

## Comparative institutional studies into the sphere of trade

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**Abstract.** This study fine-tunes the scheme of the components of the external institutional environment of the sphere of trade, examines the state of chain retailing in Russia, and marks out the characteristics of retail chains based on scale, format, and other criteria. The study identifies the pacesetters in chain retailing at the national level and determines the pace of the development of chain retailing establishments. The author provides preconditions for a shift to the study of regional establishments.

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### Introduction

Today's society is characterized by the sprawling and complexification of institute systems [1] – therefore, institutionalization is a process of the emergence and making of social institutes as the key structural elements of society.

Trade is a structural element of the social institute of modern-day society, which functions based on a set of social relations, norms, and rules and is oriented towards the satisfaction of people's major needs through exchange operations as it fulfills diverse functions. Trade is an institutional intermediary and, due to the social division of labor and a spatial chasm between the spheres of production and consumption, it provides for the interaction of institutes within a market society at the federal and regional levels. The works by A. Amin [2] and A. Lagendijk [3] received the proper attention of regionalists only 10 years after they were published.

Growing social requirements are making an increasing impact on present-day trade establishments, while the circle of their interests includes, along with the maximization of their owners' revenue and profits, the satisfaction of the needs of numerous interested parties: executives, employees, consumers, suppliers, the local population, various public groups, and the government.

The institute of the sphere of trade is increasingly taking on the "expanded enterprise" format, which comes to be a central element in the network of interrelated internal and external factors which create, support, and expand its potential [4].

The observed expansion of the sphere of trade and the emergence of new formats are a natural stage in the evolution of this institute, which is associated with growing pressure from the social environment and a sort of transformation into an "environment system" [5] whose blurred boundary is defined by a contour in the space of market and non-

market interactions.

It is changes in the environment that define the development of the sphere of trade, which over the last decades has been evolutionizing from traditional formats towards flexible, decentralized, network structures.

The more contemporary researchers have come up with a list of social needs needed for institutionalization processes to emerge [6]: communication, the turnout of goods and services, the distribution of these goods and services, security, the maintenance of the inequality system, control, and specified that the same need can bring about the emergence of a large number of auxiliary institutes.

Furthermore, it should be noted that E.G. Furubotn and R. Richter have asserted that "institutes resemble fortresses" [7], while a number of other authors [8, 9, 10, 11, 12] are of a different opinion which is in agreement with our views. Conditions impacting them are constantly changing. R. Richter's report "The New Institutional Economics – Its Start, Its Meaning, Its Prospects" [13] provides additional stimuli for us to try to apprehend the role of this area, too, among the paradigms of modern economic theory.

This leads to the emergence of multiple institutional alternatives, especially due to rising demand, which puts making categorical decisions out of the question. There arises a need for identifying trends in the development of enterprises within the industry (replacing old formats and discovering new ones).

An indicator of the institutional maturity of a trade enterprise is the complexification of its organizational structure and the use of new forms of trade organization, and innovation is one of the institutional indicators of the development of the sphere of trade.

The innovation component in the

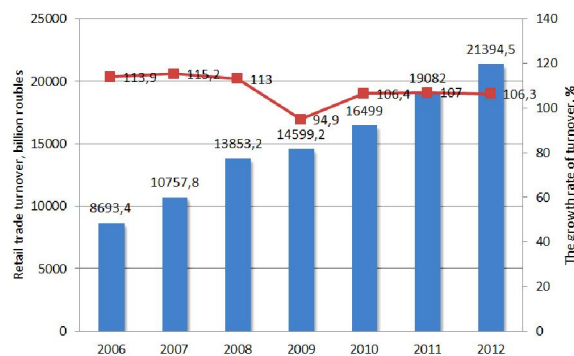
development of the sphere of trade is oriented towards increasing one's contribution to the economy and improving social-economic indicators through the use of one's innovation potential. This has been reflected in the Strategy for the Social-Economic Development of the Russian Federation through to 2020, which is a go-ahead to shift the Russian economy onto the path of innovation development. In conjunction with this, there is work being done across all areas of the economy, including trade.

The general scheme for institutes that make up the institutional environment can be divided into two components: federal institutes and regional institutes, which, in turn, are subdivided into federal general and trade institutes and regional general and trade institutes.

General federal institutes are institutes of the state authorities, which, in accordance with the legislation of the Russian Federation, administer control over trade for the purposes of protecting the rights of consumers and ensuring monetary funds are getting into the state budget.

Federal trade institutes are a variety of institutes functioning in the institutional environment. The need for identifying the structure and dynamics of and trends in the development of trade, including chain retailing, is crucial to the sustainable development of the institutional environment.

In investigating into the institute of the external institutional environment, one can rely on several preset categories. D. Teeter and P. Brinkman provide four foundations for such categories: natural, traditional, juridical, and actual present classifications [14].



**Figure 1. The dynamics of Russia's retail trade turnover over the period of 2006 to 2014.**

Let us examine one of the components of the external institutional environment, federal institutes (trade institutes, in particular), and the characteristics of their development at the present-day stage of economic development.

Retail trade is a dynamically developing

sector of the Russian economy, which is attested to by data from Rosstat (Figure 1) [15].

However, due to the economic crisis which resulted in a decline in industrial production, a decrease in the volume of investment in the economy, an increase in the unemployment rate, and a decline in the population's income, retail turnover gains as of year-end 2009 exhibited negative development indicators (94.9%).

The development of the institute of trade is characterized by the development of retail chains (Table 1).

**Table 1. The major types of retail chains in Russia**

Type of chain	Description of chain	Typical representatives
Global	A retail chain operating in the markets of several countries; its turnover is composed by a number of countries, and the numbers of retail outlets in different countries are comparable.	Auchan Group, Metro Group, C&C
Federal (national or All-Russian)	Russian companies engaged in activity in a number of Russia's federal districts; their turnover is composed by several federal districts, and the numbers of retail outlets in different federal districts are comparable.	X5 Retail Group, "Dixy", "Kopeika", the chains GK "Viktoria", "Magnit", "Lenta", O'Kay
Local (regional)	Companies operating within one or several regions (cities) or within one federal district.	"Azbukva Vkusa", "Kora", "Mariya-Ra"

Source: [16]

The Russian institute of trade includes both national and foreign retail chains, which are actively building up their retail areas and volumes [17] (Table 2).

Thus, the federal chain "Magnit" is leading today followed by the company X5 Retail Group, which led until 2012. The success of federal chains can be attributed to better conditions for attracting funding.

**Table 2. A characterization of Russia's largest retail chains**

No.	Company	Chains forming part of company	Number of stores, units	Increase in retail areas in 2012, thousand sq. m	Increase in turnover by 2011, %
1.	X5 Retail Group	"Pyatyorochka", "Perekryostok", "Karusel", etc.	3702	1969.7	8.1
2.	"Magnit"	"Magnit", "Magnit" hypermarket, "Magnit-Kosmetik"	6884	2549.3	33.6
3.	Auchan Group	"Auchan", "Auchan-City", "Raduga", "Auchan-Sad", "Atak"	151	565.9	15.8
4.	Metro Group	Metro Cash and Carry, Real	86	538.1	17.3
5.	DIXY Group	"Megamart", "Minimart", "Dixy", "Viktoria", "Kvartal", "Dyoshevo", "Cash"	1499	514.9	43.8
6.	O'Kay	"O'Kay", "O'Kay-Express"	83	429.4	24.1
7.	Lenta	"Lenta"	56	413.1	22.4
8.	Sedmoi Kontinent	"Sedmoi Kontinent", "Nashi Gipermarket"	159	263.1	13.2
9.	Element Trade	"Monetka", "Monetka Super", "Rite"	532	307.7	32.1
10.	Mariya-Ra	"Mariya-Ra"	501	188.5	32.0

However, the highest rate of building up retail areas was demonstrated by the chain “Lenta” (by 35%, to 413.1 thousand sq. m), “Mariya-Ra” (by 34.4%, to 188.5 thousand sq. m), and “Magnit” (by 29.4%, to 2549.3 thousand sq. m). Thus, the chain “Magnit” accounts for nearly 20% of the increase in retail areas, and combined with X5 Retail Group – 46.3%. It should be noted that the top ten include not just national retail chains but local (“Mariya-Ra”) as well. An analysis of the table’s data indicates that the 7 companies are chains engaged in the sale of groceries and FMCG, which is in line with global trends in the development of chains. Thus, according to data from the international consulting company “Deloitte”, they account for 67% of the total turnover of the world’s 250 largest chains.

The companies “X5 Retail Group” и “Magnit” were recognized by Deloitte as the fastest-growing retail chains (Table 3).

**Table 3. The dynamics of the development of the companies “X5 Retail Group” and “Magnit” (number of stores, units)**

Company	Brand	Format	2005	2006	2007	2008	2009	2010	2011	2012
"X5 Retail Group"	Pyatyorochka	discount store	326	451	674	848	1039	1392	1918	3220
	Perekryostok	supermarket	120	168	194	207	275	301	321	341
	Karusel	hypermarket	6	19	22	46	58	71	77	78
	Perekryostok-Express, City-Mag	corner store	-	-	-	-	-	45	70	-
	Kopeika, Kopeika Super	corner store, supermarket	118	328	438	517	587	657	616	n/a
	total									3702
OAO Magnit	Magnit	discounter	1501	1892	2194	2568	3204	4041	-	-
	Magnit	hypermarket	-	-	-	-	3	14	24	-
	total									6884

Compiled [18]

According to data compiled as part of Deloitte’s “Global Powers of Retailing 2013” report, “X5 Retail Group” ranked 83<sup>rd</sup> in 2010 and 61<sup>st</sup> in 2011, while “Magnit” moved to 87<sup>th</sup> from 124<sup>th</sup>. Deloitte lists the companies among the world’s 50 fastest-growing retailers, ranking them 3<sup>rd</sup> and 5<sup>th</sup>, respectively, in that list [19] (Table 4).

According to estimates by INFOnline experts, 100 largest retailers accounted for 21.6% of annual retail turnover in 2011 and 20.45% in 2010. In countries with a developed economy, the share of chain retailing is 60-80%. For instance, in Denmark modern-day chain retailing formats, based on data from Saatchi & Saatchi X, account for 83% of the market and 70% in Slovenia.

The top ten retail chains increased their share in the country’s retail turnover from 9.3 to 10.2%. They account for 53.9% of the combined turnover of 100 largest retailers. Last year, this indicator was 51.3%. Table 5 provides the dynamics of the development of retail chains.

**Table 4. The rankings of the world’s fastest-growing retailers**

No.	Company	Place in Top 250 list	Country	Proceeds, 2011 (million dollars)	Main format	Rate of average annual increase in proceeds over 2006-2011	Rate of increase in 2011	Net profit margin in 2011
1.	Westfarmers Limited	18	Australia	52208	supermarket	59.2%	5.0%	3.7%
2.	Steinhoff International Holdings Ltd	133	South Africa	7761	n/a	45.5%	132%	7.5%
3.	X5 Retail Group	61	Russia	15454	discount store	40.7%	37.0%	2%
4.	Wu Mart Group	210	China	4292	hypermarket /supercenter	39.9%	94.4%	n/a
5.	"Magnit"	87	Russia	11420	convenience store	35.9%	46.9%	3.7%
-								
12.	"M.Video"	240	Russia	3825	consumer electronics and household appliances	28.9%	29.6%	3.0%

**Table 5. The dynamics of the development of retail chains**

Indicator	2009	2010	2011	2012	2013
Share of retail chains, %	15.0	17.5	18.4	19.6	21.5
Increase in turnover, %	-	7.0	11.3	11.6	-

Compiled [20, 21]

The data indicates that the increase in retail areas is outstripping the increase in turnover. The share of chain retailing in Russia’s retail market continues to remain very low, which points to the chain retailing market being undersaturated.

This study will be continued with the assessment of the internal institutional trade environment confined to regional boundaries.

The first distinctive characteristic is a set of institutes and norms that impact the trade process, where an important role is played by laws and regulatory acts adopted at the local level.

The second distinctive characteristic is the study of the internal institutional environment of trade enterprises, which helps determine internal institutional efficiency.

The study of the development of the sphere of trade in Russia is oriented towards drawing the most correct inferences on the state of the institutional environment, which can facilitate the normal operation of the economy and which is grounded in the theory of creating favorable conditions for innovation within the environment.

Summing up, it should be noted that the development of retail chains is per se a positive thing. The chain retailing market is developing in line with global trends. The Russian institute of trade includes both national and foreign retail chains: global, federal, and local. Retail chains are developing in a multi-format, except for specialized chains. Relative to countries with a developed market economy, the share of retail chains in the total volume of turnover is not high.

This work provides approaches to classifying

the institutional environment. The author has explored an element of the external institutional environment (trade institutes).

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