

## НАПРЯМИ І МОЖЛИВОСТІ ПІДВИЩЕННЯ ПРИБУТКОВОСТІ МАЛИХ ПІДПРИЄМСТВ У СФЕРІ ВІТЧИЗНЯНОГО МАГАЗИННОГО ПРОДАЖУ БУДІВЕЛЬНИХ МАТЕРІАЛІВ

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Визначено напрями підвищення прибутковості малих підприємств магазинного продажу будівельних матеріалів. Серед можливих варіантів виділено ті, які здатні забезпечити вищий прибуток і розвиток таких підприємств та підтримання їхньої конкурентоспроможності на ринку. Сформовано перелік заходів, які дають можливість підвищити прибутковість представників ринку будівельних матеріалів, а саме малих підприємств магазинного продажу. Особливу увагу звернено на питання стимулювання маркетингу і збуту таких підприємств, які розглянуто як визначальну умову для приросту їхнього прибутку. Проаналізовано також альтернативні варіанти стратегічних рішень для цієї сфери, їхні переваги та недоліки. Виокремлено найефективніші методи та стратегії з підвищення прибутковості підприємств цього типу. Останні систематизовано та об'єднано у єдиний механізм послідовних рішень.

**Ключові слова:** прибуток, прибутковість, можливості підвищення, ринок будівельних матеріалів, маркетингова політика, збутова політика, стратегія, малі підприємства.

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## DIRECTIONS AND POSSIBILITIES OF SMALL ENTERPRISES' PROFITABILITY GROWTH IN THE FIELD OF DOMESTIC STORE SALES OF BUILDING MATERIALS

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The article investigates the ways of profitability growth of small enterprises, specialized in store sales of building materials. Among possible options, there are highlighted those, that can provide higher income and development for analyzed type of enterprises and also maintain their competitiveness in the market. In this article are formed list of measures, that will improve profitability of members of the building materials market, especially of small enterprises of store sales. The main attention is dedicated to the questions of marketing and distribution stimulation of those enterprises, which are considered as a fundamental condition of their profits increasing. There are also analyzed alternative options of strategic solutions for this sphere, their advantages and disadvantages. The most effective methods and strategies of profitability growth for small enterprises of this type are identified. The lasts are systematized and combined into a single mechanism of consistent decisions.

**Key words:** profit, profitability, possibilities of growth, building materials market, marketing policy, distribution policy, strategy, small enterprises.

**Statement of the problem.** Ukrainian trade market of building materials is developing dynamically: its structure is changing; some of the objects are in transformation; customer requirements are increasing. The battle of formats is continuing, which intensifies the fight for the clients inside the market.

The appearance of new formats, such as building hypermarkets and supermarkets, have added problems for specialized stores, that started losing their market share and competitiveness, which was reflected in their profits. Therefore, the questions of profitability level, its preservation and increasing are very important for this type of companies.

**Analysis of recent research and publications.** In the professional literature of economic analysis, planning, controlling and strategic management, the question of profitability increasing is the subject of research for many scientists, including V. D. Bazylevich, F. M. Poddyerihin, K. Y. Petrov and others [1], [2]. However, it should be noted, that issue of profitability growth of small enterprises of building materials store sales in the conditions of intense market competition have not been studied enough.

**Goals of the article.** The goal of this paper is to highlight directions and opportunities for preserving and increasing profitability of small enterprises of building materials store sales, and also to provide recommendations for their successful development.

**The main material of research.** Profit is one of the main objectives of functioning for any business. In general, all of the business activities are focused on profitability increasing, or at least on stabilizing it at a certain level, because profit characterizes the efficiency of business enterprises, determines its financial capacity, it is a guarantee of the further development of the company and improving its competitive position in the market.

The process of profitability growth of the enterprise has its own peculiarities, particularly, the directions of possible profitability increasing are directly dependent from industry and sphere where enterprise is functioning, current market situation, ownership and size of the business and potential of its direct competitors.

Nowadays, the issue of getting profit and its increasing is very important for domestic enterprises and economy of country at all: annually our market is developing, with new spheres of business in it and so, as new opportunities for enterprises growth; competition is growing and the majority of well-known methods for profitability increasing are not operate, as they are poorly adapted to the current market realities. Accordingly, there is a need for a qualitatively new approach to the coverage of existing perspective directions and rationalization of recommendations about possible ways of profitability growth of domestic enterprises at this stage of their development and practical application of these recommendations, including participants of building materials trade market.

Competition in the Ukrainian market of building materials becomes more harsher: the number of new players increases, retailers are replenished with new shops, marketing activity becomes more visible. Increasing of competition is also linked with a better organization of the business operations, using modern trade technologies and more sophisticated marketing tools [3]. And the appearance of large chains of hypermarkets and supermarkets of building materials, that are representing quite wide assortment of commodity offers under one roof, are increasingly affecting the functioning of small shops.

In general, despite the fact that Ukrainian market of building materials is one of the most dynamic markets of the last decade, its current situation is increasingly approaching to the stage of stabilization, thus, it has been already formed, and further significant changes in its structure are not expected.

Therefore, in terms of significant reorientation of consumers towards such retail formats as specialized hypermarkets, supermarkets and further increasing of competition, the main task for small building shops is to preserve their market share and to find the best ways of its profitability growth, that is why there is a question of choosing the effective methods of increasing enterprises profitability.

As it was mentioned, the profit is the driving force and the motive of functioning of any enterprise, so the selection of directions and options for its growth needs from the enterprise rational and economically grounded planning, effective strategies determining and development policy.

First of all, the determination of directions of profitability growth for analyzed type enterprises should begin with the following [4]:

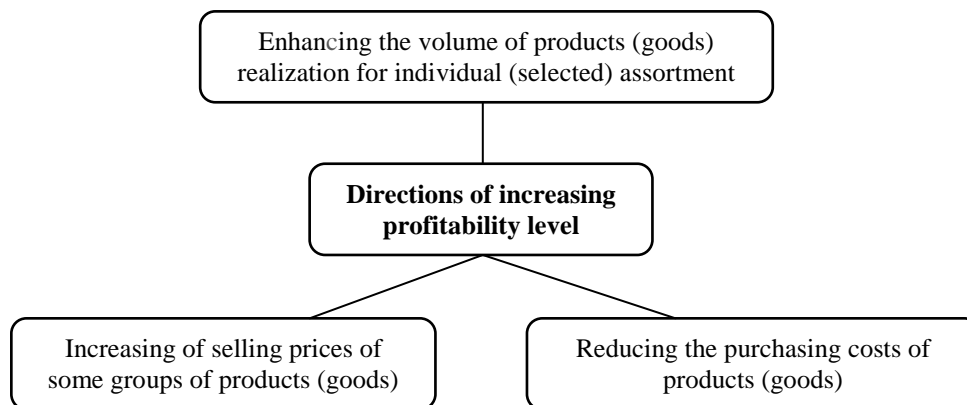
1) finding the relevant information in order to analyze the market, enterprise activity and its opportunities;

2) conducting the retrospective analysis of profitability level of enterprise and evaluation of its position against the main competitors;

3) investigating of internal and external factors, that have a direct impact on profitability level of the enterprise;

4) using received information, enterprises should determine directions of profits increase and then take the necessary managerial decisions for their realization.

Considering options of increasing profitability level of small enterprises, that specialize in store sales of building materials, we should highlight the most possible directions, according to which, there will be achieved the highest efficiency (fig. 1).



*Fig. 1. The most perspective directions of profitability increasing for small enterprises in store sales of building materials*

*\* Source: [developed on basis of 1–3, 5]*

For better understanding of using selected directions of profitability increasing for analyzed enterprises, we should examine them in details.

1. Increasing of selling prices of products (goods) – effective, but the least perspective (according to the current economic conditions in Ukraine) direction of profitability increasing, because even with considered pricing policy, the company is risking to lose a potential customer, whose purchasing power have been already low, and therefore, customers will search for the same product, but with lower prices. However, we also should not neglected those consumers, who believes that qualitative, but more expensive goods, will serve them for a longer time.

2. Reducing the purchasing costs of products (goods) is advantageous step for the company, as it will promote more cost savings, particularly by reducing the number of intermediaries, purchasing certain types of goods abroad, using discounts for wholesale operations, etc. In fact, this is an example of passive way of profitability increasing, because the company is not increasing its profit, but just reduces its expenses.

3. Enhancing the volume of products (goods) realization – the most effective direction of profitability increasing, as the higher sales will cause profit growth. However, for maintaining desired level of efficiency, the implementation of this direction will be promoted by pre-marketing research (its scale will affect profitability, but these costs are desirable for ensuring stable growth).

Also, realization of the last direction should be based on the development of promotion strategy for certain selected groups of goods, and, therefore, it is expected to improve distribution and marketing activities of the company.

In order to improve distribution activities, enterprises should take strategic measures, which are aimed to create more effective marketing policy. To stimulate – means "enhance activities"; the main objective of this process is to activate or renew activities of enterprises, in order to sell goods [6, p. 135–136].

Accordingly, distribution stimulation is a set of measures, that are aimed on fast and efficient encouraging of potential customer to purchase products or services of the company. The main objectives of distribution stimulation are following [7, p. 231–232]:

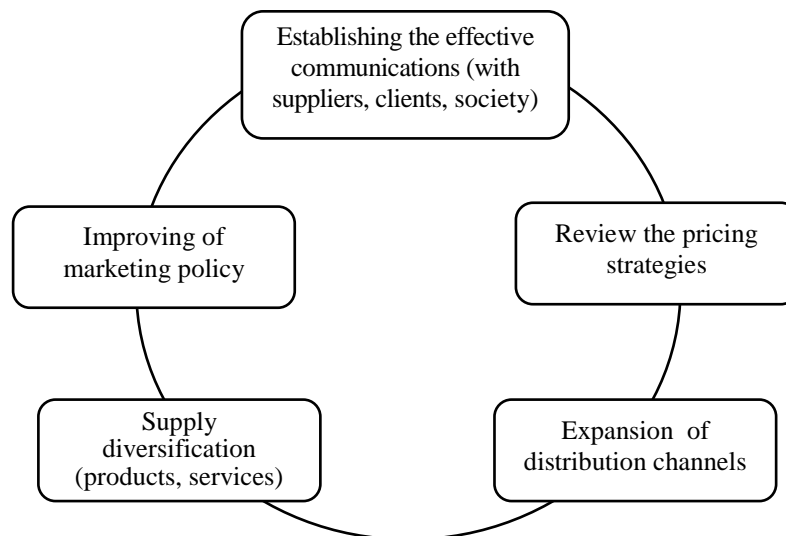
- provide for enterprises a quick growth in sales of products (goods);
- push consumers to try a product or to make more purchases;
- encourage a system of intermediary trade organizations and employees of own distribution system to intensify their efforts in realization of company’s products (goods).

As for marketing activities, the main objective for them should be orientation on the realization of such products. That will attract the attention of customers and provide their needs. Therefore, as the result of successful realization highlighted above objectives, it is expected to rising a number of customers and, consequently, increasing of profitability level.

For the “price” (the first) direction of profitability increasing, we can identify the possible combination of distribution and marketing policy, for example:

- diversification of product assortment;
- attracting customers by advertising on transport;
- merchandising (design selling place);
- moving to the most demanded goods in top sales periods;
- expansion the system of services;
- service improvement;
- product demonstration and availability of samples for particular products in the retail outlets;
- loan granting to the customers, while realization the expensive goods;
- carrying out various actions, discounts, raffles, gift shopping, etc.;
- making assortment changes in favor of goods with high quality, including selling goods of famous brands, as today, the modern buyer is well familiar with the market offer and product assortment of leading manufacturers, and enterprises of this type realizing their products under various trademarks;
- involvement of online content for increasing the level of sales (will allow to learn better about the market and competitors, understand demands of potential customers and gain new ones, carrying out advertising campaigns, tell people about the company), etc.

In general, if combine all of highlighted above directions and taking the most necessary elements of each of them, we can create a list of the most effective measures for profitability increasing of small enterprises in store sales of building materials (fig. 2).



*Fig. 2. Integrated system of measures for profitability increasing of small enterprises in store sales of building materials*

\* Source: [developed on basis of 5, 8]

It should be noted, that the main role for the development of trade enterprises and especially for increasing their profitability, is devoted to the consumer. Small enterprises, that are oriented at shop sales of building materials, often do not pay enough attention to this aspect, which is quite a big mistake, because exactly the consumer creates a demand for products.

As you know, the best way to attract customers is the effective marketing. A strong set of marketing strategies can help favorably positioning the company not only to the existing customers, but also attract new ones.

For today, not every entrepreneur can spend a large amount of money on a marketing campaign, and especially small enterprises in store sales. So, for these companies, it should be applied the budgetary marketing strategies, that do not require significant investment and are no less effective than commercials on radio or television.

Let's consider the specifics and benefits of such marketing campaigns for this type companies.

1. Attracting customers to sales. The customer is the best source of ideas and sailing improvements expert: conducting questionnaires, feedback groups, after-sales investigation, the ability to write a comment or a suggestion; all this allows clients to believe in the further development of the store and their direct involvement in this development, and for enterprise – to gather the necessary information, which in further can be used for marketing. It also serves for formation of the company's image as one, which cares about its customers and always seeks to provide the best service and products.

2. The attractiveness of the store. External and internal appearance of the shop plays an important role in customers' attraction. The bright showcases decor, large fonts or the new design will easily attract the attention of passersby. Also, you should not forget, that no less important for people is convenience and comfort, so you should take care of good lighting in store, comfortable temperature, visible and readable price tags, interior composition, presence of catalogs and brochures, etc.

3. Using of internet resources and technologies:

- creation of web-site: allows you fully presented the company online, to tell about it and its products to the consumer, promote sales, stand out among competitors, track visitors activities, advertising itself, etc.;

- Email-marketing: sending informational booklets with basic (updated) assortment of goods to regular customers in exchange for information, feedback, etc.;

- using of social networks: Facebook, Vkontakte, Twitter offers for modern companies the easiest and cheapest way of promotion their products and services. This is a great example of direct marketing – social media connecting the potential customers from different points of the city, country and providing them the opportunity to see the company from different point of view, on a more personal level – to read various discussions, acquainted with reviews, ask questions, etc. This, in turn, can help to reduce mental gap between the company and its buyer, create trustful relationship and attractive image.

- E-commerce: special way of online trading with the use of electronic communications and technologies, that can significantly simplify and speed up realization of products (goods and services) to the consumers, and, consequently, it will increase the amount of sales. It is often implemented through company's own web-site. On this site it is already expected a placement of full assortment catalog, with appropriate images, descriptions and expanded characteristics, price, order form, baskets, etc.

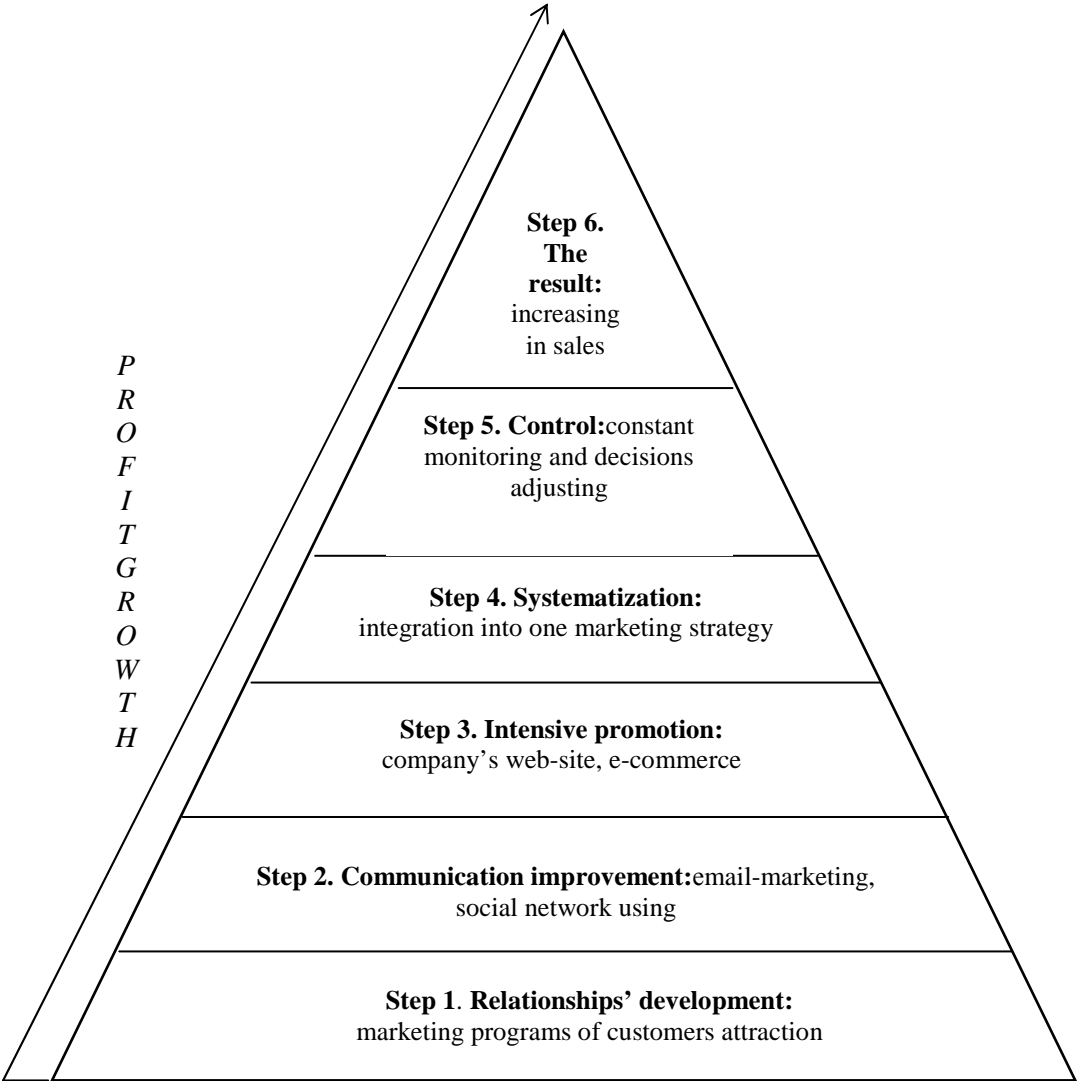
4. The “unpaid” trade agents program: a way to encourage current customers for attracting new ones by offering them discounts, accumulating bonuses, gift certificates or special offers. This is one of the easiest strategic move, which is based on using already gained customer base of the enterprise as trade agents.

5. Limited-time offers: from holiday sales to daily online transactions; limited time can increase traffic and attract the long-term customers. Often, such kind of offers, allow customers to experience the products, they usually do not search or have not special needs in them, but the opportunity to buy goods for lower prices and time limit is a significant motivation.

The abovementioned marketing strategies is expedient to systematize in step by step solutions, consistent implementation of which, will ensure increasing companies sales and eventually have its impact on the profitability (fig. 3).

So, as we can see, the choice of ways for company’s profits increasing – is such philosophy towards its functioning, and from the right oriented direction of the company will depend the result, so it is necessary to identify the right needs of potential customers; know company’s competitors and analyze its condition and market position, its trends, consider the effects and changes in the environment, and according to all this, form a strategy to enhance company’s profitability.

Thus, to summarize all the possible ways and directions, stages and tools of profitability growth of small enterprises in store sales of building materials, we will bring them together into the one mechanism (fig. 4).



*Fig. 3. The scheme of increasing sales of small enterprises in store sales of building materials*  
\* Source: [elaborated by the authors]

Therefore, according to fig. 4, the basic goals and tasks, that are needed to being set in order to be successful in business, especially for small enterprises in store sales of building materials, should be aimed to determine the most efficient options of profitability increasing, which will form, taking into account all possible factors of influence, in order to ensure the development of the company and increase its competitiveness in the market.

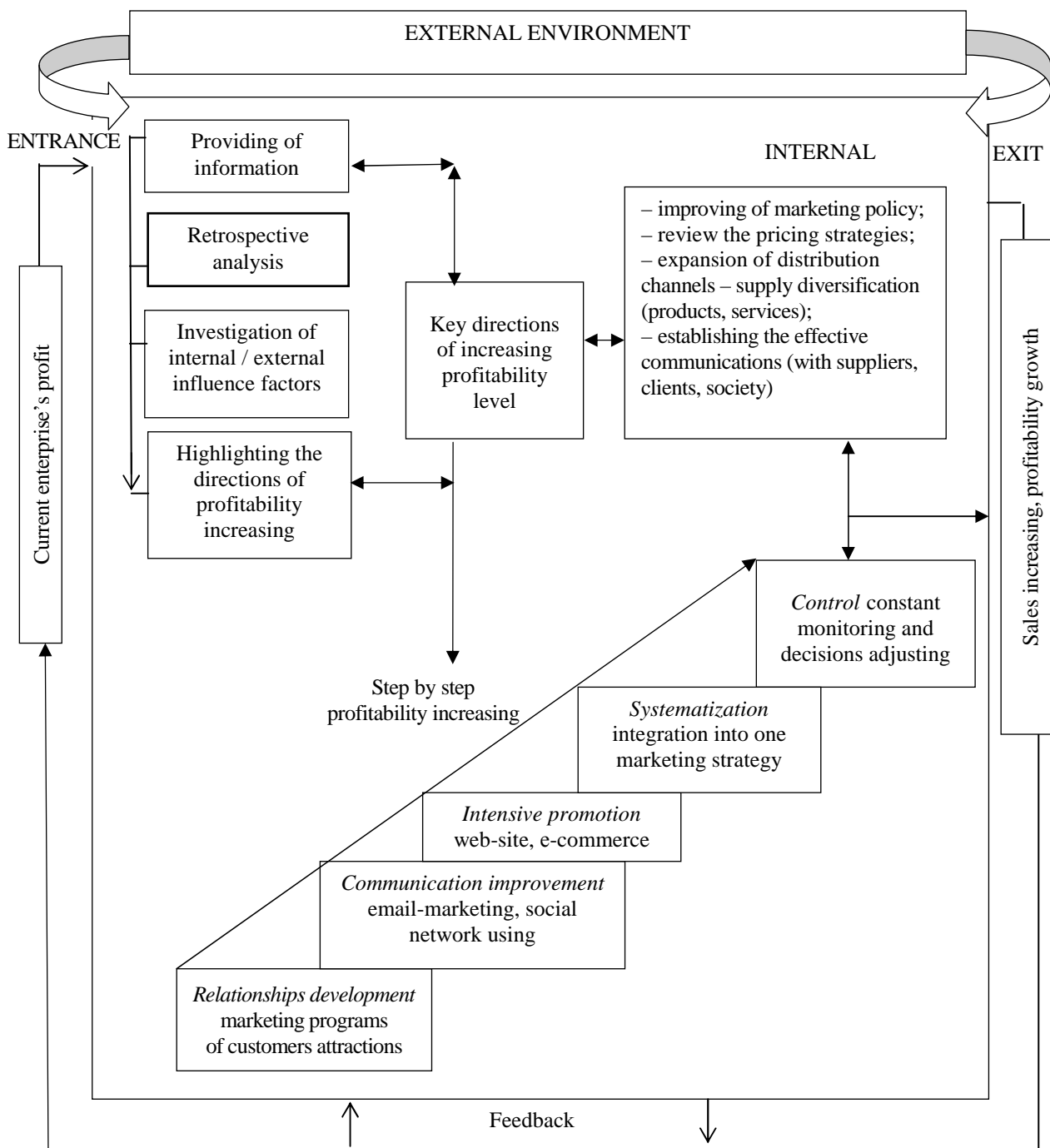


Fig. 4. Mechanism of profitability growth of small enterprises in store sales of building materials  
 \* Source: [elaborated by the authors]

**Conclusions and further research prospects.** Our basic position is that increasing of the enterprise profitability level is a determining factor in its successful competitiveness, viability and securing in the market.

Profitability increasing mechanism of small enterprises in store sales of building materials should be constructed in a way, that will strongly enhance their effectiveness, be based on a set of important factors of influence (including sales increasing, successful price, assortment and marketing policy) and be a stimulus of growth of these enterprises. The key to successful strategic decisions, considering the dynamic development of building materials market and significantly growing competition, is a constant monitoring of the industry, which will provide reasonable steps towards profitability of small businesses in store sales of building materials.

To solve the problem of profitability increasing, it is necessary to systematically analyzing profitability of the industry and the factors that are affecting it, constantly monitoring and preventing possible deviations from profits maximization, and, finally, combined into a system various measures for profitability growth.

The application of different methods, ways and directions of influence are precisely those tools, which should ensure effective strategy of profitability growth of small enterprises in store sales of building materials. However, the priority direction for analyzed enterprises, in order for further profits growth and maintaining its competitive position, should be the search for the new, innovative options of strategies for increasing the level of their profitableness.

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