

# Consulting Services in Agriculture

Nadiia Serskykh<sup>1</sup>[0000-0003-3588-4195] and Igor Britchenko<sup>2</sup>[0000-0002-9196-8740]

<sup>1</sup>- Tavria State Agritechnological University, 72300, Melitopol, Ukraine

<sup>2</sup>- Uzhgorod Trade and Economic Institute, Kyiv National University of Trade and Economics, 88020, Uzhgorod, Ukraine  
nserskykh@tsatu.edu.ua

**Abstract.** At the paper the dynamics of the development of the services market in Ukraine and its structure are analyzed. The influence of global economic processes on the services market has been studied. The concepts of "services" and "outsourcing" are characterized. Attention is paid to the development of services in the field of informatization and consulting. The main functions of information and consulting services in agriculture are defined. The purpose of the paper is to study and analyze the current state of the Ukrainian market of services, its structure and dynamics of development, the definition of the dominant sectors of the market of services, as well as substantiation of the possibilities of using professional advisory services in agriculture.

**Key words:** consulting, consulting services, services market

## 1. Relevance of the work

In our opinion, global processes in the modern economy, first of all affect the integration of markets, which leads to increased interconnectedness and mutual influence of national economies of different countries. This applies to almost all types of markets, including service markets. Service providers in Ukraine, both large and small, have been affected in recent years by a number of significant changes directly related to globalization: accession to the WTO, European integration processes, consumer demands, scientific and technological progress, revolutionary changes in corporate information society, rethinking approaches before doing business, developing new sales technologies, etc. In the context of these changes, the task of producers is to reduce costs, increase their own competitiveness by acquiring professional consulting services.

Analysis of recent research and publications. The growth of volumes of production and sales of services, both in the world and in Ukraine, is forcing many scholars to pay attention to the theoretical and practical aspects of the development of this market. The study of the market of services is devoted to the work of K. Antoniuk, V. Zaitseva, O. Morgulets, A. Rummyantsev, A. Starostina, M. Sagaidak, F. Kotler, and.

Selection of previously unsettled parts of the general problem. The mentioned authors do not adequately cover the problems of the development of services in the field of informatization and professional advisory services in agriculture. Particular attention is also needed to the issue of outsourcing professional services, which to date are little studied.

Setting objectives. The purpose of the article is to study and analyze the current state of the Ukrainian market of services, its structure and dynamics of development,

the definition of the dominant sectors of the market of services, as well as substantiation of the possibilities of using professional advisory services in agriculture.

Presentation of the main research material. Today, there are many interpretations of the definition of "service," the marketing classic Philip Kotler stated that "a service is any measure or benefit that one party can offer to another and which is basically invisible and does not entail any control" [1]. K. McConnell and S. Bry believe that a service is something that is elusive (invisible) and in exchange for that consumer, firm, or government are ready to provide something of value [2]. In the business dictionary, the term "service" is interpreted as "a value action, an act or an effort made to meet needs or requirements" [3], K.V. Antonyuk proposes to consider the service as "a process that combines the simultaneous provision and receipt of other subjects of goods to meet their needs, mainly in intangible form and on a commercial basis" [4].

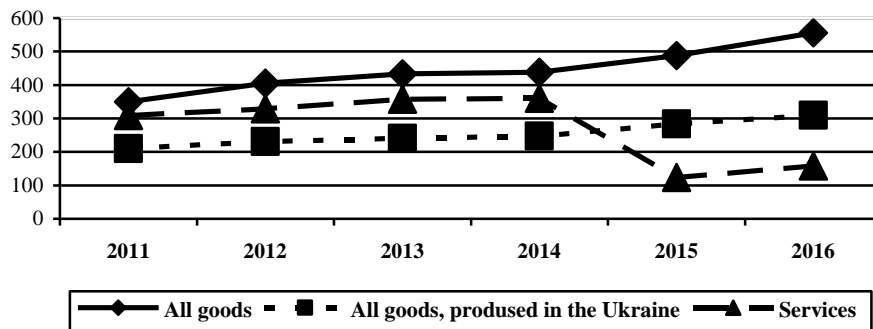
We believe that a service - a tangible or intangible type of non-stored economic activity - is not assigned and is usually consumed at a point of sale.

## **2 Research and discussion of the results**

The service sector is a complex mechanism on which the economic development of the countries of the world depends - in developed countries services occupy about 70% of GDP. The branches of this sphere include transport, food, tourism, education, health care, telecommunications and communications, consulting, etc. Along with the traditional branches of the services market, new ones connected with the development of telecommunication networks, banking, political reforms, informatization and globalization are emerging and developing.

The growth of the services sector is often associated with the growth of economic welfare within the country, and with the beginning of the 21st century, when the development of the Internet allowed to "erase" the borders between countries, this market in industrialized countries reached almost gigantic proportions.

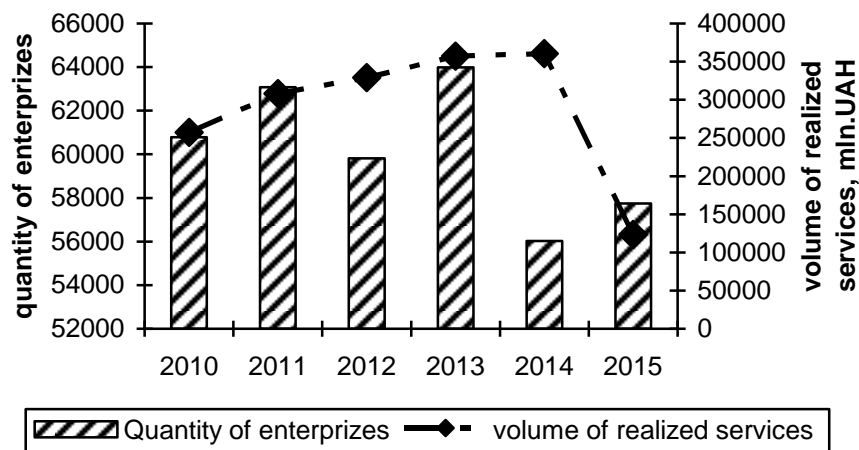
In Ukraine, the services market in Ukraine has been rapidly developing. In 2016, the volume of goods sold through retail networks amounted to almost 556 billion hryvnias. (of which 58% are goods produced in Ukraine). These figures exceed the corresponding sales volumes in 2010 by 69% and 53%, respectively. In the analyzed period, from 2010 to 2015, the share of services in the volume of goods sold amounted to 82 to 88%. If we compare the volumes of sales of services with the volumes of sales of goods manufactured in Ukraine, then in the above-mentioned period, they were higher by almost one and a half times. But in 2015 the situation on the market changed significantly, volumes of sales of services decreased by 65% compared to 2014, their share amounted to 123.3 billion hryvnias. against 360.6 billion hryvnias. (Fig. 1). In our opinion, this is due to the sharp reduction in the cost of the national currency, the unstable political situation, the interruption of transport links with the Autonomous Republic of Crimea and military actions in the East. [5]



**Fig. 1.** Sales volumes of goods and services in Ukraine, bln. UAH

Gradually, beginning in 2016, sales volumes of all types of services began to increase. Thus, according to the State Statistics Service of Ukraine, in 2017, the volume of sales of all types of non-financial services grew by UAH 23.4 million. in comparison with 2016, and by 58.5 million UAH. in comparison with 2016 year. In percentage terms, it was 1.14% and 1.5% respectively.

In the period from 2010 to 2015, the number of enterprises of legal entities in the sphere of services in Ukraine decreased by 3,454 units, the maximum number of enterprises reporting to the statistical agencies was recorded in 2013 - 63981 companies (Fig. 2).



**Fig.2.** Dynamics of realization of services by Ukrainian enterprises

In the structure of the Ukrainian market of services, the leading place is occupied by transport services and communications services - about 50%; transport services include: activity of railway, pipelines, water, aviation and other ground transport; services for organization of trips, organization of cargo transportation, postal and courier services; warehousing and auxiliary transport activities. The second place in the volume of services rendered since 2013 includes information and telecommunication services: production of films, television and radio (12%); telecommunications (69%) computer programming and provision of other types of services (19%). The rapid development of this industry is due to the proliferation of digital technologies: digital television, mobile phones, smartphones and communicators, which are personalized devices with powerful operating systems, that is mini-computers.

According to Factum Group Ukraine, the growth of Internet users from mobile devices was gradually increasing. In 2015, 31% of users over the age of 15 used a mobile phone (26%) or a tablet (9%) to access the network. In 2016, these figures were 25% and 10%, respectively. In the first quarter of 2017, 57% of users indicated that they were using mobile devices to access the Internet [6]. In our opinion, the rapid growth of "mobile" users has become possible due to the development of communication technologies and an increase in the coverage area of the network in Ukraine.

The tendency to increase the volume of sales of services in the field of informatization remains unchanged. Since January, the leading Ukrainian mobile operators "Kyivstar" and "Vodafone" have redeemed licenses for the introduction of the fourth generation of mobile communication with high-speed broadband data transmission, the so-called 4G (fourth generation). The use of new technologies, in turn, should lead to increased volumes of production and sales of mobile devices that support the new standard of communication, as well as the further development of the e-commerce market in Ukraine. As a result of the improvement of the informatization process, commodity producers receive many benefits, among which: better and more efficient use of fixed assets, increase the level of managerial decisions made, and increase the economic efficiency of production in general. Gradually, the volume of sales of services in the field of professional, scientific and technical activities is increasing: technical and scientific research and development, consulting, engineering services, advertising services, etc.

Experts point out that in the context of globalization of the economy and the development of e-commerce, an important role will be played by outsourcing, as a way of transferring the secondary functions of enterprises to specialized companies. According to the Cambridge University Business Dictionary, outsourcing is a situation where a company uses a different organization to carry out its work and not its own employees. [7] Currently, many enterprises in Ukraine use the services of professionals in IT sphere, marketing, audit, finance, etc. Outsourcing allows companies to reduce their training costs and concentrate on key business functions. A wide popularity of outsourcing is used by agricultural enterprises. This is due to the low level of informatization in the village, lack of skilled personnel, etc. The main sources of information for modern producers are internal data: results of activity in previous years, production and sales volumes, cost structure, income level, past sales prices, etc. As for information from external sources, then, as a rule, only the

secondary data from desk surveys, that is, those that manufacturers can get free of charge, reach entrepreneurs. Of course, there is not enough information to effectively manage the production and marketing activities of such information. Manufacturers need the freshest data from external sources, information from which is often inaccessible. The level of informatization of agro-industrial production depends directly on the level of development of the system of advisory services in the country. Especially for meeting the needs of information resources of small commodity producers. In the process of activity, advisory services should ensure the provision of timely, constantly updated information and meet the requirements and needs of business entities. An objective need is to study demand and supply, to analyze markets for sales and place of sales, to carry out relevant marketing research, and so on. The main functions of the advisory services are:

- integration, which consists in the introduction of scientifically substantiated research results directly in the production. This function is carried out at the expense of the development of databases of higher educational establishments, special research and production units or laboratories, which can also provide services for the provision of seed material, offer up-to-date information of accounting and analytical character, develop advertising and effective promotional measures. Also, in the above-mentioned subdivisions there may be the implementation on a contractual basis of new business projects, provision of services for the research of agrarian markets with the subsequent help in optimizing the structure of production, etc.;

- the advisory function is directly related to the integration, that is, exclusively from all the results of scientific developments, experts can advise the counselors at each stage of the production and marketing of agricultural products;

- information - is, first of all, in the formation of an effective information environment and promotion of scientific and technological progress in agrarian production. The implementation of this function is due to the obligatory carrying out of the following measures: holding of field days, seminars and schools for demonstration and development of new technologies, exhibitions and conferences with the distribution of analyzes and forecasts of conditions of production and marketing of agricultural products, mandatory submission of operational information on prices fluctuations, market conditions in the form of headlines in the media, price lists or postal materials.

Obligatory in the activity of the advisory service is the establishment and maintenance of feedback between production structures and scientific and educational institutions through the development of plans for conducting research works and dissemination of their effective results.

Due to the fact that advisory services have a huge amount of scientific and production information, the most important role for its systematization and distribution belongs to computer technology. The development and dissemination of the World Wide Web helps to bring the necessary knowledge and materials to the addressee in full and in the shortest possible time. Consequently, the process of computerization of agricultural enterprises is one of the problems that needs immediate resolution, because it is precisely at the expense of the remoteness of some industries from research centers, the lack of modern technology makes it almost impossible to obtain the most up-to-date information by manufacturers in a timely manner.

Professional services that will provide advisory services to agricultural producers will help:

- to identify and formulate problems, analyze them and evaluate the options for their solution;
- to increase motivation for independent acceptance and implementation of management decisions, evaluation of their results, etc .;
- to analyze and apply the latest developments and researches at all stages of production and management processes;
- receive consultations on effective planning and management of the economy, financial analysis, optimization of the use of resources;
- provide feedback to public administration and research institutions;
- to integrate knowledge from a variety of sources, including international ones, to conduct applied research;
- to make possible changes in the conduct of economic activity and production process;
- to disseminate innovations among producers of a certain region.

### **3. Conclusions**

Dynamic development of the services market in Ukraine was observed until 2014, but with the start of hostilities in the Donbass and the occupation of the Autonomous Republic of Crimea, it slowed somewhat. The number of enterprises in all industries has decreased, however, since 2016 the volume of sales of services is gradually increasing. In the structure of the market of services, the leading sectors of transport, informatization and communications. Gradually, the volume of sales of professional services, including information and consulting (advisory) services, in particular, in agriculture, is growing. The main problems of the development of the field of consulting services in agriculture are the low level of awareness of commodity producers and the lack of computerization of rural areas.

### **References**

1. Kotler F. Osnovy marketinga. (1994).
2. Makonnell K.R., Bryu S.L. Ekonomiks: principy, problemy i politika. (1993).
3. What is service? Definition and meaning  
<http://www.businessdictionary.com/definition/service.html>
4. Antonyuk K.V. Vznachalni faktori rozvitku suchasnoyi mizhnarodnoyi torgivli poslugami pokupcyami (2015)
5. Diyalnist pidpriemstv sferi poslug [Elektronnij resurs] // Statistichnij byuleten. — 2010-2017
6. Doslidzhennya internet-audytoryi. — [Elektronnij resurs]. — Rezhim dostupu: <http://inau.ua/proekty/doslidzhennya-internet-audytoryi>
7. Meaning of “outsourcing” in the English Dictionary.  
<https://dictionary.cambridge.org/dictionary/english/outsourcing>
8. Tarabrin O. Informacijno-analitichna sistema ekonomichnogo monitoringu gospodaryuyuchih sub'yektiv APK Ukrayini (2008)