

Trends in Financial Management of Operating Costs of Retail Network Business Structures

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ABSTRACT

The relevance of this paper is determined by the trends in retail trade over the past 10-15 years. Retail organizations are no longer independent business entities but integrated network structures. In this kind of organizations, the requirements to the quality of professional management in all the functional areas are increasing, including the quality of financial management. The authors focused on the diversity of scientific points of view on identifying the trends in the prospective development of retail chains, on the emergence of new approaches to financial management of distribution costs. The article analyzes the scientific approaches of foreign and Russian scientists to the definition and formation of circulation costs, considers the algorithm of cost minimization; identifies the key points of accounting and control mechanism of financial management of current distribution costs in retail chain businesses in the conditions of digital economy.

Keywords: *financial management, trends, distribution costs, retail chain businesses, cost minimization.*

1. INTRODUCTION

The study of retail trade as the largest service sector is of current interest due to qualitatively new interactions, increased integration processes and resource cooperation between retailers, which leads to creating powerful, competitive retail networks. In recent years, retail has changed not only globally but in Russia as well. There has been a shift from independent shops to chain retail structures, which on the one hand leads to increased competitiveness, economies of scale through resource integration, more efficient marketing and logistics processes, greater brand awareness and other positive changes; on the other hand, the retail industry has seen a strong concentration and monopolization, which contradict the market and competition. Modern supermarkets, hypermarkets and discounters are conquering more cities and territories. It should be realized that retail trade is an indicator of the economic processes taking place in society. The most important indicators are the retail trade and the consumer market. Their development helps to analyze the ongoing socio-economic processes and changes in the living standards of the population.

Modern trends, problems, changes in the retail sector and the investment attractiveness of the industry are

considered by both foreign and Russian authors of the last decade. A number of publications on the development of retail chains can be distinguished. Thus, American authors Ali Hortaçsu and Chad Syverson (2015) discuss the future trajectory of the retail sector, raising questions about the overall growth, concentration processes, the growth of such sub-sectors as e-commerce, online shopping, online commerce [1]. In an article by Serbian authors Kavalić M. et al. (2019) on the model of retail chain development in transition economies considers a formulated model for creating competitive advantage in consumer goods retail chains, focused on the analysis of customer requirements (better service, more affordable prices, shop accessibility, pace of shopping, online shopping), aspects of organizational management, and consideration of the influence of such factors as competitor strength, competitor marketing activity, commercial costs, margin level, assortment. The model focuses on integration processes as a way of increasing the competitiveness of retailers through consumer satisfaction. Among foreign articles on retailers, there are also publications that focus on qualitative financial analysis as part of financial management (Martínez A.B., Galván R.S., Alam S., 2017). These kinds of articles aim to justify the interest of potential retail investors [3]. In-depth financial analysis with reliable data and

calculations is aimed primarily at financial market stakeholders. Among the works of Russian authors published in English, of interest is an in-depth study [4] on the role of networks in Russian retailing (Alandarov, R. A., et al., 2018) and an article [5] on the development of retail networks in the Russian and international markets in a globalized environment (Valeeva J., Akhmetova I., Sharafutdinova N., 2020).

Centralisation and a high level of management of all commercial activities by employing qualified specialists in retail chains avoid many of the disadvantages typical of a single shop. Efficient management of a modern retail chain business comes at the expense of the network effect, i.e. the ability to create additional value. One can also note the flexibility of network structures while at the same time saving the cost of resource sharing in the network, which allows for higher profits compared to non-network structures. The synergetic network effect, which characterizes the activity of retail networks, provides an increase in additional profit and, consequently, profitability of sold goods, which proves their advantages over non-network forms in retail trade. There is a renewed focus on the management processes used by modern retail business structures. We are talking about process management, the use of project management, the modernisation of financial management approaches in modern retail chains. In this regard, it is worth paying serious attention to improving the mechanism of financial management of current circulation costs of retail chain business.

2. COST MINIMIZATION METHODS AND CRITERIA

Modern financial management of retail business structures is carried out through the financial function. The main purpose is to address key management tasks such as: 1) financial planning, which means developing financial plans and forecasts of revenues and expenditures of retail business structures; 2) evaluation of investment projects, which determines the need for financial resources, justification of funding sources; analysis of comparative advantages of alternative options of investment development projects; 3) analysis of financial position or monitoring the level of solvency, liquidity, financial stability, business activity, level of financial risk and rent analysis. According to P. Attrill, financial management is the foundation for the main purpose of business [13].

The issues of financial management on various aspects are disclosed in the scientific works of Russian scientists, such as: L.I. Alferov, D.R. Andriyashina, I.N. Bogataya, M.I.A. Blank, E.M. Evstafieva, V.I. Trukhachev, E.I. Kostyukova, M.G. Lescheva, N.V. Kulish, A.N. Bobryshev, V.S. Germanova, O.V. Elchanilova, I.B. Manzhasova, O.E. Sytnik, M.N.

Tatarinova, S.A. Tunin, T.N. Uryadova, M.V. Fieskova and others.

Modern management of retail business structure can be considered "...as a multidimensional phenomenon, covering processes occurring in the organization, related both to internal life and its interaction with the environment". According to I.N. Gerchikov, modern enterprise management is "...organisation of people's work and decision-making process...". The retail business structure represents a property complex used for the purchase and sale of goods and related services. It is the main link in the sphere of distribution, having economic and legal independence, promoting goods from producers to consumers through purchase and sale and implementing its own interests based on needs satisfaction [6]. The objective of a retail business entity is to earn a net undistributed income. This objective can be achieved by maximising revenues and minimising costs, including running costs. It should be kept in mind that earning net unallocated income, is possible if income exceeds expenses, as well as current costs. Whereas revenues and costs are part of the financial statements of retail business structures, current costs are a rather complex economic category for which there is no unambiguous view in economic science. The definition of "current costs" can be represented as "production costs" and "costs of circulation", therefore, we can talk about the two components, which are characterized as the total costs of human and material labor for production and sales [8].

There is an opinion that the theoretical foundations of the "costs" category were laid by classical political economy and thoroughly disclosed in the scientific treatises of C. Marx. The basis of K. Marx's conclusions regarding costs was based on the following provisions: firstly, current costs are primarily considered in the sphere of distribution as a phase of reproduction; secondly, production is the primary stage of good creation, therefore, "current costs" arise; thirdly, the nature of current costs derives from the functioning of capital and free competition market [7]. Thus, K. Marx distinguishes the process of transformation of costs from one form to another, giving the following classification, which is presented in Figure 1.

Modern economic science considers current costs: as opportunity cost, which is one of the most important evaluation indicators of financial and economic activity of trade business structures [14]; "...are socially necessary labor costs that ensure the performance by trade of its functions and tasks" [9]; "...expressed in monetary form, costs of social labor to implement a planned relationship between production and consumption, mediated by commodity circulation" [10]; "...expressed in the monetary expenditure of material, labour and other types of resources by trade organisations to bring goods to the final consumer" [11].

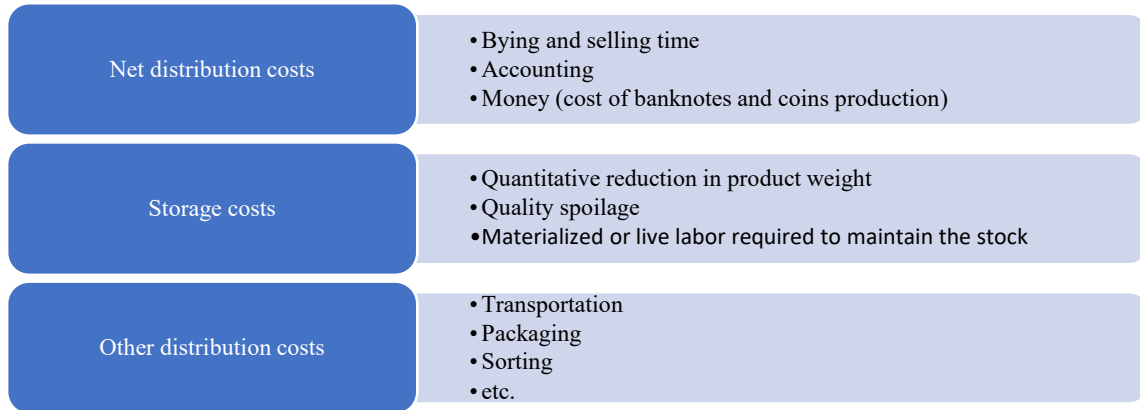


Figure 1 Classification of current costs according to K. Marx.

Thus, in general terms, the running costs of a retail business is a complex economic category that characterises the current expenditure of labour, both human and material, associated with the purchase of goods for subsequent sale, as well as the commercial and technological processes of transporting, storing, pre-selling and preparing goods for sale.

3. ANALYSIS OF METHODS AND APPROACHES TO FINANCIAL MANAGEMENT

The financial management of the current operating expenses of retail businesses is central to the management system. The cost management system is characterized by the ways in which it is influenced by the management system. According to the authors, financial management of current costs is implemented through standard methods of accounting and analytical support. Accounting and analytical support of current operating expenses of retail businesses is a functional complex that provides management with accounting and analytical

information for managerial decisions. To date, economic science has not developed general provisions of accounting and analytical support, so in order to form the most scientifically sound position on the financial management of current costs of retail businesses it is necessary to form the concept of accounting and analytical support.

According to T.I. Bezborodova, accounting and analytical support is "the accounting process of collecting reflections in accounting registers and forming reporting indicators; comparative analysis of planned and accounting information, its impact on income and expenses, identification of unused reserves; independent assessment of the reliability of accounting and analytical information in accordance with regulatory and legislative acts; performing the information function of management by assessing the financial position of the business results" [15]. According to the authors, the content of accounting and analytical support of current costs management of retail businesses can be represented as a scheme of interrelated elements presented in Fig. 2.

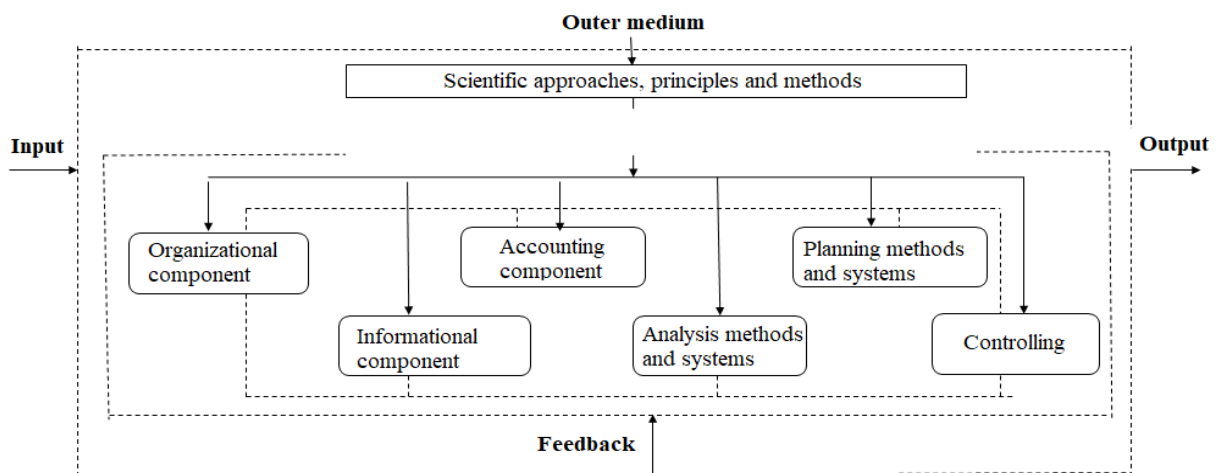


Figure 2 The content of accounting and analytical support for managing the operating costs of retail businesses (auth.)

The presented scheme of accounting and analytical support of current cost management has six components. The first component is represented by organizational support, which is characterized as an interrelated set of elements that ensure the process of financial management of current costs, on certain aspects of financial and economic activities of retail business structures. The second component - information support, which characterizes the functional element, accounting and analytical support, a continuous selection of relevant documents, and information indicators necessary for analysis, planning and preparation of effective management decisions on financial and economic activities and related results. The next (third component), represented by accounting support, which is seen as a set of types of accounting, providing a purposeful process of reflecting current costs in the accounting and reporting. Further (the fourth component) are methods of economic analysis, which provide the process of studying the results of activity, according to reports to identify positive and negative factors affecting the results of activity, characterized by a system of indicators of current costs. The fifth component is financial planning as a process of developing planning and budgeting indicators of current costs (as part of operational, current and future planning). The sixth component is control (controlling), the process of checking execution and ensuring through systematic monitoring, execution and implementation of financial decisions and the results of financial and economic activity. Consequently, the above elements of the content of accounting and analytical support of current costs of retail business structures, provide a targeted process of information formation, based on which management decisions are made.

Thus, the aim of the study was to develop methodological provisions for the financial management of current costs of retail businesses. In the course of achieving the goal the following results were obtained: first, current costs of retail business structures, a complex economic category that characterizes the current costs of human and material labor associated with the acquisition of goods for their subsequent sale, as well as conditioning trade and technological processes for transportation, storage, pre-sale preparation of goods and their sale; second, financial management of current costs is carried out through methods of accounting and analytical support, which is understood as a functional complex that provides management with accounting and analytical information for making management decisions.

4. CONCLUSION

Thus, for financial management of current distribution costs by minimizing the cost of distribution it is possible (in the context of chain trading formats) to conduct a retrospective analysis of the structure of current costs of distribution within individual business

processes. The choice of this methodological framework is associated with the need to identify the business processes that are the most costly, while the current distribution costs, associated with these processes as part of added value formation, are complimentary.

Minimization of "current costs, incurred due to the mismatch of trade and technology process and impulse current costs of distribution is possible through a detailed description and analysis of the cost-intensiveness of the implementation of trade and retail business processes. Current costs of distribution, incurred by the organization as a result of the weaknesses in the existing trade and technological process - are unproductive current distribution costs, the elimination of which involves strengthening the control over the quality of goods coming into the retail business structure.

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