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Regional Consumer Market Development as Cross-Border Cooperation Enhancement Factor

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***Abstract* — The problems of consumer market development are characterized by a high level of importance and applicability, since its functioning affects both the life quality of the population and the economic development of the territory. Because of this, the national governments not only stimulate the study of problems of cross-border cooperation, but also make use of the obtained results in pursuing an active policy on the formation of both transnational and cross-border regions. For most of the cross-border territories, a relatively low level of economic development is characteristic, which is explained by the suppression of the border territories of the USSR due to the fact that the production was located in the distant regions of the country. The purpose of the particular paper is to study the development stages of the consumer market in the Volgograd region and to identify specific characteristics that determine the barriers and limitations of the development of trade with Kazakhstan (incentives and disincentives for the development of cross-border trade). It is dealt with the structure of retail trade in the Volgograd region; subjects of the consumer market of the region are identified; the key characteristics of the consumer market of the Volgograd region determining the region's participation in cross-border trade are formulated. Conclusions are drawn concerning the domination of objective structural disincentive factors that influence the regional policy of consumer market development in the Volgograd region.**

Keywords* — *cross-border trade; consumer market; cross-border territory; retail.

I. Introduction

Russia-Kazakhstan borderlands, considered conditionally as a potentially unified region, refer to a homogeneous type, for which delivery of goods (export of local products) is characteristic. It can therefore be said that almost the entire region is focused on the export of its products, which, as a rule, have a narrow profile. As a result, the exchange between the economic transactors of such a region is not much less intensive than their external links.

Unlike homogeneous, the functional type of the region consists of territories more closely related to each other than to the external economy. The functional region can be defined as a territorial and economic agglomeration of highly integrated economic activities.

Homogeneous and functional regions play a different part in the territorial organization of society. That is particularly evidence, for example, in the trade flow, territorial specialization and productivity.

The criteria for determining the type of functional area are the extent and intensity of intra- and inter-group relations.

To lay the groundwork for the formation of a functional region on the territory of the Russia-Kazakhstan borderland, what is embodied within national and regional plans, social and economic development programs, the tax treatment and antimonopoly regulation, it is necessary to take into account the already existing stable links and structural features of economic development of border regions.

Mutual trade between Russia and Kazakhstan has been developing quite dynamically since the late 1990s, when the recession triggered by the financial crisis of 1998 began to overcome. The total value of mutual trade was increasing at a high rate until 2009, marked by a recession, which, however, is largely due to the fall in dollar prices. In 2010 the progressive trend in the development of bilateral trade has been observed, and in 2011 the corresponding indicators closely approached the level of 2008. The peculiarity of bilateral trade between Russia and Kazakhstan since about 2000 represents a positive for Russia and a negative for Kazakhstan balance of the mutual trade: the cost of Russian exports to Kazakhstan is consistently higher than the cost of imports from Kazakhstan, therewith the Russian predominance over the past decade has increased many times. In recent years, the value of Russian exports to Kazakhstan beat more than double the value of imports from a neighboring country [1].

Despite the dynamic development of trade relations, the importance of Kazakhstan as a trading partner for Russia is still relatively small. The main directions of economic cooperation between the economies of the border regions of Russia and Kazakhstan are determined to a great extent by their specialization. In the trade flow throughout the cross-border regions between two countries, a relatively small number of sizeable enterprises dominate, which supply their products in transit by rail or pipelines. Quite a different position on the market is occupied by small and medium-sized enterprises, which tend to become one of the driving forces of cross-border cooperation. Therefore, the development of these enterprises, their problems and needs as well are considered as one of the specific factors to provide conditions for the formation of a functional region [2].

It is also necessary to take into account such factors as underdevelopment of transport infrastructure between the regions, a considerable length of the border and large distances between settlements, different legal regulation of economic and business activity on the cross-border territories of two countries.

The cross-border trade is carried out by small and medium-sized business entities that are the main business agents of this kind of economic relations, therefore, analysis of cross-border trade is impossible without evaluation of the consumer market structure of the region and its main subjects.

II. Materials and Methods (Model)

The methodological and theoretical framework of the study build the concepts and theories introduced in the works of domestic and foreign authors devoted to the development of fundamentals of the consumer market functioning, cross-border cooperation, and strategic regional management as well.

To substantiate our theory and the argumentation of conclusions we rested on the system and evolutionary approaches using general scientific methods of subject-object, structural-functional and factor analysis.

III. Results and Discussion

A. Structure of retail trade turnover in the Volgograd Region

The certain phenomena of the economic crises led to a slump in consumer demand. Therefore, the current processes in the context of the Russian retail trade in general can also apply to the Volgograd region.

In 2016, retail turnover through multiple channels of distribution amounted to 348.9 billion rubles, or 94.3% in comparison with figures of 2015 (Russia - 94.8%, Southern Federal District - 97.6%). The main reasons for the decline in retail trade turnover is a significant increase in the consumer price index due to the negative impact of economic processes in general, as well as loss of income of the population and a decline in consumer crediting.

At year-end 2016 real money incomes of the region's population decreased by 7.6%, while the retail trade turnover decreased by 5.7%. The average per capita turnover of retail trade in 2016 amounted to 137 700 rubles, an increase of 100.8% [3].

Despite the introduction of new progressive forms of trade organization, improving the service level, ensuring high goods saturation of a wide range of different price levels, the situation in the consumer market of the Volgograd region remained for a certain time unstable.

Retail trade in the territory of the Volgograd region is carried out in various formats. Its bulk is accounted for organized trade represented by trading enterprises and individual entrepreneurs engaged in trade within the boundaries of a fixed sales network (Figure 1).

In the consumer market of the Volgograd region in 2016, 18,386 retail trade enterprises were operating, 12513 of them refer to nonmoving objects and 5,873 to moving ones. The retail network for the current period of 2016 increased by 899 retail facilities (properties) [3].

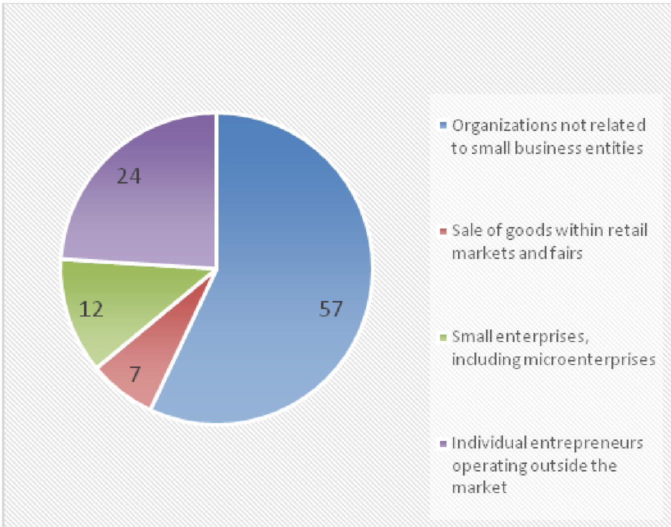

Fig. 1. Structure of retail trade turnover in the Volgograd Region in 2016 (as percentage of total) [3]

B. Participants of the regional consumer market

In recent years the organizational structure of trade enterprises shows an increase in number of modern shopping centers and supermarkets as market participants. Both global and Russian experience confirm that the integration of stores into a single network is the most effective way of developing retail trade. Their part is much higher than on the average in the Russian Federation (25.0%) and in the Southern Federal District (23.8%). In the share of network retail trade rating among all regions of Russia, the Volgograd region takes the 16th place. Among all regions of the Southern Federal District this corresponds to the first place. In 2016, the share of turnover of retail chains in the retail trade turnover through all distribution channels was 33.5% (in 2015 - 30.9%). The most significant share in retail trade turnover viz. 43.2% (in 2010 - 34.7%) accrues to chain stores selling food, including beverages, and tobacco products - 43.2%. There is also a great potential for increasing the share of retail chains selling non-food goods [3], [4].

Next on the march are retail chains concerned with business in specialized market sectors, particularly as regards food products, household appliances and electronics, household goods, furniture, and children's goods. The positive side of the development of trade chains is manifested in the fact that there is a clear pattern between the rates of turnover and the share of chain retailing in the region, put in other words the higher the rates in chain retailing and their share in commercial exchange, the higher the retail trade in the region as a whole and vice versa.

In terms of satisfying the needs of rural sector for fast-moving consumer goods and durable goods, the leading place in the administrative system was given to consumer co-operative as an important social structure. With strict regulation of commodity flows, there was a centralized supply of trade organizations within consumer co-operative with commodity resources through a network of specially created wholesale-retail and wholesale-supply organizations. However, at the present time, the role of consumer co-operative in providing the rural population with consumer goods has been lost, since the stores that remain in this system are exclusively of a social nature and are not commercially effective.

Over the past few years, the role of markets and fairs has changed - their number is declining, and, accordingly, the share in the total turnover of retail trade is decreasing. If in 2013 their number came to 673 fairs, then in 2016 - 587 fairs. Every year, the share of markets as distribution channels of consumer goods is also declining due to the reduction (unpopularity) of conventional markets. Since 2007, after the enactment of Federal Law No. 271-FZ of 30 December 2006 “On retail markets and amendments to the Labor Code of the Russian Federation”, the process of reorganizing their activities has begun.

Some markets were liquidated due to their non-compliance with the safety and sanitation requirements specified in the Law, other markets were transformed into organized retail chains (shopping complexes, supermarkets).

In accordance with the approved by the Ministry of Trade and Industry of the Russian Federation, "The Strategy of Trade Development in the Russian Federation for 2015-2016 and for the period until 2020 ", Volgograd region is working on the development of non-stationary and fair trade, which are the most important infrastructure for the growth of entrepreneurial activity.

In October 2015, the Volgograd Regional Duma adopted a regional law "On trading activities in the Volgograd region," which defines clear powers of local government in the regulation of trade activities, the maximum simplification of the procedures for organizing and holding fairs, identifies specific requirements for fairs, markets and to location of non-stationary trade objects.

There are 36 retail markets in the region (12 - universal and 24 – farmer’s market). The number of selling spots in retail markets as of January 1, 2017 amounted to 12 500, of which 7 100 (58.7%) were actually used. In 2016, 587 fairs were held on the territory of the Volgograd Region, 18.4 thousand units were used for trade fairs [3].

According to the Statistical Register of Economic Entities of the Volgograd Region, as of January 1, 2016, 4190 legal entities (including affiliates) registered in retail trade, except for trade of motor vehicles and motorcycles, repair of household goods and personal items (89.4% as of 1 January 2011 and 103.3% as of January 1, 2015). Most of them are microenterprises - 74.9% [3].

An important economic participant of the regional consumer market are individual entrepreneurs, the main activity of which is retail trade (except trade in motor vehicles and motorcycles, their maintenance and repair

As of January 1, 2016, there were 36 markets in the Volgograd Region, including 5 markets in rural areas. Compared with the same date in 2011, their number decreased by 44 objects (by 55.0%), and the number of selling spots on the markets - by 13 300 (51.2%) (Table 1).

The actual use of selling spots on retail markets as of January 1, 2016 decreased by 12.1% compared to the same date in 2011, mainly due to the closing of other markets, and by reducing the selling spots in universal markets (for 6, 5%) (Table 1).

Table 1. Number of retail markets and selling spots on them [3]

As of January, 1	**Number of retail markets**	**Number of sales points**	
		total	*average number per a market*
2011	80	25903	324
2012	81	25284	312
2013	59	18314	310
2014	51	14668	288
2015	44	14556	331
2016	36	12647	351

There was also a decrease in the number of retail trade fairs (by 13%), and at the same time, the reduction of sales points on average by 1 fair (41%) (Figure 2).

Fig. 2. Number of retail trade fairs carried out and number of sales points [3]

C. Key characteristics of the consumer market of the Volgograd region, determining participation in cross-border trade

Retail trade chains can grow within the administrative and regional centers, cities of regional subordination. In distant towns in rural areas with a relatively small population, they lack.

The share of small businesses in the total retail trade volume is decreasing.

The share of markets as distribution channels for consumer goods also tends to decline due to the reduction of traditional open markets. Some markets were liquidated due to their inadequacy to safety and sanitation requirements, other markets were transformed into organized retail chains (shopping centers, supermarkets). The share of individual entrepreneurs, whose main activity is retail trade, also decreases.

The actual use of selling spots in retail markets decreased, mainly due to the closure of other markets, as well as by reduction of the use of sales points in conventional markets.

Retail trade is marked by its multi-format, however, its main part corresponds to the organized trade carried out within the boundaries of a stationary trading network. At the same time, its share is higher than on the average in Russia. The sale of Internet goods is further developed, as it is a successful alternative to traditional retail outlets in remote and less attractive areas for the trade business.

IV. Conclusion

A. Incentives and disincentives for the development of cross-border trade between the Volgograd Region and Kazakhstan

Crisis phenomena in the economy caused a decrease in consumer demand. Therefore, the processes occurring in the retail trade of Russia in general are also typical for the Volgograd region. Specific features of the consumer market of the Volgograd region are the domination of organized trade in the structure of trade formats; an increase in the share of shopping centers and supermarkets, the development of large grid companies (factors that discourage the development of cross-border trade); insufficient use of such a competitive advantage of the Volgograd region as a significant potential of personal subsidiary farms for the production of agricultural products; a high rate of growth in prices for food products, despite agricultural production in the region (factors that stimulate the development of cross-border trade).

B. Transformation directions for cross-border trade relations between the Volgograd Region and Kazakhstan

There are two groups of measures that can assure a positive impact on the structure and dynamics of mutual trade of the Volgograd region and the West Kazakhstan region in the context of intensified cross-border cooperation: measures aimed at increasing the level of mutual awareness of business entities in the Volgograd region and the West Kazakhstan region, the population, authorities concerning the market capacity, existing and future national and joint projects, programs, products; measures aimed at increasing business activity in the Volgograd and the West Kazakhstan regions and implication of effective mechanisms of integration processes financial support, as well as ensuring the stability (predictability) of supranational regulation and national legislations, the institutional regulation structure of economic activity.

Table 2. Algorithm for the formation of cross-border cooperation aimed at the development of the consumer market between the regions (by the example of the Volgograd region and the West Kazakhstan region of the Republic of Kazakhstan)

Stages	Characteristics of the stage
Stage 1 Analysis of development of regional potential	1.1. Determination of current trends in the development of the consumer market in the Volgograd region and the West Kazakhstan region; 1.2. Evaluation of the role and kind of the impact of the national foreign trade (trade regulation policy within the framework of the EAEU) and internal policies of the regions on the dynamics of regional development;; 1.3. Assessment of the international activities of the region: 1.3.1. Analysis of the structure and dynamics of foreign and mutual trade between the Russian Federation and the Republic of Kazakhstan; 1.3.2. Analysis of the structure and dynamics of mutual trade between the Volgograd region and the West Kazakhstan region
Stage 2 Evaluation of the regional potential concerning integration in cross-border cooperation	2.1. Assessment of the resource potential of the Volgograd region and the West Kazakhstan region (economic, demographic, natural resource potential); 2.2. Assessment of the economic development level of the Volgograd region and the West Kazakhstan region; 2.3. Assessment of integration processes driving rate and competitiveness of the Volgograd region and the West Kazakhstan region.
Stage 3 Founding of regional organizational structures of cross-border cooperation	3.1. Determining the cooperation - level between the Volgograd and the West Kazakhstan regions (international, interstate, regional, municipal); 3.2. Establishment of control bodies for cross-border cooperation of the Volgograd and the West Kazakhstan regions; 3.3. Defining of the main functions of the control bodies of cross-border cooperation.

Table 2. Algorithm for the formation of cross-border cooperation aimed at the development of the consumer market between the regions (by the example of the Volgograd region and the West Kazakhstan region of the Republic of Kazakhstan), Cont.

Stages	Characteristics of the stage
Stage 4 Working out a strategy for the regional consumer market development at the level of cross-border cooperation	4.1. Validation of priority directions of the consumer market development in the Volgograd region and the West Kazakhstan region within the framework of cross-border cooperation; 4.2. Elaboration of projects and programs for the development of the consumer market; 4.3. Legal formalization of consumer market development programs in bilateral agreements and treaties
Stage 5 Realization and evaluation of the results of the programs execution for the development of the consumer market of the cross-border region	5.1. Implementation of selected directions of cooperation; 5.2. Program update and projects adjustment should the need arise; 5.3. Monitoring of the implementation of cross-border cooperation by areas of activity.

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