

# Methodological Foundations for Managing Commercial Activities of Small Businesses

Aleksander Aleksandrovich Popov, Elena Vladimirovna Lapteva  
and Aleksandra Vyacheslavovna Kuzmicheva

*Orenburg branch of the Plekhanov Russian University of Economics, 50/51-53, Leninskaya Ul./Pushkinskaya Ul.,  
Orenburg, Russia*

**Keywords:** small business entities, business management, management principles

**Abstract:** The article reveals the factors that affect the effectiveness of the management of the commercial activities of small businesses; gives the legal basis, brief characteristics and advantages of small businesses; considers the essence, goals, objectives, principles and methods of managing the commercial activities of small businesses; reveals the content of the main elements of the commercial management process.

## 1 INTRODUCTION

Currently, the problems of effective management of the commercial activities of small businesses are caused by:

1. Business globalization. In these conditions, the competition of small businesses with large diversified companies operating, sometimes in different regions (countries), in many cases leads to disappointing consequences for small businesses and even to the bankruptcy of some of its representatives;
2. The lack of methodological unity in understanding the essence and content of the process of managing the commercial activities of the organization;
3. The neglect on the part of many leaders of small businesses to the most important aspects of the organization's commercial activities and to the vision of the prospects for commercial development, etc. (Bagiev, 2016).

In Russia, the activities of small businesses are regulated by Federal Law No. 209-FL dated July 24, 2007 "On the development of small and medium-sized businesses in the Russian Federation", which specifies the criteria by which you can determine whether an enterprise belongs to a small business. Among these criteria are: the maximum number of employees of the organization; the maximum amount of annual income; compliance with the requirements for shareholders of enterprises.

In some cases, the process of creation of small business enterprises is greatly facilitated, they are allowed simplified accounting, they are given benefits and supported by the government.

## 2 MATERIALS AND METHODS

Currently, small businesses in Russia are represented by the following structures:

- joint stock companies;
- limited liability companies;
- individual enterprises that carry out their production and commercial activities without forming a legal entity;
- consumer cooperatives;
- farming enterprises.

At the same time, for example, depending on the number of employees, small business enterprises are divided into:

- microenterprises with no more than 15 employees;
- small enterprises with at least 16 employees and no more than 100 employees;
- middle-size enterprises with at least 101 employees and no more than 250 employees.

Among significant advantages of small business there are: the possibility of self-registration, moreover, it can be done remotely or in a simplified form; the possibility of using simplified, including electronic

document management; exemption from certain types of scheduled inspections, etc.

The activity of any enterprise does not happen spontaneously, it is managed by specific people (managers). The management of commercial activities contributes to the improvement of the effectiveness of all commercial and trade processes, allows to direct the joint efforts of the employees of the organization in order to achieve the planned objectives.

Thus, the main objective of commercial management is the rational use of the available labor, material, technical, financial and other resources in the organization to achieve the intended commercial result of its activities (for example, increasing sales, obtaining a certain profit, etc.) (Popov, 2019).

Specialists in the field of commerce among the priorities of modern management of commercial activities of the organization often include:

1. Study of goal market conditions and forecasting of market demands;
2. Analysis of existing and potential producers and resellers;
3. Optimization of procurement activities in the organization based on the rational selection of suppliers of necessary products and establishment of economic relations with them;
4. Development of a system of measures aimed at improving the effectiveness of the pricing policy;
5. Analysis of the existing product range and its rationalization taking into account consumer demand;
6. Taking effective measures to improve the organization's inventory management process;
7. Development of measures to improve the efficiency of the sales process of goods;
8. Improving the quality of the offered services;
9. Search for efficient ways of positioning and promotion of goods (services), including advertising and information activities to implement them and create a positive image of the organization itself, etc.

### 3 RESULTS AND DISCUSSION

Commercial management is considered as a specific type of activity or an integral part of the entire management system<sup>→</sup> of an organization. Such activities are closely interconnected with economic, technological and financial<sup>→</sup> processes. That is why, when creating an effective commercial management<sup>→</sup> system, it is necessary to find a harmonious

combination of all its elements within the overall management system.

Successful implementation of commercial activity management processes is hardly possible without relying on scientifically based and verified by modern practice principles<sup>→</sup> and methods of commercial management.

Recently, such principles<sup>→</sup> of management in the field of commerce as (Buneeva, 2017) have become increasingly widespread in the practical activities of small businesses:

- the principle of reliability of sources of information necessary for analysis and management decisions on commercial issues;
- the principle of purposeful aspiration in achieving the final results of commercial activities;
- the principle of elasticity in commercial management, timely adaptation of the system to dynamically changing environmental conditions and the requirements of the target market;
- the principle of objectivity of forecasts and timely response to possible manifestations of commercial risks;
- the principle of concentration (focusing) of efforts on priority aspects of commercial activity;
- the principle of high responsibility of all personnel for the fulfillment of their obligations to ensure commercial transactions;
- the principle of effective coordination (ensuring the required level of interaction) of commercial activities<sup>→</sup> with the main activities of the organization. It should not be forgotten that commercial activities<sup>→</sup> are formed and implemented taking into account the interests of consumers and the needs of the market;
- the principle of complexity in commercial management, taking into account all factors of the external and internal environment of the organization in question in the interests of developing sound management decisions aimed at optimizing commercial work, etc.

The methods of management (administrative, economic and socio-psychological), through which the impact on commercial processes is carried out, should not be in dialectical contradiction. They should be harmoniously combined and take into account the existing conditions of the functioning of the organization. The essence of the listed methods is analyzed in (Popov, 2013).

The specific function of managing the commercial activities of a small business entity is a continuous

process of influence of the organization's management on its personnel. All procedures of management of commercial activities of the organization should be reflected in this process.

In its turn, implementation of each management procedure involves the execution of a certain sequence of actions (operations) on the part of the governing bodies, aimed at the formation and rational use of the organization's resources. The content of the procedures for managing the commerce of small business entities is shown in Figure 1.

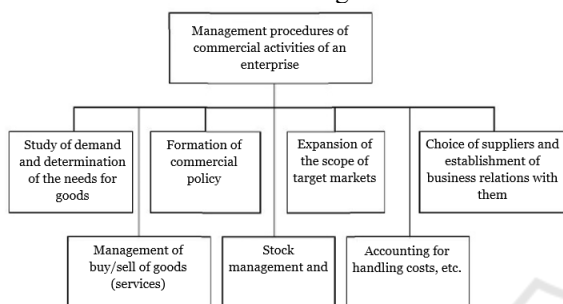


Figure 1: Procedure of management of commercial activities of a small business entity

Management procedures of commercial activities of an enterprise

Study of demand and determination of the needs for goods

Formation of commercial policy

Expansion of the scope of target markets

Choice of suppliers and establishment of business relations with them

Management of buy/sell of goods (services)

Stock management

Accounting for handling costs, etc.

Let us describe in detail each procedure for managing the commercial activities of small businesses.

The purpose of studying demand and determining the needs for goods is to identify problems and make timely management decisions to fully or partially eliminate emerging problems in order to increase success in the field of commerce (Zhukova, 2017).

Study of demand may be carried out in two directions:

- analysis of the group assortment and the overall level of demand;
- analysis of the intra-group assortment and quality ratings of consumers.

Information about customer demand is necessary for the rational formation and timely product extension.

The analysis of customer demand can be carried out using various methods. For example, in retail

enterprises, such methods as those listed below are widely used:

1. Assessment of turnover of goods and stocks;
2. Analysis of realized (unrealized) consumer demand from the population.

Turnover is an expression of demand that reflects only the realized customer needs. However, there are objectively unfulfilled needs, that is, unmet demand, the main reasons for which are the lack of the necessary goods on sale, the excessively high price of the goods, etc.

In order to study the unsatisfied demand, the following can be used: lists of unsatisfied needs; control sheets that are filled in by customers; counting orders for goods that are not available for sale; holding days of accounting for unsatisfied needs, etc.

Methods of analysis of realized demand include: continuous statistical survey; sample survey; balance method (the most used method of demand analysis).

Demand is a form of manifestation of needs in the market. That is why, commercial organizations should not only monitor changes in customer demand, but also actively influence them using effective marketing techniques (depending on the current market situation).

The formation of a commercial policy should, first of all, be aimed at developing correct long-term and current goals and objectives of commerce, identifying effective ways to achieve them. Such a policy is developed taking into account the state of the commodity market and its characteristics, as well as on the basis of the formulated general goals, strategies and real capabilities of the considered small business entity.

We believe that the main content of developing a commercial policy for a small enterprise is:

- formulation of reasonable goals and objectives of commercial activity;
- development of assortment policy (product strategy);
- formulation of pricing policy (strategies of pricing);
- development of a policy (strategy) for the promotion and sale of goods.

The main goal of commercial work is to ensure the process of product distribution to consumers and improve the quality of their customer service, taking into account the established requirements of the target market.

The main tasks of commercial activity for small businesses include:

- study of consumer demand;
- increasing influence and penetration into new markets;

- maintaining its position in this market;
- expansion of the product range;
- rational organization and management of the processes of purchase and sale of goods, etc.

Another procedure for developing the management policy of small businesses is the formation of an assortment policy. Its role in the competitive struggle of rival parties is constantly growing, since with the increase in the variety of goods sold on the market that can satisfy the needs of buyers, the company's competitive position is strengthened.

The objective of forming a product range is to establish a balanced product range. At the same time, the balance of the company's product range becomes one of the most important requirements. Since changes in demand lead to the need to adjust the assortment in order to ensure its balance, there is a tight connection between demand and the product range.

In order to carry out effective assortment policy, it is advisable to pay attention to the rationality of using the following types of product strategy:

- strategy for the development and introduction of new products to the market, which involves a certain sequence of actions, starting with the development of a commercial idea and ending with the commercialization of the innovation;
- strategy of product variation, within which it is possible to modify it, change its individual properties and quality parameters;
- strategy of elimination or withdrawal of the good that lost its competitiveness from the market.

The goal of formulating a pricing policy and choosing an effective pricing strategy is to achieve the organization's planned profit level, to expand (maintain) the market share by setting optimal prices for the products sold. A "fair" price contributes to the maximum attraction of buyers to the goods, forms stable consumer preferences for both existing and potential buyers. In the end, a competent pricing policy allows you to achieve the required level of return on investment.

The main stages (content) of the process of formation of a pricing policy by small business entities are (Popov, 2010):

- carrying out organizational measures to develop a pricing policy (establishing responsibility, clarifying the duties of officials, etc.);
- formulation of objectives, goals and principles to develop a pricing policy;

- development of a pricing strategy, the order of actions of the organization in this aspect, depending on changes in market conditions;
- determination of effective methods of price competition;
- selection of an expedient method for monitoring the price situation, etc.

The point of the product promotion process is to convince potential buyers to make their first purchase and remind regular customers to make regular purchases.

The procedure for promoting a product involves its positioning in the market and the use of effective means of influence.

Product positioning on the market is ensured through the use of such marketing techniques as intensive or passive marketing, selective or wide market penetration, etc.

The "driving tools" of influence include: "public relations", advertising, sponsoring, direct marketing, personal selling, branding, product placement.

Sales as the final procedure of commercial activity of a small business entity is aimed at directly providing consumers with the necessary goods (services). Its goal: formation and maintenance of rational system of goods movement from the manufacturer to the consumer. Such a system involves timely planning and reasonable choice of ways to sell goods.

In general, a rationally formulated commercial policy allows small businesses to expand their influence in the market, find new market segments, balance the trading range, improve the level of service to the people.

Expansion of the scope of target markets involves searching for new sales markets in order to increase sales. There are several ways to achieve this goal:

- capture of new segments in the existing market;
- extension of the scope of small business entities to other regions;
- search for new channels of distribution;

The correct choice of suppliers and the establishment of economic ties with them allows a small business to carry out mutually beneficial commercial transactions and trade operations related to the purchase and sale of goods, as well as to form and maintain the required level of product assortment. At the same time, the reliability of economic relations depends on the ability of the interacting parties to strictly comply with their contractual obligations.

The process of managing buy/sell of goods (services) consists in the implementation of commercial operations (transactions), commodity-money exchange with suppliers and consumers and in

the sale of goods and services provided in the target market. At the same time, purchasing activity is becoming one of the most important commercial functions, the essence of which consists in purchasing goods that are intended for the subsequent sale.

Effective organization of procurement activities by a small business entity allows to significantly reduce commercial risks (Ivanov, 2016).

An element of commercial work is also the sales service and provision of additional services to clients. The provided services accompany the process of purchase of goods and can include after-sales service of the sold goods. It is necessary to pay special attention to the quality of provided services and the prospects of their diversification in customer service.

Inventory management contributes to the solution of an important commercial problem: the formation and maintenance of the range of goods at the proper level in order to meet customer demand.

Inventory management involves: determination of the optimal size of the inventory; operational inventory accounting and effective control over their condition; regulation of inventory at the enterprise.

The need for inventory management is due to the fact that the demand for goods is influenced by many factors. Therefore, there are errors that take place, which lead to the formation of surplus or lack of the inventory, which is undesirable. When there is the surplus of goods, the organization's costs for their storage, lending, etc. increase. Shortage of inventory leads to unsatisfied customer demand and, as a result, to a deterioration in the economic condition of the organization.

Accounting for the costs associated with commercial activities is the basis for the commercial success of a small business entity and is determined by the ratio between expenses and income received from commercial activities. And this, in turn, is associated with mutually beneficial transactions, with the competence and enterprise of the organization's leaders.

## 4 CONCLUSIONS

Thus, small business is a part of entrepreneurial activity, which is based on small organizations, small enterprises that are not formally included in any associations.

Management of the business activities of an organization is quite a complex process that can create many problems for small businesses if there is insufficient attention to it on the part of entrepreneurs.

## REFERENCES

- G. L. Bagiev, N. P. Ketova, 2016. *Marketing in industries and spheres of activity*: Textbook for bachelors in the direction of training "Management". SPB: Asterion. p.340.
- A. A. Popov, E. V. Lapteva, 2019. Development of a highly specialized company strategy. *In Audit statements*. 4. pp. 152–154.
- R. I. Buneeva, 2017. Commercial activity. Organization and management. M: Phoenix. p. 368.
- A. A. Popov, D. A. Popov, O. N. Arguneeva, 2013. *Management*: Textbook for bachelor students. p. 540.
- T. N. Zhukova, 2017. Commercial activity. p. 256.
- A. A. Popov, O. D. Dimov, D. A. Popov., 2010. *Strategic Company Management*: Textbook. Orenburg: Publishing center of the Orenburg State Agrarian University. p. 344.
- G. G. Ivanov, 2016. *Organization and technology of commercial activity*. 272.
- E. V. Lapteva, 2014. Policy and practice of the largest Russian banks in the banking services market. In the collection: Regional innovation services economy: essence, elements, problems of formation. Materials of the Fifth All-Russian Scientific Conference with International Participation. pp. 145–148.