

Competitive Strategies of Railway Transport of Ukraine as an Essential Part of the European Integration

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Abstract: The article is devoted to creation of the model of Eurointegration development of railway transport of Ukraine. The analysis of strategies for determining the level of competitiveness of passenger transportation by railway transport has been carried out. It is proved that the formation of the strategy involves obtaining a certain view of the future state of the industry and ways of solving existing problems. It is scientifically proved that the solution of this issue is possible through the creation of competitive and functional strategies for the development of a passenger business entity based on the use of modern management methods.

Keywords: strategy, transport, railway industry, passenger business entity, competitive position.

Relevance of the problem. The Ukrainian railway network is one of the most developed among European countries, it occupies a leading place in the volume of transportation and plays an important transit role on the Eurasian continent. Eurointegration is the main and unchanged foreign policy priority of Ukraine, and further development and deepening of relations between Ukraine and the EU are carried out on the principles of political association and economic integration..

The development of any industry is impossible without defining the main goals and areas of operation, i.e. a strategy. Formation of the strategy involves, first, obtaining a certain idea about the future development of the enterprise or industry; and secondly, the active use of modern methods of management by the enterprise, providing a certain balance and future directions of its development. The strategy for the development of the railway industry is aimed, first of all, at obtaining additional income from all spheres of its activity and increasing the competitiveness of the transport industry [1]. The passenger transport industry performs a huge amount of social work, as well as promotes the freedom of movement of Ukrainian citizens, one of the most important of their constitutional rights.

Unresolved issues in the research problem. No passenger transport operator can achieve an advantage over competitors in all commercial traffic (main services) and means of their promotion in the transportation market. Therefore, the choice of priorities and the development of a strategy that would be most suitable in line with the European tendencies in the development of a market situation; which provides the best way to use the strengths of business entities (see fig. 1).

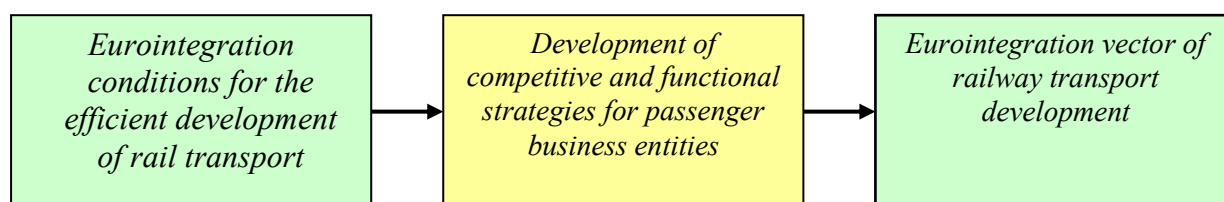


Fig. 1. Model of Eurointegration development of the Ukrainian railways
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The purpose of this article is creation of competitive strategies for rail transport development in the context of the European integration.

The main material. Any general strategy to improve the efficiency of passenger transport of economic entities is based on selected common competitive strategies. The link between general and general competitive strategies is straightforward: when choosing a general competitive strategy, the entity determines the way to achieve its strategic targets. The combination of general and general competitive strategies depends on the characteristics of the industry, the overall competitive position of business entities in the environment and their performance. In addition to the basic strategy, which includes a combination of different strategic business areas, competitive strategies define the approaches by which they should operate in each of these areas.

In order to improve the efficiency of the operation of passenger transport, the main general strategy, in our opinion, is a marketing competitive strategy, which, by our definition, as a kind of marketing strategies of economic entities, is one of the means of realizing their marketing goals and is aimed at identifying those strong the parties through which they can successfully compete in the target segment of the market of transport services and which can create a competitive advantage for them [2]. Types of competitive strategies according to the most common classifications that can be used to improve the efficiency of passenger transportation are shown in fig. 2.

Using the provisions of the classical works of M. Porter and the world experience in the organization of transportation, it may be stated that it is advisable to apply such provisions of the system approach to ensure their competitiveness [3, 4]:

1. Converting a passenger entity to a producer with the lowest cost of transportation. Such an approach is the cost-benefit strategy, or price leadership based on reducing its own costs, compared with the costs of a competitor, by obliging control over the places of their formation and regulating the volume of transportation or the proposed additional services, thereby achieving higher results compared to them. The low costs allow to have a price advantage and serve as a kind of barrier to penetrating newcomers to the target segment of the transport services market.

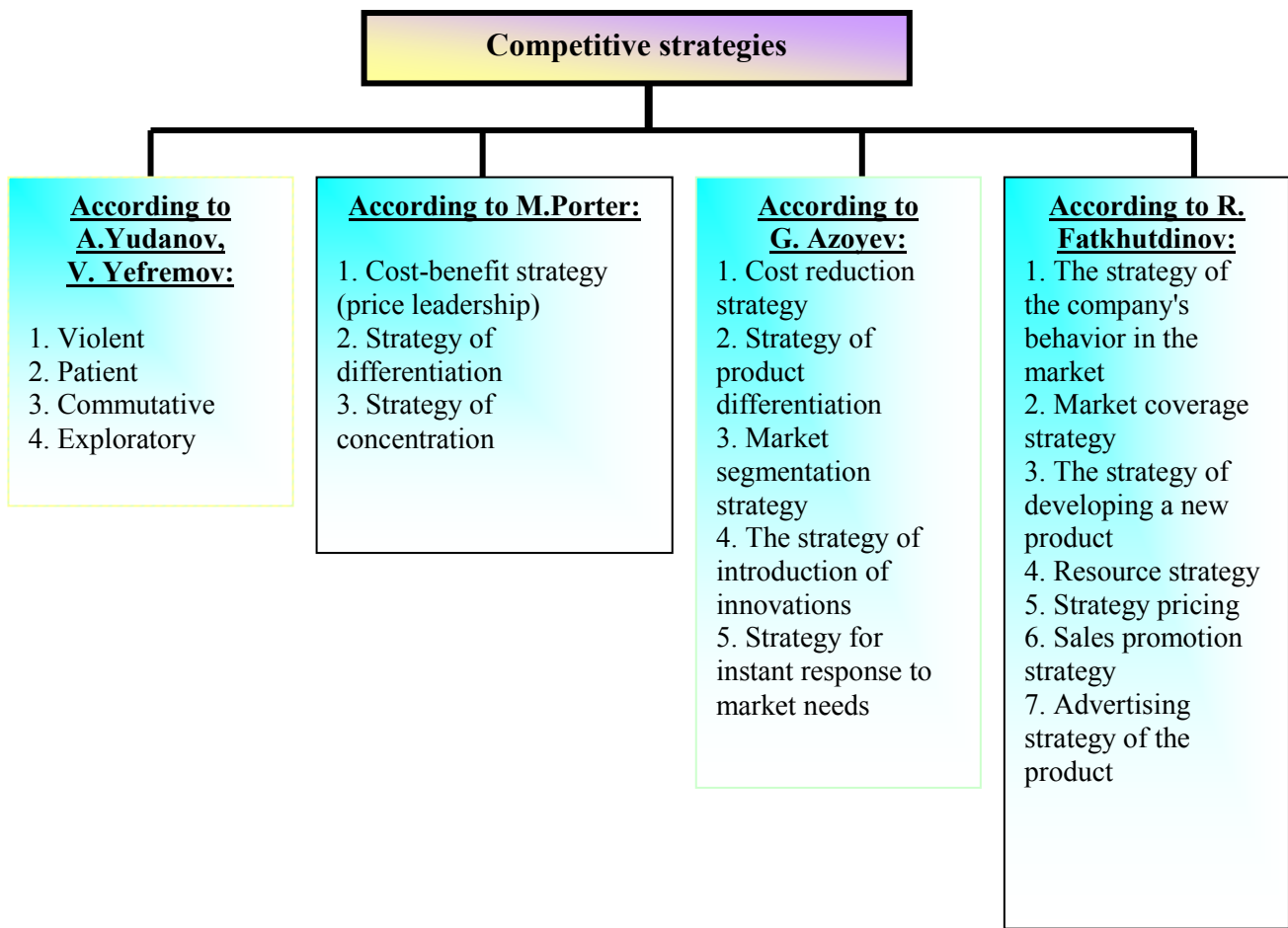


Fig. 2. Types of competitive strategies [ownresearch]

2. Differentiation of transportations, aimed at creating the recognition of consumers about their significant differences in standards from the transportation of competitors. These special differences can be based on such elements of the marketing complex as: image, flexible pricing policy, service, an extensive network of service points (sales of transport services), increased advertising, etc. The basis of this approach lies in the strategy of differentiation, which is long-term and reliable to achieve a level of profit above the average in the industry, since consumers prefer transport and additional services for a specific passenger business entity for the given advantages.

3. Focusing on the narrow niche of the transport services market to improve the service of passengers with clearly distinct types of requests. This approach reproduces a strategy of focusing differentiation or concentration. Under this strategy, the passenger entity is purposefully oriented towards a certain group of potential

passengers (transport service users) or for limited types of traffic and the share of the range of additional services or a specific segment of the transport services market.

Under the lower cost of transportation, in our opinion, it is necessary to understand not only a smaller amount for their performance than competitors, and the ability of the business entity to conduct marketing research in different directions by the method of system analysis, as well as production and sales activity, more effectively than competitors. In other words, in order to achieve this type of competitive advantage, the passenger business should have the opportunity to provide at reduced costs and in shorter terms the whole cycle of operations for the organization of transportation or the provision of additional services: from technological processing to the end-user. Failure to build the whole chain will diminish the success of the business entity and the type of transport in general on any of its links.

The incentive for applying a cost-cutting strategy is a significant saving on the scale of the transportation and attracting a large number of potential passengers, for whom the price is a determining factor in choosing a type of transport. This strategy is focused on the mass supply of standardized transport products (high speed trains in various class cars), which, as a rule, is more efficient and requires less specific costs than the implementation and offering of transport in trains of various classes in small quantities. In this case, saving of variable costs is achieved at the expense of high specialization of technological processes and provision of service at stations and trains. Constant expenses per unit of transport products decrease with increase of volumes of its execution and, thus, create an additional reserve of its cheapening (it is possible to reduce the tariff).

A business entity that follows the strategy of reducing the cost of transportation should offer reduced tariffs for high-quality service of the mass consumer (high-speed transportation by electric trains and suburban transportation). The desire to be a leader in achieving the lowest cost in the industry requires the optimal, in terms of costs, volumes of transportation and provision of additional transport services, seizure of a large share of a specific segment of the market of traffic, the application of marketing data and resource-saving technologies, the implementation of clear control over invoices and other types of permanent costs, i.e. marketing and logistics management [5].

In the market of transport services for the population of the country the railway transport has the leading place, because it performs 40% of the total volume of passenger traffic. It remains the most sought after and is a leader in the industry. Frequency of transportation by rail indicates an inappropriateness of compliance with the strategy of cost benefits for transportation services for the population. However, it is becoming increasingly difficult to lead the price of railways: due to the sharp increase in inflation since the beginning of the current year, transportation costs also significantly increased, which led to the need for gradual increase of transportation tariffs. As a result, the gap in the cost of travel by the wagons of the brand-name train "Lux" and the cost of the flight in the salons of "economy class" or with low-cost airlines is becoming smaller. This situation indicates the need to formulate a set of measures, including marketing, aimed at achieving the objectives of the strategy of benefits in costs and their planned implementation.

Strategy of differentiation of transport products is based on the specialization of carrying out special trainings of different classes of trains: regional, express, Intercity train and Intercity plus or additional services, which are modifications of standard products. Such modified services become unchanged for consumers in the case when the standard ones does not satisfy them. The personification of transportation on the market, or, in the broader sense, the differentiation of their characteristics, can be carried out by creating additional services with advanced technical and other consumer (operational) parameters, quality of their performance, based on a wider range to stimulate potential passengers to choose type of transport, based on the attractiveness of prices [4].

Thus, the main idea of differentiation is to concentrate efforts of passenger business entities on transportation with limited demand, which allows to avoid price competition with more powerful competitors and, at the same time, enables them to compete with them for specific groups of potential consumers.

The most attractive way to differentiate transport products, as a rule, is the use of techniques that are as different as possible from the techniques of competitors. This forces the passenger business to constantly search for new, original ways to allocate its main and additional services and bring a variety of transport services to the transport services segment. Creating differentiation through simulation will be the cheapest way to implement this strategy, but will lead to its death.

As part of the strategy of differentiation, it would be advisable, in our opinion, to develop a service to rent train-salons, as this service is a special modification of the usual transport service for its offer to a specific group of passengers. This service is not new for users of rail transport, however, it still has no analogues on road or air transport.. Despite the latter, the demand for this service has not reached the expected level, which in many cases is due to weak marketing support of this service and the lack of a competitive strategy for its promotion on the market.

The strategy of concentration requires a deep segmentation of the market of transport services and is aimed at providing advantages over competitors in a personified and often single segment of the market, which is allocated by geographical, psychographic, demographic or behavioral principle. The main idea behind this strategy is that business entities are able to serve their narrow target segment of the transport services market more effectively than competitors that spill their forces across the market. As a result, there is an advantage over competitors or through the differentiation of transportation and additional services based on more complete satisfaction of the needs of the target segment of the market, or by achieving the lowest costs when servicing the selected segment [4].

Thus, without pursuing the goal of achieving leadership in reducing the cost and (or) differentiation of transport products throughout the market, the passenger entity, focusing on market trends, achieves the results on the target segment. Having low cost and offering a large selection of transport products for a specific, personalized segment, it protects itself against counteraction by business entities of other modes of transport that use other competitive strategies..

The strategy of concentration can be developed by applying it to the main - transportation service of passengers through its differentiation [6]. The target market for rail passenger traffic is rather voluminous, and to achieve its homogeneity, a strategy of undifferentiated (aggregate) marketing should be applied. However, the predominant share of this segment is made up of people with average and below average incomes, so the existing differentiation of fares, depending on the train categories and type of train, is insufficient. Development of the strategy of concentration requires an increase in the differentiation of the cost of travel (depending on the place inside the train, day of the week, time of day, etc.), and in the future - the differentiation of the cost of service support services. This will enable

not only to protect rail transport from competitors, but also to make the transition to comprehensive passenger service.

Practice shows that the strategy of concentration (segmentation) is applied mainly to the types of transport of the passenger complex, which offer differentiated transportation. An attempt to cover the whole market of transport services often requires high costs for their advancement to potential customers. The strategy of targeting a specific segment (segments) of this market can lead to significant profits if the transport product fully meets the requirements and wishes of consumers of the selected segment. At the same time, the significant costs incurred by the passenger business entity in connection with the provision of differentiated transport and additional services for a particular segment may be reimbursed at the expense of their economies of scale and their high attractiveness for the customers being serviced.

It is obvious that this strategy will be the most rational for high-speed transport by electric trains and suburban railways, and the main feature of segmentation must be geographical.

Today's strategy for introducing innovations is rather relevant: the current world experience proves that the absolute majority of recently created monopolies arose on the basis of discoveries, inventions and other innovations that allowed the creation of a new, previously unknown market, with great opportunities and the prospect of accelerated growth.

Business entities that will implement innovation strategies do not link themselves with the need to reduce the cost of transport products, to differentiate it or to offer a specific segment of the transportation market: they concentrate efforts on finding fundamentally new, efficient passenger service technologies, designing the necessary, however, still unknown types of additional services, methods of organization of transportation, methods of stimulating demand, etc. The main goal - to outsmart competitors and alone take a market niche, where competition is absent or extremely low. For obvious reasons, such a revolutionization of the market, which is a source of large volumes of sales of profits, however, in most cases (80 out of 100) bankruptcy ceases because of the market's unwillingness to accept the innovations, technically or technologically inexpedient technology of transportation and organization of passenger services, employment of distribution channels, lack of replication experience and the dissemination of innovation and for other reasons.

Application of the strategy for introducing innovations in passenger rail transport can take place only in relation to service services, and due to lack of competitors, railways are not threatened by the markets, usually associated with the imitation of this strategy. It should be distinguished between the strategy of introducing innovations from the strategy of new transport products: if the first involves the development and launch of a real novelty in the market, then the second means the improvement of the existing technology of organizing transportation and passenger services and offering them in the well-developed market segments [7]. Consequently, the introduction of electronic cards for passengers to pay for travel documents (or other services that the passenger wishes to use at the train station or during a trip), the use of Internet ordering travel documents, etc. are consistent with the strategy of new transport products, since all these innovations are aimed at improving the technology of providing services for the design and sale of travel documents.

The strategy of instant response to the needs of the transport services market: the availability of solvent demand for a specific type of transportation only in theory automatically creates its proposal. In practice, most passenger business entities are not able to engage in activities that do not fit their profile without pre-training. Unlike those, business entities that follow the strategy of instant response to market needs, aim at the fastest satisfaction of the needs that arise in various business areas. The basic principle of behavior - the selection and implementation of projects that are most profitable in the current market conditions. The fast-responding passenger companies [4] are ready for an immediate reorientation of production processes, changes in the scale of transportation in order to maximize profits over a short period of time, despite the high specific costs associated with the lack of specialization in transport production.

This strategy in somewhat modified form should be applied to passenger transportation: the demand for transport service is clearly seasonal and has the ability to change even during the week and within 24 hours. Because of this, the entire range of services for passengers - from transportation to service - needs to instantly adjust to the volume and structure of passenger traffic. That is, in order to maximize passenger satisfaction and avoid unnecessary costs and inevitable losses, the strategy of rapid response to the needs of the transport services market in the

transport segment should be organically supplemented by the strategy of synchro-marketing (equalization of demand).

Table 1 summarizes the basic competitive strategies and the transport services that they are responsible for.

However, this does not mean that it is impossible or dangerous to follow two or more competitive strategies. On the contrary, analysis, practice shows that successful modern passenger entities with a wide range of transport products and covering different business areas simultaneously apply several approaches to different types of transportation and additional services in the regions, segments and periods of its development.

Table 1

Basic competitive strategies for rail transport

Basic competitive strategies	Transport services
Price leadership	The gap in the cost of travel by trains of the branded train class "Lux" and the cost of the flight in the salons of "economy class" or with low cost airlines. This situation indicates the need to formulate a set of measures, including marketing, aimed at achieving the objectives of the strategy of benefits in costs and its planned implementation.
Differentiation	A permanent search for new, original ways to highlight your goods and services, bringing diversity to the market (for example, train rental, salon rental).
Concentration	Differentiation of the cost of travel (depending on the city inside of the train, day of the week, time of day, etc.), as well as the differentiation of service support services. Characteristic for a specific (concentrated) segment of the market (eg, suburban transportation).
Introduction of innovations	The introduction of electronic cards for passengers to pay for travel documents (or other services that the passenger wants to use at the station or during a trip), the use of Internet ordering travel documents, etc.

Instant response to market needs	Demand for transport service is clearly seasoned and has the ability to change even within the week and within 24 hours. Because of this, the entire range of services for passengers - from transportation to service - needs to instantly adjust to the volume of passenger traffic (combining the rolling stock of trains).
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The main criterion for choosing a competitive strategy for a passenger business entity is the adaptation of its own capabilities to the competitive conditions of the transport services market. And in this sense, the basic competitive strategies are a fundamental, general economic basis on which competitive strategies and competitive practices are built.

The basic competitive strategies for transport should be developed in the formulation of functional strategies that need to be developed specifically for each functional unit of the business entity of the passenger complex. The purpose of such a strategy is to divide the resources of the unit and search for its effective conduct within the framework of the overall strategy.

The main types of functional strategies should include the following:

- a strategy of innovation, which summarizes the main ideas about a new product or service from its initial development to market introduction. This strategy has two varieties: an innovative strategy and an imitation strategy. Innovative strategies involve the development of fundamentally new products and services, and therefore require high costs and are quite risky: according to statistics, on average only one in seven innovations has market success, the remaining six are turning into unrecovered costs for the organization. Because of this, imitation strategies have become more popular, which are widely used even in modern high-tech industries, for example, in computer. Such a kind of innovation strategy is acceptable and appropriate for the rail industry, including in the field of passenger transportation: transport service users constantly require improvements in their services, but the logistical capabilities of railways in the country do not always allow these requirements to be met. And compliance with the simulation strategy (ie, the strategy of developing a new product) will be the best strategic solution in terms of resource and technology constraints;

– a production strategy that focuses on decisions on the required capacity, equipment placement, the main elements of the production process, and the regulation of orders. The main direction of the winning production strategy is the flexible assortment manipulation, the approaching of quality characteristics of the grade to the specific requirements of the customer. Two of the most important aspects of a production strategy are cost control and efficiency improvements in technological operations. In this strategy, the activity of laundry complexes can be built, which will allow them to effectively manage their capacities, costs, revenues and quality of work performed;

– a marketing strategy that identifies the appropriate goods, services and markets to which they can be offered. This strategy establishes the most effective composition of the marketing complex (market research, commodity and pricing policies, sales promotion, distribution channels) and is particularly successful for productions oriented towards the mass consumer with low real incomes, which tend to decrease. The rationality of following this strategy in the field of passenger transport by rail is obvious;

– financial strategy, which is responsible for forecasting financial indicators of the strategic plan, assessment of investment projects, planning of future sales volumes (transport - volumes of passenger transportation and volumes of forecasting of service), distribution and control of financial resources. This strategy ensures the implementation of all other strategies, as each strategic decision for its implementation requires costs.;

– business entities of the passenger complex who are concerned about the future must develop strategies for personnel management, which solve the problems of increasing the attractiveness of work, motivation, certification of staff, maintaining a balanced correspondence between the number and need of employed, types of professions, workplaces.

Unfortunately, in the railway transport of Ukraine to improve the efficiency of passenger transportation, the strategy of personnel management is not developed, therefore, this activity is stochastic in character, which periodically leads to certain personnel problems.

Table 2 summarizes the possible main functional strategies for transport.

Table 2

Transport functional strategies and their characteristics

Functional strategies	Characteristics
Production	Manipulation of the assortment, approximation of quality characteristics of the grade to the specific requirements of the customer. In this strategy, the activity of laundry complexes can be built, which will allow them to effectively manage their capacities, costs, revenues and quality of performed work.
Marketing	Market research, commodity and pricing policies, sales promotion, distribution channels.
Financial	Forecasting financial indicators of the strategic plan, evaluation of investment projects, planning of future volumes of passenger transportation and volumes of forecasting of service, distribution and control of financial resources.
Organizational	Management of labor productivity, motivation, certification of personnel on transport.

[ownresearch]

Summing up the above, we draw the attention of managers to the fact that with the help of system analysis of functional strategies we can more effectively affect both the size of the contribution of the functional unit in the general case, and the amount of costs of financing the activities of this unit. According to the famous foreign scientist B. Carlof: "The formation of functional strategies - not raised goal of management, where huge reserves of efficiency may be hidden."

Conclusions. The proposed model of Eurointegration development of railway transport of Ukraine will lead to improvement of economic results of work of this sphere of activity, which will enable railroaders to compete effectively in the transport market of Europe..

Since any general strategy for increasing the efficiency of passenger transport of economic entities is based on selected general competitive strategies, the link

between general and competitive strategies indicates that choosing a general competitive strategy, the business entity determines how to achieve its strategic objectives. In addition to the basic strategy, which includes a combination of different strategic areas of activity of business entities, competitive strategies determine the approaches by which they should act in each such area.

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