification and systematic analysis of microeconomic processes in the trading activities of small and medium-sized businesses.

The paper main body with full reasoning of academic results. Microeconomic processes in the trading activities of small and medium-sized businesses (SMBs) should be viewed as interconnected actions and decisions made by entrepreneurs within their operations, taking into account limited resources and market specifics.

Thus, the main microeconomic processes in the trading activities of SMBs identified by us are as follows [1-2]: 1) formation and interaction of demand and supply (interpreted by the authors as a key microeconomic process that determines the interaction between buyers and sellers in the market); 2) pricing in trading activities (interpreted as the process of setting prices for goods or services offered in trading activities, taking into account production or procurement costs, the competitive environment, consumer demand, and business objectives); 3) supplier selection (interpreted as the process of searching for, evaluating, and choosing suppliers of goods or services that best meet the needs of the business and provide an optimal balance of price and quality); 4) inventory management (interpreted as the process aimed at optimizing inventory levels to ensure uninterrupted trading activities, minimize storage costs, and avoid losses from spoilage or obsolescence of products); 5) marketing and promotion (interpreted as the process aimed at attracting and retaining customers, increasing sales volumes, enhancing brand recognition, and strengthening market positions). Defined processes determine the effectiveness of business operations, competitiveness, and profitability.

According to the provided information, the basic microeconomic processes in the trading activities of small and medium-sized businesses are summarized in Figure 1.

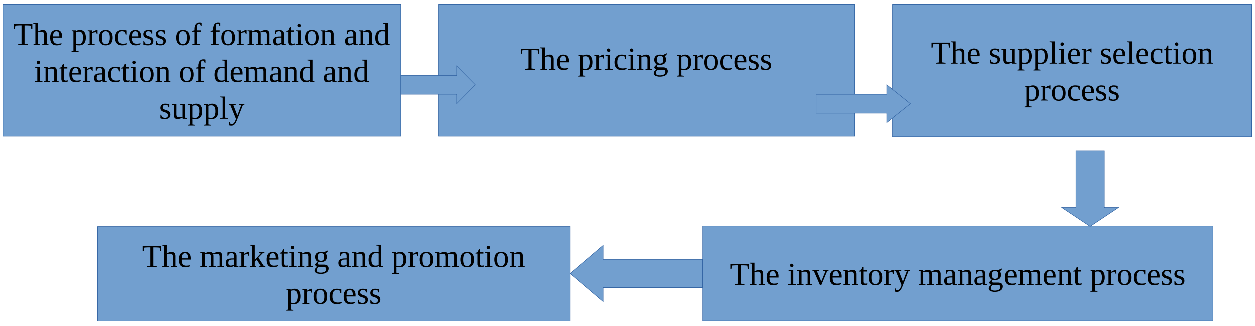

Figure 1. Basic microeconomic processes in the trading activities of small and medium-sized businesses

Source: formulated by the author based on [2; 4-6]

Noted that the list of outlined microeconomic processes is not exhaustive; however, it provides a comprehensive understanding of the key aspects of trading activities in terms of their economic indicators and their interrelationships, as well as the objectives that contribute to achieving the economic goals of individual small and medium-sized business (SMB) entities.

Thus, the microeconomic processes of demand and supply formation and interaction encompass the actions of determining the number of goods or services that buyers are willing to purchase at a certain price (demand) and the number of goods or services that sellers are willing to offer at the same price (supply).

At the same time, demand and supply interact and are distinguished through the analysis of consumer needs, competitors, product/service assortment, and several other factors, as outlined in Table 1.

Table 1 - Characteristics of the content of the microeconomic process of demand and supply formation in the trading activities of small and medium-sized businesses

<table>
<tr><th colspan="2">Processual characteristics of demand formation at the micro level</th><th colspan="2">Characteristics of supply formation at the micro level</th><th rowspan="2">Specifics of the manifestation of the macroeconomic process</th></tr>
<tr><th>Process</th><th>Specifics of formation</th><th>Process</th><th>Specifics of formation</th></tr>
<tr><td>Price of the good/service</td><td>The higher the price, the lower the demand, and vice versa.</td><td>Price of the good/service</td><td>The higher the price, the more profitable it is to produce and sell the good, so the supply increases</td><td rowspan="5">The interaction of demand and supply determines the market price of a good or service. If demand exceeds supply, the price rises, and vice versa. At the equilibrium point, where demand equals supply, the market price is establishedThe higher the price, the more profitable it is to produce and sell the good, so the supply increases</td></tr>
<tr><td>Consumer incomes</td><td>With an increase in income, demand for most goods and services rises</td><td>Production costs</td><td>An increase in costs for raw materials, wages, etc., can reduce the supply</td></tr>
<tr><td>Consumer tastes and preferences</td><td>Fashion, trends, and individual preferences influence the demand for certain goods</td><td>Production technologies</td><td>The introduction of new technologies can increase supply, as it allows for the production of more goods at lower costs</td></tr>
<tr><td>Prices of complementary goods</td><td>As demand for a primary good increases, the price of complementary goods may decrease</td><td>Number of producers</td><td>The more producers in the market, the greater the supply</td></tr>
<tr><td>Consumer expectations</td><td>If consumers expect prices to rise in the future, they may increase their demand for the good now</td><td>Producers' expectations</td><td>If producers expect prices to rise in the future, they may reduce supply now in order to sell the goods later at a higher price</td></tr>
</table>

Source: formulated by the author based on [1; 4-5]

Small and medium-sized traders need to understand the process of demand and supply formation and interaction, as it allows them to determine the optimal product/service assortment, set competitive prices, plan production and procurement, and develop marketing strategies. So, the processes of demand and supply formation and interaction are fundamental in microeconomics, determining the characteristics of market functioning and influencing decisions in the trading activities of small and medium-sized businesses [3].

Microeconomic processes of pricing encompass the actions and decisions involved in setting prices for goods/services, taking into account the costs of generating demand and servicing supply, as well as competitors' pricing strategies. At the same time, pricing is formed based on how it allows small and medium-sized businesses to generate profit, compete in the market, and meet consumer needs (Table 2).

Table 2 - Characteristics of the content of the microeconomic process of pricing in the trading activities of small and medium-sized businesses

Processual characteristics of pricing at the micro level		**Specifics of the manifestation of the macroeconomic process**
Process	**Specifics of formation**	
Limited resources	SMBs often have a limited budget for market research and competitor analysis, making it difficult to determine the optimal price	Pricing is a crucial element of SMB success. Properly set prices enable a business to generate profit, compete in the market, and meet consumer needs.
High competition	SMBs have to compete with large market players who can afford to lower prices due to economies of scale.	
Flexibility	SMBs can react more quickly to changes in market conditions and adjust prices faster than large companies	
Focus on target audience	SMBs often focus on a narrow consumer segment, allowing them to tailor their pricing strategy more precisely to their customers' needs and purchasing power.	

Source: formulated by the author based on [2; 4; 6]

Small and medium-sized traders need to understand the pricing process, as it allows them to calculate the cost of each unit of goods by adding a markup that not only covers expenses such as rent, employee salaries, and utilities but also ensures a profit that meets competitive requirements (i.e., setting prices at the same level as major competitors or setting lower prices to attract new customers and increase market share [3]).

Microeconomic processes of supplier selection encompass actions and decisions related to finding and evaluating suppliers and negotiating supply contracts for goods/materials. The effectiveness of these processes is directly related to the outcomes of supplier selection, as demonstrated by the specifics outlined in Table 3.

Table 3 - Characteristics of the content of the microeconomic process of supplier selection in the trading activities of small and medium-sized businesses

Processual characteristics of supplier selection	**Specifics of formation**	**Processual characteristics of evaluating the effectiveness of supplier collaboration**	**Specifics of formation**	**Specifics of the manifestation of the macroeconomic process**
Identifying needs	They determine which goods or services the business needs, in what quantities, with what characteristics, and within what timeframes	Ensuring continuity of trading activities	Suppliers ensure timely delivery of necessary goods or services, which helps avoid sales interruptions	The small or medium-sized business enters into a contract with the selected supplier, which specifies the terms of cooperation, prices, delivery volumes, timelines, and other important aspects
Searching for potential suppliers	Various sources of information (such as the internet, catalogs, trade shows, and recommendations) are used to find suppliers who can meet the business's needs.	Optimizing costs	Suppliers offer products or services with an optimal balance of price and quality, enabling the business to reduce costs and increase profitability	
Evaluating suppliers	Evaluating potential suppliers based on various criteria, such as price, quality, reliability, service, and logistics	Improving product or service quality	Suppliers are focused on using high-quality materials and components, which positively impacts the quality of the trading activities.	
Selecting a supplier	Based on the evaluation, the business selects the supplier who best meets its needs and criteria	Strengthening reputation	Collaborating with reliable and verified suppliers helps strengthen the company's reputation and increase trust among clients and partners	

Source: formulated by the author based on [4-6]

Small and medium-sized traders need to understand the supplier selection process, as it allows them to choose suppliers according to clear criteria. For example, a small clothing store named "Panna" in Mukachevo selects suppliers considering factors such as clothing prices, fabric and stitching quality, availability of quality certificates, delivery times, return policies, and the supplier's reputation.

As a result, the store may consider both local producers and suppliers from other regions of Ukraine or even from abroad, comparing their offers and selecting the most advantageous options.

Microeconomic processes in inventory management encompass actions and decisions related to optimizing inventory levels to avoid shortages or surpluses in the trading activities of small and medium-sized businesses (SMBs).

The effectiveness of these processes is directly related to how well the business is able to ensure continuous operations, minimize costs, and increase profitability, as confirmed by the specifics outlined in Table 4.

Table 4 - Characteristics of the microeconomic process of inventory management in the trading activities of small and medium-sized enterprises

<table>
<tr><th>Processual characteristics of setting the focus for inventory management</th><th>Specifics of formation</th><th>Specifics of the manifestation of the macroeconomic process</th></tr>
<tr><td>Ensuring product availability</td><td>Ensuring an adequate quantity of goods in stock to meet customer demand.</td><td rowspan="4">A small or medium-sized business ensures its uninterrupted operation, minimizes costs, and increases the profitability of its trading activities.</td></tr>
<tr><td>Minimizing storage costs</td><td>Considering costs associated with inventory storage</td></tr>
<tr><td>Avoiding losses from spoilage or obsolescence</td><td>Considering the limited shelf life of products or the risk of losing their relevance*</td></tr>
<tr><td>Increasing the efficiency of working capital usage</td><td>Considering the optimal inventory level that allows for more efficient use of financial resources **</td></tr>
</table>

Note
* It is important to consider expenses such as warehouse rent, personnel wages, utilities, insurance, etc.
** It is important to ensure that investments are directed towards business development rather than freezing assets in inventory.

Source: formulated by the author based on [2-3; 6]

Noted that understanding the inventory management process is important for small and medium-sized traders, as it allows them to ensure uninterrupted operations, minimize costs, and increase profitability [1; 3]. The correct choice of inventory management methods depends on the specifics of the business, the assortment of goods, and the characteristics of demand.

Microeconomic processes in marketing and promotion involve actions and decisions related to developing and implementing marketing strategies to attract and retain customers [5]. The effectiveness of these processes directly depends on strengthening the business's position in the market, as evidenced by the specifics outlined in Table 5.

Table 5 - Characteristics of the microeconomic process of marketing and promotion of goods by small and medium-sized businesses

Process features of marketing and promotion	**Specifics of formation**	**Specifics of the manifestation of the macroeconomic process**
Limited budget	Considering the limited financial resources for marketing and promotion, the most effective and affordable tools are chosen	Properly selected and implemented marketing strategies allow a business to attract new customers, increase sales, and expand its market presence
Focus on target audience	Focusing on a narrow consumer segment allows for more precise tailoring of marketing messages and communication channels	
Creativity and flexibility	A focus on unconventional and creative marketing approaches, experimenting with various tools, and quickly adapting to market changes.	
Use of digital channels	A focus on the internet and social media as budget-friendly tools for expanding the audience	

Source: formulated by the author based on [2-3; 5]

Noted that understanding the marketing and promotion process is crucial for small and medium-sized businesses as it allows them to develop effective marketing strategies [2-3].

Given the content of the outlined processes, noted that, collectively, model the logic of trading activities for individual small and medium-sized businesses.

They are interconnected and define the overall strategy and tactics of the enterprise, its success in the market, and its financial results.

Conclusions from this study and prospects for further exploration in this direction. To properly understand the trading activities of small and medium-sized businesses, it is crucial to recognize the interrelated actions and decisions. The provided statement can be expanded with the following conclusions:

1. Five key microeconomic processes can be identified (demand and supply formation, pricing, supplier selection, inventory management, marketing, and promotion), which not only impact individual aspects of the operations of small and medium-sized enterprises but also shape the overall logic of their functioning (specifically, determining the focus of the most important actions and decisions).

2. Each microeconomic process uniquely guides tactical and strategic decisions and actions of small and medium-sized enterprises, as it has its specific impact on their commercial activities.

3. The analysis of the formation and interaction of supply and demand determines which goods or services will be offered in the market, their quantity, and price. Pricing, based on this analysis, details the pricing algorithm, considering procurement costs, the competitive environment, consumer demand, and business objectives. The supplier selection process involves searching, evaluating, and choosing suppliers who best meet the company's needs, ensuring an optimal balance between price and quality. Inventory management focuses on ensuring uninterrupted business operations, minimizing storage costs, and preventing losses due to spoilage or obsolescence of products. Marketing and promotion define the strategies for attracting and retaining customers, increasing sales volumes, enhancing brand recognition, and strengthening market positions.

According to the content of the formulated conclusions, the prospects for further research lie in developing a comprehensive approach to managing microeconomic processes in the trade activities of small and medium-sized enterprises,

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