FACTORS AFFECTING THE COMPETITIVENESS OF RETAIL ENTERPRISES

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ABSTRACT

Retail competitiveness is no longer a "nice store in a good location" problem. It is a systems problem shaped by strategy, operations, customer experience, technology, and the ability to adapt faster than rivals. This thesis synthesizes key factors that influence the competitiveness of retail enterprises and explains how they interact across physical and digital channels. Drawing on foundational strategy perspectives, service-quality research, omnichannel findings, customer-experience frameworks, atmospherics evidence, and supply-chain alignment logic, the paper proposes an integrated model of retail competitiveness.

Introduction

Competitiveness in retail is often described in simple terms: prices, assortment, and location. That description is comfortable—like an old sweater—but in modern markets it is also incomplete. Retailers compete in environments where customers compare offers instantly, switch channels effortlessly, and judge brands not only by what they sell but by how they behave and how consistently they deliver. In such conditions, competitiveness becomes a multi-dimensional capability: the retailer must create a compelling value proposition, execute it reliably, and evolve it continuously. Classic strategic logic explains why a firm needs a defensible advantage and how activities must fit together to produce superior performance over time [1]. Yet retail adds a specific difficulty: demand is volatile and customer experience is produced in real time, often by frontline employees, store environments, and digital interfaces—meaning a retailer's "product" is not only merchandise but also the shopping journey itself [4].

Materials and methods

Retail competitiveness can be defined as the ability of a retail enterprise to attract and retain customers profitably under competitive pressure while maintaining resilience to market shocks. This definition already implies three dimensions: customer attraction, customer retention, and profitability. Attraction includes awareness, perceived value, and accessibility. Retention reflects satisfaction, trust, habit formation, switching costs, and emotional attachment. Profitability depends on margin structure, operating costs, inventory productivity, shrink control, and capital efficiency. In practice, retailers track competitiveness through indicators such as sales growth, like-for-like sales, gross margin return on inventory investment, conversion rate, basket size, repeat purchase, customer lifetime value, and

market share dynamics. None of these metrics stands alone: a retailer may grow sales by discounting aggressively yet destroy profitability; it may improve margins by shrinking assortment yet reduce customer relevance. That is why competitiveness is better understood as a balanced, strategically aligned system than as a single KPI.

Results and discussion

A crucial point is that retail competitiveness is both relative and contextual. It is relative because customers compare; even a strong retailer can look weak if rivals improve faster. It is contextual because what counts as "value" differs by segment and shopping mission. A convenience-focused shopper values proximity and speed; a bargain hunter values price transparency and deals; a quality seeker values trust, authenticity, and service. Retailers therefore compete on different "value equations," and competitiveness depends on being excellent on the few dimensions the target customer truly cares about, while being good enough on the rest to avoid disqualifying failures. This is consistent with the logic that competitive advantage emerges from a coherent set of activities that deliver either lower cost or differentiation in a way that is difficult to imitate [1].

Retail enterprises are influenced by macro and industry forces that set the "rules of the game." Economic conditions shape household purchasing power, price sensitivity, and trading-down behavior. Demographic structure influences product categories, format preferences, and channel adoption. Urban planning, transport infrastructure, and real estate economics affect the viability of locations and the cost of expansion. Regulation influences operating hours, licensing, consumer protection requirements, labeling rules, data protection, and labor standards. Technology trends reshape customer expectations—for example, fast delivery, real-time stock visibility, and frictionless payment—turning optional features into basic hygiene.

Competitive intensity is also an external factor: the more substitutes and rivals exist, the more a retailer must differentiate or operate efficiently. Retail is particularly exposed to imitation: product lines can be copied, promotions can be matched, and store design cues can be reproduced. Under these conditions, durable competitiveness tends to come from deeper capabilities such as superior supply chain fit, superior data usage, superior employee development, or superior integration across channels—areas where copying is harder because it requires changing systems, not just copying surface features.

At the core of retail competitiveness is positioning: a clear answer to "why should the customer choose us?" This value proposition is built from a mix of price level, assortment breadth and depth, quality cues, convenience, service, experience, and trust. In classical strategic terms, retailers compete through cost advantage, differentiation, or focused specialization; but in retail, hybrid models are common and must be managed carefully because being "cheap and premium" at the same time usually ends as "confusing and broke." The strategic challenge is to choose the few value dimensions where the retailer will be unmistakably better than competitors, and then align every activity—merchandising, sourcing, staffing, store design, marketing, technology, and operations—around those choices [1].

Merchandising strategy is one of the strongest competitiveness levers. Assortment decisions determine relevance; private labels determine margin structure and differentiation;

category management determines shelf productivity; and new product introduction determines freshness. Price strategy determines not only demand but also brand meaning: everyday-low-price signals reliability, while high-low promotions signal opportunity. Promotion strategy affects traffic and inventory flow but can also train customers to delay purchases until discounts. In many markets, the "price image" (what customers believe your price level is) matters as much as actual prices, because customers do not calculate a full basket every time; they use heuristics based on a few highly visible items.

Brand and trust increasingly determine competitiveness because retail is an information-asymmetry environment. Customers cannot fully verify product authenticity, storage conditions, sourcing ethics, or data handling practices. They therefore rely on trust signals—consistent quality, transparent policies, credible warranties, fair returns, and social reputation. Trust also matters in digital retail, where payment security and delivery reliability become part of the brand promise. Competitiveness rises when the brand promise is clear and consistently honored; it collapses when the retailer violates expectations, because disappointed customers become loud marketers for your competitors.

Retail is a service system disguised as shelves. Customers evaluate not only the product but the entire interaction: navigation, employee behavior, complaint handling, payment speed, and after-sales support. Service quality is strongly linked to satisfaction and repurchase intention, and it provides differentiation when product assortments are similar. A widely used framework conceptualizes perceived service quality through gaps between expectations and perceptions, operationalized through dimensions such as reliability, responsiveness, assurance, empathy, and tangibles [2].

Competitiveness improves when service quality is engineered rather than hoped for. Engineering means standardized service scripts where appropriate, clear role definitions, training in communication and product knowledge, staffing aligned to traffic patterns, and empowerment mechanisms for frontline employees to solve problems quickly. Customers remember failures more than normal experiences; therefore, service recovery becomes a strategic asset. A retailer that resolves issues fast and fairly often retains customers even after mistakes, because it demonstrates respect and accountability. Conversely, a retailer with unreliable service (out-of-stock items, chaotic queues, unfriendly staff, broken promises) burns competitiveness regardless of marketing spend.

Service quality also interacts with cost structure. Retailers sometimes cut labor to reduce costs, then suffer from worse service, lower conversion, higher shrink, and lower loyalty—paying a hidden "competitiveness tax." The smart approach is to treat labor not only as a cost but as an investment in conversion and retention. Technology can support service (self-checkout, mobile payment, inventory scanners), but it can also damage experience if it is unreliable or forced on customers without alternatives. Competitiveness is strengthened when technology increases speed and accuracy while preserving customer control and dignity.

Modern customers shop across touchpoints: physical stores, websites, apps, social media, marketplaces, call centers, and delivery services. They do not experience these as separate businesses; they experience one retailer. Customer experience research emphasizes that experience is holistic, dynamic over time, and shaped by multiple determinants including the social environment, the service interface, retail atmosphere, assortment, and prior

experiences [4]. The crucial implication is that competitiveness requires coherence: if the app promises what the store cannot deliver, customers interpret it as dishonesty, not "channel mismatch."

Omnichannel competition adds both opportunities and risks. Opportunities include expanded reach, better customer data, flexible fulfillment, and richer content. Risks include channel conflict, inventory complexity, higher fulfillment costs, and inconsistent pricing. Research on omnichannel retailing highlights that mobile and cross-channel integration change how customers search, compare, and purchase, pushing retailers to compete through coordinated touchpoints rather than isolated channels [3].

Conclusion

Competitiveness in retail enterprises is shaped by a network of mutually reinforcing factors rather than a single "magic lever." Strategic positioning defines what the retailer promises; operational excellence determines whether it can deliver; service quality and customer experience determine whether customers return; atmospherics influence behavior and perception in physical spaces; omnichannel integration determines whether the retailer can compete where customers actually shop; and supply chain alignment determines whether availability and cost are sustainable.

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