

**Kyiv National University of Trade and Economics**  
**Department of management**

**FINAL QUALIFYING PAPER**

on the topic:

**«Trading enterprise competitive advantages development»**  
(based on materials of Retail Trend LLC, Kyiv)

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## INTRODUCTION

*Relevance of research.* High competition in the trade market, high consumer demands caused by the saturation of the market by trade. Thus, we see a significant increase in competition between trade enterprises. This leads to the fact that enterprises need to develop and form competitive advantages in today's market conditions if the enterprise and its management have the goal of achieving a stable competitive position and competitiveness in the market.

*The theoretical and methodological basis* of development and evaluation of competitive advantages were studied by a considerable number of domestic and foreign scientists, including Balabanova L.V., Barney J.B., Dolzhansky I.Z., Drahan O.I., Isorate M., Kamishnikov R.V., Kuzmin O.E., Lamben J.Z., Lewis W., Lukashova L.V., Meskon M., Morschett D., Pearce J., Podolny J., Raksha N.V., Pyatnitskaya G.T., Robin R., Saloner G., Shepard A., Urbancova H., Voychak A.V.

*The purpose of the paper* is to develop an effective competitive advantage for a trading company.

*Main tasks of the study:*

- to analyze concept, essence, types of competitive advantages of the trade enterprise;
- to consider methods of evaluation and types of competitive advantages of the trade enterprise;
- to implement diagnostics of external environment of the trade enterprise;
- to implement evaluation of the competitive advantages of the trade enterprise;
- to propose measures for the development of competitive advantages of trade;
- to evaluate the effectiveness of implemented trade competitive advantage.

*The object* of the study is the process of development and evaluation of competitive advantages of the enterprise.

*The subject* of the study is the theoretical and methodological and practical aspects of development of competitive advantages.

In the process, the following research methods were used: analysis and synthesis – to study the features and patterns of competitive advantages development; inductions and deductions – to reveal the essence and content of competitive advantages management, to formulate a general concept of a research object based on the combination of its components; analogies – to study the essence of competitive advantages management; comparison – for comparison of actual indicators with indicators of previous periods; graphical – to visualize statistics and their ratios.

*The information base of the research* was periodicals, scientific collections, monographs and scientific papers of leading foreign and domestic scientists, which are devoted to the issues of development and evaluation of competitive advantages. When performing the paper, the data of statistical reporting, actual internal and accounting reporting of the Retail Trend LLC store were used, in particular, analytical data of the enterprise financial statement (form № 2).

*The scientific novelty of the obtained results* is to deepen theoretical provisions and to develop scientifically sound practical recommendations for the development of a program of implementation, evaluation and development of competitive advantages for a trading enterprise.

*The practical significance of the study* is to clarify the theoretical provisions and to complement the practical basis of the formation and implementation of the process of development and evaluation of competitive advantages of a trade enterprise. The external competitive environment is analyzed, the competitive advantages of the enterprise are evaluated, and the recommendations on the development of competitive advantages in the trading enterprise that allow to

implement the project for Retail Trend LLC have been worked out. The results of the final qualifying paper can be implemented in the business practice of Retail Trend LLC.

*Approbation of the results* of the final qualifying paper is reflected in a scientific article on the topic: "Methods of evaluation and development of the enterprise competitive advantages", which was published in the collection of scientific articles of the KNTEU (Appendix A).

*Structure of the paper.* The final qualifying paper consists of an introduction, 3 parts, conclusions and suggestions, references and appendices. The main text of the paper is 46 pages, including 14 tables and 6 figures. The list of references contains 45 items, set out on 5 pages. The paper contains 8 appendices, laid out on 13 pages.

**PART 1**

**THEORETICAL AND METHODOLOGICAL BASIS OF  
DEVELOPMENT AND ASSESSMENT OF COMPETITIVE  
ADVANTAGES OF THE TRADE ENTERPRISE**

**1.1 Concept, essence, types of competitive advantages of the trade enterprise**

High competition in the trade market, high consumer demands caused by the saturation of the market by trade. Thus, we see a significant increase in competition between trade enterprises. This leads to the fact that enterprises need to develop and form competitive advantages in today's market conditions if the enterprise and its management have the goal of achieving a stable competitive position and competitiveness in the market.

Let's consider the concept of competitive advantage and how it is interpreted by different authors, economists, and scientists.

The competitive advantage is considered sustainable if those resources are also non-imitable (i.e., cannot be easily duplicated by competitors), non-substitutable (i.e., other resources cannot perform the same function), and nontransferable (i.e., cannot be acquired in the marketplace) [2, p. 162].

Most forms of competitive advantage mean either that a firm can produce some service or product that its customers' value than those produced by competitors or that it can produce its service or product at a lower cost than its competitors [5, p. 162].

The innovative activity of organizations significantly influences competitiveness which is based on inimitable skills and abilities. Achieving higher competitiveness by means of innovations means producing less [7, P. 86].

Competitive advantage is obtained when an organization develops or acquires a set of attributes (or executes actions) that allow it to outperform its competitors. The development of theories that help explain competitive advantage has occupied the attention of the management community for the better part of half a century [8, P. 34].

Competitive advantage has generated a large volume of scholarly output, both theoretical and empirical; firms do, by all accounts, attempt to identify, create and leverage competitive advantages; and competitive advantage is universally accepted in strategic management courses and textbooks as an essential concept in strategy [4, p. 845].

Thus, the competitive advantage is considered to be stable when it is difficult to reproduce by competitors or when the imitation barrier is too high, but such a high form of competitive advantage is not available to all spheres. In some spheres, the main competitive advantage is simply a low price for goods and services, the sphere of trade is precisely such an area, for other spheres, it is necessary to introduce certain innovations and new technologies in order to remain competitive or to improve the management of the enterprise.

Competitiveness of the enterprise is revealed only in conditions of competition and through competition. Because competition is the main instrument for regulating a market economy and an important part of the market environment in any field of economic activity. Competition – an economic process of interaction, interconnection and struggle between enterprises operating in the market in order to provide better opportunities for selling their products, meeting the diverse needs of buyers and obtaining the highest profit [11, p. 24].

Consequently, one can conclude that in order to ensure competitiveness, the company must actively engage in development and the formation of competitive advantages. Competitive advantages are in different types of business activities (for example economic, organizational, personnel, logistics, etc.). Thus, in our

opinion, the presence of an intangible asset as a brand. The brand is an overwhelming competitive advantage for the enterprise because it can significantly allocate the company among others and forms certain confidence from potential customers of the enterprise.

A competitive strategy of a certain firm deals with the development of properties that characterize the company and differentiates the value it creates and offers compared with its competitors [16, P. 49]. Thus, that is, the basic idea of how a firm can compete best in the highly competitive market [10, P. 220].

Porter M. [16, p. 203; 17, p. 151; 35, p 145] determines the competitive advantage precisely as the heart of the enterprise's performance in competitive markets. If we consider highly saturated markets with a high number of competitors, then the main competitive advantage is the low price for the company's products or services, the differential advantage, or the successful focusing strategy. Porter M. highlighted the competitive advantage as a certain value that the firm can create and provide for the client, but this cost must necessarily exceed the spent resources for its creation [17, P. 151].

We consider it is precisely these highly competitive spheres that include the retail sector, which is very saturated and low prices play a significant role.

To form competitive advantages, an enterprise must transform organizational routines. In practice, enterprises use a variety of ways to transform organizational routines, namely: compulsory; spontaneous; as a result of arrangements. In this case, the transformation of the routine causes changes in the organizational capabilities of the company or company, as a consequence, in its competencies.

Competence is a set of interrelated skills and technologies in the activities of any organization. Each company forms its own hierarchy of competences, at the top of which are strategic and key competencies.



The competencies of enterprises have the following composition [36, p. 166]: 1. Professional competencies; 2. Role competencies; 3. Functional competencies; 4. Strategic competences; 5. Key competencies.

Professional competencies and role competencies are personal competencies are belonging to a certain area of the company.

There is a large number of concepts that are strategic business competence and key competencies. Many researchers of strategic competence define as the competence of the business strategy of the enterprise with the conditions of the business environment. The key competence is the competence that: allows the company to solve tasks that are not able to resolve most other market participants; establishes a new industry standard and thus provides its competitor with an advantage.

In practice, it is common ground to distinguish between several key competencies, namely [13, p. 115]:

- related to market access;
- allows for the company to fulfil its tasks faster, more reliable and more flexible than competitors;
- related to functional competencies.

The competence of the enterprise is divided into two groups: 1) competencies which are not conscious; 2) competencies that are clearly formulated and understood.

We have different points of view on the definition of competitive advantages. As far as management, competitive advantages are the result of proper adoption of management decisions, the rational organization of production, the application of effective methods of strategic and tactical planning, enhancement of personnel motivation and control [19, P. 17].

From the perspective of marketing, competitive advantages are the consequence of the correct choice of product and assortment policies, pricing, distribution policies and product promotion [11, p. 104].

From the perspective of logistics, competitive advantages are economical and efficient use of material resources, resource conservation and integrated processing of raw materials [31, p. 75].

From the standpoint of financial activity, the competitive advantages are ensuring a stable financial position, financial sustainability and growth of the company's own capital, attracting investment in projects that generate high returns at the lowest risk [18, P. 175].

From the point of view of entrepreneurship, competitive advantages are the conditions of enterprise survival in a competitive environment and the source of the maximum amount of profit from activity [13, p. 16].

Competitive advantages are divided into the three levels (fig. 1.1): low level, high level and the highest level. Competitive advantages of «low level» can be easily achieved or to be copied by competitors (using cheap labour, providing a wide range of raw materials, etc.). These benefits are based on the cost or availability of factors of production and do not guarantee a stable market position [5, p. 193].

Competitive superiority of the «high level» is the result of a targeted enterprise activity, usually associated with significant costs and difficult to copy (modern patented technology; specialized programs for the reproduction of high-skilled labour; the high reputation of the company, based on active marketing activities; availability branched distribution network and maintenance network) [9, P. 14].

Competitive advantages of the «highest level» are the result of continuous modernization of production (or other specific competencies of the enterprise) and

activities that are accompanied by the exhaustion of a competitor if he achieves them [8, P. 145].

Such a classification by level will help to distribute competitive advantages according to priority levels for the enterprise. With the help of this distribution of advantages by levels, the enterprise can identify its weaknesses and focus on their development.

According to the classification developed on the basis of [39, p. 125], it is advisable to group the competitive advantages according to their relation to the research system (organization, country, etc.), the sphere of origin, the content of the factor of advantage, the method or means of obtaining it, the place of implementation, the time (duration) of implementation, the type of the resulting result.

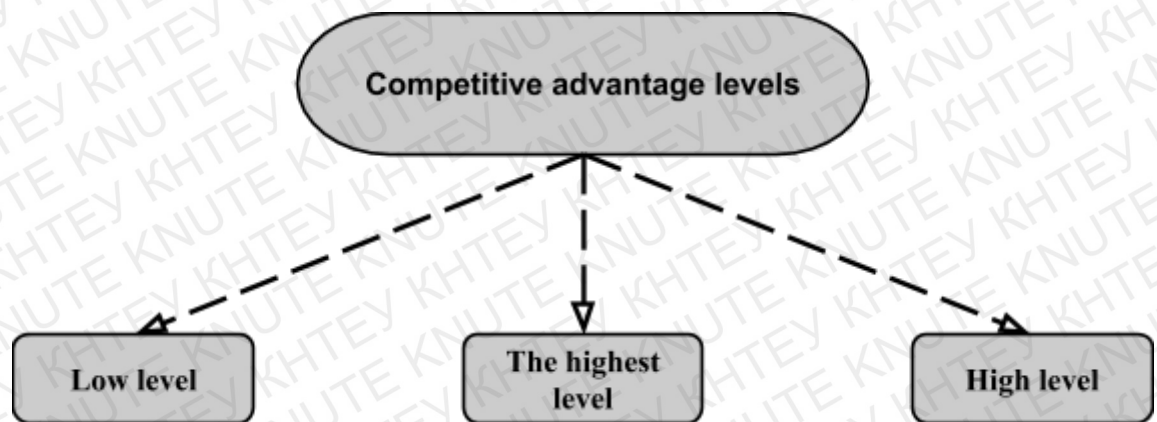


Fig. 1.1. Types of competitive advantages

*Source: made by the author on the basis of [5, p. 142]*

Thus we concluded that competitive advantage is considered to be stable when it is difficult to reproduce by competitors or when the imitation barrier is too high, but such a high form of competitive advantage is not available to all spheres. In some spheres, the main competitive advantage is simply a low price for goods and services, the sphere of trade is precisely such an area, for other spheres, it is

necessary to introduce certain innovations and new technologies in order to remain competitive or to improve the management of the enterprise.

## 1.2 Methods of evaluation and types of competitive advantages of a trading company

In order to form and develop competitive advantages, we must use a value formation chain (fig. 1.2) that can help solve such problems, provided that it is implemented in practice [36, p. 180]:

1. Optimization of the level of performance of the basic functions;
2. Effective inter-functional coordination;
3. Coordination with the actions of external factors.

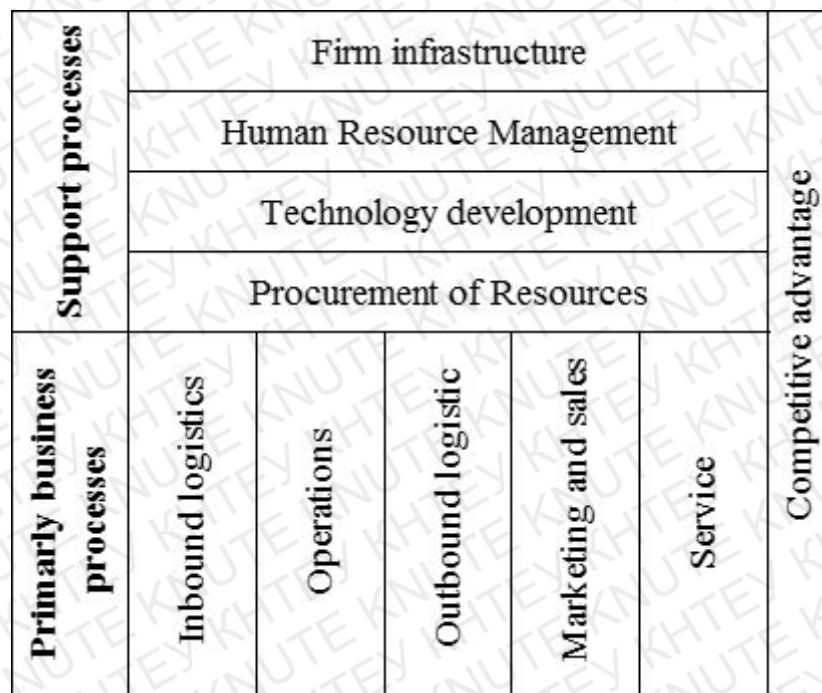


Fig. 1.2. Basic value chain formation by M. Porter

*Source: made by the author on the basis of [35, p. 180]*

According to M. Porter [35, p. 223], in a competitive environment, it is impossible to understand or determine a competitive advantage if we look at the firm as a whole. Therefore, we need to consider its individual parts of the activity.

Using the value chain (fig. 1.2) by M. Porter, we can construct a hierarchy of processes for creating a contribution to the end product – values or services for the consumer. But an enterprise cannot have a competitive advantage in every function of the value chain, regardless of the size of the enterprise [317, p. 167].

Through the use of VRIO-analysis. The method helps identify competencies, resources and organizational capacity for the four criteria, namely:

1. Valuable;
2. Rare;
3. Inimitable;
4. Organized.

Subject to receiving all 4 criteria to «Yes» an enterprise have a sustainable competitive advantage.

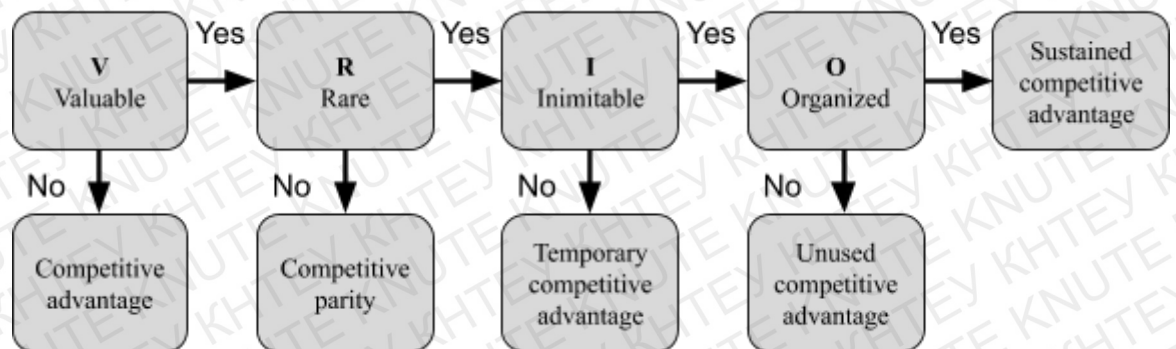


Fig. 1.3. Vrio-analysis process

Source: made by the author on the basis of [40]

After evaluating the VRIO of the company, we evaluate the internal component of the strategic potential. To calculate, we need the following formulas [36, p. 169]:

$$\text{Internal strategic potential} = \sum_{i=1}^n w_i \cdot \text{VRIO}_i \quad (1.1)$$

$$\sum_{i=1}^n w_i = 1 \quad (1.2)$$

i – index of resources and organizational capabilities of the enterprise;

$n$  – the number of resources available to the enterprise and organizational capabilities of the enterprise;

$w_i$  – share of resource and ability in the total amount of available resources and organizational capacity of enterprises that create consumer value;

$VRIO_i$  – number of VRIO values.

An enterprise needs to evaluate the various types of threats, both external and internal.

After conducting the VRIO-analysis, we must identify the external component of the strategic potential by means of SWOT-analysis.

Identify the weaknesses, strengths and competitive advantages through analysis of the company through swot (s-strengths, w-weaknesses, o-opportunities, t-treatments) analysis. We can use SWOT analysis to determine the external component of the strategic potential of the enterprise. We will be able to anticipate certain changes in the future activities of the enterprise.

Identifying the weaknesses of the company and the desire to turn them into strengths is an essential aspect of SWOT-analysis in developing a strategy for enterprise development.

In each of the four fields, possible pair combinations are considered. Allocate those that must be taken into account when developing a business strategy. Further, we determine what needs to be done to develop strengths and improve performance that was lower than that of competitors. It should be remembered that threats and opportunities can move into its opposite. A further method of analyzing is SPACE method (strategic position and action estimation).

This analysis allows us to evaluate the strategic position of the enterprise and determine its further development on the basis of two groups of factors: the internal state of the enterprise and its external situation. At the heart of the method is a matrix of strategic position and action evaluation SPACE. The assessment is

carried out according to the 4th groups of criteria of the strategic position of the enterprise, namely [29; p. 182]:

1. financial strength of the enterprise;
2. attractiveness of the economy;
3. Competitiveness of the enterprise and its position on the market;
4. Stability of the industry.

Each factor is evaluated expertly on a scale from 0 to 6. The method is intended to diagnose the situation and select a strategy option for medium and small companies.

SPACE analysis is determined by a system of four coordinates that characterize: the attractiveness of the industry, the stability of the macroeconomic environment, the competitive advantage of the enterprise, its financial position. On the basis of expert conclusions, an assessment is made of 6-8 most significant parameters for the enterprise [10, p. 93].

For example, macro stability factors are technological changes, competitive pressures, barriers to entry; factors of industrial potential: growth potential, profit potential, degree of resource use; to the factors of competitive advantages include: market share, product quality, product life cycle, customer loyalty; to the factors of financial stability: financial dependence, liquidity, flow of funds, and so on. After evaluating the values of each factor, calculate the average of the factors for each of the groups, after which in the coordinate system SPACE postpone the resulting values on the coordinate axes [2, p. 184].

Depending on the distance from the centre of the coordinates, the calculated values are plotted by the vector. The following groups of strategy mechanisms are most expedient [25, p. 111]:

1. Aggressive:
  - 1.1 expansion of production and sales;
  - 1.2 price war with competitors;

- 1.3 development of new market sectors;
- 1.4 promotion of brands.
- 2. Competitive:
  - 2.1 search of financial resources;
  - 2.2 development of sales networks.
- 3. Conservative:
  - 3.1 reductions of the cost price when improving the quality of goods;
  - 3.2 reductions of production and access to more promising markets.
- 4. Protective:
  - 4.1 special attention to mechanisms to prevent threats;
  - 4.2 withdrawal from the market.

The Boston Consulting Group matrix is used to assess the company's competitiveness on the market. The BCG matrix allows us to determine the strategic position for each strategic economic element, the direction of activity, the strategic zone of managing the production of the enterprise, that is, the strategic position of the business of the enterprise [41].

After analyzing using this method, we have a basis for analyzing and selecting the optimal strategy of the company's activities in relation to, manufacturing and marketing of products, as well as optimizing the strategy of redistribution of financial flows between different strategic and economic elements.

Using the matrix BCG we can develop certain strategic alternatives concerning the activity of the enterprise within its separate strategic elements and business.

An effective method for identifying certain problems or competitive advantages of our company, among the companies of competitors, is customer surveys. In order to effectively identify competitive advantages, it is necessary to refer to the survey of clients who constantly use the services of various trading



companies, to get their opinion about the various elements of the competitive advantages of the enterprise, whose competitive positions we want to raise and the enterprises of competitors.

Thus, based on the study of various characteristics, we compile a list of key criteria that are important for store customers. Then we should compare the results for different characteristics of the store, namely the following characteristics:

1. Best store atmosphere;
2. Best customer relationship management;
3. Store maintenance costs;
4. Promotional events;
5. Price leadership;
6. Quality leadership (assortment/products);
7. Service leadership;
8. Customer process leadership;
9. Convenience leadership;
10. Best variety of assortment.

We need to use a 5-point scale to evaluate each element of competition (1 – worse than most competitors to 5 – much better than most competitors) [10, p. 277].

According to the proposed methodology for assessing the company's competitive advantages, we can evaluate and compare a trading company with competitors based on a sample survey.

Given current realities, we also need to consider a more precise method when we narrow down the broad list of questions for respondents to the 3 main criteria/factors that a significant role in choosing a trading company in today's market conditions. Namely, the following criteria:

The first criterion is the price and certain experience from attending a store;

The second criterion is the quality of core functions (such as cleanliness, speed of service and etc.);

The third criterion – convenience.

Thus, in order to be competitive in the trade market, trade enterprises should create and develop sustainable competitive advantages. We have considered various methods of competitiveness assessment, namely VRIO, SWOT and customer survey. With customer survey we can evaluate on 10 key criteria and propose/introduce certain improvements to the activities of the trading company.

## PART 2

### COMPETITIVE ADVANTAGES MANAGEMENT OF RETAIL TREND LLC

#### 2.1. Diagnostics of external environment of the trade enterprise

To date, competition in the Kyiv food retail market is significant. There are a large number of trading companies that provide almost identical services, so it becomes difficult for trading companies to distinguish themselves from competitors and to develop certain competitive advantages that would help them successfully operate and retain customers in trading businesses. This situation significantly affects the competitiveness of the trading company.

Due to such market saturation, special attention should be paid to finding and developing competitive advantages. Companies need to find unique strategies for the retail market and follow global trends in the industry.

The store is still the most important part of the retail experience. Interest in the brick-and-mortar store is everywhere. For this type of business, the store is one and the biggest competitive advantage. Retailers must continue to keep their focus on the store by ensuring both their customers and store associates are connected and informed.

*Table 2.1*

#### Top-10 retail companies by the total square in Ukraine

№	Company	Retail chain	Central office	Total retail space, square meters
1	Fozzy Group	Silpo, Fora, Fozzy Cash&Carry, LeSilpo, Thrash!, Favore	Kyiv	543 000
2	ATB-market	ATB, ATB express	Dnipro	455 000

*Continuation of table 2.1*

№	Company	Retail chain	Central office	Total retail space, square meters
3	Auchan Ukraine Hypermarket	Auchan, My Auchan	Kyiv	197 200
4	Metro Cash & Carry Ukraine	Metro, Bery-Vezie	Kyiv	183 000
5	Tavria B, Tavria Plus	Tavria B, Cosmos	Odessa	142 375
6	Novus Ukraine	Novus, Novus Express	Kyiv	113 130
7	Retail Group	Velyka Kyshenya, Velmart, VK Express, BK Select	Kyiv	107 850
8	ECO	ECO market, Simpatik	Kyiv	99 165
9	Retail Trend LLC (Furshet)	Furshet, Gurman-Furshet	Kyiv	96 400
10	Omega	Varus	Dnipro	76 625
			Total	2 013 745

*Source: made by the author on the basis of [42]. The information presented in the table is current as of April 29, 2019*

The table below shows the top 10 product chains in 2019 for total retail space. The first place is occupied by the Fozzy group with an area of 543 thousand square meters. Retail Trend LLC ranks 9th in terms of retail space.

Retail Trend LLC has a tendency to reduce its trading space and change its business model during recent years 5 years [42]. The majority of retail space is concentrated in the capital of Ukraine – Kyiv.

Furshet is the first national supermarket chain in Ukraine to introduce the best approaches and world standards in customer service. The network is one of the largest in the Ukrainian retail market.

The company's history begins in 1992 – when several small La Furshet supermarkets were opened, in 1998 a wholesale and retail store Furshet appeared

in Kyiv. This event can be considered as the period of appearance of the supermarket in the Ukrainian market.

Today, the Retail Trend operates in all regions of Ukraine: the network has 61 stores that are visited daily by tens of thousands of people. The average retail space of the shops ranges from 300 to 4500 square meters.

Furshet offers a wide range of products in different price ranges.

The Retail Trend has a large number of suppliers. More than 80% of the products are in Ukrainian Furshet shops [43].

Retail Trend LLC – is a limited liability company.

The main activity of the Retail Trend – food retail trade.

The enterprise has the following codes of economic activity (NACE):

- 46.21 Wholesale of grain, unmanufactured tobacco, seeds and animal feeds
- 46.33 Wholesale of dairy products, eggs and edible oils and fats
- 46.39 Non-specialized wholesale of food, beverages and tobacco
- 68.20 Renting and operating of own or leased real estate
- 73.11 Advertising Agencies
- 73.20 Market research and public opinion polling

Link to the official website of the company: <https://furshet.ua/>.

Furshet is a company owned by company Retail Trend LLC. Further in the final qualifying paper we will analyze and evaluate the competitiveness of one particular store. Retail Trend LLC and Furshet is considered as the same company in current paper. The store is located at: 1A Magnitogorska Street, Kyiv city, 02000.

We divided the information in table 2.1 into segments and plotted (fig. 2.1). In this figure, we can see that the 5 largest segments in terms of area in Ukraine are companies: Fozzy group (27%), ATB-market (22.6%), Auchan Ukraine (9.8%), Metro Cash & Carry (9.1%) and Tavria B, Tavria Plus (7.1%).

### Total retail space, square meters

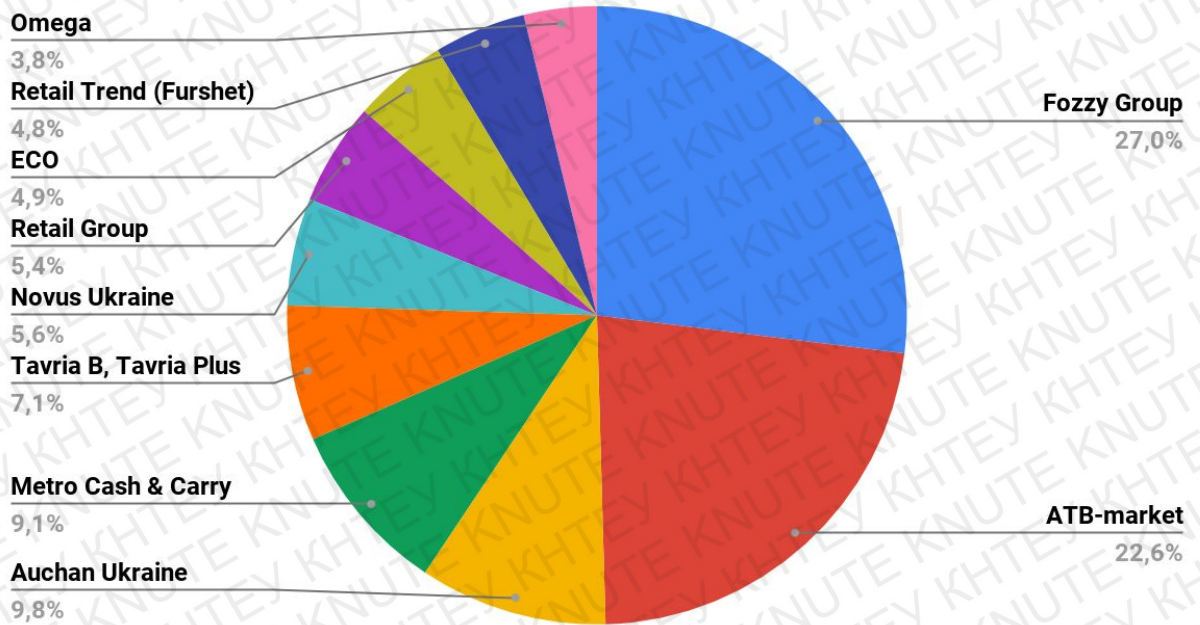


Fig. 2.1. Percentage of the total amount of retail space

Source: made by the author on the basis of table 2.1. The information on the chart is current as of April 29, 2019

We have built a chart to demonstrate the information in table 2.1 more clearly. On the chart, we can see the percentage of Retail Trend trading area among competitors, which is 4.8%. The leaders, Fozzy Group and ATB-market, account for the largest share of the area.

In order to characterize the competitiveness of the market in which the enterprise operates, a market analysis was conducted on the main classification grounds. The result is presented in table 2.2.

Table 2.2

#### Analysis of the Ukrainian retail market

Classification feature	Market type
Territorial coverage	City of Kyiv and regions of Ukraine
Type of competition	A large number of similar trading companies providing similar services and selling similar products.

*Continuation of table 2.2*

Classification feature	Market type
Demand-to-supply ratio	Market "buyer". The buyer has a large selection of suppliers and substitutes businesses. There are a large number of sellers on the market who offer similar services to clients.
The degree of market development	Developed market. A large number of food retailers over 10-15 years.
Compliance with market law	Legal market
The specificity of the market	Retail food market. The market is slowly developing but has positive trends for further development (eg self-service implementation and automation).
By the nature of the sale	Consumer market: low, middle-income people, regardless of social status.
By industry	Trade.
By market structure	The market for goods and services.

*Source: made by the author*

The retail network is mainly focused on the market of the city of Kyiv and is represented in the regions of the country. Buyers are people from low to high-income levels. The market is very developed, competitive and saturated. Some companies have been working in this field for more than 10-15 years.

In order to analyze the external environment of a trading company, we need to focus on the main competitors of the company Retail trend LLC – the city of Kyiv because the company is concentrated in the city of Kyiv and is currently dealing with the reduction of the trading area in the regions of Ukraine and «changing the business model».

Based on the analysis in table 2.1 and figure 2.1, we can identify that in Ukraine and Kyiv there are the TOP-5 enterprises that have the greatest impact on the retail food market:

1. Auchan;
2. ATB market;
3. Silpo;

4. Novus;
5. ECO market.

We implemented the assessment of the power of a buyer on the Kyiv market (see Appendix E). The level of threat of consumer loss is above average. In total, we got 8 points. This is facilitated by the fact that the product is not unique and there are enterprises in the market for similar services. For the food retail sector, this level of threat is normal. There is high price competition in the field, but the quality of the services provided plays a significant role, the buyer has a wide choice of places of purchase.

Estimating the level of intra-industry competition in Kyiv (see Appendix F), 10 points were obtained and it can be argued that a trading company has a large number of competitors, the market is oversaturated. In order to develop competitiveness in the market, the Retail Trend should be engaged in the development of quality of services and investment in advertising, namely: awareness of the brand of the Retail Trend, information about promotions and advertising in the place of finding potential customers (for example for a particular store).

We received 15 points. Assessing the threat of new players entering the Kyiv retail market (see Appendix G), we found that there is an average threat of new players entering the market. The threat of new big players entering the market has no significant impact on the analyzing enterprise.

Assessing the threat from suppliers on the Kyiv retail market (see Appendix H), the company received 4 points. Supplier threat analysis revealed that there is no threat from suppliers in the food retail sector. Company has a wide range of suppliers. Suppliers can be swapped out quickly or switch to another vendor.



Table 2.3

**Assessment of the competitive forces of the main competitors of Retail  
Trend LLC in Kyiv**

Actual figures	Top-5 trading companies					
	Weight of indicator	Auchan	ATB-market	Silpo	Novus	ECO-market
1. Best store atmosphere	0,14	4	3	5	5	3
2. Best customer relationship management	0,09	5	4	5	5	4
3. Store maintenance costs	0,09	3	3	4	5	3
4. Promotional events	0,07	4	3	4	5	4
5. Price leadership	0,15	5	5	3	2	5
6. Quality leadership (assortment/products)	0,07	5	3	5	5	3
7. Service leadership	0,09	5	3	4	5	2
8. Customer process leadership	0,07	4	4	4	4	4
9. Convenience leadership	0,09	4	5	5	5	4
10. Best variety of assortment	0,14	5	3	4	4	3
Weighted assessment	1	4,4	3,6	4,3	4,5	3,5

*Source: made on the basis of [42]*

So, we conducted an assessment of the main elements of competitiveness of trading companies by ten main criteria. And determined that the leaders in the competitive forces are the companies Auchan (4.4 points), Silpo (4.3 points) and Novus (4.5 points). Businesses ATB-market (3.6 points) and ECO-market (3.5 points) received average marks.

The maximum score that can be obtained is 5 points, which means that certain characteristics of the company are much better than other competitors. A score of 1 means that a certain characteristic of the company is much worse than its competitors. A score of 3 points is average.

## 2.2 Evaluation of the competitive advantages of the trade enterprise

In order to effectively identify the problems and weaknesses of Retail Trend LLC, we conducted a customer survey, which was attended by about 200 people, namely buyers of a store that is located at 1A Magnitogorska Street, Kyiv city. The score was on a scale of 1 to 5, which means 5 points – a certain characteristic of the company is much better than other competitors. A score of 1 point – a certain characteristic of the company is much worse than its competitors. A score of 3 is average.

The survey is based on 10 key criteria for the competitiveness of a trading company, which are given in part 1.2. The results of the customer survey are presented in detail in fig. 2.2.

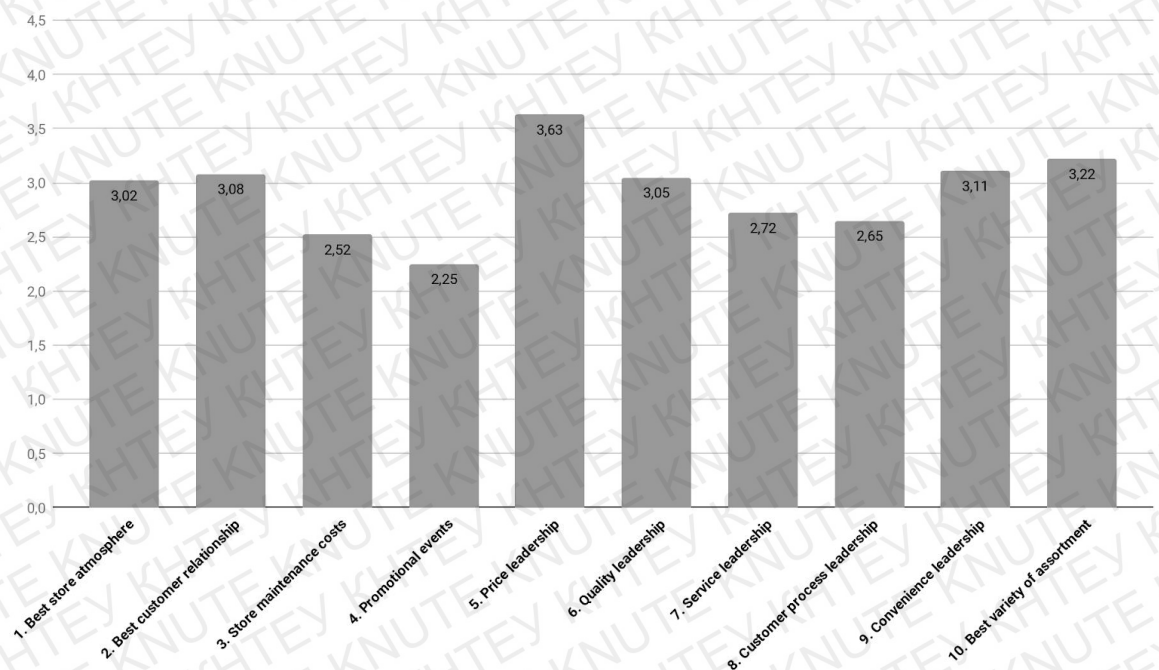


Fig. 2.2. Customer survey results in Retail Trend LLC store

*Source: made on the basis of customer survey data by the author*

On the basis of customer survey we built a chart (fig. 2.2). Indicators on the chart averaged and weighted among all respondents. On the chart (fig. 2.2), we can

see above-average leadership in prices (3.63 points) and a variety of store (3.22 points). Store atmosphere (3.02 points), customer relationship (3.08 points), quality leadership (assortment/products) (3.05 points), convenience leadership (3.11 points) - are on average compared to their competitors shopping enterprise, according to buyers.

We can see quite low rates in such categories as store maintenance costs (2,52 points); Promotional events (2.25 points); service leadership (2.72 points); customer process leadership (2.65 points). These low rates are weak points in comparison with competitors of the enterprise.

So, we find out that Retail Trend LLC has some issues with service, customer service, customer service and limited network costs to keep stores in good repair. According to the survey, the store has low activity in promotional events. We can conclude that in order to increase the convenience and efficiency of the advertising activity in the store we need to implement a system of electronic price tags.

Based on information from table 2.3 and figure 2.2, we can implement a comparison of the obtained results with the results of the weighted evaluation of the competitors of the enterprise [table 2.3]:

- Auchan – 4.4 points;
- ATB-market – 3.6 points;
- Silpo – 4.3 points;
- Novus – 4.5 points;
- ECO-market – 3.5 points;
- Furshet – 2.92 points.

So, we see that we have a fairly low weighted estimate of 2.92 in comparison to our main competitors. The nearest competitor for the company is ECO-market and ATB-market.

Table 2.4

**SWOT-analysis of Retail Trend LLC**

Strengths (S)	Weakness (W)
Stable demand for essential goods and services	Low maintenance costs for stores
Financing the network through deferred payment with suppliers	The concentration of trading enterprises in Kyiv (about 50%)
Diversified dynamics of retail sales	Poor quality of service
The presence of Private label in the range of products	
A well-known company in the market (First mover status)	
Opportunities (O)	Threats (T)
Developing own private-labels (in-store brands)	Reducing the solvency of the population
Investing in local business advertising, events and promotions. The use of instability in the economy. Conducting an advertising campaign with a focus on "Affordable and Low-Cost Networking" that will continue to attract new customers.	A decrease in quantity and quality of available retail space
Investing in staff training (training and courses)	
Development of purchase and delivery of goods via the Internet	
Increasing the cost of maintaining stores	
Implementation of IT technologies	

*Source: made by the author*

It should be noted that Retail Trend store has a significant number of potential development opportunities that can be used to improve the enterprise. Retail Trend should consider such potential development opportunities as investing in local advertising, developing its own in-store brands, delivering and purchasing goods via the Internet, and developing its customer service department.

One of the important strengths is that Furshet is known as a pioneer and has first-mover status in the retail industry.

Next, we need to conduct a VRIO-analysis of the strategic resources of Retail Trend, using the already defined criteria. Using VRIO-analysis, we will determine if Sustainable has a competitive advantage.

We need to answer 4 questions:

1. V – is this resource valuable?
2. R – is it a rare resource?
3. I – is it difficult to imitate?
4. O – is it exploited by the organization? (because a certain company can have a competitive advantage but this competitive advantage may not be exploited by the company).

*Table 2.5*

### **VRIO-analysis of Retail Trend LLC**

Resources	Evaluation criteria				Strategic implications	The quantitative value of the indicator
	"V"	"R"	"I"	"O"		
Stable demand for essential goods and services	Yes	No	-	-	Competitive parity	0
Financing the network through deferred payment with suppliers	Yes	No	-	-	Competitive parity	0
Diversified dynamics of retail sales	Yes	No	-	-	Competitive parity	0
The presence of Private label in the range of products	Yes	Yes	No	-	Temporary competitive advantage	0,5
A well-known company in the market (First mover status)	Yes	Yes	Yes	No	Unexploited competitive advantage	1

*Source: made by the author*

Therefore, we have found that Retail Trend has no sustainable competitive advantage, according to the analysis. We have 1 non-exploited competitive advantage, 1 temporary competitive advantage and 3 competitive parities.

We can offer to Retail Trend to use in its activity such an important thing as a pioneer statute in the Ukrainian retail market. Based on the results of the analysis, we can offer a broader range and development of private label products, implementation of IT technologies and focus on discounting strategies.

Next, we need to conduct a more detailed strategic analysis of the internal environment of the enterprise. Namely, the strengths and weaknesses, as well as the neutral or average assessment of certain elements of the enterprise.

We conducted snw-analysis (see Appendix I). From the analysis, we can conclude that the Retail Trend, due to low budgets and outdated commercial equipment, has poor in-store service, service level on a very low level. Retail Trend does not use It-systems in their day-to-day work. Retail Trend has a well-known brand but has a bad reputation among the consumers.

Thus, we decided to propose a project for the Retail Trend to improve cost saving in the store, decrease the number of salary spendings. This project is related to electronic price tags.

Further, in table 2.6 and 2.7, we analyze the income statements of Retail Trend retail store for the last 3 years of activity on the basis of financial statements [Appendix D, C, D]. The analyzing retail store of Retail Trend LLC is located at 1A Magnitogorska Street, Kyiv city, 02000.

*Table 2.6*

**Analysis of income statement Retail Trend LLC store 2015-2018 years**

Indicator	Income statement results, hrn.			
	2015	2016	2017	2018
Net sales revenue	24 120 375	26 651 256	29 178 731	24 952 257
Cost of Goods Sold	20 218 252	22 209 380	24 214 714	20 968 283
Gross profit	3 902 122	4 441 876	4 964 016	3 983 973
Financial result from operating activities	962 385	1 049 835	1 041 316	744 783
Financial result before tax	730 515	877 478	712 161	543 028

*Source: calculated by the author on the basis of [Appendix B, C, D]*

From 2015 to 2016, we can see an increase in net sales revenue. The total amount of growth was 2 530 881 hrn (10.49%). Gross profit from 2015 to 2016 increased by 539 754 hrn. For the period from 2015 to 2016 the company had a

fairly stable financial situation, the difference between the indicators is not significant.

From 2016 to 2017, we can see an increase in net sales revenue. The total amount of growth was 2 527 475 hrn (9.48%). From 2017 to 2018, there was a significant drop in net sales revenue below 2016 levels. The total amount was -4 226 474 hrn (-14.48%). In our opinion, the reason for the decline in the decline in net sales revenue is the financial and political situation in the country, the decline in the solvency of the population and other economic problems. We can also include the reasons why the enterprise itself has become less popular due to outdated businesses model.

We can see a significant drop in gross profit between 2017 and 2018. The total amount of the fall amounted to -980 043 hrn (-19.74%). The reason for the fall is the decline in sales of goods and services at the enterprise.

We can see a significant drop in gross profit between 2017 and 2018. The total amount of the fall amounted to -980 043 hrn (-19.74%). The reason for the fall is the decline in sales of goods and services at the enterprise.

From 2017 to 2018, there was a fall in the financial result from operating activities. The total amount fell by -296 533 (28.58%). The reason for the significant fall in the operating expenses of the enterprise and low gross profit for 2018.

From 2016 to 2018, we can see a trend of decreasing financial result before tax -18.74% in 2017 and 23.75% and in 2018.

*Table 2.7*

**Dynamics and composition of income statement Retail Trend LLC**

Indicator	Absolute change to the previous year, hrn.			Growth rate to the previous year, %		
	2016/2015	2017/2016	2018/2017	2016/2015	2017/2016	2018/2017
Net sales revenue	2 530 881	2 527 475	-4 226 474	110,49%	109,48%	85,52%

## Continuation of table 2.7

Indicator	Absolute change to the previous year, hrn.			Growth rate to the previous year, %		
	2016/2015	2017/2016	2018/2017	2016/2015	2017/2016	2018/2017
Gross profit	539 754	522 140	-980 043	113,83%	111,75%	80,26%
Financial result from operating activities	87 450	-8 519	-296 533	109,09%	99,19%	71,52%
Financial result before tax	146 963	-165 317	-169 133	120,12%	81,16%	76,25%

Source: calculated by the author on the basis of [Appendix B, C, D]

Analyzing the income statement of Retail Trend LLC, we can conclude that Retail Trend has a tendency to decrease financial results. The company has relatively high operating costs according to the financial statements [Appendix B, C, D].

So, we find out that Retail Trend LLC has some issues with service, customer service, customer service and limited network costs to keep stores in good repair. According to the survey, the store has low activity in promotional events. We can conclude that in order to increase the convenience and efficiency of the advertising activity in the store we need to implement a system of electronic price tags.



## PART 3

### RECOMMENDATIONS FOR THE DEVELOPMENT OF COMPETITIVE ADVANTAGES OF RETAIL TREND LLC

#### **3.1 Measures for the development of competitive advantages for the trade enterprise**

After analyzing Retail Trend LLC in part 2, we have come to the conclusion that the condition of the service part of the enterprise is unsatisfactory and needs improvement. We can conclude that in order to increase the convenience and efficiency of Retail Trend we proposed to implement a project of electronic price tags.

Further, in part 3 we decided to propose a project to improve the service part of the enterprise, namely the introduction of new technology for retail trade, which is not widespread and typical in the Ukrainian market. We have chosen the strategy of a blue ocean to differentiate our trade enterprise and open new market space.

To implement the electronic price tag project, we have chosen a service differentiation strategy. We plan to provide customers with a new shopping experience and create a new competitive advantage besides the “low price”. Using this strategy, Retail Trend will provide services of higher quality and efficiency than competitors. With this innovation, we can make Retail Trend more popular among customers.

*Concept of the project.* The purpose of the project is to introduce to the store a new IT system – electronic price tags. With the help of this innovation, we can partially solve the service problem of Retail Trend, increase its efficiency, make it possible for Retail Trend to hold hourly promotions for products and other in-store promotional events.

This innovation for the enterprise should significantly distinguish the enterprise from competitors, reduce the cost of wages by employees who were previously engaged in work with ordinary price tags on paper. The project should enhance the status of the enterprise and attract new customers to the enterprise.

Also, this innovation should significantly help enterprise customers spend less time finding the price of goods in the store and get always up-to-date and timely information about the price of goods in the store.

This innovation should create new value for the enterprise and improve the company's reputation among ordinary customers of grocery retailers on the Ukrainian market.

For the successful implementation of the electronic price tag project at Retail Trend store, it is necessary to:

- calculation of the projected profit amount from the project;
- dates of project implementation;
- the financial justification for the project.

*Objectives and relevance of the project for Retail Trend.* The project is relevant and effective for the retail trade company. The project can be relatively simple to scale for the entire Furshet chain of stores and centralize the analysis, control and change of prices for the entire chain of stores. Retail Trend can analyze and change prices from the head office of the enterprise, which allows to significantly increase the marketing activity on the enterprise. The following points as well confirm the relevance of the project for Retail Trend:

- increasing the status of the enterprise through the introduction of an innovative project in the trade enterprise;
- attracting new customers to the enterprise;
- the decrease in the cost of labour at the enterprise and overtime;
- increasing the efficiency and speed of updating actual prices for goods at the enterprise;

- simplifying the implementation of promotional programs at Retail Trend and increase sales through active marketing campaigns, including hourly promotion;
- avoidance of reputational losses of the enterprise due to incorrect prices;
- the flexible pricing policy of the enterprise;
- increase in revenue through hourly promotions in the store.

*Description of the idea.* The number of SKUs in the store is about 4500, so we decided to buy 5000 electronic price tags for the store. Considering the unforeseen circumstances and details of the project, we plan to additionally purchase 500 electronic price tags. The store should have 500 units for reserve because we can not avoid breakdowns and other situations in the store. The project is scheduled to start on February 3, 2020 year. In the months of February and March, we plan to implement 2,500 units in the store.

By April 30, 2020, we plan to complete the project and implement the remaining electronic price tags (2000 units).

Additionally, the following conditions must be fulfilled for the project implementation:

- buy special software to work with equipment;
- in order to maximize coverage of the store area, we need to purchase 5 gateways.

In total, we plan to purchase 5000 price tags, 5 gateways and 1 unit of software for the store.

*The quality of service to customers.* Due to the implementation of this project, clients receive a large number of benefits and benefits, namely:

- decrease of time spent on queues and reduction of conflicts in the cash zone due to price mismatch in the trading hall;
- always current prices;
- convenience.

As the supplier for electronic price tags was chosen Suntown Ukraine. The enterprise is a leading system integrator of Ukraine in the field of automation and optimization of business processes in retail, distribution, warehouse and transport logistics.

The company offers services for the implementation of ESL price tags – a revolutionary marketing solution. Using innovative digital paper technology allows to centrally monitor in real-time all market changes: price, special offers, lot sizes [44].

Next, we have to calculate the cost of the budget for the implementation of the electronic price list for the Retail Trend Furshet store.

*Table 3.1*

**Budget for implementation of the price tag project for  
Retail Trend LLC**

Item	Amount, items	Price for 1 item, hrn	Price, hrn
Electronic price tag with 3 colours	5 000,00	168,00	840 000,00
Gateway (for managing price tags)	5,00	11 025,00	55 125,00
The licence fee for a program product	1,00	22 050,00	22 050,00
Installation fee budget	1,00	25 000,00	25 000,00
Total	–	–	942 175,00

Source: calculated by the author

Therefore, the total cost of the electronic price tag implementation project is 942 176 hrn. This amount includes the cost of electronic price tags 840 000 hrn, gateway 55 125 hrn, one-time licence fee 22 050 hrn and installation fee budget 25 000 hrn.

*The amount of expected profit for Retail Trend LLC.* We expect this enterprise innovation to reduce the monthly labour costs of store workers.

Each shop floor employee receives about 8,500 hrn, so we can consider this savings as the expected profit from the project implementation.

We expect to reduce the staff by 5 workers. So we have to save 41 250 hrn every month.

Annual salary savings = 41 250 x 12 = 510 000 hrn.

Therefore, the projected estimated savings of this project for Retail Trend is about 510 000 hrn, during 12 months.

This project has many advantages that Retail Trend gets from implementing it:

- increasing revenue through marketing campaigns and promotions across the business;
- improvement of shop efficiency;
- decrease of losses from the absence of price tags on goods in the trading hall;
- reducing the human factor (employees mistakes).

Recommendation for implementation of the project to Retail Trend LLC

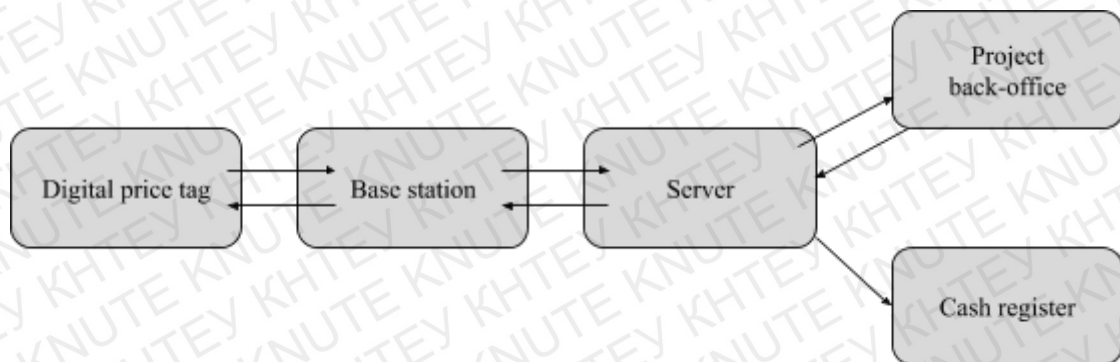


Fig. 3.1. The organizational structure of the project in a store

*Source: made by the author on the basis of [26]*

In fig. 3.1 we can see the organizational chart of this structure, which must be included in company's organizational structure. Retail Trend have to add a new element to its organizational structure – project back-office. Project back-office is a new organizational structure of the enterprise, which should manage and control the work of electronic price lists in all stores of the network, in case of further implementation of this project in other stores of the Furshet retail chain.

### 3.2 Evaluation of the effectiveness of implemented trade competitive advantages

Based on the calculations in part 3.1, we will calculate the effectiveness of the electronic price tag project for Retail Trend by the main financial indicators:

1. NPV – net present value;
2. IRR – internal rate of return;
3. PP – payback period;
4. PI – profitability index.

Based on the average deposit rate in Ukraine [45], we do further calculations on the basis of average deposit rate – 17,5%.

*Table 3.2*

#### Net present value and internal rate of return for Retail Trend LLC

Year	Cash flow, hrn	Present value, hrn
0	-942 175,00	-942 175,00
1	510 000,00	434 042,55
2	510 000,00	369 397,92
3	510 000,00	314 381,21
Net present value, hrn		175 646,68
Internal rate of return, %		28,79%

Source: calculated by the author

Net present value of a project for 3 years is 175 646,68 hrn. It means that the project is profitable and present value of project is positive.

Internal rate of return is 28,79%. The project is expected to generate 28,79% growth for 3 years.

*Table 3.3*

#### Payback period of the project for Retail Trend LLC

Year	Cash flow, hrn	Balance, hrn
0	-942 175,00	-942 175,00

Continuation of table 3.3

Year	Cash flow, hrn	Balance, hrn
1	510 000,00	-432 175,00
2	510 000,00	77 825,00
3	510 000,00	587 825,00
Payback period, years	1,84	1,84

Source: calculated by the author

Thus, in order to reach the break-even point of all cost of the project needed 1,84 years. Payback period of the project is 1,84 years (22 months). During this period we recoup all invested funds in the project in nominal value. Next, we need to calculate the discounted payback period.

Table 3.4

#### Discounted payback period of the project Retail Trend LLC

Year	Cash flow, hrn	Present value of cash flows, hrn	Balance, hrn
0	-942 175,00	-942 175,00	-942 175,00
1	510 000,00	434 042,55	-508 132,45
2	510 000,00	369 397,92	-138 734,53
3	510 000,00	314 381,21	175 646,68
Discounted payback period, years			2,44

Source: calculated by the author

The discounted period is 2,44 years (29 months) for the project. During this period of 3 years, we will be able to fully cover our project costs. Thus, it means that the project is worth investing.

Table 3.5

#### Profitability index of the project Retail Trend LLC

Year	Cash flow, hrn	Present value of cash flows, hrn
0	-942 175,00	-942 175,00
1	510 000,00	434 042,55
2	510 000,00	369 397,92

*Continuation of table 3.5*

Year	Cash flow, hrn	Present value of cash flows, hrn
3	510 000,00	314 381,21
Total present value of cash flows, hrn		1 117 821,68
Profitability rate		1,18

*Source: calculated by the author*

The total present value of cash flows of the project is 1 117 821,86 for 3 years of activity. Profitability index for 3 years is 118%. It means that this project during 3 years will bring to the enterprise not only many of benefits and improvements in day-to-day activity but also can be cost-effective.



## CONCLUSIONS AND SUGGESTIONS

1. We analyzed the concept, essence, types of competitive advantages of the trade enterprise.

We determined the competitive advantage precisely as the heart of the enterprise's performance in competitive markets. If we consider highly saturated markets with a high number of competitors, then the main competitive advantage is the low price for the company's products or services, the differential advantage, or the successful focusing strategy. Porter M. highlighted the competitive advantage as a certain value that the firm can create and provide for the client, but this cost must necessarily exceed the spent resources for its creation

It was determined that competitive advantages play a significant role in the trade and are an integral part of the company. We have looked at different types of competitive advantage and competitive advantage levels, namely: low level, high level and top level.

Thus we concluded that competitive advantage is considered to be stable when it is difficult to reproduce by competitors or when the imitation barrier is too high, but such a high form of competitive advantage is not available to all spheres. In some spheres, the main competitive advantage is simply a low price for goods and services, the sphere of trade is precisely such an area, for other spheres, it is necessary to introduce certain innovations and new technologies in order to remain competitive.

2. We considered methods of evaluation and types of competitive advantages of the trade enterprise.

In order to be competitive in the trade market, trade enterprises should create and develop sustainable competitive advantages. We have considered various methods of competitiveness assessment, namely VRIO, SWOT, customer survey.

We have proposed a method of assessing the competitiveness of an enterprise and identifying its weaknesses – a survey of potential buyers. With which we can evaluate on 10 key criteria and propose/introduce certain improvements to the activities of the trading company.

3. We implemented diagnostics of the external environment of Retail Trend LLC.

The market in which Retail Trend operates is very competitive and oversaturated, the share of innovative projects in this field is negligible.

Based on the assessment of the competitive forces of the main competitors of Retail Trend in Kyiv, Retail Trend has 5 main competitors: Auchan, ATB-market, Silpo, Novus and ECO-market. We identified these competitors by the total size of retail space.

We estimated the level of intra-industry competition in Kyiv, 9 points were obtained and it can be argued that a trading company has a large number of competitors, the market is oversaturated.

We assessed the power of a buyer on the Kyiv market and we got 8 points from 12. And concluded that the level of threat of consumer loss is above average on the market.

Estimating the level of intra-industry competition in Kyiv, 10 points from 12 were obtained and it can be argued that the Retail Trend has a large number of competitors, the market is oversaturated.

We received 15 points from 24, assessing the threat of new players entering the Kyiv retail market, we found that there is an average threat of new players entering the market. The threat of new big players entering the market has no significant impact on the analyzing enterprise.

We conducted an assessment of the main elements of competitiveness of trading companies. And determined that the leaders in the competitive forces are the companies Auchan (4.4 points), Silpo (4.3 points) and Novus (4.5 points).

Businesses ATB-market (3.6 points) and ECO-market (3.5 points) received average marks.

4. We implemented the evaluation of the competitive advantages of Retail Trend LLC.

According to the customer survey we conducted in part 2.2, we can see quite low rates in such categories as store maintenance costs (2.52 points), promotional events (2.25 points), service leadership (2.72 points); customer process leadership (2.65 points). These low rates are weak points in comparison with competitors of the enterprise.

So, we find out that Retail Trend LLC has some issues with service, customer service, customer service and limited network costs to keep stores in good repair. According to the survey, the store has low activity in promotional events. We can conclude that in order to increase the convenience and efficiency of the advertising activity in the store we need to implement a system of electronic price tags.

According to SWOT-analysis, should be noted that Retail Trend has a significant number of potential development opportunities that can be used to improve the enterprise. Retail Trend should consider such potential development opportunities as investing in local advertising, developing its own in-store brands, delivering and purchasing goods via the Internet, and developing its customer service department. One of the important strengths is that Retail Trend is known as a pioneer and has first-mover status in the retail industry. And Retail Trend has a potential of using of it-technologies in their day-to-day activity.

After vrio-analysis, we have found that Retail Trend has no sustainable competitive advantage, according to the analysis. We have 1 non-exploited competitive advantage, 1 temporary competitive advantage and 3 competitive parities.

After conducting of Snw-analysis, we also made a conclusion that service level at this enterprise on a very low level due to low budgets and outdated commercial equipment, poor in-store service. The company does not use IT-systems in their day-to-day work. Company has a well-known brand but has bad reputation among the consumers.

Analyzing the income statement of Retail Trend LLC store 2015-2018 years, we can conclude that the company has a tendency to decrease financial results from operating activity over the last 3 years. The company has relatively high operating costs according to the financial statements. Our project that we will be proposed in the part 2 must decrease cost and partly solve the service problems at the enterprise.

5. We proposed measures for the development of competitive advantages of trade for Retail Trend LLC.

We developed a proposal for Retail Trend Furshet stores and we conducted an evaluation of the effectiveness of our project. After analyzing the enterprise in part 2, we have come to the conclusion that the condition of the service part of Retail Trend Furshet stores is unsatisfactory and needs improvement. We can conclude that in order to increase the convenience and efficiency of this trading company we proposed to implement a project of electronic price tags. We introduce new technology for retail trade, which is not widespread and typical in the Ukrainian market. We have chosen the strategy of a blue ocean to differentiate our trade enterprise and open new market space.

The purpose of the project is to introduce to the store a new IT system – electronic price tags. With the help of this innovation, we can partially solve the service problem of Retail Trend, increase its efficiency, make it possible for Retail Trend to hold hourly promotions for products and other in-store promotional events.

This innovation for Retail Trend should significantly distinguish the enterprise from competitors, reduce the cost of wages by employees who were previously engaged in work with ordinary price tags on paper. The project should enhance the status of Retail Trend stores and attract new customers to company's retail stores.

We estimated the number of SKUs in the store and it's about 4 500, so we decided to buy 5000 electronic price tags for the store. Considering the unforeseen circumstances and details of the project, we plan to additionally purchase 500 electronic price tags. The store should have 500 units for reserve because we can not avoid breakdowns and other situations in the store. The project is scheduled to start on February 3, 2020 year. In the months of February and March, we plan to implement 2,500 units in the store. By April 30, 2020, we plan to complete the project and implement the remaining electronic price tags (2000 units).

We calculated the total cost of the electronic price tag implementation project is 942 176 hrn. This amount includes the cost of electronic price tags 840 000 hrn, gateway 55 125 hrn, one-time licence fee 22 050 hrn and installation fee budget 25 000 hrn.

We projected the estimated savings of this project for Retail Trend is about 510 000 hrn, during 12 months (1 year).

6. We evaluated the effectiveness of implemented trade competitive advantage for Retail Trend LLC.

The project of electronic price tags for Retail Trend LLC was evaluated by 4 main financial indicators: net present value, internal rate of return, payback period and profitability index.

The net present value of a project for 3 years is 175 646,68 hrn. It means that the project is the profitable and present value of the project is positive.

Internal rate of return is 28,79%. The project is expected to generate 28,79% growth for 3 years.

Payback period – 1.84 years (22 months). Discounted payback period – 2,44 years (29 months).

The total net present value of a project for 3 years – 1 117 821,86 hrn. Profitability index for 3 years – 1,18 or 118%.

According to calculated indicators during the evaluation of the effectiveness of the electronics price tag project, we can conclude that this project is worth investing and Retail Trend LLC should consider its implementation.

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## APPENDICES

## Appendix A

**Copy of the scientific article on the topic: «Methods of evaluation and development of the enterprise competitive advantages»**

**METHODS OF EVALUATION AND DEVELOPMENT OF THE ENTERPRISE' COMPETITIVE ADVANTAGES**

**SHEVCHENKO D., 5 course FEMP KNTEU,  
specialty «Trade management»**

*У статті розглянуто суть та характерні особливості оцінювання та формування конкурентних переваг підприємства. Визначено способи формування конкурентних та їх класифікацію переваг підприємства. Розглянуто способи оцінки та розвитку конкурентних переваг підприємства. Запропонована методика оцінки конкурентних переваг через порівняння різних торговельних підприємств та думки клієнтів по певному переліку критеріїв.*

*The article examines the nature and characteristics of evaluation and competitive advantages of the company. The ways of formation of competitive and their classification of advantages of the enterprise are determined. The ways of estimation and development of competitive advantages of the enterprise are considered. The method of estimation of competitive advantages through comparison of different trading enterprises and the opinion of clients on a certain list of criteria is proposed.*

**Relevance of research.** High competition in the trade market, high consumer demands caused by the saturation of the market by trade. Thus, we see a significant increase in competition between trade enterprises. This leads to the fact that enterprises need to develop and form competitive advantages in today's market conditions, if the enterprise and its management has the goal of achieving a stable competitive position and competitiveness in the market.

**The aim of the paper** is to identify the nature of the analysis of methods for assessing and developing the competitive advantages of the enterprise, and the development of the trading company on their basis.

The subject of the research is the methods of assessment and development of competitive advantages of the enterprise.

The object of the study is the assessment and development of competitive advantages of the enterprise.

M. Porter [4, 5, 7, 9] made the most significant contribution to the modern theory of competition and the study of concepts related to competitiveness, and the methods of their development. The analysis of competition and competitiveness of the enterprise was also carried out in their works by such foreign and domestic scientists as J.Z. Lamben, M. Meskon, R.A. Fathutdinov, L.V. Balabanova, A.V. Voychak, R.V. Kamishnikov, I.Z. Dolzhansky, O.I. Drahan, R.A. Fathutdinov, D. Morschett, G.T. Pyatnitskaya, L.V. Lukashova, N.V. Raksha, J. Pearce, R. Robinson [1-3, 6, 8, 10-12]. All these authors have made a significant contribution to the development of this topic, there is a large number of different techniques for the identification and development of competitive advantages, therefore, it is necessary to generalize them for the trade sector.

**The main material:**

Competitiveness of the enterprise is revealed only in conditions of competition and through competition. Because competition is the main instrument for regulating a market economy and an important part of the market environment in any field of economic activity. Competition – an economic process of interaction, interconnection and struggle between enterprises operating in the market in order to provide better opportunities for selling their products, meeting the diverse needs of buyers and obtaining the highest profit [1]

Consequently, one can conclude that in order to ensure competitiveness, the company must actively engage in development and the formation of competitive advantages. Competitive advantages are in different types of business activities (for example economic, organizational, personnel, logistics, etc.). Thus, in our opinion, the presence of an intangible asset as a brand. The brand is an

overwhelming competitive advantage for the enterprise, because it can significantly allocate the company among others and forms a certain confidence from potential customers of the enterprise.

A competitive strategy of a certain firm deals with the development of properties that characterize the company and differentiates the value it creates and offers compared with its competitors [7]. Thus, that is, the basic idea of how a firm can compete best in the highly competitive market [12; p.220].

M. Porter [4, 5, 7, 9] determines the competitive advantage precisely as the heart of the enterprise's performance in competitive markets. If we consider highly saturated markets with a high number of competitors, then the main competitive advantage is the low price for the company's products or services, the differential advantage, or the successful focusing strategy. M. Porter highlighted the competitive advantage as a certain value that the firm can create and provide for the client, but this cost must necessarily exceed the spent resources for its creation [3].

We consider it is precisely these highly competitive spheres that include the retail sector, which is very saturated and low prices play a significant role.

To form competitive advantages, an enterprise must transform organizational routines. In practice, enterprises use a variety of ways to transform organizational routines, namely: compulsory; spontaneous; as a result of arrangements. In this case, the transformation of the routine causes changes in the organizational capabilities of the company or company, as a consequence, in its competencies.

Competence is a set of interrelated skills and technologies in the activities of any organization. Each company forms its own hierarchy of competences, at the top of which are strategic and key competences.

The competencies of enterprises have the following composition: 1. Professional competencies; 2. Role competencies; 3. Functional competencies; 4. Strategic competencies; 5. Key competencies [8].

Professional competencies and role competences are personal competencies are belonging to a certain area of the company.

There is a large number of concepts that are strategic business competence and key competencies. Many researchers of strategic competence define as the competence of the business strategy of the enterprise with the conditions of the business environment. Key competence is the competence that: allows the company to solve tasks that are not able to resolve most other market participants; establishes a new industry standard and thus provides its competitor with an advantage. [8]

In practice, it is common ground to distinguish between several key competencies, namely:

- related to market access;
- allows for the company to fulfill its tasks faster, more reliable and more flexible than competitors;
- related to functional competencies.

According to T. Duran, the competence of the enterprise is divided into two groups: 1) competencies which are not conscious; 2) competences that are clearly formulated and understood [8].

According to work of Drahan O. I. [1] we have different points of view on definition of competitive advantages.

As far as management, competitive advantages are the result of proper adoption of management decisions, the rational organization of production, the application of effective methods of strategic and tactical planning, enhancement of personnel motivation and control [1].

From the perspective of marketing, competitive advantages are the consequence of the correct choice of product and assortment policies, pricing, distribution policies and product promotion [1].

From the perspective of logistics, competitive advantages are economy and efficient use of material resources, resource conservation and integrated processing of raw materials [1].

From the standpoint of financial activity, the competitive advantages are ensuring a stable financial position, financial sustainability and growth of the company's own capital, attracting investment in projects that generate high returns at the lowest risk [1].

From the point of view of entrepreneurship, competitive advantages are the conditions of enterprise survival in a competitive environment and the source of maximum amount of profit from activity [1].

Competitive advantages are divided into the following levels (figure 1): low level, high level and highest level.

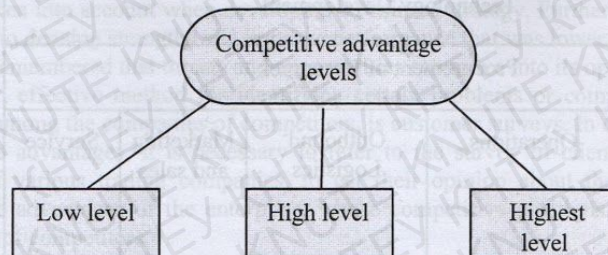


Figure 1. Types of competitive advantages

Made by the author on the basis of [10]

Competitive advantages of «low level» can be easily achieved or to be copied by competitors (using cheap labor, providing a wide range of raw materials, etc.). These benefits are based on the cost or availability of factors of production and do not guarantee a stable market position [10].

Competitive superiority of the «high level» is the result of a targeted enterprise activity, usually associated with significant costs and difficult to copy (modern patented technology; specialized programs for the reproduction of high-skilled labor; high reputation of the company, based on active marketing activities; availability branched distribution network and maintenance network) [10].

Competitive advantages of the «highest level» are the result of continuous modernization of production (or other specific competencies of the enterprise) and activities that are accompanied by the exhaustion of a competitor if he achieves them [10].

According to the classification developed by R.A. Fathutdinov [10], it is advisable to group the competitive advantages according to their relation to the research system (organization, country, etc.), the sphere of origin, the content of the factor of advantage, the method or means of obtaining it, the place of implementation, the time (duration) of implementation, the type of the resulting result [2].

In order to form and develop competitive advantages, we must use a value formation chain (figure 1) that can help solve such problems, provided that it is implemented in practice:

1. Optimization of the level of performance of the basic functions;
2. Effective interfunctional coordination;
3. Coordination with the actions of external factors [8].

Made by the author on the basis of [8]

According to M. Porter [9], in a competitive environment it is impossible to understand or determine a competitive advantage if we look at the firm as a whole. Therefore, we need to consider its individual parts of the activity.

Using the value chain (figure 2) by M. Porter, we can construct a hierarchy of processes for creating a contribution to the end product – values or services for the consumer. But an enterprise cannot have a competitive advantage in every function of the value chain, regardless of the size of the enterprise [8].

<b>Support processes</b>	Firm infrastructure					<b>Competitive advantage</b>
	Human Resource Management					
	Technology Development					
	Procurement of Resources					
<b>Primary business processes</b>	Inbound logistics	Operations	Outbound Logistics	Marketing and sales	Service	

Figure 2. Basic value chain formation by M. Porter

Through the use VRIO-analysis. The method helps identify competencies, resources and organizational capacity for the four criteria, namely:

1. Valuable;
2. Rare;
3. Inimitable;
4. Organized [8].

Subject to receiving all 4 criteria to «Yes» an enterprise have a sustainable competitive advantage.

After evaluating the VRIO of the company, we evaluate the internal component of the strategic potential. To calculate, we need the following formulas:

$$\text{Internal strategic potential} = \sum_{i=1}^n w_i \cdot \text{VRIO}_i \quad (1)$$

$$\sum_{i=1}^n w_i = 1 \quad (2)$$

$i$  – index of resources and organizational capabilities of the enterprise;

$n$  – the number of resources available to the enterprise and organizational capabilities of the enterprise;

$w_i$  – share of resource and ability in the total amount of available resources and organizational capacity of enterprises that create consumer value;

$\text{VRIO}_i$  – number of VRIO values [8].

An enterprise needs to evaluate the various types of threats, both external and internal.

After conducting the VRIO-analysis, we must identify the external component of the strategic potential by means of SWOT-analysis.

Identify the weaknesses, strengths and competitive advantages through analysis of the company through swot (s-strengths, w-weaknesses, o-opportunities, t-treatments) analysis. We can

use SWOT analysis to determine the external component of the strategic potential of the enterprise. We will be able to anticipate certain changes in the future activities of the enterprise.

Identifying the weaknesses of the company and the desire to turn them into strengths is an essential aspect of SWOT-analysis in developing a strategy for enterprise development.

In each of the four fields, possible pair combinations are considered. Allocate those that must be taken into account when developing a business strategy. Further, we determine what needs to be done to develop strengths and improve performance that was lower than that of competitors. It should be remembered that threats and opportunities can move into its opposite.

An effective method for identifying certain problems or competitive advantages of our company, among the companies of competitors, is customer surveys. In order to effectively identify competitive advantages, it is necessary to refer to the survey of clients who constantly use the services of various trading companies, to get their opinion about the various elements of the competitive advantages of the enterprise, whose competitive positions we want to raise and the enterprises of competitors.

Thus, based on the study of various characteristics, we compile a list of key criteria that are important for store customers. Then we should compare the results for different characteristics of the store, namely the following characteristics:

1. Best store atmosphere;
2. Best customer relationship management;
3. Cost leadership;
4. Best advertising;
5. Price leadership;
6. Quality leadership (assortment/products);
7. Service leadership;
8. Customer process leadership;
9. Convenience leadership;
10. Best variety of assortment.

We need to use a 5-point scale to evaluate each element of competition (1 worse than most competitors to 5 much better than most competitors) [6].

According to the proposed methodology for assessing the company's competitive advantages, we can evaluate and compare a trading company with competitors based on a sample survey.

Given current realities, we also need to consider a more precise method when we narrow down the broad list of questions for respondents to the 3 main criteria / factors that a significant role in choosing a trading company in today's market conditions. Namely, the following criteria:

The first criterion is the price and certain experience from attending of a store;

The second criterion is quality of core functions (such as cleanliness, speed of service and etc.);

The third criterion – convenience.

#### **Conclusions and suggestions**

In the article, we examined the different types and levels of competitive advantages, methods of survey of consumers for evaluating and developing competitive advantages can be used in the practical activities of a trading company. Method of survey have practical importance in the control, evaluation and development of sustainable competitive advantage for a trading company.

We have learned that there is a significant number of factors in the competitive market during the enterprise. Management of trade enterprises should use methods of survey, determine the key competences of the enterprise and develop it. It is necessary not only to analyze existing competencies, but also to follow the trends in the field of enterprise activity and to predict, based on the analysis, the future key competences of the enterprise. Management of the company should develop and implement methods of survey of consumers, which should form a new competitive advantage for the enterprise and discover weakness in competitive strategy.

The prospect of further research is seen in adaptation and development of methods of consumer survey in retail for Ukrainian current market and competitive conditions.



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The work is done under the scientific direction of the candidate.  
econ. sciences, associate professor KHMUROVA V.V.

## OPERATIONAL MANAGEMENT ACTIVITIES OF TRADE ENTERPRISES

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*The article explores the adoption of operational management strategies and practices of enterprises that afford the enterprises the competitive edge. Strategic areas of operational management are discussed. Commonly proven operational management tools are employed. The lead and the Six Sigma principles of managing operations are assessed for their optimum use in the enterprise as well as the targets of such tools.*

**Relevance of the research.** In contemporary business, enterprises must operate in unpredictable environments where the major resources are rare and where great uncertainty in commercial opportunities exists. The market enacts great efficiency principles and businesses that do not realize this quickly relegate [3; 7]. In such instances, proper optimization of internal resources is essential for each company which wants to uphold a competitive advantage. This has to be supplemented by the constant improvement of core routines and processes. To realize this aim, knowledge in supervision and skills improvement processes can show a major role, particularly for Medium and small sized Enterprises (SMEs) to which trading businesses may belong [3; 7].

### Income Statement of Retail Trend LLC for the 2016 year

Item	Line code	For the reporting period, hrn	For the same period in the previous year, hrn
Net income from sales of products (goods, works, services)	2000	26 651 256	24 120 375
Cost of sales (goods, works, services)	2050	22 209 380	20 218 252
Gross:	×	×	×
profit	2090	4 441 876	3 902 122
loss	2095	-	-
Other operating income	2120	37 194	45 993
Administrative expenses	2130	458 700	437 271
Selling expenses	2150	2 904 192	2 450 337
Other operating expenses	2180	66 343	98 122
Financial result from operating activities:	×	×	×
profit	2190	1 049 835	962 385
loss	2195	-	-
Income from participation in capital	2200	-	-
Other financial income	2220	42 840	12 908
Other income	2240	84 195	32 240
Financial expenses	2250	231 000	251 399
Losses from participation in capital	2255	-	-
Other expenses	2270	68 392	25 619
Financial result before tax:	×	×	×
profit	2290	877 478	730 515
loss	2295	-	-
Income tax expense (revenue)	2300	157 946	131 492
Profit (loss) from discontinued operations after tax	2305	-	-
Net financial result:	×	×	×
profit	2350	719 532	599 022
loss	2355	-	-

**Income Statement of Retail Trend LLC for the 2017 year**

Item	Line code	For the reporting period, hrn	For the same period in the previous year, hrn
Net income from sales of products (goods, works, services)	2000	29 178 731	26 651 256
Cost of sales (goods, works, services)	2050	24 214 714	22 209 380
Gross:	×	×	×
profit	2090	4 964 016	4 441 876
loss	2095	-	-
Other operating income	2120	68 439	37 194
Administrative expenses	2130	598 700	458 700
Selling expenses	2150	3 301 214	2 904 192
Other operating expenses	2180	91 225	66 343
Financial result from operating activities:	×	×	×
profit	2190	1 041 316	1 049 835
loss	2195	-	-
Income from participation in capital	2200	-	-
Other financial income	2220	12 840	42 840
Other income	2240	21 629	84 195
Financial expenses	2250	291 440	231 000
Losses from participation in capital	2255	-	-
Other expenses	2270	72 184	68 392
Financial result before tax:	×	×	×
profit	2290	712 161	877 478
loss	2295	-	-
Income tax expense (revenue)	2300	128 189	157 946
Profit (loss) from discontinued operations after tax	2305	-	-
Net financial result:	×	×	×
profit	2350	583 972	719 532
loss	2355	-	-

### Income Statement of Retail Trend LLC for the 2018 year

Item	Line code	For the reporting period, hrn	For the same period in the previous year, hrn
Net income from sales of products (goods, works, services)	2000	24 952 257	29 178 731
Cost of sales (goods, works, services)	2050	20 968 283	24 214 714
Gross:	×	×	×
profit	2090	3 983 973	4 964 016
loss	2095	-	-
Other operating income	2120	91 295	68 439
Administrative expenses	2130	545 288	598 700
Selling expenses	2150	2 709 669	3 301 214
Other operating expenses	2180	75 528	91 225
Financial result from operating activities:	×	×	×
profit	2190	744 783	1 041 316
loss	2195	-	-
Income from participation in capital	2200	-	-
Other financial income	2220	72 840	12 840
Other income	2240	43 529	21 629
Financial expenses	2250	219 732	291 440
Losses from participation in capital	2255	-	-
Other expenses	2270	98 392	72 184
Financial result before tax:	×	×	×
profit	2290	543 028	712 161
loss	2295	-	-
Income tax expense (revenue)	2300	97 745	128 189
Profit (loss) from discontinued operations after tax	2305	-	-
Net financial result:	×	×	×
profit	2350	445 283	583 972
loss	2355	-	-

### Assessment of the market power of the buyer in Kyiv

Rating parameter	Parameter Estimation		
	3 points	2 points	1 point
Share of high-volume buyers	More than 80% of sales are for multiple customers	A small portion of customers account for about 50% of sales	Sales volumes are evenly distributed to all customers
			1
A tendency to switch to other businesses	The company's services are not unique, there are complete analogues	The service of the company is partially unique, there are significant differences that are important for consumers	The company's services are completely unique, there are no analogues of competitors
	3		
Price sensitivity	The consumer will always switch to a lower-priced enterprise	The consumer will only switch when there is a significant price difference	The consumer is absolutely insensitive to prices
		2	
Consumers are not satisfied with the quality of the market	Dissatisfaction with key features of services	Dissatisfaction with minor services	Full satisfaction with the quality of services
		2	
Total	8 points		

### Intra-industry competition evaluation in Kyiv

Rating parameter	Parameter Estimation		
	3 points	2 points	1 point
Number of players	High level of market saturation	Average market saturation	A small number of players
	3		
Market growth rate	Stagnation or decline in market volume	It is slowing down but growing	High
	3		
The level of differentiation of services in the market	Companies provide standardized services	Services in the market are standardized in basic terms, but differ in additional advantages	The company's services are significantly different

		2	
Restrictions on price increases	Fierce price competition in the market, lack of opportunities in increased prices	There is an opportunity to raise prices only to cover rising costs	There is always an opportunity to raise prices to cover costs and earn extra profit
		2	
Total		9 points	

*Appendix G*

**Assessment of the threat of new players entering the Kyiv retail market**

Rating parameter	Parameter Estimation		
	3 points	2 points	1 point
Economy of scale when providing services	Missing	There are several players in the market	Considerable
			1
Strong competitors with high level of reputation and loyalty	There are no major players	7-8 major players hold about 50% of the market	3-5 major players hold about 80% of the market
		2	
Differentiation of services	Low variety of services	There are a small number of service options available	All possible services are provided by different players in the market
		2	
The level of investment and cost to enter this industry	Low (cost recovery over 1-3 months)	Medium (cost recovery for 6-12 months)	High (cost over 1 year)
			1
Distribution channels availability	Unlimited distribution channels available	Availability of distribution channels requires a moderate investment	Distribution channels are restricted
	3		
State policy	There are no state bans	The state controls this industry only partially	The state has full control over this industry and sets restrictions
	3		

Willingness of existing players to reduce the price of services	Players do not want to reduce the price	Top players will not reduce the price	Any time you try to introduce a new type of service at a lower cost, players will also reduce their prices
			1
Industry growth rate	High and growing	Moderate (moderate)	Stagnation or fall
		2	
Total	15 points		

*Appendix H*

**Evaluation of threats by suppliers on the Kyiv market**

Rating parameter	Parameter Estimation	
	2 points	1 point
Number of suppliers	Few suppliers or monopoly	Wide choice of supplier
		1
Limited resources by suppliers	Limited supply volume	Unlimited supply
		1
Costs of switching	High switching costs for other vendors	Low switching costs for other vendors
		1
Priority for supplier	Low priority for the vendor industry	High priority for the vendor industry
		1
Total	4 points	

*Appendix I*

**Snw analysis of Retail Trend LLC**

№	Factors	Estimation			Comments
		S	N	W	
<b>Staff</b>					
1	Personnel training system		✓		Training is not provided.
2	Motivation system		✓		No motivation system
3	Staff turnover		✓		Staff turnover is the same as that of competitors
4	Staff qualifications			✓	The qualifications of staff are worse than those of competitors. The reason is the lack of a staff training system
5	Number of staff	✓			No staffing shortage

6	Interest in enterprise development		✓	The employees of the company are not motivated to improve and offer solutions to problems at the enterprise. The reason for the bureaucratization of the enterprise and the lack of motivation on the part of the enterprise
7	Manager qualifications		✓	The enterprise management works at a level with competitors
8	Average salary		✓	On the same level with competitors
<b>Marketing</b>				
9	Marketing system		✓	Marketing is limited only to advertising assortment inside the store
10	Shop Assortment		✓	The company completely covers the needs of customers.
11	Company fame		✓	The company is quite well-known in the retail market but has a pretty bad reputation due to the low cost of maintaining stores.
12	Price level		✓	Low than average prices
13	Sales volumes		✓	In terms of sales, the company is the average representative in the market
14	Geographic location	✓		The location of the store is very good. The store is close to a large flow of people, a shopping centre and the metro station
15	Market share		✓	The company takes an average position in the market
16	Service level		✓	Due to low budgets and outdated commercial equipment company has poor in-store service
17	Brand Quality		✓	Brand of the company is well known but has bad reputation among the consumers
18	Vendor dependency	✓		There are many suppliers. A supplier can be easily replaced
<b>IT-Technologies</b>				
19	IT systems		✓	In addition to cash register software, the Retail Trend does not use other IT systems.