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THE MODERN STATUS OF COMPETITION OF UKRAINIAN FASHION-RETAIL MARKET

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Шарко О.Р. Сучасний стан конкуренції на українському ринку fashion-ритейлу.

У статті розглянуто специфіку українського ринку fashion-ритейлу, виділено основні фази його життєвого циклу. Виявлено основні принципи fashion-ритейлу. Також проаналізовано основні конкурентні стратегії залежно від фази життєвого циклу бренду. Запропонована матриця конкурентних стратегій для ринку fashion-ритейлу.

Ключові слова: fashion-ритейл, конкуренція, покупець, учасники ринку, нестабільна економіка, тенденції, матричний метод

Шарко Е.Р. Современное состояние конкуренции на украинском рынке fashion-ритейла.

В статье рассмотрена специфика украинского рынка fashion-ритейла, выделены основные фазы его жизненного цикла. Выявлены основные принципы fashion-ритейла. Также проанализированы основные конкурентные стратегии в зависимости от фазы жизненного цикла бренда. Предложена матрица конкурентных стратегий для рынка fashion-ритейла.

Ключевые слова: fashion-ритейл, конкуренция, покупатель, участники рынка, нестабильная экономика, тенденции, матричный метод

Sharko O.R. The modern status of competition of Ukrainian fashion-retail market.

The article discusses the specifics of the Ukrainian market of fashion-retail, and the main phase of its life cycle. Basic principles of fashion retail are observed. Also the main competitive strategies depending on the phase of the life cycle of the brand are analyzed. The matrix competitive strategy for market fashion retail is proposed.

Keywords: fashion retail, competition, buyer, market participants, the unstable economy, trends, matrix method

Fashion-retail is new direction in science, which is emerged as a separate subject area on the beginning XXI century in the Ukrainian markets. In an era of an unstable economy fashion retail is undergoing periods of extinction and intensive growth, because mainly associated with Western trade brands that depend on the exchange rate in a certain period. But the general trend is: every year the market of fashion brands expands, there are new players on the market, the buyer from the phase of "situational shopping" was transformed into a phase of "regular buy".

In conditions of saturation of market fashion retail simply cannot tighten the competitive environment for new and existing market participants; therefore the study of the characteristics and specificities of competition retailers is an important issue for research.

Analysis of recent researches and publications

In recent years both in theory and in practice are paid more attention to the necessity of complex solution of problems of competition development and increase of competitiveness of retail trade companies. Theoretical and methodological principles of competition and competitiveness inherent in the works of Western economists such as I. Ansoff, P. Drucker, K. McConnell, M. Mescon, M. Porter, P. Samuelson, E. Chamberlain, F. Hedouri, J. Shaughnessy and others.

Due to the fact that the regulations and trends, established on the beginning of XX century, were obtained under conditions of stability and certainty in the commodity markets of economically developed countries, the practical application of the proposed method of competition requires a mandatory accounting of specific features of the Ukrainian general terms and conditions of the fashion retail as such.

Problems of formation and development of the fashion retail, competitiveness is considered in works by Russian and Ukrainian practitioners: A. Kaliyeva, E. Ranneva, L. Balbina, E. Baharev, I. Baskakova, A. Kalmykov, D. Govdya and several others. However there is no comprehensive study of issues related to the competitiveness of retailers, which necessitates further study of a number of relevant economic aspects.

The aim of the article is to determine strategic ways to enhance the competitiveness of retail trade companies in the field of fashion retail.

The main part

Retail (Eng.) is "sale" or "retail trade". The most basic example that fits the definition of retail is the market or shopping center. In principle, under this definition you can substitute any job for any buyers who are free to come to the store and buy the goods that they want [4].

In a broader sense of the word retail should be considered not only a trade point, and the whole process of organizing retail trade [1].

The field of fashion retail today is actively developing in Ukraine and CIS countries – more and more new companies are entering the markets and regions open their branches not only in large cities but also in towns with population less than 500 thousand people, which says about the real state of this market.

The needs of customers are growing gradually (especially mass brands that are affordable), which leads to an increase in sales volumes and the needs of companies in highly-competitive strategy [2].

There are two types of companies operating in fashion retail: distributors representing Western brands in Ukraine, and manufacturers who themselves out the market. At present, there are some business principles in the field of fashion retail. These principles were first articulated in the article by Andrey Kalmykov "7 main trends of fashion retail" [3] and presented in the form of a table 1.

Fashion brands, like any product on the market, have own life cycles. The life cycle of the fashion retail adapted by the author on fig. 1.

Table 1. The principles of fashion retail*

The name of the principle	Features
1. The principle of the modern market	There is no market competition products, there is market competition brands
2. The principle of stability of demand growth	In the segment of fashion retail is growing the purchasing power of potential buyers, in the absence of a mass commitment to a particular brand
3. The principle engine of progress	Fashion is the engine of progress, makes you look forward to constantly evolve, to enjoy life and to surprise others
4. The principle of intensity of Internet resources	In the fashion world and the Internet is ahead of all other news sources: quick and comprehensive coverage of trends, exchange of opinions, information availability. The largest fashion houses in the world have the most stylish website on the entire Internet
5. The principle of network development	All retailers of fashion brands are characterized by the principle of consistency
6. The principle of refusal from the few platforms	Advanced brand companies use large shopping area as a symbol of the success of the company
7. The principle of effectiveness of retail space	Trading platform all branded companies use the maximum efficiency of retail space

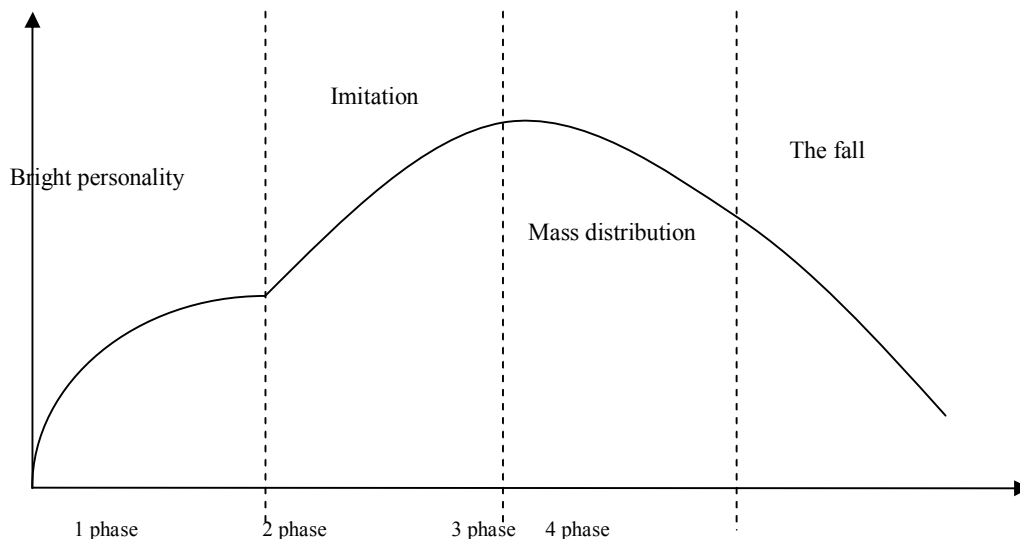


Fig. 1. The life cycle of the fashion retail

On the first phase, individual consumers (innovators) become interested in a novelty. On this phase retailers open new outlets, branch offices, conduct active advertising campaign to attract new customers.

On the second phase the novelty becoming interested in other consumers, motivated by the desire to emulate the innovators. As a rule, the competition becomes tougher, and the goods-analogues fall into a single price segment – wins only the quality and

availability of brands. There is the first season of discounts new brands.

On the third phase the mass distribution occurs – prices are falling, starts productive sales. Companies use aggressive marketing concepts product promotion.

On the fourth phase, consumers start to switch to other areas of fashion or seasonal goods. Companies undergo the phase of minimum profit – a season of massive sales before the advent of new collections, and purchasing.

This life cycle allows you to properly adapt existing competitive strategy at each phase, making sales more effective.

Competitive strategy embodied in the trading companies and illustrate how the company will compete in the specific market, to whom, at what prices will sell the goods how they need to advertise how to achieve victory in the competitive struggle. The aim of competitive strategy of trade companies in the sphere of fashion-retail is to achieve advantages in competition on the basis of leadership in prices, market specialization and market cooperation [5].

Competitive strategy gives you the opportunity to obtain specific metrics (indicators) for comparison position of the company. Each company adheres to its own competitive strategy to gain the best positions and benefit from competitive [6].

In order to determine what strategies to use, it is necessary to identify general market trends of fashion retail. E. Ranneva, L. Balbina, A. Kaliyeva in a joint article "Players of the market of the fashion retail" revealed these trends [7]:

1) At the end of 2015 in Ukraine and CIS countries sales on the market fashion retail in real terms declined sharply. Most affected stores, which operate in the segment above average.

2) Sales decline due to price increases. The network acquire their products abroad, so the devaluation of the national currency affected the value of the goods. Decreases and the purchasing power of the people — the majority of consumers save today.

3) All market players are sent for the maintenance of existing business. Reducing operating costs the retailers have tried by reducing rental costs of premises. On the market there was a wave of

conclusion of additional agreements to the lease agreements between retailers and owners of shopping centers.

4) Many retailers are closing outlets focus on development of the online store. Sometimes network accept partial solutions: the number of stores is not declining, but reduce the leased space.

Thus, the competitive strategy must be adapted to today's market fashion retail.

Based on the overall strategic directions of development of the company, taking into account the specific situation of the market, level of competition, the strategy is chosen in relation to the product. In the field of brand development we can distinguish the following strategies (P. Kotler) [12]:

1. Differentiation is competitive strategy, following which the company concentrates its efforts on creating brands and developing marketing programs, and its characteristics different from and better than competitors. This strategy gives the company the opportunity to become the market leader in fashion retail for certain brands.

2. Leadership by full cost is competitive strategy that provides the company the lowest production costs and brings the product to the consumer (through the use of the most "cheap" solutions). Due to this, it sets lower prices and gaining greater market share in comparison with competitors.

3. Specialization or focus is competitive strategy, following which the company is focusing its efforts on the production of products oriented on a narrow circle of consumers.

4. Diversification is a type of strategy for new brands that are not associated with the main brand of the enterprise, and with access to non-traditional markets. Such strategy reduces the probability of large failures.

Matrix scientific approach allows establishing the relationship between two characteristics of one object of study [11]. Traditionally, the quadrants form a matrix that shows the possibility of practical solutions for the enterprise market fashion retail with the phase of the life cycle (LC) of the brand and adopted a competitive strategy. Such a matrix is denoted by matrix "Strategy–Phase brand fashion retail" and present on fig. 2.

		Phase of LC of the brand			
		1	2	3	4
Competitive strategy	Focusing				
	Differentiation				
	Leadership				
	Diversification				

Fig. 2. The matrix "Strategy–Phase brand fashion retail"

Such a matrix will allow you to have clear tactical objectives at each stage of the development of brands and businesses time to adjust its competitive strategy, focusing on the problematic brand in a given period of time on the market.

The author has conducted a scientific study on the state of modern competitive market of the fashion retail by interviewing market participants. The basis was taken the survey using the questionnaire which is attached in table 2.

Table 2 – Profile of survey respondents

Profile		
Dear Respondent, you are a part of the trending state of the market fashion retail in modern conditions. Thank you for participating!		
1. You are		
a) the owner of a business;		c) an ordinary employee of the company;
b) hired the manager of the company;		d) doesn't matter.
2. You prefer		
a) one brand for all purchases;		c) share my tastes between two or three brands;
b) for every purchase some brand;		d) I am a multi brand buyer.
3. Which of group the goods your purchases are?		
a) goods of luxury brands;		c) products brands bulk collections;
b) the goods brands average pricing policy;		d) I don't pay attention to it.
4. What are the factors of success of your favorite shopping points you can mention:		
a) pronounced creativity;		c) a pronounced degree of individuality of design of marketable collections;
b) the innovativeness of stores fashion-retail;		d) a flexible system of discounts.
5. The level of your income:		
a) high level;		c) medium level;
b) above average;		d) below average.
6. What do you look for when you select your favorite outlets?		
a) implementing and maintaining uniform format;		c) levels of service outlets;
b) the convenience of the location;		d) provision of VIP-client.
7. How important is it for you to have your brand sold only in one outlet?		
a) prefer brand store, available only to the elite;		c) the trading point needs to be in every mall and in every big city;
b) the outlets must be in large shopping centers;		d) I don't care.

The surveys were conducted on-site at various retail hypermarkets. The total number of respondents was 53. The level of reliability of sampling is high, because the whole target group of respondents. The results of the survey are shown in table 3.

According to the data obtained about the state of the market competitiveness of the fashion retail in table 3, the main directions of increase of competitiveness of enterprises of retail trade include the following:

- use a systematic approach to the construction of the network;
- implementing and maintaining a unified format and the level of service in each outlet;
- use the option key success factors: pronounced creativity and innovation shopping the fashion

- retail, a pronounced degree of individuality of design of marketable collections;
- the choice of segment representations of product: Deluxe, medium, massive collection;
- choice assortment policy: multibrand or monobrand;
- the development of an effective stock policy and discount policy.

Analyzing the survey data it is possible to allocate the best measure of the survey is 54,72% of respondents believe that retail outlets should be in large shopping centers. Since it is definitely the highest percentage you select this option, you can take it as basic and reliable indicator.

Let's construct a graph of the responses and identify the average value (fig. 3).

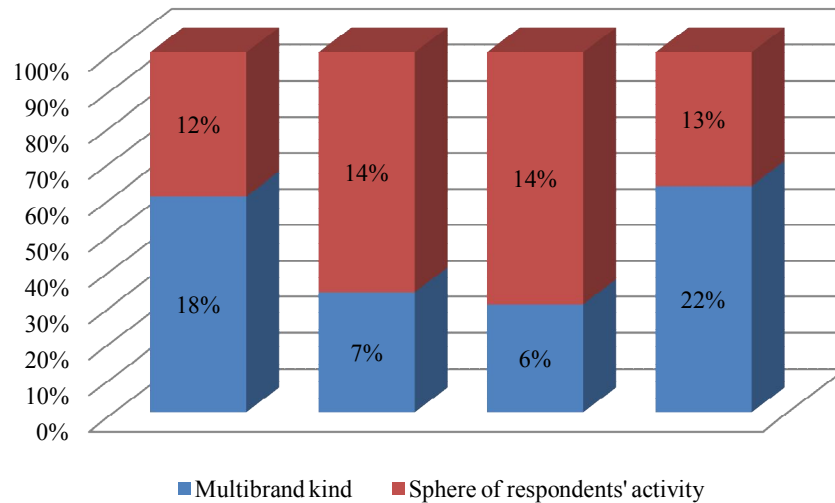


Fig. 4. Chart based preferences of mono – and multibrand kind and sphere of respondents’ activity

This value is very significant, as in any market it plays into the hands of companies that have not captured its share of the market and can seize those or other buyers. Well, mono-buyers are regular buyers

and brand usually have different bonuses, program savings and special conditions.

Now let's consider another relationship: success factors and key moments of your favorite retail outlets, which is presented in chart form in Fig. 5.

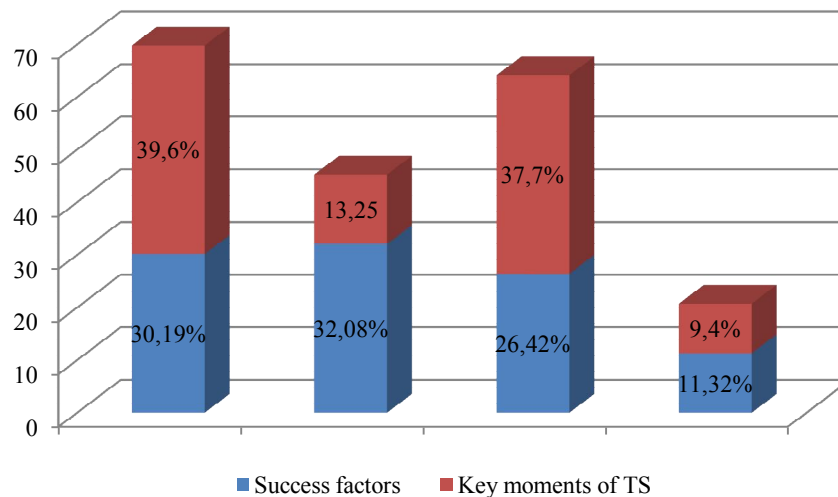


Fig. 5. Diagram of success factors and key moments in your favorite retail outlets

Fig. 5 shows that the majority of respondents mentioned non-standard approach to the design of the outlet as a key factor in the success of brand Ambassador, as well as for them an important level of service in the hall and the availability of custom collections.

The correlation between the class level of the brand and the level of profitability of customers is obvious: the more income, the more expensive preferred brand.

Conclusions

Thus, summing up these data, we can formulate the following conclusions:

1) brand life cycle is an important indicator of the level of profitability for retailers in the field of fashion retail.

2) competitive strategy directly depends on the phase of the life cycle of a specific brand of the enterprise.

3) the matrix "Strategy–Phase brand fashion retail" will have a clear tactical objectives at each stage of the development of brands and businesses time to adjust their competitive strategy, focusing on the problematic brand in a given period of time on the market.

4) the ratio of different values of the data allowed to identify dependencies and establish benchmarks for brand companies.

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