WAYS TO REDUCE COMMERCIAL RISKS IN SERVICE ENTERPRISES

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Abstract. This study examines the main commercial risks faced by service enterprises and identifies effective ways to reduce their negative impact on financial stability, competitiveness, and sustainable development. The research focuses on market, financial, customer-related, operational, and digital risks arising under conditions of changing consumer preferences, increasing competition, technological transformation, and market uncertainty. The study applies literature review, comparative analysis, SWOT analysis, risk matrix, scenario analysis, and a systematic approach to risk management. The results demonstrate that effective commercial risk reduction requires an integrated and proactive management system based on risk identification, assessment, prioritization, preventive measures, continuous monitoring, and corrective actions. Particular attention is given to service diversification, customer relationship management, flexible pricing, service quality improvement, employee development, financial control, digital technologies, and cybersecurity. The study concludes that integrating commercial risk management with marketing, operational, financial, and digital management can strengthen the resilience and competitiveness of service enterprises. The proposed approach provides a practical basis for improving the ability of service enterprises to anticipate market threats and adapt rapidly to changing business conditions.

Keywords: commercial risk, service enterprises, risk management, risk reduction, service quality, customer relationship management, market uncertainty, competitiveness, digitalization, sustainable development.

INTRODUCTION. In the modern economy, the service sector plays an

increasingly important role in ensuring economic growth, employment, income generation, and improving the quality of life of the population. The rapid development of digital technologies, changes in consumer behavior, intensification of competition, and the globalization of markets have created new opportunities for service enterprises while simultaneously increasing their exposure to various commercial risks. Unlike manufacturing enterprises, service organizations operate under conditions where the quality and value of the final product are often directly associated with customer interaction, employee performance, service reliability, and market expectations. Consequently, effective commercial risk management has become an important prerequisite for ensuring the financial stability and long-term competitiveness of service enterprises.

Commercial risks in service enterprises may arise from fluctuations in demand, changes in customer preferences, intensification of competition, pricing uncertainty, deterioration in service quality, loss of customers, dependence on key suppliers and partners, technological failures, and ineffective marketing decisions. The growing use of digital platforms and online service channels has also generated new forms of commercial risk associated with cybersecurity, data protection, electronic payments, online reputation, and dependence on digital infrastructure. These risks can negatively affect revenues, profitability, customer loyalty, and the overall sustainability of service enterprises.

The problem of reducing commercial risks is particularly relevant because service enterprises frequently operate in highly dynamic and uncertain market environments. Demand for many services is characterized by seasonality and sensitivity to changes in household incomes and consumer expectations. At the same time, customers increasingly demand personalized, fast, convenient, and high-quality services. Under such conditions, enterprises that fail to identify potential risks in

advance and develop appropriate preventive measures may experience significant financial losses and deterioration of their competitive position.

An effective approach to commercial risk reduction requires the integration of several management mechanisms, including systematic risk identification, assessment and monitoring, diversification of service offerings, improvement of pricing policies, strengthening customer relationship management, development of digital technologies, employee training, quality management, and the creation of appropriate financial reserves. In addition, the use of analytical tools such as SWOT analysis, scenario analysis, sensitivity analysis, risk matrices, and key performance indicators can improve the ability of service enterprises to anticipate and respond to potential commercial threats.

The relevance of this research is also determined by the need to develop practical approaches to commercial risk management that take into account the specific characteristics of service enterprises. Risk reduction should not be limited to eliminating existing threats; it should also involve the development of adaptive management mechanisms that enable enterprises to respond quickly to changes in market conditions. In this context, improving the mechanisms for identifying, evaluating, preventing, and monitoring commercial risks can contribute to increasing the financial resilience, customer satisfaction, and competitive advantages of service enterprises.

Therefore, the purpose of this study is to examine the major sources of commercial risks in service enterprises and develop effective approaches to their reduction. The study focuses on identifying the factors influencing commercial risks, evaluating existing risk-management practices, and proposing practical measures aimed at strengthening the sustainability and competitiveness of service enterprises under conditions of market uncertainty.

LITERATURE REVIEW. Commercial risk management has been widely studied within the fields of economics, management, marketing, and entrepreneurship. Classical approaches to risk management emphasize the identification, assessment, control, and monitoring of risks as an integral part of managerial decision-making. Modern research, however, increasingly considers risk not only as a potential source of financial losses but also as a factor that can influence the competitiveness, adaptability, and long-term sustainability of enterprises.

One of the important theoretical foundations of risk management is the approach developed by Frank H. Knight, who distinguished measurable risk from uncertainty. This distinction is particularly relevant to service enterprises because many commercial outcomes cannot be predicted with complete accuracy due to changes in customer preferences, market conditions, and competitors' behavior. In this context, effective risk management requires not only statistical assessment but also managerial flexibility and the ability to respond rapidly to unexpected changes.

Peter F. Drucker's management concepts emphasize the importance of systematic decision-making, innovation, and customer orientation for organizational sustainability. From the perspective of service enterprises, these principles are directly connected with commercial risk reduction because customer-oriented management allows enterprises to identify changes in demand and adapt their service offerings accordingly.

Marketing scholars have also contributed significantly to the understanding of commercial risks. Philip Kotler and Kevin Lane Keller emphasize the importance of understanding customer needs, market segmentation, positioning, and relationship management. An effective marketing system can reduce commercial risks by strengthening customer loyalty, improving market information, and reducing dependence on a limited number of customer segments.

Contemporary studies increasingly focus on digitalization as an instrument of risk management. Digital technologies enable service enterprises to collect and analyze customer data, forecast demand, automate operational processes, monitor service quality, and communicate with customers more efficiently. At the same time, digital transformation introduces new risks related to cybersecurity, data privacy, technological dependence, and online reputation. Therefore, digitalization should be considered simultaneously as a mechanism for reducing traditional commercial risks and as a source of new risks requiring systematic management.

Another important direction in the literature is the diversification approach. Diversification of services, customer segments, sales channels, and geographic markets can reduce the negative impact of fluctuations in a particular market segment. For service enterprises, diversification can be implemented through the development of complementary services, digital service channels, differentiated pricing packages, and cooperation with different market partners.

The review of existing approaches demonstrates that commercial risk reduction in service enterprises should be based on an integrated framework combining market analysis, customer relationship management, financial control, service quality management, digital technologies, employee development, and continuous risk monitoring. However, there remains a need for practical approaches that combine these instruments into a coherent risk-reduction mechanism applicable to service enterprises operating in emerging and highly competitive markets.

METHODOLOGY. The study applies a systematic methodological approach to identifying, evaluating, and reducing commercial risks in service enterprises. The research combines theoretical, analytical, and managerial methods in order to examine the relationship between commercial risks and the sustainability of service organizations. The research methodology is based on the following methods:

1. Literature review method – used to examine theoretical approaches to commercial risk, risk management, service quality, customer behavior, and enterprise competitiveness.

2. Comparative analysis – applied to compare different approaches to commercial risk management and identify the most effective instruments for service enterprises.

3. SWOT analysis – used to identify internal strengths and weaknesses as well as external opportunities and threats influencing commercial stability.

4. Risk matrix method – applied to classify risks according to their probability of occurrence and potential impact on enterprise performance.

5. Scenario analysis – used to evaluate possible consequences of changes in demand, competition, prices, customer behavior, and operating conditions.

6. System approach – used to consider commercial risk management as an integrated system consisting of risk identification, assessment, prevention, monitoring, and corrective action.

The commercial risk level can be evaluated using a simplified risk-priority approach:

Risk Priority = Probability of Risk × Impact of Risk

where probability reflects the likelihood of a particular commercial risk occurring, while impact represents its potential effect on revenue, profitability, customer retention, service quality, or competitiveness.

Based on the methodological framework, commercial risks in service enterprises are classified into five major groups: market risks, financial risks, customer-related risks, operational risks, and digital/technological risks.

The proposed research framework follows the sequence:

Risk Identification → Risk Assessment → Risk Prioritization → Preventive Measures → Monitoring → Corrective Actions.

Such an approach allows service enterprises to move from reactive risk management toward proactive and adaptive management.

ANALYSIS AND RESULTS

The analysis shows that service enterprises are exposed to a combination of internal and external commercial risks. The most significant risks are associated with unstable demand, increasing competition, changes in consumer preferences, service quality problems, price sensitivity, customer loss, and technological disruptions.

Table 1

Major commercial risks in service enterprises

Risk group	Main risk factors	Possible consequences	Risk reduction measures
Market risks	Demand fluctuations, competition, changing market conditions	Revenue decline, market share loss	Market monitoring, diversification
Financial risks	Rising costs, cash-flow problems, pricing errors	Profitability decline	Budget control, flexible pricing
Customer risks	Customer dissatisfaction, low loyalty, changing preferences	Customer loss, reputation deterioration	CRM, feedback systems, personalization
Operational risks	Employee errors, service interruptions, inefficient processes	Quality deterioration, complaints	Standardization, staff training, quality control
Digital risks	Cyberattacks, system failures, data loss	Financial and reputational losses	Cybersecurity, backup systems, digital monitoring

The analysis indicates that market and customer-related risks are particularly important for service enterprises because the service product is often inseparable from

the process of its delivery. A decline in service quality can immediately influence customer satisfaction and subsequently affect revenues and reputation.

One of the most effective mechanisms for reducing market risk is **service diversification**. Enterprises that offer several related services are less dependent on a single source of revenue. Diversification also allows organizations to respond more effectively to changes in consumer demand.

A second important mechanism is **customer relationship management**. Regular collection of customer feedback, analysis of complaints, loyalty programs, personalized offers, and digital communication channels can reduce customer-related commercial risks. Customer retention is particularly important because maintaining existing customers is generally more predictable than continuously acquiring new customers.

Flexible pricing represents another important instrument. Service enterprises should consider demand elasticity, competitor prices, customer purchasing power, and service costs when establishing prices. The use of differentiated pricing packages can help enterprises serve different customer segments without substantially reducing profitability.

The analysis also demonstrates the growing importance of **digital technologies** in commercial risk reduction. CRM systems, business analytics, online booking systems, automated customer communication, and digital payment systems can increase transparency and improve managerial decision-making. However, digital transformation should be accompanied by cybersecurity measures and data protection mechanisms.

Table 2

Recommended commercial risk reduction mechanisms

Risk	Preventive mechanism	Monitoring indicator
Demand decline	Demand forecasting and diversification	Sales growth rate

Customer loss	CRM and loyalty programs	Customer retention rate
Strong competition	Differentiation and innovation	Market share
Service quality problems	Quality standards and employee training	Customer satisfaction
Rising costs	Cost monitoring and budgeting	Cost-to-revenue ratio
Pricing risk	Flexible and differentiated pricing	Profit margin
Digital failures	Backup and cybersecurity systems	System downtime
Reputation risk	Online reputation monitoring	Complaints and reviews

The results indicate that commercial risk reduction should not be based on a single measure. An integrated approach produces greater effectiveness because different types of risks are interconnected. For example, poor employee performance may cause service quality problems, which can result in customer dissatisfaction, negative online reviews, customer loss, and ultimately revenue reduction.

Therefore, service enterprises should establish a continuous monitoring system based on key performance indicators. Important indicators include customer retention rate, customer satisfaction, complaint rate, revenue growth, profitability, service utilization rate, employee productivity, and service interruption frequency.

The analysis also suggests that the effectiveness of commercial risk management depends on the speed of managerial response. Enterprises capable of identifying early warning signals and rapidly adjusting their pricing, service portfolio, marketing activities, and operational processes are more likely to maintain stability under uncertain market conditions.

Consequently, the proposed integrated mechanism can be represented as:

Market Monitoring → Risk Identification → Risk Assessment → Risk

Prioritization → Preventive Measures → KPI Monitoring → Corrective Action → Continuous Improvement.

This mechanism creates a feedback loop through which information obtained from customers, employees, market indicators, and financial results is continuously incorporated into managerial decision-making.

CONCLUSION. Commercial risks represent one of the major factors affecting the financial stability and competitiveness of service enterprises. The analysis demonstrates that these risks arise from multiple sources, including fluctuations in demand, increasing competition, customer dissatisfaction, pricing uncertainty, rising operating costs, service quality problems, and technological disruptions.

The study concludes that effective commercial risk reduction requires a comprehensive and proactive management approach. The most important mechanisms include systematic market monitoring, service diversification, customer relationship management, flexible pricing, improvement of service quality, employee development, financial control, digitalization, and continuous performance monitoring.

Particular importance should be given to customer-oriented risk management. Since service enterprises depend heavily on customer perceptions and experiences, improving customer satisfaction and loyalty can simultaneously reduce market, revenue, and reputational risks.

Digital technologies also provide significant opportunities for improving commercial risk management. Data analytics, CRM systems, digital communication, automated monitoring, and online feedback mechanisms allow enterprises to identify potential problems at an earlier stage. Nevertheless, digital transformation should be supported by appropriate cybersecurity and data protection measures.

The proposed risk-management framework—**risk identification, assessment, prioritization, preventive action, monitoring, and corrective adjustment**—can serve as a practical basis for improving commercial risk management in service

enterprises. Its implementation can contribute to greater financial stability, improved service quality, stronger customer loyalty, and enhanced competitiveness.

Thus, reducing commercial risks should be viewed not as an isolated defensive activity but as a continuous strategic management process. Service enterprises that integrate risk management with marketing, financial, operational, and digital management are better positioned to adapt to market changes and achieve sustainable development under conditions of uncertainty.

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