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## METHODS OF ASSESSING THE COMPETITIVE POTENTIAL OF CONSUMER SERVICES ENTERPRISES

*The article investigates, analyzes and summarizes the main methods of assessing the competitive potential of industrial enterprises, considers their essence, determines advantages and disadvantages. It provides practical guidelines on the application of assessment methods of competitive potential of consumer services enterprises.*

*Keywords:* competitive potential; competitiveness; consumer services enterprises; services industry.

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## МЕТОДИ ОЦІНЮВАННЯ КОНКУРЕНТНОГО ПОТЕНЦІАЛУ ПІДПРИЄМСТВ ПОБУТОВОГО ОБСЛУГОВУВАННЯ

*У статті досліджено, проаналізовано та узагальнено основні методи оцінювання конкурентного потенціалу промислових підприємств сфери побуту, розглянуто їх суть, встановлено недоліки та переваги. Надано та обґрунтовано практичні рекомендації щодо застосування методики оцінювання конкурентного потенціалу на підприємствах побутового обслуговування.*

*Ключові слова:* конкурентний потенціал; конкурентоспроможність; підприємства побутового обслуговування; сфера послуг.

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## МЕТОДЫ ОЦЕНКИ КОНКУРЕНТНОГО ПОТЕНЦИАЛА ПРЕДПРИЯТИЙ БЫТОВОГО ОБСЛУЖИВАНИЯ

*В статье исследованы, проанализированы и обобщены основные методы оценки конкурентного потенциала промышленных предприятий сферы быта, рассмотрены их суть, установлены недостатки и преимущества. Представлены и обоснованы практические рекомендации по применению методики оценки конкурентного потенциала на предприятиях бытового обслуживания.*

*Ключевые слова:* конкурентный потенциал; конкурентоспособность; предприятия бытового обслуживания; сфера услуг.

**Problem setting.** Today's development of the world entrepreneurship is characterized by the rapid growth of the services sector. About 70% of the gross customer product in developed countries is generated in these industries. The rapid growth of services led to a sharp increase in the number of business entities engaged, and thus, also increase in competition between them. In this regard, the issue of competitive potential assessment gains more attention. There are many developments in economic literature on the methods of assessing competitive potential of industrial enterprises. And regarding the enterprises in consumer services, these issues have not been reasonably solved, being relevant and significant for the customer economy as such.

**Recent research and publications analysis.** The problems of determining the essence and the development of competitive potential of industrial enterprises were studied in the works of national and foreign scientists, in particular, by G. Azoiev (1996), N. Krasnokutska (2005), I. Podsmashna (2007), J. Riepina (1998). The

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methods of assessing the competitive potential were studied by O. Fedonin et al. (2004), A. Hryniiov and I. Kyrchata (2007), B. Koretsky and M. Khopchan (2008), Ia. Salikhova (2011) and other domestic and foreign scientists.

**Unresolved issues.** The analysis of publications concerning the problems and methods in assessing the competitive potential allowed us drawing the conclusion on its insufficient solution at the enterprise level of consumer services. Some publications state the fact that potential evaluation of service enterprises generally remains aside from the researchers' attention. To solve this problem, one should first specify the economic category of "competitive potential of the enterprise", and then explain the methods of assessing the competitive potential of consumer services enterprises in their practical application.

**The aim of this research** is to adapt the existing methodologies for assessing the competitive potential to the consumer services sector. To implement this, it is required to determinate the contents of competitive potential as such, to analyse the methods of competitive potential assessment, also determining the advantages and disadvantages of the existing methods.

**Key research findings.** In the system of concepts and categories that characterize competition, such an economic category as competitive potential takes an important place. Competitive potential is the potential of an enterprise (firm) to form, preserve and develop competitive advantages in the long term (Azoiev, 1996; Podsmashna, 2007: 224–227).

Basing on a range of sources, we propose the definition of "competitive potential" for consumer services enterprises. It is a systematic complex of mutually agreed capacities and resources of the enterprise's internal environment that provides a competitive advantage in a changing external environment, contributing to the achievement of competitive goals while ensuring the competitive status to an enterprise (Kaplina and Zaychenko, 2005: 21–23).

In our opinion, this definition describes the competitive potential of consumer services enterprise, as it allows covering all main internal processes of a firm in various functional areas of its internal environment in comparison with key competitors. Internal environment and resources are critical for customer services enterprises, because all internal components of an organization are part and source of the service itself, due to the inseparability of a service from service provider (for example, services of service stations, dry cleaners, clothing, shoes and household appliances repair). To make services provision successful, the interaction between a specialist and a consumer is important, because consumer is often present while services are provided (e.g., hairdressers, beauty salons, entertainment centers).

In order to understand what assessment methods for competitive potential can be applied for services enterprises, it is necessary to consider the specificity of this business. Unlike commodity markets, the main object of exchange here is services that reach 80–85% of the total volume of sales in the country markets (Morgulets, 2012).

In a competitive market, the demand for a particular service depends on the results of comparison between service quality and its cost by consumers with similar services available. The ability of a service enterprise to win in competition depends on whether it has significant advantages as compared with competitors (Azoiev, 1996).

Therefore, the problem of assessing the competitive potential of consumer services enterprises is extremely important, because it is necessary to have objective information on the status, opportunities and trends in the development of the enterprise's competitive potential, in order to make forecasts and development strategies, plans, effective management decisions, ensure competitive advantages.

The theory of competitive advantages comparison, which is based on available comparative advantages which provide relatively lower production costs as compared to competitors in order to strengthen competitive positions, is known to be a methodological approach to assessing the competitive ability and competitive potential of the enterprise (Hryniow and Kyrchata, 2007: 853–863). This theory emphasized the ability to render services with lower spending of time, materials, physical labour as compared to competitors. This method can be applied to assess the competitive potential of service organizations. The process of estimating the expenditure of a service enterprise is more complicated than estimating the expenditures of a manufacturing enterprise. This is due to the fact that expenditures of service organizations are more diverse.

For example, a cosmetologist may have some differences in expenditures while working with a patient in a beauty salon, which are associated with using some supplementary materials for cosmetic procedures, and additional time expenditures as well. Therefore, it is difficult to assess the competitive position of each individual beauty salon.

The disadvantage of this method for consumer services enterprises is the static nature of the received results and the inability to assess the degree of effectiveness of the enterprise's adaptation to changing environmental conditions.

The following method is based on A. Marshall's theory on firm and industry balance and the theory of production factors (Hryniow and Kyrchata, 2007: 853–863; Salihova, 2011). Under the conditions of balance, each production factor is used with the same and highest performance, so other firms do not have incentives to enter the market. The methods for assessing the enterprise's position on the basis of the balance theory and production factors can be used in relation to consumer services, however, their application is very limited due to the features of this market and its dynamics. The main disadvantage is that the method mainly reflects the external conditions for services enterprise that were formed objectively, and almost does not take into account the influence of internal environment factors.

For example, if an enterprise, which provides repairing and tailoring services, has two identical sewing machines of different age, than the new machine will be more effective in calculations of competitive potential efficiency, than the old one. This is due to the fact that it rarely breaks down and thus is more loaded in the reporting period.

In the framework of the theory of effective competition, the subject of analysis includes three main groups of factors: the efficiency of production and marketing activities of the enterprise, the efficiency of own production activities and the financial stability of an enterprise. When assessing the capacity, individual and group performance of enterprises is compared with the respective indices of competitors and the average for the industry. This method allows making a conclusion about the entire industry. The disadvantage of this method is the difficulty of the analysis results ge-

neralization, even using the groups of indices, final integrated assessment of enterprises' potential is even more difficult. The method is not sufficiently effective due to high uncertainty of service organizations and their dynamism.

Yet another method is based on the theory of (services) quality and on the study of customer value of manufactured products, and the most important parameters are compared with the same parameters of competing manufacturers and goods. This method of assessing the competitive potential can be applied to service organizations. In customer services, enterprise's competitiveness is identified with competitiveness of its services. Competitiveness of a service depends on service quality and high quality allows avoiding price competition and maximizing revenues. The disadvantage of this method is that it does not take into account the efficiency of production and marketing activities of the enterprise and that it can only be applied to the enterprises with similar services. It is known that consumer services enterprises such as dry-cleaning, service stations, beauty salons, entertainment centers, clothing, shoes, household appliances repair, have a certain specialization of work, being characterized by a wide range of services.

The main disadvantage of the above methods is that the level of competitive advantages of an enterprise is fixed at a certain specific period of time. At the same time, the category of competitive potential and the factors determining it are quite dynamic.

The methods that explore potential in dynamics and give more objective assessment results, based on the calculation of the overall competitiveness index are matrix methods (Hryniiov and Kyrchata, 2007: 853–863; Salihova, 2011). The essence of matrix methods is to determine the quantitative value of the integrated rating index of competitiveness for an individual enterprise.

The method of points is one of the common matrix methods. It allows determining the overall quantitative evaluation of goods (services) while the competing product is available. The method of points allows quantifying the lag behind competitors and exploring the competitive potential of service enterprises in dynamics.

For example, when using the method of points to determine the quantitative assessment of the dry-cleaners' potential, the "m" of the key indices of competitiveness for "n" objects is determined first. As a result, we get the "X" matrix, where rows describe the aspects of assessment of the dry cleaners' potential competitiveness according to various indices. Further, the ranking of estimated figures is performed according to the order of importance, determined by a survey in the dry cleaners' economic unit. The next step is to build a vector consisting of the maximum values for each of "m" indices. The "X" normalized matrix is created. The points, obtained after the survey, are calculated according to a certain estimated figure by comparing their actual values with the best ones in this aggregate. Finally, the aggregated index is calculated and dry cleaners ranking is made in the order of increasing aggregated index value.

This method is quite expensive for the services industry and complicated in terms of matrix construction and results interpretation, so it is difficult to effectively implement it in practice.

The method for integral assessment of enterprise's competitive potential is simpler, cheaper and quite effective (Fedonin et al., 2004). It involves the use of two cri-

teria: the first one shows the degree of satisfaction of customers' needs, the second one reflects the production efficiency. The advantage of this method is the simplicity of calculations and the possibility of relatively unambiguous interpretation of results, while the disadvantage is that the integrated assessment does not allow deeply analyze and define the reserves to improve the customer services potential.

Based on the integral method it is possible to obtain the overall assessment of competitive potential of service organizations, identify bottlenecks and assess the reasons for lagging behind competitors. As a result, it is possible to develop activities to improve the competitive position. The model is easily adaptable to various activities within consumer services.

So, the performed analysis of assessment methods of competitive potential showed that none of them is universal and all has their drawbacks. Therefore, there is an objective need to develop a comprehensive method for assessing the competitive potential of the services industry enterprises, which would be based on the principles of consistency, objectivity, dynamism, continuity, optimality and constructability. The most objective result can be obtained by simultaneous assessment of potential by different methods and comparing the results of the enterprise's competitive position.

After the performed analysis of methods we came to the conclusion that the assessment of competitive potential of consumer services enterprise should be performed on the phased basis, as follows:

1. Determination of key parameters of enterprise's competitive potential.
2. Calculation of individual indicators of competitive potential.
3. Selection of the reference indicators of competitive potential.
4. Turning individual indicators into points to compare with the reference ones.
5. Determination of the importance ratio of individual indicators.
6. Calculation of the integrated index of competitive potential.
7. Analysis of the obtained results.

When assessing, the main criteria are emphasized, which determine the ability of consumer services enterprises to achieve objectives at each stage. The proposed method allows establishing the quantitative value of the indicators, to rank them by importance, to identify the potential of service organization and to get a general idea of the enterprises position at the market.

**Conclusions.** Most methods of assessing enterprises' competitive potential characterize only certain aspects and have many drawbacks. A common drawback of the analyzed methods, with the exception of the matrix one, is the static nature of assessment, and that the received results would remain actual only for a short period of time.

Therefore, to assess the competitive potential of consumer services enterprises, the complex use of methods is required, in accordance with the proposed assessment phases. This phase-based assessment will help cover all most important aspects of enterprises' activity in order to assess quickly and effectively the enterprise's position at the market.

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