The European Proceedings of
Social & Behavioural Sciences
EpSBS

ISSN: 2357-1330

https://doi.org/10.15405/epsbs.2019.12.05.55

MTSDT 2019

Modern Tools for Sustainable Development of Territories. Special Topic: Project Management in the Regions of Russia

RUSSIAN RETAIL: CREATION OF A COMFORTABLE CONSUMER ENVIRONMENT IN CONDITIONS OF CONSOLIDATION

G. M. Shults (a)*, Y. V. Bit-Savva (b)
*Corresponding author

(a) Yaroslav-the-Wise Novgorod State University, ul. B. St. Petersburgskaya, 41, Veliky Novgorod, Russia, galinashults@mail.ru
(b) Yaroslav-the-Wise Novgorod State University, ul. B. St. Petersburgskaya, 41, Veliky Novgorod, Russia, Bittsavvayulia@gmail.ru

Abstract

The article presents an analysis of the current state of the retail sector in Russia, discusses industry development trends. The authors pay attention to studying the process of consolidation of Russian retail chains, characterizing the most important structural changes in the retail segment of the consumer market at present. Modern trends in the transformations of the trade industry are formulated in the draft new Strategy for the development of trade in Russia, calculated until 2025. The article discusses the tools and offers recommendations for creating a comfortable consumer environment in the context of consolidation through the further development of trade infrastructure, modern trade formats, strengthening the position of retail trade, and the development of the “ecosystem”.

The problem of managing an assortment of goods in regional consumer markets, which arises before participants in the retail market as a result of its consolidation is of particular importance. The article pays attention to the tools for solving this problem through the development of assortment policy, activities for managing the assortment of retail based on a customer-oriented approach, researching the needs of customers in each specific category of goods, a rational approach to forming an assortment of goods of their own brand. The authors' view on the particular importance of the development of innovative technologies in retail trade and digitalization of retail is presented.

The authors of the article justified the need to create a comfortable consumer environment, as a factor that ensures sustainable growth for the business, strengthens its competitiveness.

Keywords: Consumer market, ecosystem, retail, retail chains, retail formats.

https://doi.org/10.15405/epsbs.2019.12.05.55
Corresponding Author: G. M. Shults
Selection and peer-review under responsibility of the Organizing Committee of the conference
eISSN: 2357-1330

1. Introduction

The main purpose of retail, as a type of entrepreneurial activity, is to sell consumer goods for direct consumption. The directions of transformations in the development of the trade industry in Russia are currently formulated in the draft new Strategy for the development of trade in Russia, calculated until 2025. They take into account, first of all, consumer preferences. The main goal of the document is to create a comfortable consumer environment in the Russian consumer market (State Automated Information System "Management", 2019). This condition must be considered as mandatory for the successful conduct and development of the trading business, since the main participants in the consumer market are manufacturers, sellers and, of course, consumers.

In regional consumer markets, large network operators with an increasing share of presence as a result of consolidation are becoming increasingly important. Consumer preferences today are reflected in the structure of trade formats, and participants in the retail market, in turn, formulate offer, prices, quality and culture of consumption, which indicates their direct influence on the development of regional consumer markets and, accordingly, on the formation of a comfortable consumer environment.

The importance of developing recommendations and the competent use of tools for regulating such interaction is undoubtedly relevant and was the basis for this study.

2. Problem Statement

The trade industry in Russia occupies a special place in the country economy. In 2018, the industry share in Russia's gross domestic product amounted to 14.3% (for reference, manufacturing accounted for 13.7%; mining – 12.9%). The industry provides jobs for 18% of the employed population of Russia (Federal State Statistics Service, 2018). Trade also has the most important social significance: the quality of life of the population as a whole depends on the availability of quality goods in the required quantity. Accordingly, current industry development trends are attracting increasing attention of the scientific community, experts and specialists.

The process of consolidation of retail chains has covered all sectors of the retail market today (Shults & Bit-Savva, 2019). The composition of participants, structure, and retail formats are changing. At the same time, state regulation of trade contributes to maintaining a balance between trading networks and small trading business, natural market processes. Against this background, the task of creating a comfortable consumer environment in regional consumer markets is of particular importance.

3. Research Questions

In accordance with the goal, the following questions are posed:

- What is the current state and development trends of the retail sector in Russia?
- What are the largest companies representing the retail sector in Russia and what changes have occurred as a result of the consolidation of retail chains?
- What tools and recommendations can be used by retail market participants to create a comfortable consumer environment in the context of consolidation of Russian retail?

https://doi.org/10.15405/epsbs.2019.12.05.55
Corresponding Author: G. M. Shults
Selection and peer-review under responsibility of the Organizing Committee of the conference
eISSN: 2357-1330

4. Purpose of the Study

The purpose of the study includes the development of recommendations on the use of tools to create a comfortable consumer environment for citizens and business entities in a consolidated Russian retail market.

5. Research Methods

To achieve the goal and solve the problem posed in the work, we used materials from scientific publications, documents regulating trading activities in Russia, statistics from the Federal State Statistics Service, materials from business information, official rating agencies, and official websites of retail chains. The modern scientific methods of comparative analysis, systematization, forecasting, analytical, statistical, expert estimates are used.

6. Findings

In accordance with the task, the present state of the Russian retail sector is considered. Modern retail has gone through the main stages of development: the introduction of new forms of trade, the formation of network operators - the main players, expansion into the regions, the development of multi-format.

According to the Federal State Statistics Service of Russia for 2018, consumption as a whole increased by 2.6%; sales of food products – by 1.7%; non-food – by 3.4% compared with 2017. At the end of 2018, TOP-10 retail chains in Russia accounted for 30% of retail sales. The ranking of the largest retail companies in Russia in 2018 is presented in Table 01.

Table 01. Top 10 Russian retail chains (National Rating Agency, 2019)

Network name	Revenue for 2018, rub billion	Number of outlets as of December 31, 2018
X5 RetailGroup	1 532.5	14 431
“Magnet”	1 237.0	18 399
“Lenta”	413.6	379
“M.Video-Eldorado”	321.1	941
“Auchan”	306.5	305
SPS Holding (“Krasnoe & Beloye”)	301.0	7 408
CG “Dixy”	298.7	2 707
“Leroy Merlin”	272.0	90
DNS	268.5	1 484
Metro Cash & Carry	202.7	93

The most important development trend of Russian retail is consolidation. Market leaders are strengthening their position by gaining an increasing share of the market. In regional retail markets, federal chains continue to expand their presence. As a result of this process, in 2018, about 75 retail chains of the retail segment of regional food markets and home goods ceased to exist. The most significant decrease in the share of modern formats is noted in Moscow, St. Petersburg, Yekaterinburg.

So, in Moscow, we observe the exit from the market of a number of networks: Almi, Bahetle, ABK, Matrix, 7 Continent. The share of retail chains in St. Petersburg is only 92%, while the share of X5 RetailGroup, Lenta and O'Key (the three largest in the St. Petersburg market) is close to 49%. Currently, the agreement on the merger of Krasnoye & Beloye, Bristol and Dixy is under negotiation - it is obvious that the new company will become one of the largest retailers in Russia (Tereshenko, 2018).

In the retail segment of the consumer market of Russia in terms of trade formats, the most developed today are: "at home" store, supermarket, hypermarket, "hard discounter". However, the development trends of each trading format are different (Stepanova, 2018).

Leadership among the formats is occupied by "at home" store – 33% of all grocery retail, the leader is "Magnet". Today's changing consumer preferences explain the active development of "hard discounter" networks. The main characteristics of this format are strict savings on renting premises (not the best, remote, etc.), equipment (its complete absence is acceptable), at all stages of the technological process, on staff, the assortment is narrow, it is represented by goods with long shelf life, the most cheapest of possible analogues. The leader in the format is "Svetofor" chain, which began operations in 2009 and today has more than 1,500 stores across the country. In this regard, it is of interest that, following consumer preferences, German classic discounters – "Lidl" and "Aldi" chain, on the contrary, expand their assortment (up to 4000 SKU) and become more like department stores or supermarkets.

Today, the hypermarket is the most difficult format to survive, which is explained by its territorial remoteness, the time it takes to make a purchase, too large areas, and high prices compared to the discounter, convenience stores, and online stores. In the ranking of the largest retailers, hypermarkets are inferior to leading positions. According to INFOLine, with the results of 2018, "O'Key" and "Auchan" hypermarkets lost 8.5% in turnover compared to the previous year, and the chain of German "Metro" hypermarkets reduced revenue by 7.7% in 2018 (INFOLine News Agency - marketing research, 2018).

At present, specialized and highly specialized stores of "Krasnoye & Beloye" and "VkusVill" retail chains have held strong positions in the ranking with the characteristics of the fastest growing retail. "Krasnoye & Beloye" retail chain began in 2006 with sales of alcoholic beverages, gradually expanding its geography of presence and assortment to a department store, at the beginning of 2019 it had 7400 stores, which allowed it to take 6th place in the ranking of "Top 10 Retail Networks of Russia". "VkusVill" distribution chain, specializing in natural dairy products, grew up to 710 stores from 2009 to 2018 (National Rating Agency, 2019).

Experts predict a further continuation of the consolidation process, but it will mainly occur within the TOP-10 (Bostoganashvili, 2018).

Obviously, the creation of a comfortable consumer environment must be considered as a prerequisite for the successful development of the trading business. In other words, the basis for the formation of the retail industry should be the lifestyle of consumers. Current trends in the development of Russian retail determine the relevance of researching tools and developing recommendations for creating a comfortable consumer environment in a consolidated environment.

The main areas of this activity are:

https://doi.org/10.15405/epsbs.2019.12.05.55
Corresponding Author: G. M. Shults
Selection and peer-review under responsibility of the Organizing Committee of the conference
eISSN: 2357-1330

further development of the trade infrastructure - modern trading formats, strengthening the position of small retail trade, the development of online trading enterprises (farmers, families), the spread of vending trade, the development of electronic commerce;

retail assortment management activities based on consumer preferences;

technology development, digitalization of the industry.

Retailers in order to save the time of the buyer approach the consumer through the trading formats: convenience stores, small retail outlets with an assortment of fresh short-term goods; expand the range of services: the possibility of online ordering, delivery of goods, etc. In the new Strategy for the Development of Trade in Russia, the trading industry is tasked with reviving street retail. This is a well-known trading format - small-sized trading enterprises (shops, food service outlets) located on the first floors of pedestrian street buildings are the most convenient in terms of accessibility and optimality of assortment (State Automated Information System “Management”, 2019).

Currently, government regulation of trade helps maintain a balance between retail chains and small trading businesses, natural market processes, does not suppress the development of chain retail and does not consider it as an obstacle to the development of small businesses. Competent development of small business trading enterprises can be built using high chain trade traffic, and the territory of shopping centers and large chains allows us to place non-stationary objects, organize fair events. As a result, the global trend in the development of retail should be the “ecosystem”. Within the framework of the “ecosystem”, retail forms related services, personal offers, promotions. Partnership with market participants, on the one hand, contributes to the creation of a comfortable consumer environment, and on the other hand, it provides sustainable business growth and strengthens its competitiveness.

The main participants in the consumer market are manufacturers, sellers (trade, catering, services) and, of course, consumers. Establishing relationships and regulating the interaction of all market participants is carried out by solving the problem of successfully forming the assortment. It should be borne in mind that the prevailing model of behavior of a modern buyer is the orientation toward low prices, quality and freshness (for food products) of a product, requirements for assortment stability (consumer habits), and time saving. According to experts, this is about 80% of all buyers. The remaining 20% rely on an assortment of organic, farm products, a branded assortment of non-food products, price and time, as a rule, do not matter much (Bostoganashvili, 2018).

In regional (local) consumer markets, chain operators, with an increase in the share of their presence as a result of consolidation, as well as other participants in the retail market, face the difficult task of assortment management, including setting rationality requirements, determining assortment policies, and creating an assortment of goods. A tool for solving this problem is the development of an assortment policy based on a customer-oriented approach. Table 02 presents the main tasks of the assortment policy of retail based on a customer-oriented approach and the results achieved with their competent solution, affecting the creation of a comfortable consumer environment in the regional consumer market.

https://doi.org/10.15405/epsbs.2019.12.05.55
Corresponding Author: G. M. Shults
Selection and peer-review under responsibility of the Organizing Committee of the conference
eISSN: 2357-1330

Table 02. Assortment policy of retail: impact on creating a comfortable consumer environment in the regional consumer market

The objectives of the assortment policy of retail based on a customer-oriented approach	Creating a comfortable consumer environment in the regional consumer market
Definition of criteria for a rational assortment (depth, stability, novelty)	The most complete satisfaction of the truly substantiated needs of different segments of consumers
Ensuring the physical accessibility of food for the population of the region, including in sparsely populated and remote areas	Distribution system development in the region
Focus on product quality	Ensuring access to safe, quality food and non-food products for consumers
Orientation to assortment characteristics of goods	Ensuring accessibility for consumers of food and non-food products in the required assortment
Orientation to the quantitative characteristics of goods	Providing consumers with food and non-food products in the required quantity
Orientation to the cost characteristics of goods	Price competition, ensuring affordable prices
Assortment update	Meeting new needs with new products
Assortment sustainability	Satisfaction of demand for the same goods (if there is a steady demand for them, most often these are goods of group A)
Presence in the assortment of goods of local manufacturers	Interaction with regional manufacturers
The presence in the assortment of goods of their own brand	The original range of retail, reasonable prices
Customer oriented assortment strategy	Improving the quality of life of the population in the region

Compiled by the author

This approach provides for understanding and researching the needs of the buyer in each specific category of goods. On the basis of category management - management of categories interconnected from the standpoint of demand and consumption of goods, it is important that various criteria can be used as the basis for combining goods into a category. So, on the basis of the classical merchandising approach, the categories of goods are formed according to consumer properties and are close to the merchandising classification, which distinguishes classes, subclasses, groups, subgroups of goods as a classification level. Considering the range of goods from the point of view of the consumer, the product category can be formed taking into account the satisfaction of needs, include products that are close in consumption, that is, interconnected, as well as interchangeable. Obviously, the modern approach to the formation of categories may contradict the classical principles of merchandising and products can be combined according to other criteria (for example, raw materials, purpose, interchangeability, etc.) or take into account several assortment characteristics at once. For example, considering purpose as the ability of goods to satisfy physiological and social needs, one should first of all take into account that this is a consumer property of goods that determines its quality. A commodity attribute is a classic merchandising approach to combining goods into a classification group according to the unity of commodity origin (milk and dairy products, meat and meat products, etc.). A combination of these features and the creation of a category that takes into account the source of raw materials and the possibility of their intended use are possible. The range of consumer properties of goods also includes safety. This most important quality property cannot form the basis of classification or category formation, as it is at the same time a mandatory, legally regulated requirement.

https://doi.org/10.15405/epsbs.2019.12.05.55
Corresponding Author: G. M. Shults
Selection and peer-review under responsibility of the Organizing Committee of the conference
eISSN: 2357-1330

A special role in the assortment in various categories is played by the goods of the own brand of the retail network. Retail, organizing the production of goods of its own brand, has the opportunity to produce products of the basic diet, devoid of additional margins due to the production of packaging and marketing promotion, which is one of the ways to solve the problem of ensuring affordable prices. The current economic situation after 2014 provided additional opportunities for Russian manufacturers to offer customers new products, formulations that are more “pure” from food additives, with new qualitative characteristics and organoleptic properties, to cover almost all categories of goods. At the same time, cooperation with retail in the direction of production of goods of their own brand for the manufacturer is a real guarantee of one hundred percent implementation. But, today, demand-oriented chains primarily produce goods with great sales potential, which is why exclusive, premium products of our own brand have little representation in the retail assortment. Many food retail chains, mainly in hypermarket and supermarket formats, have their own production, which, together with goods of their own brand, makes their assortment original and attractive. The strong position of such products in the assortment is supported by steady demand.

The successful concept of the product category ensures the formation of a rational assortment of retail oriented to the consumer, the efficient placement of goods on the trading floor, the layout on the trading equipment, coordination of navigation, saving time for the purchase, and the seller can achieve goals that include economic indicators of the trading company. Thus, the assortment policy of each participant in the retail market influences the creation of a comfortable consumer environment for citizens and business entities.

The use of innovative technologies, digitalization of the retail industry through practical projects in various areas of the organization of trading activities creates new conditions and opens up new opportunities for the development of Russian retail. Today, industry leaders are already initiating various projects using information technology: the project of a fully automated store of the future (Information agency INFOLine – marketing research, 2018) has been launched, projects in the areas of “Internet of Things”, “Smart Retail” (Magnet together with Samsung), work is underway on scientific - research and educational projects. The creation of such resources will contribute to the formation of a new model of consumer behavior, new criteria for a comfortable consumer environment, will open up new opportunities for the development of the industry as a whole, however, the basic values of this sector of the economy will undoubtedly remain of paramount importance.

7. Conclusion

The trade industry in Russia is crucial for the country's economy. The main function of retail is to sell goods to the final consumer for direct consumption. Thus, it fulfills the most important social task - satisfying the needs of the population in quality goods at affordable prices and has a direct impact on the quality of life of the population. The industry leaders are X5 RetailGroup, Magnet, Lenta. Currently, the Russian trading industry is undergoing a process of consolidation in all segments of the retail market. This process makes changes in the structure of the regional retail market, which requires new work to create a comfortable consumer environment.

The paper discusses the tools and offers recommendations for creating a comfortable consumer environment in a consolidation environment: the development of trade infrastructure (modern trading formats, strengthening the position of small retail trade, the development of online trading enterprises, the spread of vending trade, the development of electronic commerce, the revival of street retail, the development of the ecosystem) ; retail assortment management activities based on a customer-oriented approach; technology development and digitalization of Russian retail.

References

Bostoganashvili, E. (2018). Global and Russian retail markets in the digital economy. *Economics: Yesterday, Today, Tomorrow, 8(2A), 155-165.*

Federal State Statistics Service. (2018). *Russia in numbers*. Retrieved from http://www.gks.ru/bgd/regl/b18_11/Main.htm

Information agency INFOLine – marketing research. (2018). *700 retail chains in Russia*. Retrieved from http://infoline.spb.ru

Information agency INFOLine – marketing research. (2018). *Business information on the Pyaterochka, Perekrestok, Karusel and other retail chains (X5 RetailGroup N.V.).* Retrieved from http://infoline.spb.ru

National Rating Agency. (2019). *Brief analytical review "Russian retail: results of 2018 – Q1 2019"*. Retrieved from http://www.ra-national.ru/sites/default/files/analitic_article/%D0%9E%D0%B1% D0%B7%D0%BE%D1%80_%D0%A0%D0%B8 % D1% 82% D0% B5% D0% B9% D0% BB_2018_17_06_19.pdf

Shults, G. M., & Bit-Savva, Y. V. (2019). Russian Retail: Modern Condition and Development Trends. *The European Proceedings of Social and Behavioural Sciences, 59,* 511-519. https://doi.org/10.15405/epsbs.2019.04.55

State Automated Information System "Management". (2019). Draft trade development strategy until 2025. Retrieved from http://gasu.gov.ru/stratpassport.

Stepanova, E. N. (2018). The current state and development trends of retail trade in the Russian Federation. *Veles, 4-2, 58,* 62-65.

Tereshenko, K. (2018). *Results of 2018: facts, statistics, events, comments, forecasts and conclusions*. Retrieved from https://new-retail.ru/business/itogi_2018_goda_fakty_statistika_sobytiya_ kommentarii_prognozy_i_vyvody8472/