



KAPITEL 2 / CHAPTER 2²
**MODERN RETAIL FORMATS AS DRIVERS OF SMALL BUSINESS
DEVELOPMENT IN THE DIGITAL ECONOMY**

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Introduction

In the modern world, the digital economy has become a key driver of global economic order modernization, fostering inclusive growth, enhancing competitiveness, and enabling business adaptation to rapid technological changes. Retail trade represents one of the most dynamic segments of this transformation, undergoing profound structural shifts driven by digital technologies. For small businesses, which form the backbone of economies in many countries, particularly Ukraine, modern retail formats open new opportunities for market entry, audience expansion, and operational efficiency improvement.

Traditional trade models, such as convenience stores («near-home» shops), are gradually being complemented and integrated with digital channels—online retail and marketplaces. This evolution not only lowers barriers to business entry but also enables small enterprises to respond swiftly to changes in consumer behaviour, which increasingly prioritizes convenience, speed, and personalization. Combined (hybrid) formats that blend offline and online elements are becoming particularly relevant, ensuring continuity of the trading process and maximum comfort for consumers.

The purpose of this chapter is to analyse the essence and significance of modern retail formats (convenience stores, online retail, marketplaces) as drivers of small business development in the digital economy. Particular attention is paid to their role in enhancing competitiveness, reducing risks, and forming sustainable business models. The chapter also examines practical aspects of organizing operations in each format, which is relevant not only for practicing entrepreneurs but also for the educational process – preparing a new generation of specialists capable of working effectively in the digital environment.

²*Authors: Yavorska Nadiya Petrivna*

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The research is based on a structural-logical analysis of retail formats and their impact on small entrepreneurship, taking into account contemporary trends in global and national economies. The study aims to substantiate that the integration of traditional and digital formats is a critical element of economic relations modernization, contributing to the sustainable development of small business as the foundation of socio-economic stability.

2.1 The Essence and Significance of Modern Retail Formats for Small Business Development

A retail format is an organizational model for conducting the sale of goods, which defines the manner of interaction between a retail enterprise and the consumer, the structure of retail space, sales channels, service level, and technological solutions that ensure the purchase-sale process (Figure 1).

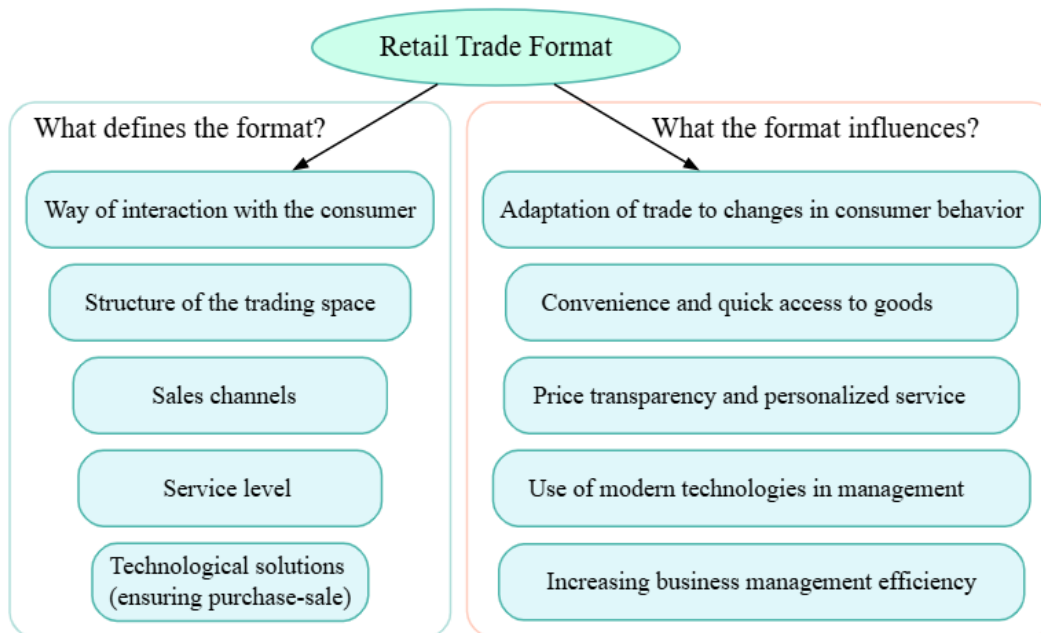


Figure 1 – Structural-logical model of the content and impact of a retail format

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In the contemporary digital economy, retail formats are undergoing significant transformations: from traditional physical outlets to digital and hybrid models that integrate online and offline elements. The global volume of retail e-commerce in 2025



reaches approximately 7.4 trillion USD, accounting for approximately 21% of total global retail sales [1; 2]. While previously the activities of small entrepreneurs were predominantly limited to physical retail outlets, today entrepreneurs can choose among various types of offline retail (convenience stores, kiosks, specialized retail outlets, vending machines), digital formats (online stores, social networks, marketplaces), or combined (hybrid) models that integrate online and offline elements (Figure 2).

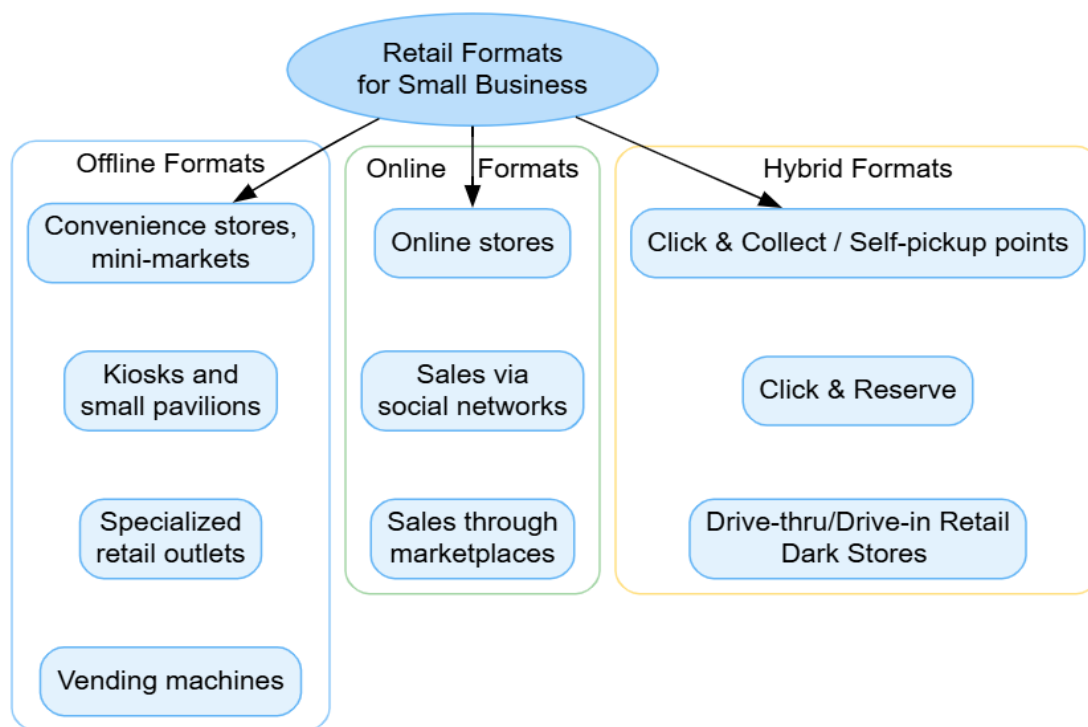


Figure 2 – Classification of retail formats for small business

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Hybrid formats integrate the capabilities of online and offline spaces, ensuring continuity of the trading process and maximum comfort for the consumer. The click-and-collect market volume (including BOPIS and curbside pickup) in 2025 is estimated at over 150 billion USD globally, with expected growth of 16% compared to the previous year [3, 8]. The most common examples include Click & Collect models (order online – pick up offline), online order pickup points, Click & Reserve, Drive-thru/Drive-in models, as well as Dark Stores—specialized micro-warehouses for rapid fulfilment of online orders with delivery or pickup [10].

The essence of modern formats lies in their ability to adapt trading activities to changes in consumer behaviour. The modern consumer expects maximum



convenience, rapid access to goods, price transparency, and personalized service. Digital technologies—accounting automation, electronic payments, delivery services, mobile applications, and marketing platforms—significantly simplify communication with customers and enable small entrepreneurs to manage their businesses more efficiently. The digital transformation market for retail trade in 2025 reaches approximately 286 billion USD with a projected CAGR of 17.3% through 2030 [4].

The significance of modern formats for small business development manifests in several key aspects:

1. Lowering market entry barriers. Opening an online store, creating a social media profile, or listing products on a marketplace requires lower investment than organizing a physical store, making trade accessible to a broader range of entrepreneurs [5].

2. Expanding geography and audience. Digital and hybrid formats allow small businesses to extend beyond local markets, sell goods nationwide or even internationally by partnering with logistics services, and reach new consumer groups (in Ukraine, e-commerce volume in 2025 is approximately 2.9–5 billion USD with a CAGR of 4–10%) [6, 7].

3. Flexibility and rapid response to demand changes. Online formats enable quick assortment updates, testing of new product lines, and pricing policy adjustments. Hybrid models such as Dark Stores or Drive-thru provide ultra-fast delivery, which is critical in competitive environments [10].

4. Enhancing competitiveness of traditional formats. Even convenience stores (with a global market estimated at 700–800 billion USD in 2025) actively employ digital tools today (POS systems, online ordering, proprietary delivery, or integration with pickup points), enabling them to compete more successfully with large chains [9].

Thus, modern retail formats constitute the foundation of strategic small business development in the digital economy. They provide entrepreneurs with the opportunity to select business models according to their own resources, market opportunities, and target consumer characteristics. Comprehensive utilization of offline, online, and hybrid formats enables strengthening market presence, enhancing business resilience



to external challenges, reducing risks, and ensuring the formation of long-term competitive advantages. In the context of global economic order modernization, these formats promote inclusive growth, stimulate entrepreneurial activity, and support the transition to omnichannel retail.

2.2 Convenience Stores as a Core Traditional Small Business Format

Convenience stores represent one of the most widespread and resilient retail formats for small business. This format typically refers to small-scale retail outlets (usually 50–200 m²) located in residential areas, neighbourhoods, or small settlements and focused on meeting the daily and urgent needs of local residents. For an entrepreneur, this is one of the fundamental entry points into the retail sector, as this format combines straightforward operational logic, a steady flow of local customers, and opportunities for gradual business development. The global convenience store market in 2025 is estimated at approximately 700–800 billion USD, with the segment continuing to demonstrate stable growth despite the expansion of online retail [11, 12]. Convenience stores are primarily oriented toward fulfilling consumers' daily and urgent needs: purchasing food products, beverages, essential goods, basic household items, and so forth. The assortment is typically not very broad, but it is structured to cover fundamental «here and now» needs: bread, milk, cereals, sweets, hygiene products, and a minimum set of household goods, creating a sense of accessibility and convenience, as consumers do not need to spend time traveling to a large supermarket.

The key characteristic of the convenience store format is proximity to the consumer. The location of such a store is tied to residential complexes, neighbourhoods, districts, small towns, and villages. It is precisely this location that ensures a stable consumer flow and forms a core of regular customers. For an entrepreneur, this means that success largely depends on proper site selection, as well as the ability to account for the specifics of the local community: income levels, household structure, presence of competitors, and transportation connections. Another important feature of convenience stores is the elevated level of personalized interaction



with consumers. In a small store, customers often know the seller, and the entrepreneur knows regular visitors, which creates opportunities for building trust, informal communication, and an individual approach: orders «for specific people,» flexible responses to assortment preferences, and creating a «neighbourhood store» atmosphere. For small businesses, this represents a significant competitive advantage compared to large chains, limited retail space, a relatively small staff, and a simpler management structure characterize where contacts are more often standardized and less personalized.

From a business organization perspective, convenience stores. An entrepreneur often combines several roles: owner, purchasing organizer, inventory controller, person responsible for product display, and, when necessary, direct participant in the customer service process. On one hand, this reduces management overhead costs, while on the other hand, it increases the burden on the entrepreneurs themselves and requires a broad spectrum of competencies. Taking into account the aforementioned organizational characteristics, the convenience store format has both advantages and disadvantages for small business (Table 1).

Table 1 – Advantages and disadvantages of the convenience store format

Advantages	Disadvantages
Stable local demand for everyday goods	Limited space restricts assortment width and depth
Predictable customer flow due to attachment to residential areas	Higher procurement prices compared to chain stores
Rapid assortment adaptation to local target audience needs	Intensified competition from discounters and online delivery
Possibility of gradual assortment and service expansion depending on financial capacity	High dependence on location choice (location errors can lead to insufficient turnover)
Lower startup investment and organizational requirements	Limited scaling opportunities

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In contemporary conditions, convenience stores increasingly combine the advantages of the traditional format with elements of digitalization. The use of POS systems, electronic accounting tools, cashless and electronic payments, implementation of delivery services, or acceptance of online orders enable improving customer service quality, reducing accounting errors, obtaining operational sales



analytics, and consequently making more informed management decisions. Such steps gradually bring traditional convenience stores closer to modern combined retail formats, where digital tools complement physical presence.

The logic of daily convenience store operations has a cyclical character: sales analysis → formation of supplier orders → product receipt and display → sales → return to analysis (Figure 3).

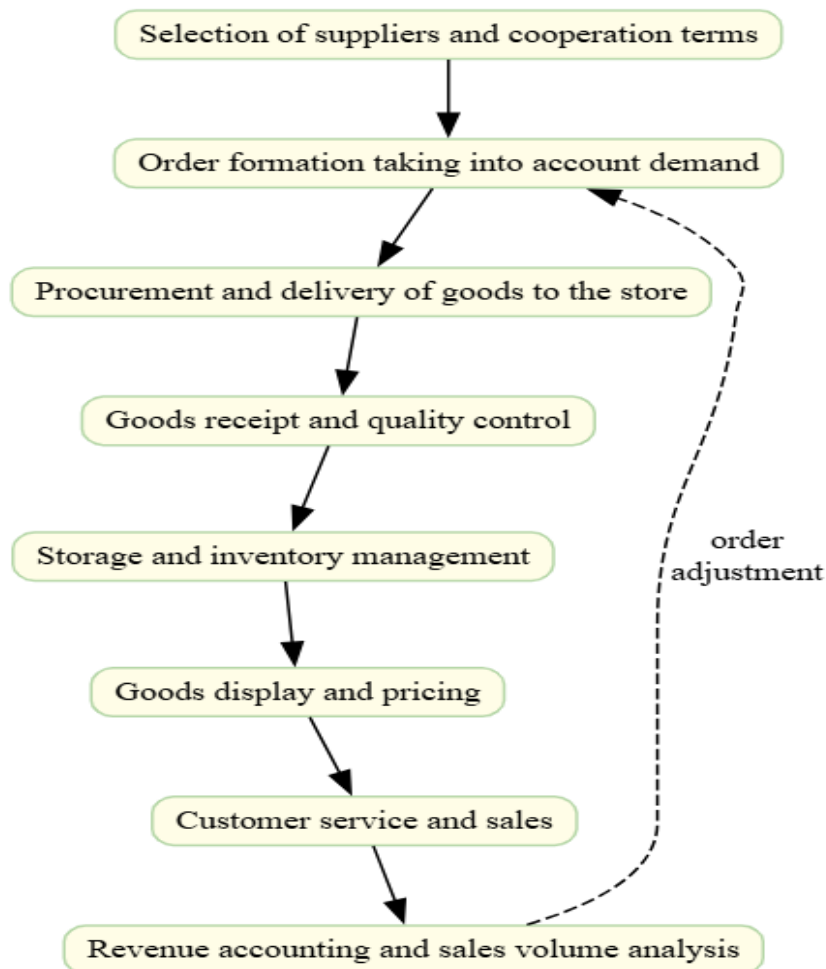


Figure 3 – Operational cycle of a convenience store («near home»): from procurement to sales and analysis

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Thus, convenience stores remain a fundamental and resilient small business format that combines organizational simplicity, proximity to the consumer, and a high level of personalization. Success depends on proper location selection, understanding the local audience, and gradual digitalization. In the context of omnichannel retail, this



traditional format does not lose relevance; on the contrary, it is evolving toward a hybrid model while maintaining its role as an indispensable «neighbourhood store.»

2.3 Online Retail as an Innovative Digital Format for Small Business

Development

Online retail represents one of the most dynamic and innovative retail formats, which has radically transformed the possibilities for small businesses. Unlike traditional offline formats, where physical location is a key success factor, online retail is based on digital interaction channels and enables sales regardless of the geographical location of the seller or buyer. The global e-commerce market volume in 2025 reaches approximately 7.4 trillion USD and continues to grow at a rate of 8–10% annually [1, 2]. For small businesses, this format opens up low entry barriers and opportunities for rapid scaling.

Online retail ensures 24/7 operation, eliminates territorial restrictions, minimizes rental and staffing costs for physical outlets, and enables rapid adaptation of assortment and pricing policies. An entrepreneur can start activities with minimal investment: a social media page, a marketplace profile, or a simple online store based on ready-made platforms (Shopify, WooCommerce, Prom.ua, Rozetka, etc.).

For effective organization of online sales, an entrepreneur must understand the structure of digital channels. Each channel has its own audience, competition level, content and service requirements, as well as different scaling potential. Informed selection of a sales channel enables optimizing promotion costs, ensuring a stable customer flow, and building an effective model of consumer interaction (Figure 4).

The diagram demonstrates that digital channels of online retail are divided into three groups: proprietary channels, external platforms, and mobile channels. Proprietary channels give the entrepreneur full control over content, prices, consumer interaction, and brand formation. External platforms provide rapid access to a large audience and simplify sales launch, but entail certain dependence on algorithms and operational rules of marketplaces and social networks. Mobile channels, which are



actively developing, form a separate direction of digital commerce, oriented toward buyers who make most purchases via smartphone.

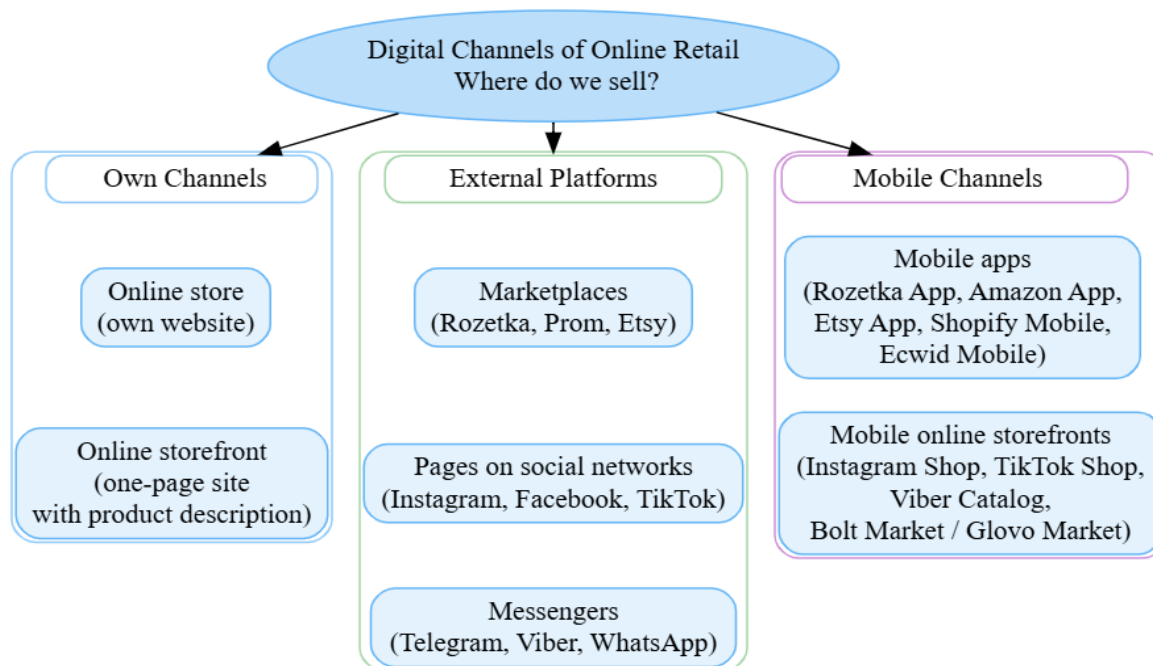


Figure 4 – Digital channels of online retail for small business

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Thus, the proper selection of a digital channel or their combination affects target audience reach, promotion costs, competition level, and online retail effectiveness. The entrepreneur's ability to integrate different channels into a unified sales model becomes an important factor in small business competitiveness in the online environment.

Digital tools of online retail provide the technical and organizational foundation for online business functioning and enable the entrepreneur to effectively manage all stages of the sales process from product presentation to order delivery to the consumer. Unlike traditional tools, they encompass a complex of solutions related to online storefront formation, order processing, electronic payments, customer base management, integration with courier services, and sales analytics. The main digital tools that ensure online retail functioning include:

content management systems and product catalog (CMS);

payment gateways (LiqPay, WayForPay, PayPal, Stripe);

logistics and tracking services (Nova Poshta API, Ukrposhta, Meest);



analytics tools (Google Analytics, Facebook Pixel);

CRM systems for customer management.

Comprehensive utilization of the aforementioned tools enables small entrepreneurs to automate key processes, reduce operational costs, and improve customer service quality.

Systematization of key characteristics of online retail reveals both strategic opportunities for business development and potential risks accompanying economic entities' activities in the digital environment (Table 2).

Table 2 – Advantages and disadvantages of the online retail format

Advantages	Disadvantages
24/7 operation and absence of territorial restrictions	High competition in popular niches
Low entry barrier and minimal investment	Dependence on platform algorithms
Rapid scaling and assortment flexibility	Necessity for investment in advertising and content
Access to detailed consumer analytics	Logistics costs and product return risks
Possibility for offer personalization	Problems of trust formation without physical contact

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Thus, the ambivalent nature of the online retail format has been identified. On one hand, the digital nature of business provides substantial competitive advantages: round-the-clock operation expands temporal purchasing opportunities, absence of geographical restrictions enables reaching national and international markets, and low startup investment reduces entry barriers for small and medium-sized businesses. Particular attention should be given to the possibility of rapid scaling and access to digital analytics, which creates a foundation for commercial offer personalization.

On the other hand, online retail entities face a number of systemic challenges. High competitive density in popular product segments requires significant marketing investment to ensure business visibility. Dependence on trading platform and search engine algorithms creates additional risks of business results unpredictability. A critical factor remains the problem of consumer trust formation in conditions of absence of direct physical contact with goods, which is especially relevant for product categories where tactile characteristics have decisive significance for purchase decisions.



Logistics costs and high product return rates additionally reduce the economic efficiency of this retail format.

A critical factor in online retail format success is rational organization of operational processes that determine customer service quality and economic efficiency of retail enterprise activities. The key business process that directly affects customer satisfaction levels and online store financial performance is order processing. This process encompasses the entire cycle of buyer interaction—from the moment of product selection to after-sales service. The online order processing includes sequential stages: product selection by buyer → order placement → payment → packaging → transfer to logistics service → delivery → after-sales service (Figure 5).

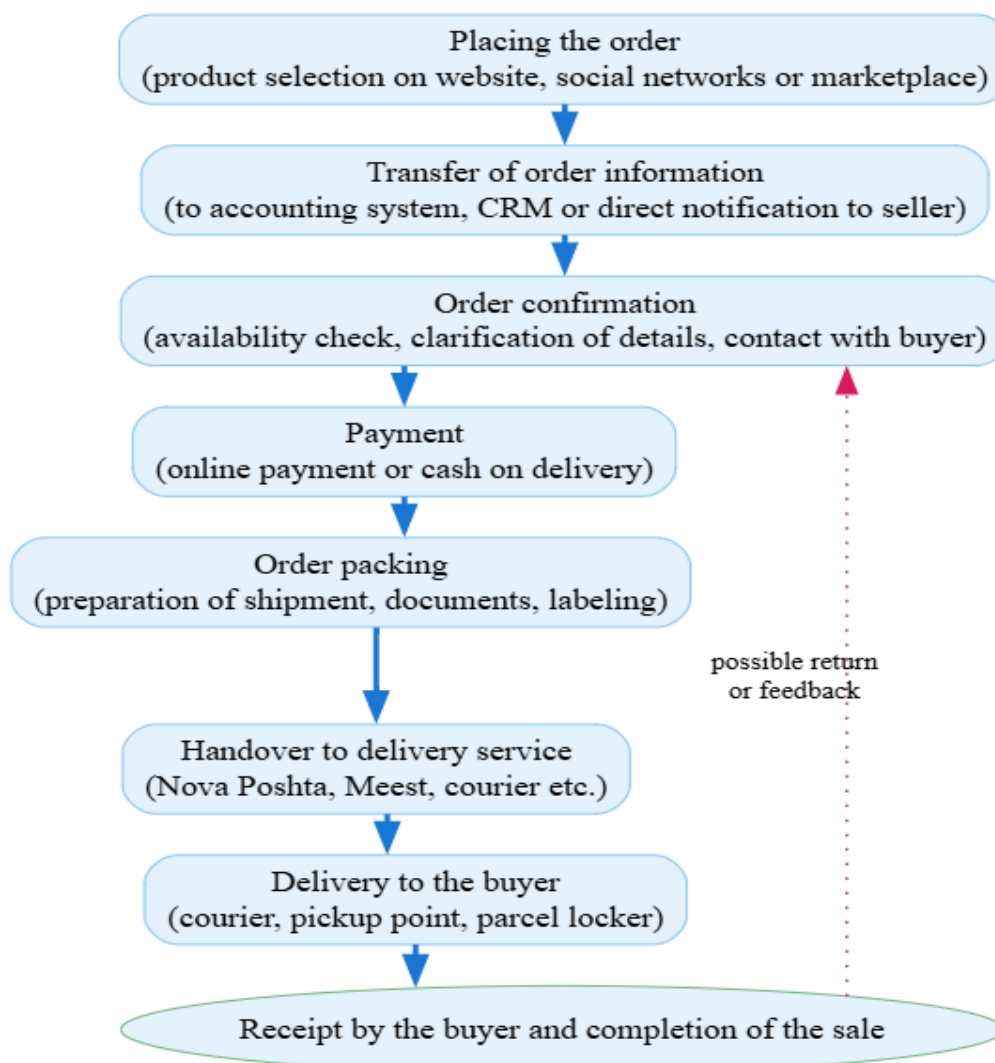


Figure 5 – The process of online sales: from order placement to delivery and after-sales service

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In contemporary conditions, online retail is increasingly combined with offline elements, transitioning to hybrid models. For example, small entrepreneurs use social networks for promotion while organizing product pickup through proprietary pickup points or partner locations.

Online retail is an innovative digital format that fundamentally expands small business opportunities. Due to low entry barriers, flexibility, and scaling potential, it has become a strategic development tool in the digital economy. Success depends on proper selection of sales channels, effective utilization of digital tools, and building trust with customers. In combination with hybrid approaches, online retail provides small businesses with competitive advantages and resilience in a rapidly changing market environment.

2.4 Marketplaces as an Infrastructure Platform for Small Business Support

Marketplaces have become a key element of the digital infrastructure of retail trade and play a special role in supporting and developing small businesses. Unlike traditional distribution channels and proprietary online stores, marketplaces form a multi-sided platform that unites a large number of sellers and buyers, providing ready-made technological, logistics, payment, and marketing infrastructure. The global online marketplace market volume in 2025 exceeds 4 trillion USD and accounts for over 50% of total e-commerce volume [13, 14]. For small businesses, marketplaces are a tool for rapid entry into a broad market with minimal initial investment.

A marketplace is a digital intermediary platform that provides technological infrastructure for interaction among multiple sellers and buyers. The platform offers basic e-commerce services: online storefront, order processing system, integrated payments, advertising tools, analytics, ratings and reviews, as well as often logistics solutions (fulfilment by marketplace). The most prominent global examples are Amazon, eBay, Etsy, Alibaba; in Ukraine—Rozetka, Prom.ua, OLX. The specificity of marketplaces for small businesses lies in their function as a tool for rapid market entry, audience expansion, and cost reduction for organizing proprietary online channels.



Entrepreneurs gain access to a complex of already integrated services: payment systems, automated order processing, advertising formats, rating and review systems, analytics tools, as well as logistics solutions. The infrastructure components and services that marketplaces provide to small business entities are systematized in Figure 6.

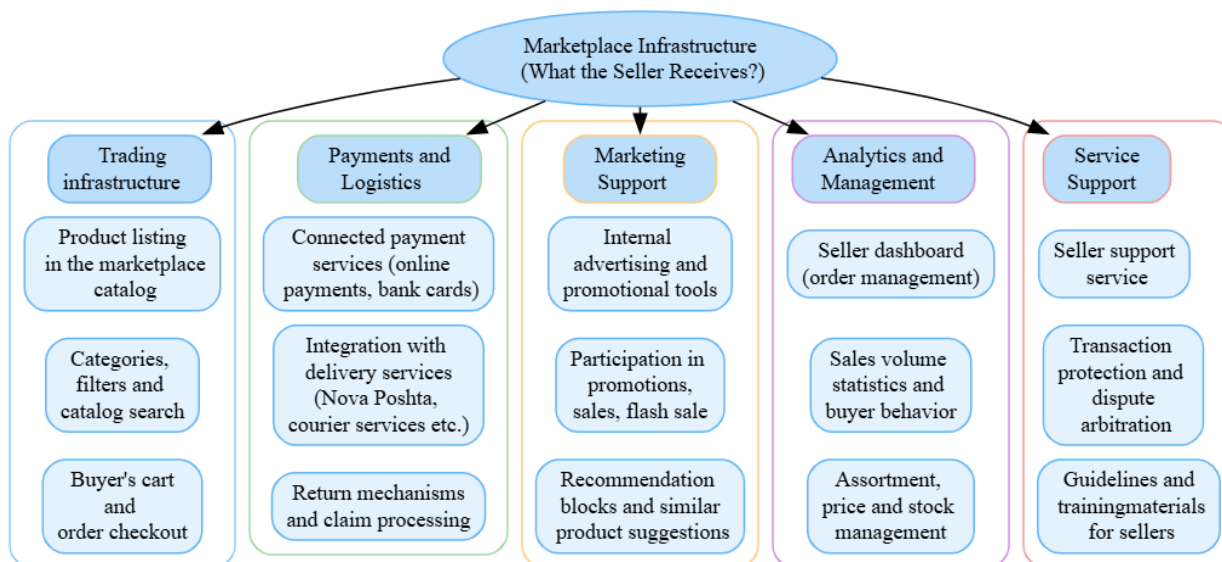


Figure 6 – Infrastructure and services provided by marketplaces to small business sellers

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Marketplaces perform the function of an infrastructure core that ensures standardized operational rules, technical support, and high-quality user experience, which opens opportunities for entrepreneurs with minimal resources to compete with large sellers on equal terms. The presence of a rating system stimulates sellers to maintain high product and service quality, which positively affects small business reputation.

The advantages of marketplace utilization for small businesses lie in access to a broad audience, reduction of marketing costs, easy scaling, business process automation, and transparency of consumer interaction. Particularly valuable is the fact that an entrepreneur can start activities without the necessity of creating a proprietary website or online store—it is sufficient to set up a seller account on the platform, which enables commencing commercial activities within a few days with minimal



technological entry barriers.

At the same time, despite the aforementioned advantages, marketplaces also create certain limitations. An entrepreneur becomes dependent on platform operational rules, commissions, product ranking algorithms, and competition within the marketplace. High competitive density in certain product categories requires detailed niche analysis, appropriate pricing policy, quality content, and active utilization of internal advertising.

The role of marketplaces in scaling and enhancing small business competitiveness is particularly significant in the digital economy context. Platform scalability enables small entrepreneurs to rapidly increase sales volumes without proportional growth in infrastructure costs: additional orders are processed through already available marketplace tools (logistics, payments, advertising), which provides opportunities to transition from local to national or even international markets with minimal risks.

Small business competitiveness on marketplaces is strengthened by several mechanisms:

1. Level playing field. The rating system and ranking algorithms are based primarily on service quality, shipping speed, and customer reviews, rather than business size. A small seller with a high rating can occupy higher search positions than a large competitor with lower service quality.

2. Access to professional tools. Internal advertising, promotional campaigns, and recommendation blocks enable effective product promotion even with limited budgets.

3. Training and support. Many platforms provide educational materials, webinars, and personalized recommendations for newcomers, which facilitates rapid professional growth of entrepreneurs.

4. Data for decision-making. Analytics of sales, customer behaviour, and competitors provide small businesses with tools that were previously accessible only to large players.

Thus, marketplaces not only simplify market access but also actively facilitate scaling and long-term competitiveness of small businesses, levelling the playing field between small entrepreneurs and large chains.

Despite existing risks, seller effectiveness on a marketplace largely depends on how clearly their internal business processes are organized – from product preparation to order processing, logistics, financial settlements, and subsequent analytics. Marketplaces establish standardized rules that entrepreneurs must follow to maintain high service quality, timely shipments, and competitive position in platform ratings. Therefore, the operational cycle of a seller on a marketplace is an important component of successful activity and requires clear, sequential organization. The structure and logic of this cycle are presented in Figure 7.

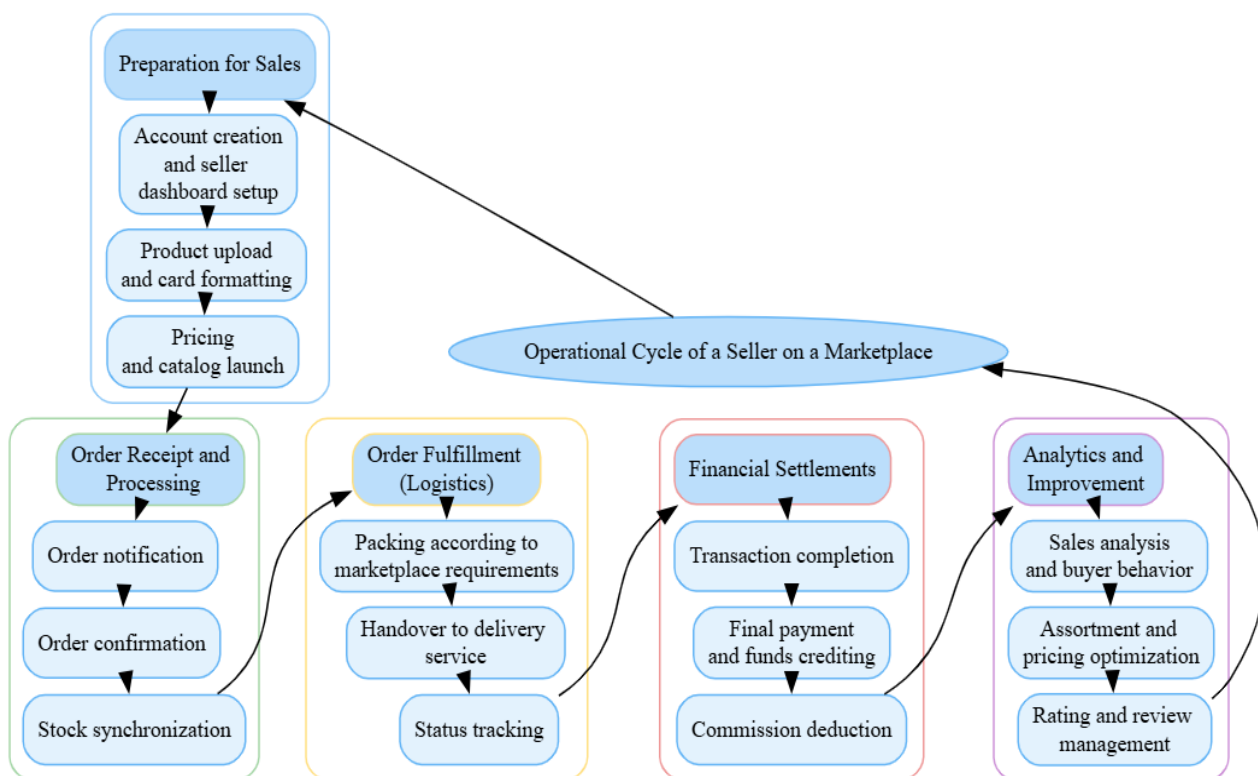


Figure 7 – Operational cycle of a seller on a marketplace

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The diagram presented in Figure 7 reflects the seller's operational cycle on a marketplace as a system of interconnected business processes forming a closed management loop. The cycle structure encompasses five key stages: preparation for sale, order receipt and processing, order fulfilment (logistics), financial settlements, as well as analytics and activity improvement. The cyclical nature of the process substantiates the necessity of systematic performance indicator monitoring and prompt strategy adjustment to maintain competitiveness in conditions of high e-commerce



market dynamics.

The organizational-technological feature of the operational cycle lies in deep integration of each stage with the platform's digital infrastructure, manifested through automation of communication processes (order notifications), integration with warehouse inventory systems, standardization of logistics packaging requirements, automatic calculation and withholding of commission payments, as well as provision of access to analytical tools for consumer behaviour research. Such business process architecture creates conditions for concentrating small business entity efforts on strategically important activity aspects—ensuring product offering quality and high customer service levels, while operationally complex functions are delegated to the technological platform.

The system-forming characteristic of the operational cycle is the presence of a feedback mechanism, which is activated at the analytics stage, initiates return to initial process stages, and is implemented through product assortment optimization, pricing strategy correction, and improvement of product card information content based on consumer behaviour data and sales effectiveness. Such organization ensures realization of the continuous improvement concept for commercial offerings and forms business adaptive capacity to changes in platform ranking algorithms and transformations of consumer preferences.

Functional interaction among the three main e-commerce participants (buyer, marketplace, and seller) forms a system of distributed responsibilities, in which the platform implements multiple roles: guarantor of transaction terms compliance, logistics operations coordinator, and independent arbiter in conflict situations. The detailed logic of interaction among buyer, marketplace, and seller within the operational cycle is presented in Figure 8.

Thus, marketplaces represent a key element of small business digital infrastructure, combining the functions of trading, logistics, payment, analytical, and service platforms. Due to the complexity of provided services, they ensure entrepreneurs' access to scalable sales and promotion tools, minimize costs for organizing proprietary technological solutions, while simultaneously creating a

standardized environment for effective consumer interaction. The presented logic of interaction among seller, marketplace, and buyer demonstrates the integrity and structure of the operational cycle, which forms prerequisites for enhancing small business competitiveness in digital economy conditions. Therefore, the role of marketplaces extends beyond an ordinary distribution channel and transforms into a strategic infrastructure platform for entrepreneurship development.

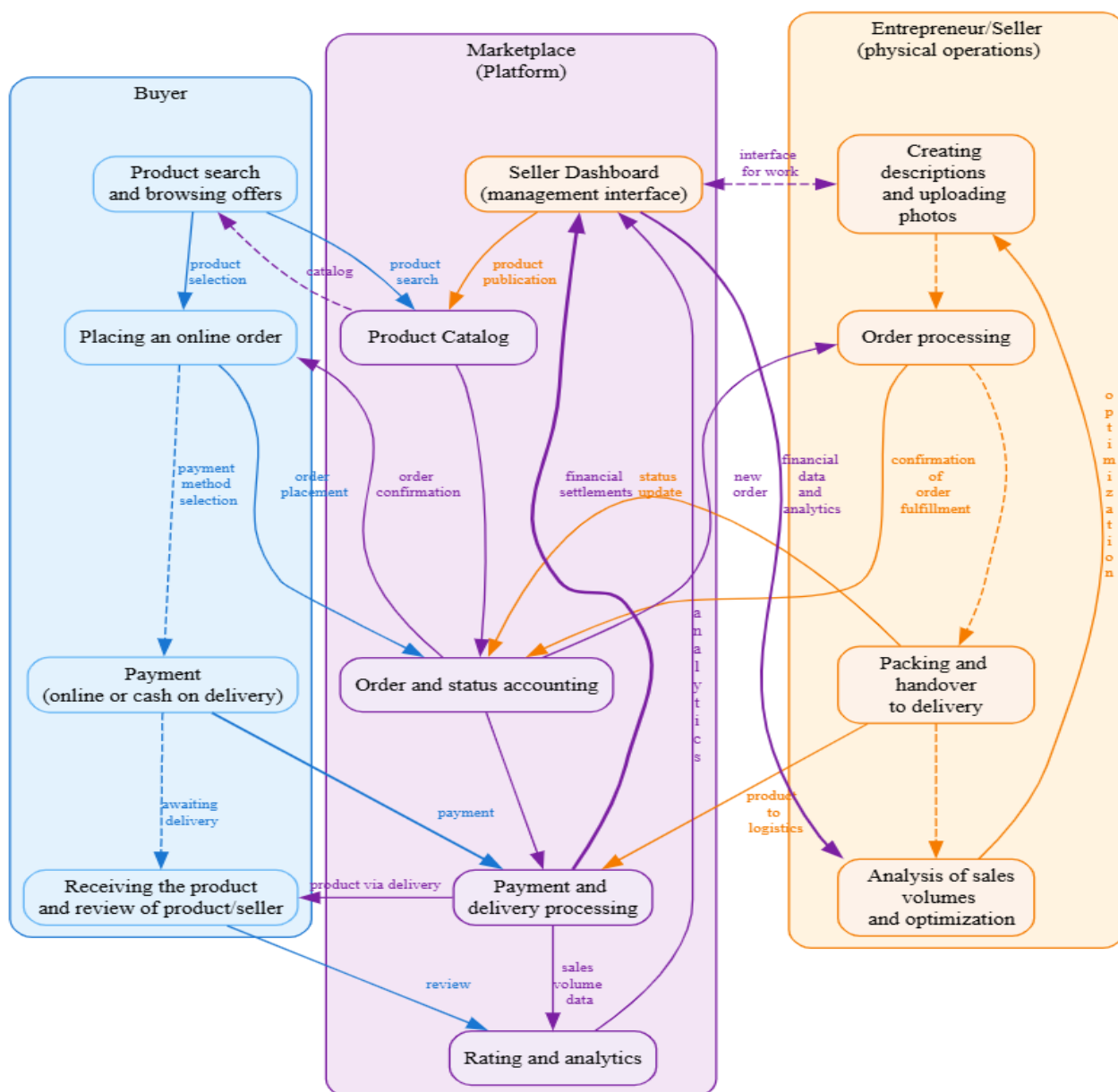


Figure 8 – Logic of interaction between buyer, marketplace, and seller within the operational cycle

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Conclusions

Modern retail formats—convenience stores, online retail, and marketplaces—constitute the foundation of strategic small business development in the digital economy. Each performs a unique role while simultaneously complementing the others and creating a synergistic effect for enhancing entrepreneurship resilience and competitiveness.

Convenience stores remain a core traditional format that ensures stable local demand, personalized service, and low entry barriers for beginners. They form the foundation of small business, oriented toward consumers' daily needs and close contact with local audiences. Online retail serves as an innovative digital format that radically expands sales geography, ensures 24/7 operation, and provides flexibility in assortment and pricing management. Marketplaces, in turn, function as an infrastructure platform, providing ready-made tools for scaling, process automation, and access to a broad audience without significant investment in proprietary infrastructure.

Summarizing the role of the three formats, it can be affirmed that they create a comprehensive system of opportunities for small business: from local stability (convenience stores) through digital flexibility (online retail) to scalable infrastructure (marketplaces). Comprehensive utilization of these formats enables entrepreneurs to diversify risks, optimize costs, and adapt to changes in consumer behaviour.

A pronounced trend in contemporary retail development is format integration and hybridization. Traditional convenience stores are implementing digital tools (online ordering, delivery, pickup points), online retail is combining with offline pickup locations (Click & Collect, Dark Stores, Drive-thru), and marketplaces are offering fulfilment services and omnichannel solutions. Hybrid models ensure continuity of the shopping experience, combining online convenience with offline physical accessibility, which becomes a key competitiveness factor in the digital economy.

The significance of modern retail formats extends beyond commercial activity and has important socio-economic implications for economic modernization. They promote inclusive growth by lowering entry barriers for new entrepreneurs, stimulating



employment and regional development. Simultaneously, the study and practical application of these formats in the educational process forms competencies of a new generation of entrepreneurs – the ability to work in a digital environment, analyse data, integrate sales channels, and rapidly adapt to changes.

Prospects for further development of retail formats for small business in the digital economy are associated with deepening omnichannel approaches, utilizing artificial intelligence for offer personalization, developing rapid logistics (instant delivery), and strengthening the role of mobile channels. Further hybridization is expected, along with growing significance of marketplaces as ecosystems and evolution of traditional stores into smart hybrid outlets. Small business success will depend on entrepreneurs' ability to combine formats, utilize data for decision-making, and continuously improve service.

Thus, the research confirms that modern retail formats are not merely sales tools but also strategic drivers of small business development, contributing to its resilience, scaling, and integration into the global digital economy. Comprehensive mastery of these formats becomes a necessary condition for competitiveness and long-term success of new-generation entrepreneurship.