SECTION 2. ECONOMICS AND MANAGEMENT OF THE NATIONAL ECONOMY

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2.1 Theories and principles of business digitalization in the context of developing competitive advantages of business entities in the trade sector

The full-scale war initiated by the russian federation has led to a radical shift in the trajectories of business development across all sectors, particularly in trade. This transformation has necessitated a fundamental reorientation of economic behaviour among enterprises, driven by disruptions in logistics, institutional constraints, security threats, and geo-economic factors. Consequently, new realities have compelled businesses to adapt and revise their strategic development plans.

Key shifts in business trajectories within the trade sector include:

1. Geographic reorientation of sales markets. Ukrainian enterprises have pivoted away from markets in certain CIS countries, primarily Russia and Belarus, toward more stable and open markets. Prioritized directions include:

- integration into EU markets, facilitated by duty-free access, simplified trade procedures, shared customs initiatives, and robust purchasing power;
- diversification toward markets in Southeast Asia, the Middle East, and North Africa, where demand for Ukrainian products, especially in the agricultural sector, is increasing;
- expanded participation in international exhibitions, trade missions, and B2B initiatives, often with support from the EU and other strategic partners.

2. Digitalization as a resilience vector. Enterprises have increasingly relied on e-commerce platforms, digital marketplaces, and online customer communication channels to enhance their resilience and market reach.

3. Investment in digital analytical tools. To remain competitive amid disrupted supply chains, companies implement demand analytics, supply chain management solutions, CRM systems, and ERP platforms. Adopting omnichannel models that merge physical and digital sales channels, commonly known as "phygital" models, has become particularly prominent.

4. Adaptation to changing consumer priorities. A marked shift toward domestically produced goods, driven by economic and patriotic considerations, has occurred. Consumers increasingly prioritize essential goods, local products, fair pricing, social responsibility, transparency, and certified production standards (e.g., ISO compliance).

5. Logistics transformations. Infrastructure destruction and port closures have restructured supply chains. As a result, logistical hubs have shifted to western regions and border cities such as Lviv, Uzhhorod, and Lutsk. The role of rail, road transport, and temporary border storage facilities has grown significantly.

6. Search for new business formats:

- formation of SME alliances and cooperatives to facilitate international market entry;
- expansion via franchising, white-label agreements, and export branding;
- development of high-value-added products to replace raw material and semi-finished goods exports.

Since the onset of the full-scale war, trade businesses in Ukraine have undergone transformative shifts characterized by geographic reorientation, digital acceleration, logistics innovation, changes in consumer behaviour, and increased focus on resilience and adaptability. Analytical tools are essential for designing and implementing integrated adaptation strategies that ensure sustainable development.

The Ansoff Matrix is a particularly effective strategic framework in the current environment. It aligns strategic business vectors with market conditions. This model offers a structured approach to strategic development by assessing growth opportunities through market penetration, product development, market expansion, and diversification, each contributing to creating competitive advantages.

The Ansoff Matrix enables enterprises to:

- market penetration. Focus on increasing sales of existing products in current markets through digital customer engagement;
- market development. Enter new markets with existing products, leveraging digital marketing strategies;

- product development. Innovate product offerings using digital technologies to meet emerging customer needs;
- diversification. Expanding into new products and markets often necessitates digital capabilities for managing complex operations [21].

This strategic framework supports market adaptability by enabling enterprises to respond swiftly to changes in consumer preferences. For example, businesses can augment market penetration strategies by introducing new, socially relevant products, such as those intended for humanitarian or military purposes. Meanwhile, market development finds expression in reorientating trade businesses toward the EU, the Middle East, Asia, and North Africa. Diversification strategies are gaining momentum through new business models such as e-commerce, dropshipping, franchising, and developing digital product lines and services.

Integrating Ansoff strategic elements with advanced analytics, including demand forecasting, competitor intelligence, and market trend analysis, enables businesses to systematically evaluate growth vectors, improve decision-making flexibility, and adapt business models for sustainable competitive advantage in the digital era.

Successful digital transformation necessitates strategic alignment between organizational resources and goals. Digital initiatives must be customer-centric and aligned with overarching business objectives to enhance market relevance and strengthen competitive positioning [22].

Although the Ansoff Matrix provides a robust foundation for strategic planning, decision-makers must complement it with dynamic business model adaptation to accommodate shifting market dynamics and rapid technological advancement. It requires a holistic framework that combines elements of competitive strategy in the automotive trade sector with empirical methods for market maturity assessment. Such integration enables the identification of patterns, causal mechanisms, and principles critical to adaptive competitive advantage formation in digital environments. The result is enhanced market interaction, synchronized innovation processes, and alignment with sustainable development goals.

The formation and implementation of a comprehensive strategy for competitive advantage development in trade should follow this sequence:

1. Strategic integration of competitive advantage theories.

Managers should implement strategies based on the theory of competitive advantage (Porter), the Resource-Based Theory (RBT), and the dynamic capabilities framework [23-25]. These frameworks collectively explain how firms attain competitive advantages under varying market conditions.

Porter's theory emphasizes firm-level strategy and highlights differentiation or cost leadership as sources of advantage [23]. RBT focuses on the uniqueness of firm resources and capabilities as sources of long-term advantage [24-25]. As proposed by Teece, Pisano, and Shuen [26], the dynamic capabilities approach emphasizes the need for organizational agility and resource reconfiguration to respond to environmental shifts.

M. Porter asserts that competitive advantage arises from a firm’s ability to perform activities differently than its competitors, either through cost leadership or differentiation strategies [23]. His theory emphasizes the importance of establishing barriers to imitation and maintaining a unique market position.

According to the Resource-Based Theory (RBT), firms achieve superior performance by leveraging valuable, rare, and inimitable resources [24]. The theory highlights resource heterogeneity and the significance of firm-specific capabilities in unlocking the organization’s potential and deploying resources effectively. Furthermore, it underscores the critical role of organizational capabilities in transforming these resources into sustainable competitive advantages [25].

Teece, Pisano, and Shuen argue that firms must develop dynamic capabilities to integrate, build, and reconfigure internal and external competencies in response to changes in the external environment [25]. The dynamic capabilities framework incorporates feedback loops that enhance organizational learning, skill development, and innovation, essential for maintaining competitive advantage in volatile contexts [26].

Based on the foregoing, it is evident that the practical application of selected provisions from Porter's theory of competitive advantage, the Resource-Based Theory (RBT), and the dynamic capabilities perspective (Teece, Pisano & Shuen) in the trade sector must be grounded in a set of principles. Chief among these are strategic positioning and integrated management—two critical tenets of business strategy.

Strategic positioning and integrated management are key principles in business strategy. Positioning entails identifying a firm's unique market role relative to competitors, requiring a deep understanding of internal strengths and external market dynamics [27]. Operational efficiency, supported by managerial capital and tools like Total Quality Management (TQM), is essential for long-term profitability [28].

Integrated management involves coordinating business functions across levels, including outsourcing and innovation, directly affecting positioning [29]. Strategic decision-making must align strategic choices with organizational capabilities [27]. However, overemphasis on rigid positioning can hinder flexibility. Therefore, balancing strategic consistency with adaptive capacity is critical to long-term success.

While foundational theories offer a strong basis for understanding competitive advantage, they do not always account for exogenous variables such as market volatility or regulatory shifts. As such, it is essential to consider the digital transformation paradigm, Industry 4.0, and the emerging principles of Industry 5.0.

2. Adherence to digitalization principles.

Digital transformation theory posits that competitiveness depends on AI, IoT, and big data analytics technologies to optimize operations and customer engagement [30-31].

Industry 4.0 is characterized by the convergence of digital technologies with production and business processes [32]. This integration enhances operational efficiency, promotes resilience, and facilitates large-scale customization and the seamless integration of supply chains [32-33].

The incorporation of digital technologies has fostered the emergence of collaborative ecosystems that support innovation and entrepreneurship [31, 33]. Businesses in the trade sector increasingly demonstrate and implement these ecosystems through key principles of the digital economy, including:

- digital inclusion, which emphasizes equitable access to digital technologies, ensures that all segments of society can actively participate in the digital economy [34];
- automation and algorithmization streamline operations and decision-making processes, reshape labour dynamics, and necessitate comprehensive efforts to reskill employees. These transformations require sustained support across all organizational levels to ensure effective implementation [31, 34].

3. Combining competitive strategy elements in trade.

Michael Porter proposes two core strategies for achieving competitive advantage: differentiation and cost leadership. Differentiation focuses on offering unique products or services that customers value, while cost leadership aims to position the firm as the lowest-cost producer within the industry. Servitization, understood as adding services to products, can enhance both strategies by increasing customer value and flexibility.

The principles of customer orientation and service flexibility are critical in this context, as they ensure that the services provided align with customer needs and can be adapted to evolving market demands. The differentiation strategy entails creating a unique product or service that delivers superior value to customers, often allowing the firm to command premium pricing. This strategy is rooted in perceived quality and can lead to market share leadership [35].

Customer orientation is central to differentiation, as it requires a deep understanding of and responsiveness to specific customer needs and preferences [36]. Conversely, the cost leadership strategy minimises operational expenses through economies of scale, operational efficiency, and innovations contributing to cost reduction [37].

Service flexibility can reinforce cost leadership by enabling firms to adjust their offerings to sustain low costs while still satisfying customer needs [38].

Servitization, as a source of competitive advantage, can effectively support both differentiation and cost leadership strategies [38].

Although Porter's strategies provide a foundational framework for building competitive advantage, they may be overly general and require adaptation to business operations specific conditions and contexts.

Given the discussed theories and the principles of business digitalization, as they pertain to developing competitive advantages for business entities in the trade sector, it is essential to emphasize that formulating and implementing a comprehensive strategy for competitive advantage under digitalization requires an integrative, interdisciplinary approach. This approach involves synthesizing elements from the competitive strategy employed by trade enterprises, particularly in the automotive services market, and applying market maturity research methods [39].

The effectiveness of modern competitive strategies significantly depends on how digital tools and process innovations are integrated into the enterprise's operational framework. Moreover, it is emphasized that in increasing digitalization and market turbulence conditions, businesses must continuously reconfigure their strategic approaches to maintain relevance and responsiveness to consumer expectations [40].

By identifying interconnections, causal laws, and regularities and by analyzing guiding principles within the framework of an adaptive mechanism for competitive advantage formation, businesses can adapt their models to the digital environment. It enables the identification of key success factors under digital transformation, optimizes interaction processes with the external environment, and synchronizes innovation processes with modern consumer needs, thereby ensuring progress toward sustainable development goals.