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## ANALYSIS OF THE REGIONAL CONSUMER MARKET DEVELOPMENT: A CASE OF LIPETSK REGION

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### ABSTRACT

The consumer market is a sphere of the direct economic impact on a person and a factor of political stability in society. Therefore, any economic and political difficulties most quickly and acutely affect the state of the consumer market. Balancing the consumer market in terms of prices, quantity, and quality of goods is not only a necessary component of an efficient economy but also the basis for assessing the quality of population life. The state and development of the consumer market seem to be an insufficiently studied scientific topic in Russia, and therefore a rather difficult practical task. The Russian regional differences have a significant impact on the form of certain market economy laws manifestation. In this regard, there is a need to study market relations in their regional manifestations. In addition, the specific properties of goods and services sold on the consumer market, determine a high degree of its localization, close relationship with a specific territory and its population.

**Disciplinary:** Management Sciences (Marketing).

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## 1. INTRODUCTION

The consumer market as a research object appears in the form of a multi-level economy subsystem, divided into certain components according to certain criteria. An important feature of this is that it is an open system that responds to internal and external economic, social and political situations, that is, depends on inter-regional commodity flows, labor migration, the money, and capital movement.

The consumer market is a complex system of institutions in the circulation field, characterized by relationships in large numbers. Each of its participants has its interests: manufacturers seek to return the money spent and make a profit, and consumers seek to satisfy their own needs. The

resolution of the contradictions of these interests is provided by state economy regulation by federal and sub-federal bodies. In this regard, the need for scientific research to determine the possibilities and directions of state consumer market regulation becomes obvious. Despite the fact that the consumer market as an economic category was studied in the works of many domestic and foreign authors, modern science has not yet developed a unified methodological approach to state regulation of the consumer market at the regional level.

This study's purpose is to analyze the regional consumer market development for the Lipetsk region.

## 2. METHODOLOGY

The works of I.V. Grape, L.K. Koretsky, V.I. Malyshkova, C. Novoselova, T.V. Pogodina, V.G. Rostanza, N.M. Sedova, O.V. Takhumova. From the Pogodina, T. V. viewpoint, the consumer market is an integral part of the product market, where households with other subjects of market relations enter into the relations of goods sale and services for personal consumption [1]. The Economics Encyclopedic Dictionary defines the consumer market as a market where individuals and households sell or buy consumer goods and services [2]. According to V. Nikolaev, A. the consumer market is economic relations systems that ensure the relationship of production with consumption through the processes of goods sale and services [3]. V. Malyshev defines the consumer market as “the totality of economic relations between sellers and buyers regarding the oncoming movement of money and goods (services) designed to meet the personal needs of family members” [4].

Based on all of the above, we will formulate a detailed and at the same time clear definition of the consumer market as an economic relations developing system on the competition basis, pricing, marketing and an external factor of state regulation, linking the spheres of consumption and production, forming competitive prices in the process of buying and selling consumer goods based on organized infrastructure, designed to balance the supply and demand by meeting the population needs and producers interests.

In this definition, the consumer market acts as an independent economic category, this, in our opinion, makes it possible to formulate a methodological approach to solving practical problems of its stabilization, providing conditions for further development and effective functioning. The consumer market, being the most important structural component of the market economy reproduction process, which ensures the movement of commodity flows, closes the process of reproduction. It is inextricably linked to the entire system of markets and actively interacts with them. The consumer market as a focus reflects all positive and negative changes in the production of not only consumer goods, but also production means. The development level of the consumer market characterizes the state of the country's economy and the efficiency of the entire economic system.

The region consumer market is the main component of the modern market economy structure, where a gross national product part, materialized in the form of goods and services produced by the business, is bought or acquired in another way by the region's consumers for personal consumption [5]. An important characteristic feature of regional consumer markets is that they are an open system that responds to internal and external political and socio-economic situations, that is, they

depend on the interregional capital movement, goods, and labor migration. The regional consumer market consists of three main elements - the food market, the non-food market, and the paid services market, which, interacting with each other, provide the population needs and create opportunities for the successful functioning of the region's economy. The largest of these markets are food and non-food markets.

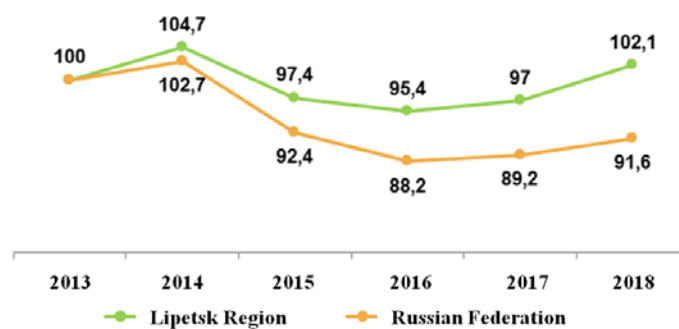
The paid services market is characterized by a localization higher degree than the consumer goods market since most of the services are inseparable in time and space with their producer and consumer. The paid services market is an emerging market. In industrialized countries, its turnover exceeds the volume of consumer goods sales.

The main problems in the regional consumer markets development include imbalances in development due to economic development levels differentiation of the Russian Federation constituent entities; underdeveloped competition in the consumer market of most regions; deficiencies in government regulation; barriers to territorial and affordability of goods and services; the use of the illegal migrants' labor force in consumer market organizations; hidden and informal activities of trade organizations; corruption and red tape; insufficiently high level of personnel qualification in the trading industry.

State regulation of the regional consumer market is aimed at creating conditions in the region for the business entities' effective activity and meeting the population needs in goods and services [6, 7].

### 3. RESULTS

The Lipetsk region consumer market has finally adapted to the action of economic sanctions and is showing slow recovery growth. To the level of 2013, the growth in retail trade turnover in the Lipetsk region amounted to 102.1% comparable prices. Figure 1 shows the growth in retail turnover, % compared to 2013.



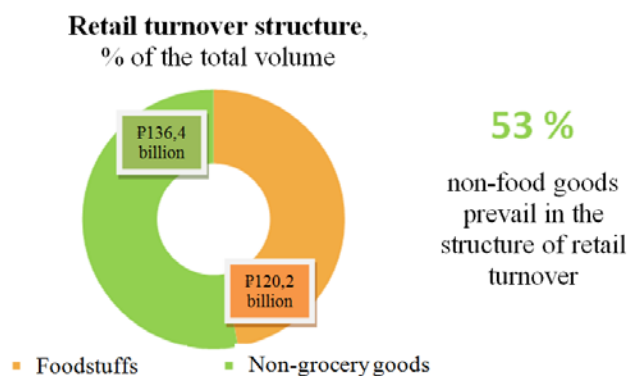
**Figure 1:** Retail turnover growth (% to 2013).

The growth in retail sales indicates a revival of consumer activity in the population and a gradual change in its behavior from “savings” to “consumer”. Retail sales in 2018 amounted to ₺ 257 billion (105% by 2017 in comparable prices), including ₺ 120 billion on the food market (106%), in the non-food market ₺ 137 billion (105%) (Figure 2).

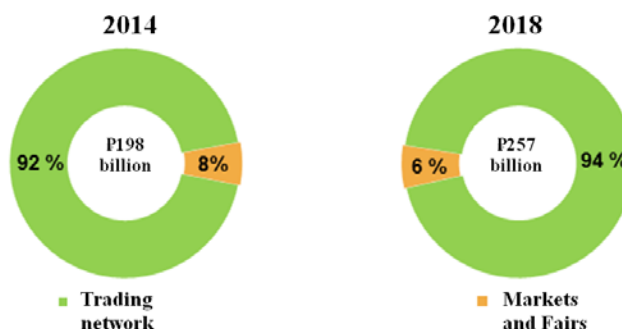
Retail turnover is 94% formed by trading organizations and individual entrepreneurs, by 6% at markets and fairs (Figure 3). The growth in retail turnover in 2018 was achieved both through the stationary trading network (104.9% by 2017) and in markets and fairs (110.6%) (Figure 4).



**Figure 2:** Retail turnover indices, % 2018 by 2017.



**Figure 3:** Retail structure (% of total).



**Figure 4:** Growth in retail sales, 2018 and 2014.

Conditions are being created to ensure the price and territorial accessibility of consumer goods and household services in rural settlements that do not have a stationary trading network. Local budgets received support in the amount of P 10,5 million to reimburse the costs of economic entities for the goods to rural settlements delivery. In 2018, nearly 230 trade and public catering enterprises were opened, including 111 in rural areas. In addition, 637 new jobs were created (328 in rural areas). The largest development is gained by large retail trade organizations, including network companies (130 companies, a 29% share in turnover), where the growth was 108% at comparable prices.

Total 426 procurement organizations work in the region, 127 thousand private household plots (private farms) or 68% of their total number (2.5 times more than 2017) are involved in the procurement process. The procurement turnover for 2018 increased by 74% and amounted to P 5.3 billion, including products purchased from private farms for P 4,4 billion, which is 85% more than in 2017 (Table. 1).

**Table 1:** Development of procurement activities in 2014-2018.

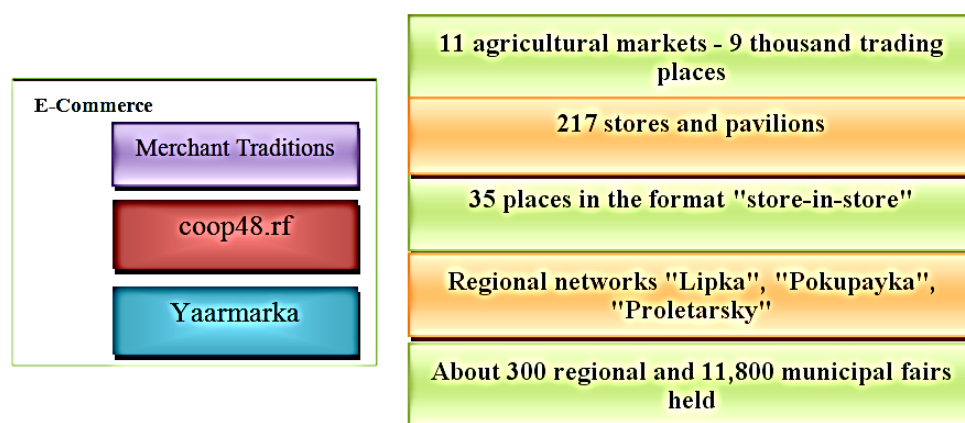
Year	Number of procurement organizations	Procurement turnover, million rubles	Procurement turnover from private farms, million rubles	The share of purchased products from private farms, %	The number of private household plots involved in the procurement process, thousand people
2014	545	1956	1503	77	38
2015	413	2382	1830	77	35
2016	416	2924	2253	77	51
2017	394	3042	2381	78	51
2018	426	5296	4396	93	127

State support is provided from the regional and local budgets for the procurement activities development and agricultural products' primary processing. In 2018, six procurement organizations received it in the amount of P 3.5 million.

To organize additional distribution channels for agricultural products of local producers with production small volumes, measures are being taken in the region to create a cooperative distribution network. Cooperative products are sold by over 250 retailers, of which 77 were created in 2018. The development of the “store-in-store” format continues, since the beginning of year, six such enterprises were opened in the cities like Lipetsk, Yelets, Lebedyan, Chaplygin (in total 35 units). More than nine thousand trading places were provided to agricultural producers at markets and fairs (Figure 5).

In order to create the image of Lipetsk agricultural products as safe and high-quality through its individualization, active work is underway to register trademarks in four agricultural cooperatives: “Avangard-M” (Dolgorukovsky District), “Pishchevik” (Yeletsky District), and “GDP 48” (Chaplyginsky District), LLC “Kazan meadow” (Stanovlyansky District).

There are six agricultural cooperative markets. Agricultural cooperative markets in the Dobrinsky, Izmalkovsky and Lev-Tolstovsky Districts are under construction.



**Figure 5:** Agricultural products' trading places in the Lipetsk region.

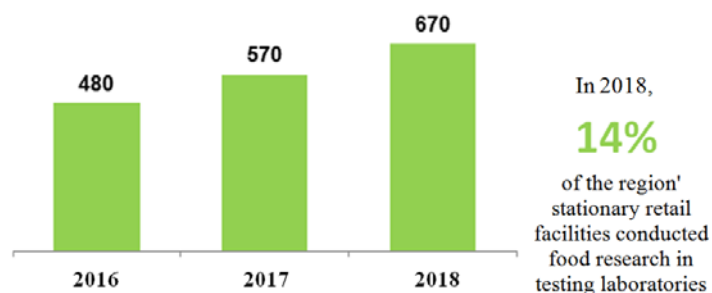
Budgetary funds as P 2.5 million were allocated for the construction and reconstruction of agricultural markets in 2018. The electronic online platform for the sale of agricultural products, “coop48.rf”, “Yaarmarka” and “Merchant Traditions”, is working successfully. In order to promote local goods to trade enterprises in 2018, procurement sessions were held: with Lenta hypermarket and Lipetsk milk producers; with federal and regional retail chains, the Michurinsk Experimental Plant, and Tula Dairy Plant OJSC. In 2018, 297 regional fairs were held (an increase of 106% by

2017), including 137 in rural areas and more than 11.8 thousand Municipal fairs, 56 permanent fairs and trading floors with 1700 trading places.

In the region, a system has been created for the rapid exchange of information between interested structures about dangerous and low-quality food products, about unscrupulous business entities that allow the sale of such goods, as well as about facts that cause harm to the life and health of citizens. The authorities of the Lipetsk region in close cooperation with the territorial administrations of Rospotrebnadzor, Federal State Health Institution “Center for Hygiene and Epidemiology in the Lipetsk Region” monitor the quality and safety of food products (Fig. 6).

In the Lipetsk Region, to December 1, 2018, the average retail premium for drugs included in the list of vital and essential drugs amounted to 17,4%. The Lipetsk region in the Central Federal Region takes 4th place in terms of applied trade margins.

In 2018, a “pilot project” was launched in the Lipetsk region - the electronic service “Consumer Market of the Lipetsk Region” - online price monitoring (hereinafter - the Service), formed in the form of the Lipetsk Region interactive map and posted on the website of the Consumer Market and Price Policy Department of Lipetsk region.



**Figure 8:** Coverage of retailers' laboratory food research, units.

This ensured participation in the electronic price monitoring system for the goods social group of all the leading participants in the Lipetsk region consumer market and increased the availability of information on prices for socially significant products for the region residents. In December 2018, the Lipetsk region took 3rd place among 85 constituent entities of the Russian Federation and 2nd place in the Central Federal Region by the cost of a consumer basket (Rosstat data) (where 1st place in the rating is the lowest cost). The cost of food products minimum bag on average in Russia amounted to ₺ 3989,17, and in the Lipetsk region – ₺ 3350,86, which is ₺ 638,31 smaller.

There is an improvement in the situation in the alcohol market. Retail sales are increasing, indicating a decrease in illegal traffic. Positive changes are confirmed by an increase in revenue from excise taxes on alcoholic beverages: ₺ 1,2 billion were received in the consolidated budget of the Lipetsk Region for 2018. For the provision of public services in the regional budget received a state duty in the amount of ₺ 23.8 million.

## 4. CONCLUSION

The Consumer Market and Price Policy Department of the Lipetsk Region is an industry executive body of state power in the Lipetsk Region in the trade regulation field.

The policy of the consumer market development in the region pursued by the Department is aimed at improving the quality of public services, ensuring the price and territorial availability of goods and services, increasing the trade business reputation.

In the region for the analyzed period, there is a steady trend in the consumer market development, which is reflected in the growth of the volume indicators as retail trade, public catering, consumer services, and procurement activities. The trade industry employs more than 120 thousand people, which provides jobs for a fifth of the able-bodied population in the Lipetsk region.

In 2018, the Lipetsk region consumer market continued to operate in a difficult geopolitical situation, extending the duration of sanctions and informal bans introduced against the Russian economy. The decrease in real cash incomes for the population, and, as a consequence, their purchasing power, has retained its influence on a decrease in the growth rate of retail trade turnover. However, in mid-2018, the decline in retail sales growth stopped. For the first time in the past two and a half years, positive dynamics have been noted. The retail turnover growth rate began to grow slowly.

## 5. AVAILABILITY OF DATA AND MATERIAL

Data can be made available by contacting the corresponding authors

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