

## **INCREASING COMPETITIVENESS OF RETAIL TRADE ON THE BASIS OF STRUCTURAL TRANSFORMATIONS**

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### **Abstract**

*Ukraine seeks to be an active participant in international economic relations, therefore, it is necessary to create a competitive model of the national economy.*

*The dominant aspect of the current development of retail trade is the competition that unfolded in the last third of the last century and, due to its multifaceted nature, has become the subject of discussions by both scholars and economists as well as experts.*

*Such processes as denationalization, liberalization, demonopolization, and the development of entrepreneurship formed the basis for the formation of competition in all spheres of the domestic national economy and, first of all, in the most inclined to transformational transformations in the sector - retail trade.*

*Therefore, the development of the competitiveness of retail enterprises is a prerequisite for a high-quality and efficient functioning of the domestic consumer market. The purpose of this article is to analyze the development of retail enterprises during the transformation processes. Investigation of competitiveness of such enterprises.*

*The research used general scientific and special methods, as well as information base, including domestic and foreign legislation, statistical materials, etc.*

*In order to strengthen the competitive potential of retail trade, increase its level of competitiveness, the article proposes a mechanism for increasing the competitiveness of modern trade enterprises.*

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**Keywords:** *trade, domestic trade, enterprises of trade, transformation, competitiveness of retail trade*

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### **1. Introduction**

The peculiarity of modern development of domestic trade in countries of a market type is the deep structural transformation aimed at increasing the level of socio-economic efficiency of its functioning and competitiveness. The epicenter of such transformations is mainly retail trade.

In Ukraine, retail sales have reached enormous proportions and have a special place in the economic system and social sphere. However, the domestic practice of retail development and functioning inertia follows theories and concepts laid down at the beginning of the restructuring, which leads to significant structural deformations, macroeconomic imbalances and a decrease in its level of competitiveness. Meanwhile, the complexity of retail functions, increased competition, the change in the nature of growth, as well as the globalization of commodity markets and the internationalization of domestic domestic trade, objectively predetermine the need to accelerate the structural transformations in this subsystem on a scientific basis.

## 2. The degree of investigation of the problem currently

The competitiveness of the economy was studied by western scientists P. Krugman, S. Linder, B. Olin, M. Porter [12; 13], D. Sachs, L. Summers, J. Hart, E. Heckscher, as well as domestic scientists Y. Bazylyuk, O. Bilorus, B. Burkinsky, M. Delyagin, Ya. Zhalilo, V. Inozemtsev, B. Kuzik, B. Kvasnyk [7], D. Lukyanenko, S. Menshikov, I. Spiridonov, S. Sokolenko, R. Fathundinov, T. Tsygankova, Yu Yakovets and others.

The competition as a category, as well as the types of competition, competitive forces and competitive mechanisms in the theoretical framework, were studied by such classics of competition theory as I. Ansoff [1], B. Carloff, J. Robinson, R. Waterman, F. Hayek, I. Schumpeter and others.

The theory and practice of competition, as well as problems of the content of competition and competitive strategies in recent years, were investigated by L. Balabanova, V. Gerasimchuk, A. Gradov, I. Dakhno, K. Krivenko, I. Korolkov, V. Martsin, R. Nozdrev, V. Onishchenko, Yu Rubin, E. Savelyev, I. Starodubrovskaya, A. Yudanov and others.

At the same time, the problems of competition in the field of retail trade have been devoted to Ukrainian scientists such as V. Apopiy [2; 3], I. Balabanova, I. Dmytrenko [3; 5], N. Laschuk, A. Mazaraki [9], A. Miroshnichenko, O. Shyshkova and others.

Analyzing the scientific literature, one can conclude that there is no single position regarding the understanding of such an important economic phenomenon as the competitiveness of trade enterprises and the criteria for its evaluation. Prerequisites and conditions of competitiveness of retail enterprises in Ukraine are created inconsistently and fragmentarily, and there are no relevant scientific substantiation, as well as organizational and legal support, which leads to the negative and slow formation of a competitive environment in the industry.

The purpose of the article is to substantiate theoretical, methodological and applied principles of retail trade transformation in order to increase the level of competitiveness and the effectiveness of its functioning.

## 3. Methods and materials applied

The theoretical and methodological basis of the article is the position of the theory of transformation, economic theory, economic development, organization and management of trade, modern concepts of retail development, fundamental monographic publications of domestic and foreign researchers on the problems of management and regulation of transformation processes in the field of commodity circulation.

The research process is based on general scientific and special methods: abstract-logical; system-evolutionary; institutional functional analysis; statistical and graphical analysis.

The information base of the study consisted of domestic and foreign legislation, normative legal acts of the Council of Ministers of Ukraine and the Ministry of Economic Development and Trade, statistical data of the State Statistics Service of Ukraine, electronic and informational analytical materials that are placed on the Internet, analytical developments, own analytical calculations.

#### 4. Results obtained and discussions

Transformational changes taking place in the country have affected all spheres of public life. These transformations and branches of domestic trade did not go away.

Trade has a significant impact on the country's socio-economic development, and this system must be developed dynamically within the framework of a modern model of innovative character. For its part, the state trade policy should be aimed at addressing the pressing problems that arise in the trade sector.

The development of the trading sector, the opening of modern enterprises in the consumer market, the creation of new jobs and investment attraction create the right conditions for the dynamic growth of the Ukrainian economy. The state plays a major role in shaping the ecosystem development policy for businesses. It is thanks to state regulation that there is a possibility of transferring the trading sphere to a manageable and regulated way.

According to the report of Doing Business 2018, prepared by the World Bank on the ease of doing business, Ukraine is ranked 80th (145th place in 2009, 142 - in 2010, 145 - in 2011, 152 - in 2012, 137 - in 2013, 112 - in 2014, 96 - in 2015, 83th – in 2016 and in the future 80th place in 2017) [6].

The Doing Business 2017 research confirms the findings of many scholars and experts that the state plays a major role in the country's economic development through state regulation.

According to the annual World Bank study, entrepreneurs who start their business in developing countries believe that doing business today is much easier than ever in the last ten years. This is due to the significant progress that has been made by improving the legislative and regulatory framework around the world, including in Ukraine.

During the period of Ukraine's independence, domestic trade, in particular retail trade, has undergone appropriate transformations that have led it to a new stage in dynamic development.

The dominant aspect of the current development of retail trade is the competition that unfolded in the last third of last century and, due to its multifaceted nature, has become the subject of discussions by both scholars and economists as well as experts.

Such processes as denationalization, liberalization, demonopolization, and the development of entrepreneurship formed the basis for the formation of competition in all spheres of the domestic national economy and, first of all, in the most inclined to transformational changes in the sector - retail trade.

Therefore, the development of the competitiveness of retail businesses is a prerequisite for a high-quality and efficient functioning of the domestic consumer market.

Today, competition is a mechanism of rivalry of market participants for the consumer, for the possibility of selling goods on the most favorable terms, capturing the corresponding niche market in order to receive the corresponding profit, which enables companies to improve their activities.

At the same time, it should be noted that trading enterprises in the competition for the consumer can create cartels. The example of the Antimonopoly Committee of Ukraine, initiated by the Antimonopoly Committee of Ukraine, is antitrust concerted action of the 21st product network, such companies, as “Fozzi-Food” LLC, “Fora” Ltd., “Auchan Ukraine Hypermarket” Ltd., LLC “FoodMarket”, LLC “EKO”, FDI “Bill-Ukraine”, LLC “Kray-2”, CJSC “Furshet”, SE :Furshet

Center”, SE “Network-Market”, SE “Chain-Trade”, Open Company “Terra-Trade”, LLC “Prodremeza”, “Novus Ukraine” Ltd., “Ix 5 Retail Group Ukraine”, SPAR-Center LLC, “Bi-Market” Ltd., “Metro Cash & Carry Ukraine” LLC, “ATB-Market LLC”, “Adventus LLC”, “ASNilsen Ukraine” Ltd [11].

The committee collects and analyzes evidence in determining the fact of their cartel conspiracy, in particular trying to prove that the center is a company that collects information from each network, and then distributes it in a processed form, which allows networks to unreasonably raise prices for a number of goods, in particular Consumer basket goods.

At the same time, Ukraine seeks to be an active participant in international economic relations, therefore it is necessary to create a competitive model of the national economy.

During the globalization, namely economic, political, socio-cultural changes in the country's economy, there have been transformational transformations in the retail sector. Due to the various subjective and objective factors, the low level of competitiveness of trade enterprises is noted due to the lack of research on the Concept of assessing the level of competitiveness of modern trade enterprises, the use of uncoordinated indicators of competitiveness of trade enterprises, etc.

It should be noted that the participation of retailers in the competition is an integral part of their market activity. Therefore, state bodies of executive power are constantly trying to discuss the mechanism for regulating the competitiveness issues of both trade enterprises and manufacturers with scientists, the public and business circles.

Taking into account recognition of the European direction of our country in foreign policy, signing and ratification of the Association Agreement between Ukraine and the European Union, the immediate closeness to European markets, there is a need to acknowledge the trends of the European Union retail market development as well as its impact on the Ukrainian trading area.

Therefore, it is necessary to propose the development of mechanisms for drafting the Code of Ethics between suppliers and retail networks, since the specified codes are the key factors in the regulation of market relations in the countries of the European Union.

Researchers Murali K. Mantra and Manfred Craft [10, p. 47-64] argued that the integrated European retail market in its evolution took place in three stages:

- the first stage - after 1945, several American companies opened their trading networks in Europe, that is, under the influence of the tendencies inherent in the US retail trade in European countries, the transformation of the organizational and physical structure of trading enterprises;
- the second stage - the creation of a common market for retailers in European countries, which subsequently turned into the European Union. The growth of consumer demand for goods and services has provided opportunities for the creation and development of new trade formats, which has led to the consolidation of retail markets in Europe. In the 1970s and 1980s, the first hypermarkets in which consumer goods were offered to consumers, which eventually turned into highly specialized, namely, hypermarkets for the sale of food products, DIY goods, furniture, electronics, etc.;
- the third stage - continues to the present, which provides for the emergence of new functions for retail businesses. It was during the third period that the trade industry became a leading area in the European economies, in particular Metro, Carrefour and

Tesco, among the top 20 companies in Germany, France and the United Kingdom, in terms of market capitalization. At the same time, European trade companies such as Carrefour S.A., Tesco PLC, Metro AG, Aldi Einkauf GmbH@Co.oHG are among the ten most powerful global retailers (table 1).

Table 1. Global Powers of Retailing (FY 2015)

Retail revenue rank	Company	Country of origin	Retail revenue (US\$M)	Parent company/ group net income (US\$M)	Dominant operational format	Countries of operation	Compound annual growth rate
1	Wal-MartStores, Inc.	USA	482,130	15,080	Hypermarket/ Supercenter/ Superstore	30	2,7 %
2	Costco Wholesale Corporation	USA	116,199	2,409	Cash & Carry/ Warehouse Club	10	8,3 %
3	The Kroger Co.	USA	109,830	2,049	Supermarket	1	6,0 %
4	Schwarz Unternehmens Treuhand KG	Germany	94,448	n/a	Discount Store	26	7,4 %
5	Walgreens Boots Alliance, Inc. (formerly Walgreen Co.)	USA	89,631	4,279	Drug Store/ Pharmacy	10	5,9 %
6	The Home Depot. Inc	USA	88,519	7,009	Home Improvement	4	5,4 %
7	Carrefour S.A.	France	84,856	1,247	Hypermarket/ Supercenter/ Superstore	35	- 3,1 %
8	Aldi Einkauf GmbH &Co. oHG	Germany	82,164*	n/a	Discount Store	17	8,0 %
9	Tesco PLC	UK	81,019	535	Hypermarket/ Supercenter/ Superstore	10	- 2,3 %
10	Amazon.com, Inc	USA	79,268	596	Non-Store	14	- 20.8%

Source: [4]

n/a = not available

\* Revenue reflects wholesale sales

Taking into account the specifics of Ukrainian trading sector, we will present our point of view regarding the components of competitiveness.

Drawing attention to the fact that the competitiveness of the country is determined directly by the presence of competitive industries, it can be argued that the competitiveness of Ukraine, based on the theory of competition, finally manifests itself through trade.

Therefore, increasing the competitiveness of trade enterprises should become one of the main priorities of socio-economic policy of Ukraine.

Consequently, competition in trade is a rivalry of business entities in this area in order to obtain the highest financial results in their interests, which ultimately affects the reduction of prices, lower costs, the growth of quality public services, etc. (Fig. 1)

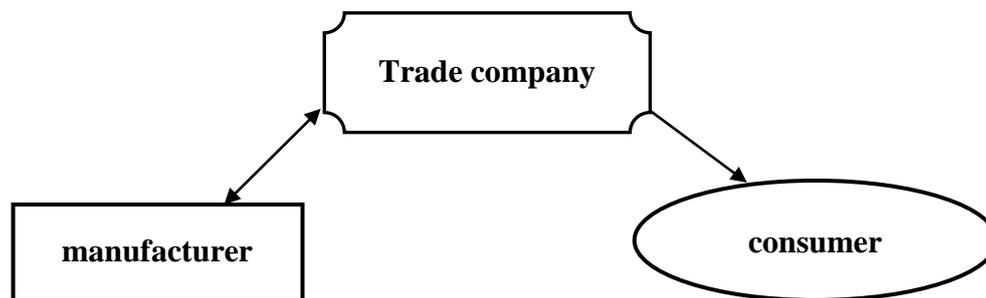


Figure 1. Competition in the retail sector

The efficiency of both the trading industry and the national economy as a whole is determined by the state of competition of enterprises in the sphere of trade. This is due, first of all, to the fact that the trading industry, performing the main function, aimed at satisfying the effective demand of the population for goods and services, is such an area where all economic relations in society are concentrated, therefore, it can act as a brake, as well as a catalyst for innovation processes.

According to the statements of the first state officials during the reform period of Ukraine, the strategic goal is to create a socially oriented market model of the economy in order to ensure a decent standard of living for the population. This can be achieved through the development of competition in retail, which directly or indirectly addresses the main component of transformation, namely: stimulates the development of small and medium businesses, affects the updating and expansion of the range of goods, satisfies the needs of consumers in quality goods and services.

Therefore, the system of national economy management should ensure the creation of appropriate conditions for the realization of competitive advantages [8].

We can learn that in the state today there is an understanding that an opportunity exists to develop and protect competition, which can provide sustainable economic progress in order to increase the well-being of citizens.

Well-known in his research, English scientist-economist F. Hayek wrote “well-known societies that rely on competition are more successful than others in achieving their goal”.

As we have noted above, competition in trade (from the Latin "competition" - I am facing) - is a rivalry between modern market economy participants for the most favorable conditions for the sale of goods with the quality provision of various services to the population.

The main task for retail chains in the development of fair competition is the gaining of the market, while ensuring a steady profit in obtaining preferences among competitors in the struggle for consumers.

It should be recalled that in Ukraine, until 1992, in the conditions of the administrative-command system, competition among the enterprises of retail trade did not exist. After the transition to a market economy, our country for a long time paid considerable attention to the negative effects of competition.

However, due to the conviction of some scholars and experts, they came to the conclusion that competition is, first of all, the driving force of a market economy that benefits the population: it encourages trading companies to open up new modern formats of enterprises, to provide consumers with quality services for servicing, to update and expand the range of goods for affordable prices and more.

Therefore, we will define such economic principles on which mechanisms, competitive positions and methods of competition should be created (Fig. 2).

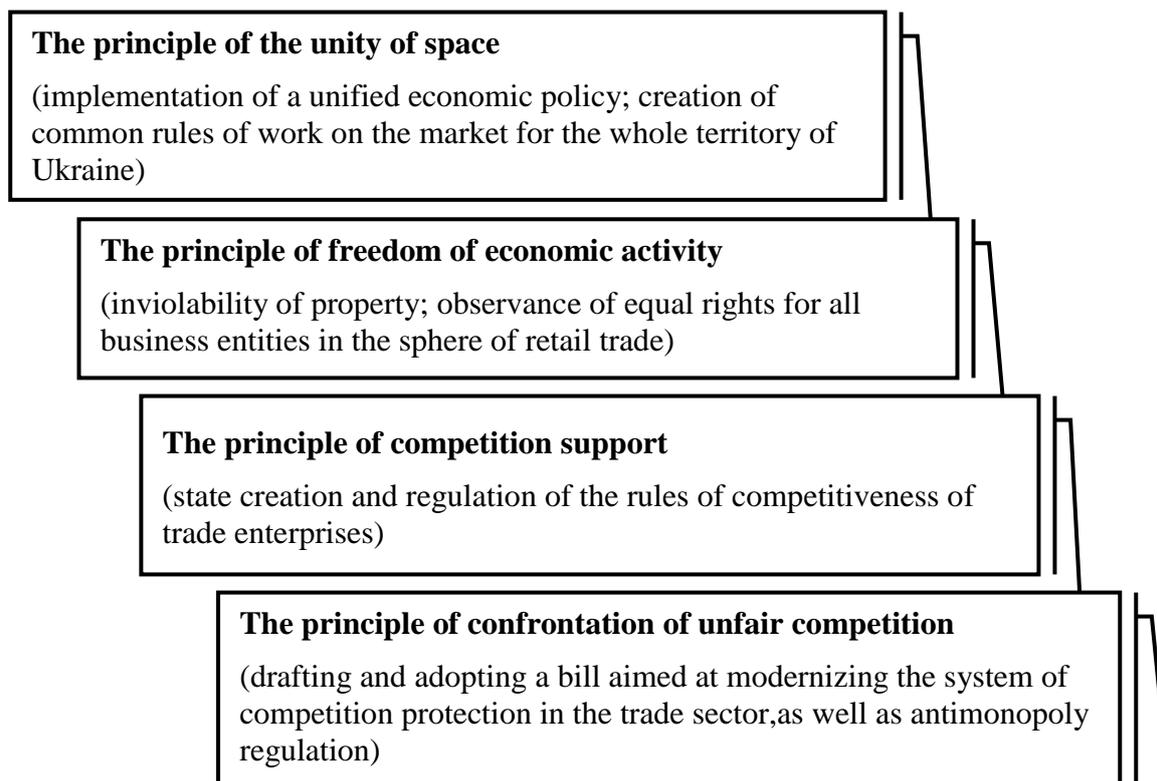


Figure 2. Principles of development of competitiveness of enterprises of retail trade

Today, there are a number of negative factors in Ukraine which impede the strengthening of competitive positions and methods of competitiveness, in particular the instability of legislation, corruption and political instability, which are connected, first of all, with the slowing down of market reforms.

Thus, in order to correct the deformation of the market mechanism, the main and urgent task of the state policy on the development of competition in the field of trade is the implementation of appropriate measures that will promote the formation of an effective competitive environment in retail trade.

As conclusion it can be argued that increasing the competitiveness of the retail sector on the basis of structural transformations is possible on the basis of qualitative updating of its subsystems in the process of modernization.

## 5. Conclusions

Summarizing the above, it can be argued that during structural transformations there is a marked increase in the competitiveness of retail trade. Therefore, the creation of a competitive environment is one of the main constituents of transformational changes in retail trade during the transition to a new modern economic system.

The competitiveness of the enterprise should be manifested in the real and potential ability of the trading company to deliver goods of good quality, which, for price and non-price characteristics, are the most attractive to buyers than competitors' products in order to meet consumer demand.

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### Rezumat

*Ucraina dorește să fie un participant activ la relațiile economice internaționale, prin urmare, este necesar să se creeze un model competitiv al economiei naționale.*

*Aspectul dominant al dezvoltării actuale a comerțului cu amănuntul este concurența care s-a dezvoltat în ultima treime a secolului trecut și, datorită naturii sale multiple, a devenit subiectul discuțiilor teoreticienilor, economiștilor, experților.*

*Procesele, precum deznaționalizarea, liberalizarea, demonopolizarea și dezvoltarea antreprenoriatului au constituit baza fundamentării concurenței în toate sferile economiei naționale și, în primul rând, sunt supuse transformărilor în sectorul comerțului cu amănuntul.*

*Prin urmare, dezvoltarea competitivității întreprinderilor cu amănuntul este o condiție prealabilă pentru o funcționare calitativă și eficientă a pieței interne de consum. Scopul acestui articol constă în analiza dezvoltării întreprinderilor cu amănuntul în procesul transformărilor, competitivității acestora.*

*În cadrul studiului au fost folosite metode științifice generale și speciale, precum și o bază de informații, inclusiv legislația autohtonă și străină, materiale statistice etc.*

*În scopul consolidării potențialului competitiv al comerțului cu amănuntul, creșterii nivelului de competitivitate a acestuia, în articol se propune un mecanism de creștere a competitivității întreprinderilor comerciale moderne.*

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**Cuvinte-cheie:** comerț, comerț intern, întreprinderi de comerț, transformare, competitivitatea comerțului cu amănuntul

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**Аннотация**

*Украина стремится быть активным участником международных экономических отношений, поэтому необходимо создать конкурентоспособную модель национальной экономики.*

*Доминирующим аспектом нынешнего развития розничной торговли является конкуренция, которая развернулась в последние годы прошлого века и благодаря ее многогранному характеру стала предметом дискуссий как ученых и экономистов, также и экспертов.*

*Такие процессы, как денационализация, либерализация, демонополизация и развитие предпринимательства, легли в основу формирования конкуренции во всех сферах отечественного народного хозяйства и, прежде всего, наиболее склонны к трансформационным преобразованиям в таком секторе, как розничная торговля.*

*Поэтому развитие конкурентоспособности розничных предприятий является предпосылкой для качественного и эффективного функционирования внутреннего потребительского рынка. Цель этой статьи - проанализировать развитие розничных предприятий в процессе трансформации, а также исследовать конкурентоспособность таких предприятий.*

*В исследовании использовались общие научные и специальные методы, а также информационная база, включая отечественное и зарубежное законодательство, статистические материалы и т. д.*

*В целях укрепления конкурентного потенциала розничной торговли, повышения ее конкурентоспособности в статье предлагается механизм повышения конкурентоспособности современных торговых предприятий.*

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**Ключевые слова:** *торговля, внутренняя торговля, предприятия торговли, трансформация, конкурентоспособность розничной торговли*

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