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## Program-Targeted Regulation of the Regional Consumer Market

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### **Abstract:**

*The primary strategic tasks for development of the Russian Federation and its regions are the increase of the level and quality of life and increase of the share of the middle class on the basis of modernization and restructuring the economy, the growth of entrepreneurial and innovative activities and competitiveness. For the solution of these problems the development of the consumer market should play an important role, performing important economic and social functions.*

*In the article the results of the study of scientific views of foreign and national scientists on the category "consumer market" are shown from the perspective of the principle of historical and logical unity, theoretical and conceptual approaches to its formation and development are systematized, positive trends in its development are revealed; negative social consequences associated with excessive consumption growth and the formation of a consumer society are proved (violation of the ecological balance, people health aggravation, change of people's attitudes).*

*The necessity of government regulation of the consumer market on all the levels is proved (federal, regional and municipal) based on the prospective vision and its development strategy in the context of globalization, Russia's accession to WTO and the implementation of the sanctions against Russia by the United States, several European and Asian countries.*

*As a methodological approach to solve identified problems on the regional level it is proposed to use the program-targeted regulation of the consumer market, which allows connecting the objectives with the resources and deadlines for their implementation by particular executives. Its use also allows authorities to develop alternative solutions for the tasks on the basis of the justification of priorities in the development of the consumer market and assessment of the risks associated with the implementation of program activities.*

**Key Words:** *Consumer society, consumer market, program-targeted regulation, region, government, consumers, goods.*

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## **1. Introduction**

### **1.1 Introduction to the Problem**

Globalization is progressively transforming regional markets into the "branches" of the global market. Any manufacturer of goods and services comes into competition with manufacturers in other regions and countries to any extent. Increased competition, market structural changes lead to changes in consumption standards, in the range of goods, forms of trade organization, services, consumers and other market players' behavior patterns. Deep changes also occur in people's value orientations, their relationship, directions of social development.

High rates of economic development, due to scientific and technical progress, have expanded the possibilities for consumption on the one hand and have led to excessive consumption and ecological imbalance on the other hand. This situation is primarily defined in developed countries, in relation to which since the 60s of the past century definitions "consumer society" or "society of consumers" were used (Ilyin, 2008). The consumer society is characterized by the accumulation of huge consumer resources and culture, focused on consumption as the key value. In such society, consumption is no longer a mean of survival for its citizens, but an instrument of social identity construction, social and cultural integration in the society. This is clearly shown in the most developed countries of the world.

In Russia, at the edge of the 1980s - 1990s there was a tendency of formation of the consumer society. It belongs to the category of countries with focal contour of the consumer society, as the scope and structure of citizens' consumption, development of the consumer market are significantly behind the developed countries. In a consumer society the revolutionary changes take place in the trade organization and in services. Key positions in the consumer market are occupied by large shopping malls, supermarkets and hypermarkets, which are transformed into places of leisure, "museums" of contemporary consumer culture.

Cafes, restaurants, pubs and nightclubs networks are dynamically developing. They meet not only the need for food, but the need of communication without domestic problems. As a result the culture of consumption and communication is changing, and personal relationships are increasingly mediated by the market.

The structure of cost of goods and services is significantly changing. The traditional forms of exchange and consumer behavior are supplemented by token value, which plays an increasingly important role in pricing (brands). Goods are increasingly valued as the means of communication which allow showing others the information about social status, identity, fashion, and other features of its owner. Manufacturing and selling the brands become effective economic activities, as people are willing to pay for their associations, views, expectations, and preferences.

Modern consumerism, materialized on the behavioral level, in the opinion of foreign scientists is "people's life, too preoccupied with consumption" (Gabriel & Lang,

1995).

### 1.2 Exploration of the Importance of the Problem

Creating the prerequisites for high living standards, the consumer society generates growth of tensions for people and nature. Uncontrolled consumption has devastating effects on the environment and human health. In this regard, the government and social structures in these countries are concerned about the issues of sustainable development. Governments of developed countries are increasingly invading into the processes taking place in the consumer market. They control product quality and safety. In 32 countries there are, for example, the standards for economically net products, in 9 countries they are being implemented, in 15 they are still developing (Ilyin, 2008).

The need for government regulation of the consumer market in Russia and its regions, in contrast to developed countries now explained not so much by consumerism but by such factors as: the necessity of balanced supply and demand, efficient organization of exchange processes of goods and services, creation of conditions for fair competition and prevention of the monopolization of the market, consumer rights protection as well as the interests of the poor etc.

The government should create good conditions for the development of business and the consumer market, determine priorities in their development on the federal, regional and municipal levels. On the federal level, the government should form a vision and develop a strategy for the development of the consumer market and to solve strategic tasks. The solution of tactical and operational tasks related to the regulation of the consumer market is delegated to regional and municipal authorities. The range of tasks associated with the development of the consumer market that now require solutions on the regional level is wide: monitoring of market conditions, economic analysis and diagnosis of the consumer market in order to identify trends, dislocations and problem areas, decision making to improve the efficiency of its operation, the choice of methods and tools for its regulation. Their solution requires theoretical understanding of the designated problem by checking the results of the study of the Russian and foreign scientists in the field of consumer market development, basic concepts and methodological approaches of its regulation. From the position of a multi-level approach to the regulation of the consumer market the article defines the determinants of regional consumer market, the necessity of its program-targeted regulation, proposes the concept of the program activities for its development for one of the regions of the Russian Federation. The theoretical part considered in the article, proposed concept and methodological tools for regulation of the consumer market on the example of one of the regions of the Russian Federation have scientific and practical interest not only for Russia, but also for other countries with emerging economies.

### 1.3 Background

Individual consumption alongside with production forms the basis of the economy in any society. At a certain stage of development individual consumption undergoes a deep institutionalization and becomes a key factor in the economic development of the country. On the one hand, it is mediated by the market, on the other hand, the

existence of the market which is relatively independent from individual consumption, is impossible (Ilyin, 2008). This interaction has created objective prerequisites for the formation of the consumer market.

As early as the 18<sup>th</sup> century Smith told that the only ultimate goal of production was the consumption (Smith, 1962). This idea was later on developed by Marx: «Production mediates consumption, for which it creates the material. Without production there is no consumption, however without consumption there is no production, since the production would be aimless in this case "(Marx & Engels, 1958).

Interconnection of production with individual and family consumption of goods and services is reflected by the economic category “consumer market”. In national and foreign literature there are many approaches to this category. Monographs and articles of Shniper and Novoselov are the first studies, which provide scientific interpretation of the concept “consumer market”. According to the authors, this economic category is “...the territorial organization of the distribution chain, designed to provide the population of the region with products based on commodity-money relations with minimal distribution costs» (Shniper & Novoselov, 1993). In later works, A.S. Novoselov’s interpretation of the studied concept was changed according to the need of the reconciliation of the manufacturers’ and consumers’ interests in the territorial sphere of goods and services distribution chain (Novoselov, 2002).

In the modern scientific and publicistic works different approaches to the definition of “consumer market” are presented (Table 1).

**Table 1.** Scientific interpretation of the category “consumer market”

<b>Author</b>	<b>Definition of the consumer market</b>
Hosking, A. 1993	Market of goods and services purchased or rented by individuals or households for private (non-commercial) use exists, when people meet each other directly or through intermediaries in order to sell or buy goods and services.
Pogodina T. V., 1995	Part of the goods’ market, where households interact to purchase and sale the goods and services for personal consumption with other subjects of the market relations.
Shabunina I.M., Lomovtseva O.A., Trubits M.Y., 1996	The main component of the market economy, where a part of the gross national product materialized in the form of manufactured goods and business services, purchased or acquired any other way by consumers for personal consumption.
Raizberg B.A., 1997	The interaction of buyers and sellers on the basis of acts of purchase and sale.
Malyshkov V. I, 1997	The set of economic relations between buyers and sellers on the counter-movement of money and goods (services), designed to meet the personal needs of family members.

Nikolaeva M.A., 2001	The set of business entities, manufacturers, executives, producing and/or selling consumer goods, as well as individual consumers who buy these products for personal consumption.
Kotler, F. 2003	Individuals and households who buy goods and services for personal consumption.
Takhumova O.V., 2006	The system of commodity-money and organizational and economic relations, which are formed in the process of buying and selling, whose development on this territory has the most favorable natural, social and economic conditions for business activity to meet the needs and requirements of the population.

Systematization of scientific views on the concept “consumer market” made possible to identify a number of approaches to its definition: as the distribution chain; the main component of the market economy; a set of commodity-money relations, revealing the economic relationship between manufacturing and consumption; system of relations between buyer and seller.

In our view, the consumer market should be considered as a system of commodity-money, organizational and economic relations developing between business entities, manufacturing and/or selling goods and services, and individual consumers buying these products for personal or family use.

The complexity and complicity of the category "consumer market", a variety of approaches to the characterization of its types and structures cause the necessity of its classification. In modern scientific literature different classification of the consumer market are presented, one of which is the classification proposed by Takhumova (Takhumova, 2006) (Table 2).

**Table 2.** Classification of the consumer market

Criteria	Types of consumer markets
Based on typical characteristic	a) active market is characterized by large capacity, balance supply and demand, the tendency of growth and favorable equilibrium prices. б) stagnated market differs by a small number of transactions over a long period, the presence of mismatch of supply and demand, empty order book. в) collapsing (cutting) market is determined by decreasing sales: despite the decrease in prices, in the number of transactions, the supply doesn't meet demand, rising the stocks.
On the basis of commodity	Food and non-food market.
By subject structure	Market of seller and buyer.
By the form of organization	a) the private market, where trade is carried out only between private companies and enterprises; б) government and cooperative market where buying

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	and selling of goods is carried out between various market entities (government and private companies, cooperatives and the government, private companies and cooperatives).
Economic and legal characteristic	Licensed market that is functioning in accordance with the law, gray and illicit market, operating with partial or complete violation of the law, including the circulation of unrecorded goods and unregistered traders.
By demographic characteristic	Markets are based on income and social features of the population.
According to the geographical (territorial) characteristic	Global, federal, interregional, regional and local markets.

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Each type of consumer market has its own structure, which is formed under the influence of certain factors, as well as mechanisms of its regulation.

In Russia with its vast territory and significant differences in social and economic development of territorial units, there are peculiarities in the manifestation of the laws of the market economy. In this connection it is necessary to study the market relations on different levels of management (national, regional and municipal). Furthermore, the specific properties of the goods and services sold in the consumer market cause a high degree of localization of the market, its close connection with a particular territory and its population. On the one hand, if we consider it from the perspective of the object of trade, the regional consumer market is an open system that is influenced by both internal and external factors (economic, social, political, and others.) and depends on the intensity of interregional trade flows, migration of labor force and capital movement. On the other hand, from the position of market transactions, it is a geographically localized system that determines the specificity of its functioning. So there is a necessity in classification of consumer markets on a territorial basis. According to Tereshchenko, government regulation of the consumer market should be based according to a certain level of economic management: federal, regional or municipal (Tereschenko 2008).

Antonyuk, Paseshnik, Tashev pay attention to the following characteristics of the regional consumer market: dependence on the region specialization; territorial decentralization; subsidiarity (Antonyuk, Paseshnik & Tashev 2012).

Specialization of the region is represented by its industrial structure which is defined by geopolitical characteristics, favorable climatic and social economic conditions. Specialization, on the one hand, allows using the existing resources in the region effectively, and on the other hand, causes interregional and international exchange in order to meet the regional needs the best way.

Another characteristic of the consumer market is territorial decentralization of its objects which is characterized by localized territorial space having industrial and

market specifics. Territorial decentralization of objects of consumer market causes the need for a regional policy to address the needs of the population for goods and services. It requires, respectively, the concentration of manufacturing, trade, public services and infrastructure of the consumer market in the region.

Consumer market is usually localized within a certain area, close to the monetary income of the recipients - individuals and households that forms its main characteristic - subsidiarity. It is caused by consumer activities of the households. The population forms determinants of demand, place of residence forms the specifics of supply (manufacturing and its infrastructure). Consumer market as an important component of the regional markets has the following functions:

- meets the needs of the population and the other subjects of the market for goods and services for consumer purposes in accordance with their income and consumer preferences;
- provides the interaction between buyers and sellers through the acts of sales and purchasing, coordinates their interests;
- defines the quantitative and qualitative characteristics of supply and demand, controls price;
- acts as a source of tax revenues for budgets on all levels;
- creates more jobs, increasing the welfare of the population;
- ensures synergies, helping the development of the other sectors of the economy (tourism, hotel and entertainment business);
- creates prerequisites for participation of the area in interregional and international trade and economic relations.

Specifics of the development of the regional consumer market cause the necessity of studying the evolution of the concepts of its development. The main theories and concepts of regional consumer market are given in Table 3.

**Table 3.** Main theories and concepts of regional consumer market

<b>Theories and concepts</b>	<b>Content</b>
The theory of the manufacturing location and the distribution chain <i>Thunen (1826), Launhardt (1882), Hamilton., Linge (1983)</i>	The theory considers the consumer market as the main determinant of the manufacturing location. At the same time the country's market is not a single entity, but the spatial hierarchy of markets, including local, regional and national markets. The spatial form, size of regional markets and their territorial boundaries are defined by differences in production costs, prices and transportation tariffs. From the position of this theory the dominant is not the manufacturing process, but the process of selling. Particular attention is paid to assessing the capacity of the market on the level of individual placement point, and for many points, forming a sales market.
The theory of central	Within the framework of this theory the influence of

places <i>Christaller (1933), Berry (1992)</i>	factors of placing the inhabited localities and population on the size of the market areas, and the spatial organization of the consumer market is revealed; systems of hierarchy of central places and market areas for different types of markets depending on the frequency of purchasing are proved.
The theory of market potentials and spatial interaction <i>Ray (1965), Birkin, Foulger (1992)</i>	Within the framework of this theory the spatial interaction of market potentials is characterized, including subject to the impact of the financial capital. The market potential of the territory is an integral indicator defining the level of economic cooperation of the area with the regional markets. Its value depends on the distance to the regional markets, transport costs, as well as on the size of the financial potential of the regions of the market interactions.
The concept of spatial distribution of goods <i>Show, Clark, Anderson</i>	According to this concept, the regional market is a system of distribution of channels of the goods in the regional distribution chain. Key issues of the study are financial, economic and logistical support of the processes of goods movement from manufacturers to consumers.
Institutional conception of the consumer market <i>Westerfil. Breer., BuddyE, Revzan D. (1968) u òp.</i>	The provisions of this concept are reflected in the institutional model of the consumer market, including various types of economic entities that offer goods storage, transportation, financing and credits, trade mediation, advertising, insurance etc. Special focus of the concept is given to the study of institutional changes on the regional level of consumer market (the role of market institutions in the regional economy, the analysis of institutional changes in the structure of retail trade companies, etc...).
Reproduction concept of the consumer market <i>Novoselov (2002)</i>	This concept is based on theoretical assumptions about the role of market processes in the regional reproduction and social and economic environment and local reproductive cycles, determining the internal economic space, about the open nature of regional markets and the external economic environment. To assess the condition of the regional consumer market regional proportions of reproduction are used, reflecting the level of match between the various elements of the local reproductive cycles (food and non-food products, consumer services).
The concept of geomarketing	Regional consumer market is viewed from the position of defining the size of the market areas, and

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<i>Davies (1976); Dawson (1980), Hallsworth (1992), Jackson, Thrift (1995)</i>	the spatial characteristics of the demand and supply of consumer goods and services. Modern directions of the study in the framework of this concept are the changes and structural shifts in consumption and trade taking place under the influence of science and technology, electronic communication development of society, globalization and internationalization of consumer goods trade, as well as changes in the spatial organization of the consumer market.
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Multiplicity of the theories and concepts of the consumer market presented in Table 3 is defined by the complexity and multidimensionality of the studied phenomenon. Each concept is based on its methodological approach to understanding the essence of the consumer market, its targets and objectives, methods and mechanisms of regulation. Studied concepts also allow us to conclude that the consumer market is one of the most important spheres of society, so it should be regulated not only by the government, but also by civil organizations. A special attention is paid to the problems of its regulation by such Russian scientists as Leybkind, Rudneva, Rudnik (1983), Tumanov (1994), Yagodin (1994), Leksin, Shvetsov (1996), Guskova, Kovalenko, Kormishkina, Makarkin, Neretina (1999), Skopina, Baklanova, Skopin (2005), Osipov, Zorin (2007), Danilova (2008), (Korokoshko, 2010), especially in the late 20<sup>th</sup> - early 21<sup>st</sup> centuries.

Regulation of the regional consumer market which is a complex spatial-economic system needs the analysis of logic and determinants of its formation and development. The work of the consumer market is defined by the connections between the needs of the population and the manufacturing, supply and demand, income and consumption indicators, current consumption and accumulation. These connections, in their turn, are determined by economic, social demographic and psychographic factors.

The influence of economic factors is shown on the level of prices and incomes of people that make the demand and buying activities of consumers. This is confirmed by the correlation coefficient (0.98), the value of which indicates a close connection between changes in the average monthly salary of the population and retail turnover (Kostyleva & Gulin, 2008).

Condition of the consumer sector is largely determined by social and demographic factors. Firstly, the volume of consumer demand and, therefore, the condition of the consumer market are influenced by the changes of size and structure of the population. More complicated is the influence of changes in the social and age structure of the population on the nature and intensity of consumer demand. On the one hand an increase in the birth rate causes growth in needs for a number of products. On the other hand, increase in the number of customers without corresponding increase in profits reduces the average consumption. The shifts occurring in the age groups, affect the per capita turnover and needs of the population.

Secondly, consumer preferences influence the development of the consumer market, the type of positive subjective-objective attitude of the buyer to the product or service.

Thirdly, a significant influence on the development of the consumer market has psychographic factors: associations, expectations, perceptions, consumers' preferences. Among psychographic factors affecting the demand for goods and services, it is necessary to note the following global trends:

- shift of gender roles;
- change in the ratio of working and leisure time, work and leisure activities;
- change in the household arrangement;
- changes in consumption patterns.

They should be considered when developing strategies and long-term programs of development of consumer markets on both national and regional levels.

#### *1.4 Hypotheses and Their Influence on the Research*

The main hypothesis of this study is the need to provide sustainable development of the consumer market on the basis of program-targeted regulation. Regulatory mechanisms should ensure efficient interaction of its subjects among themselves and with regional authorities in order to balance supply and demand, trade and economic rationalization and optimization of logistics processes, trade, financial and information flows, and the development of regional market infrastructure. Solution of these problems is relevant to all the regions of the Russian Federation, including the Republic of Mordovia.

The purpose of the study was to prove the theoretical and methodological approaches, to develop methodological and practical recommendations for the development management of the regional consumer market. To achieve this goal, the following tasks should be solved:

- statement of reasons for solving the problem by the program-targeted method;
- analysis of condition and predictive assessment of the situation in consumer market;
- creation of possible scenarios for the development of the consumer market, the assessment of their benefits and risks;
- proposals on the goals and objectives of the program, the target indicators and indicators which allow measuring the progress in implementing the target program on an annual basis;
- preliminary assessment of the expected efficiency and effectiveness of the proposed options for the development of the regional consumer market.

## **2. Method**

A study of the consumer market of the Republic of Mordovia was conducted by the researchers of the Marketing Department of Mordovia State University named after N.P.Ogarev by request of the Ministry of Trade of the Republic of Mordovia in 2014 (the authors - the head and the developers of the project). It was based on the use of general scientific methods (abstraction, analysis and synthesis, the unity of history and logic, etc.), as well as special methods: program-targeted, comparison, structural analysis, expert assessments, and observations. The program-targeted method was used as a basic research tool. It was chosen due to the fact that it belonged to the category of the most effective tools for solving complex problems of intersectional and interregional nature. Its use provides: a clear statement of targets and objectives that reflect the internal structure of the problem to be solved, the calculation and proof of the main indicators of the program and its resource provision, responsible persons and implementation schedule. Program-targeted method allows us to check a variety of scenarios for the development of the consumer market, depending on the hypothesis and the chosen concept.

### **3. Results and Discussion.**

The recent decade there were significant changes in the development of the Russian consumer market. Corporate trade networks rapidly developed, which were a new retail format, market share of uncivilized trade on food and commodity markets decreased, the process of universalization of trade organizations continued, which corresponded to its development trends in Western Europe and the US.

Scale effect was used as the basis of corporate retail chains, which allowed them to minimize retail prices as one of the major competitive advantages compared to other stationary trade organizations, helping to attract more consumers, focused on reduction of total consumer spending on food with the absolute increase of consumption bundle. Entry of new foreign operators in wholesale and retail trade, public catering and consumer services to the Russian consumer market and its regions, increased competition on the one hand, and on the other it provided important positive impulses associated with a decrease in retail prices, increased service, expansion of the range of goods and services, improvement of the organization of production processes. In addition, the practice of foreign networks on the Russian consumer market accelerates the formation of a civilized market.

In the trade areas, catering and domestic services of the consumer market in Russia there is an increasing level of automation of business processes. Actively implemented information systems for clients (Customer Relationship Management, CRM), sales management (Sales Force Automation, SFA), partners relationship management (Partner Relationship Management, PRM), inventory management, information gathering (bar coding) that makes the sphere of trade and catering among the most IT advanced. Changes in the consumer market are also related to the widespread use of the Internet to purchase goods and services; development of e-commerce (mobile operators opening their own portals, which can be used for the organization of retail trade). Active introduction of IT is implemented to automate the majority of the processes of internal activities of supermarkets, shopping centers, catering networks.

The dynamics of retail trade turnover was significantly affected by a change in consumer behavior, accompanied by a decrease in saving rates and an increase in consumer loans. The latter is mainly due to higher growth in sales of non-food goods. The growth rate of consumer loan market was 39% in 2012 and 43% in 2013. Consumer lending increases the effective demand and stimulates economic activity of consumers, which in its turn contributes to the development of production, GDP growth. The use of consumer loans leads to a significant expansion of market capacity on a range of consumer goods. The implementation of the practice of consumer loans increased the non-food sector of trade networks by 5-10%. The consolidation of the retail trade, the penetration of large-federal and international trade networks also contributed to widespread of loan products, stimulating the demand for non-food products, increasing their availability to the public. Nevertheless, on the share of consumer loans in GDP (12% of GDP), Russia is far behind not only Germany, the USA and others (more than 50% of GDP), but also the countries such as Poland, Czech Republic and others (30-40% of GDP).

The formation and development of the middle class have a significant effect on the structure of the consumer market. The size of the consumer market largely depends on the demand for goods and services from the middle class, which is 33% of the total population of Russia. In the middle class about 60% of all the cash income and two-thirds of all savings is concentrated. Increase in the share of the middle class in the total population will boost demand and the expansion of the consumer market.

Growth of the population's incomes, the number of car owners, the availability of high-quality roads and developed transport infrastructure leads to increased mobility of the population, ready to travel long distances to purchase food and non-food items. In the last decade the growth rate of retail trade in Russia was 1.5 times higher than the growth rate of GDP. Retail sector also grew faster than the real income of the population which annually increased by 10-11% (Soldatova & Maykova 2013). The identified patterns and problems in the development of the Russian consumer market are also typical for the Republic of Mordovia. The consumer market of the Republic of Mordovia in 2008-2013 was characterized by dynamic growth, which was caused by the stabilization of the social and economic processes, the growth of industrial manufacturing and real incomes of the population and, consequently, the increase in the capacity of the consumer market, improvement of its environment.

Trade, public catering and consumer services of the Republic of Mordovia forms about 18% of the gross regional product and employs 24.6% of workers (including individual entrepreneurs and employees). Private consumption on the purchase of goods and services is equal to 80% of monetary incomes of the Republic population. (Mordovia: Statistical yearbook 2014).

The consumer market is characterized by relatively high investment attractiveness, as proved by the steady increase in the number of trade organizations. The emerging trend in the Republic of Mordovia for the growth of cash income of the population provided the raise in purchasing power. In this regard, during 2008-2013 in the

Republic there was a steady growth of retail trade turnover (per 2.1 times) and paid services in connection with the increase in incomes and raise of prices for services. In the structure of household budgets the biggest share at this moment accounts for housing and communal services - 42.7%, communication services - 18.0%, consumer services - 11.8%. Catering turnover increased for more than 2 times in the analyzed period. However, despite its positive trend, the Republic of Mordovia is behind national average indicator by 2 times.

Government policy in the development of consumer markets is aimed, above all, at the growth of population welfare, providing the people with reliable high-quality goods and services. The most effective tool for solving the identified problems is the program-targeted method. It allows you to link objectives with resources, deadlines with their implementation and specific executives. Program-targeted approach is implemented in the form of targeted programs that address a wide range of tasks in the problem area.

We developed the republican target program "Development of the consumer market in the Republic of Mordovia" for the 2013-2018 aimed at creating the conditions for the widest satisfaction of the population's demand for consumer goods and services in a wide range with affordable prices within the territorial accessibility, while ensuring quality and safety of the acquisition and use of goods and services. The program will be implemented under the government program of the Republic of Mordovia "Economic development and innovative economy".

Creation of the program of development of the consumer market was based on the analysis of its state and identification of the main trends in its development.

#### Analysis of the wholesale and retail trade

The most important sector of the consumer market is the trade, which performs important functions such as: the study of supply and demand of goods; the formation of trading range; organization of goods movement; population needs; distribution to the buyers; selection of the most effective methods of selling and others.

In 2013, the share of wholesale and retail trade was equal to 11.3% of the GRP and 17.4% of the employed population in the economy of the Republic of Mordovia. At the national scale the share of trade in GDP is 19% of the employed population and about 15% of total employment in the economy. In the recent decade the growth rate of retail trade in Russia was 1.5 times higher than the growth rate of GDP.

From 2009 to 2013 in the field of trade of the Republic of Mordovia there was a steady growth of retail turnover. Its dynamics is presented in Table 4.

**Table 4.** The dynamics of retail trade turnover in the Republic of Mordovia for 2009-2013.

Year	Turnover, bln. USD*	Index of physical volume,% to previous year
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2009	1,42	98,9
2010	1,58	103,0
2011	1,74	101,1
2012	1,81	104,4
2013	1,92	103,7

\* assessment of the consumer market of the Republic of Mordovia is presented in USD based on the annual average USD exchange rate in the corresponding period (the database of the Central Bank of the Russian Federation on exchange rates)

These tables show an increase in retail turnover in absolute terms over the period 2009-2013 for 0.6 bln. USD, due to the increase in real disposable income, improvement of the quality and range of offered products, increase in the standard of living. According to the index of physical volume of retail turnover among the regions of the Volga Federal District, the Republic of Mordovia in 2013 was on last place, with volume turnover of 1.9 bln USD, and the growth rate of 103.7%. The leading position was occupied by the Republic of Tatarstan with indicators equal to 19.9 bln. USD, and the growth rate of 116.4% (the corresponding period of the previous year), respectively.

Retail trade turnover in the Republic of Mordovia is for 84.6% formed by trading organizations and individual entrepreneurs, and the share of sales in the commodity markets and fairs is 15.4%. This ratio is caused by the fact that stationary trade is more attractive for customers. Retail trade turnover per capita in the country in 2013 was equal to 2.3 thousand USD and increased in comparison with 2009 more than 2 times. However, among the regions of the Volga Federal District the Republic of Mordovia has the lowest value of this indicator, and the highest rate is in the Republic of Tatarstan - 4,5 thousand USD, 1.9 times more than in the Republic of Mordovia.

In the structure of retail trade turnover the share of food products is 49.8%, non-foods - 50.2%. This demonstrates the deformation of the structure of consumer demand, due to the low-income population of the Republic is forced to spend a significant part of income on food.

On the territory of the republic there are 4617 outlets, 1346 (29%) of which are food stores, 1581 (34%) non-food, 1369 (30%) mixed, 335 (7%) non-stationary trade objects. In 2012, there was a termination of a number of non-stationary objects of trade network (48 units) due to the unprofitability of the business and changes in the architecture of Saransk city district. At the same time, the Republic opened up new chain stores and modern supermarkets "Magnit", "Eurospar", "Mayak", the shopping center "Gulliver", "Globus", "Dom Mebeli", etc.

Retail space per thousand residents of the Republic of Mordovia is 405.1 sq. m. (norm is 410.9 sq. m. for 1000 people). For comparison, the average number of retail space in Moscow is 743 sq.m. per 1000 residents. In the Central Administrative District, the figure is the highest - 1500 m., although it is somewhat lower than in Berlin - 1700 sq.m. per 1000 residents, in Los Angeles - 1800 sq.m., in Houston -

2300 sq.m.

In the Republic of Mordovia there are also the changes observed in the infrastructure of the retail trade. If recently small and medium shops dominated, now there are more popular large chain stores. Nevertheless, the Republic is characterized by low quantity of federal retail chains. In 2012, the turnover of retail trade networks in the Republic of Mordovia was 200.7 mln. USD. The share of turnover of retail chains in the retail trade turnover through all the sales channels is - 12.6%, whereas in the Russian Federation this figure is 35%. For comparison, in Denmark network structures account for 83%, in France - 78% of retail trade turnover.

Network trade is also characterized by modern forms and methods of customer service. New store formats, modern shopping malls and large shopping malls are developing. Retailers are equipped with cutting-edge technologies and modern facilities. These forms of trade organization are interesting for high- and middle-income segments of the population. However, in the Republic there are groups of consumers with incomes below the subsistence level (17.9% in 2013.), they are subjects to social support from regional authorities. Currently in the Republic there are 7 social shops, supporting low-income citizens. The opening of shops by goods manufacturers contributes to decrease in prices and increase in pricing and territorial availability of goods in the shops of the Republic (Shcherbakova, 2014).

Wholesale trade is an important link in the goods distribution. It accelerates the process of products distribution through all the channels of product distribution, transforms product range into a trade one, and transfers products to the consumer market. In 2013, in the territory of the Republic of Mordovia there were 36 292 entrepreneurs in the wholesale trade (21 451 legal entities, 14,841 individual entrepreneurs). 73.4% of wholesale trade in the region were large and medium wholesale trade companies.

An important indicator of the development of this sphere of trade is the wholesale trade turnover. The volume of wholesale turnover for the period from 2009 - 2013 increased by 2.5 times and was equal to 1.8 bln USD in 2013 (Table 5). The increasing economic growth rates of the Republic, the increase in the importing volumes, increased stability of the banking system and the incomes of the population contributed to the development of the wholesale turnover.

**Table 5.** The dynamics of wholesale turnover in the Republic of Mordovia for 2009-2013. (actual prices)

Years	Wholesale trade turnover		including the turnover of wholesale trade organizations	
	bln. USD	Index of physical volume, % to previous year	bln. USD	Index of physical volume, % to previous year
2009	1,04	138,7	0,63	139,6

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2010	1,28	113,9	0,79	116,4
2011	1,64	117,3	0,84	95,4
2012	1,73	106,9	1,29	155,3
2013	1,77	97,8	1,45	108,0

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Among the regions of the Volga Federal District in 2013, the Republic of Mordovia had one of the lowest turnovers in wholesale trade.

Wholesale sector in the Republic is represented by 158 wholesale warehouses with total area of 56.1 thousand sq. m. Warehouse infrastructure in the Republic is outdated. In terms of the provision of modern storage space the Republic of Mordovia is behind the Penza region and the Chuvash Republic. Only 45% of the organizations of the Republic have their own warehouses, 55% rent them, while often rented premises are not suitable for the proper execution of warehouse operations.

Remoteness of wholesale suppliers does not allow outlets to quickly update the range of goods, which leads to failures in the trade organization and consumer dissatisfaction. In the Republic of Mordovia, there are no logistics distribution centers for consumer goods and industrial goods that are not produced in the Republic. Due to the outdated infrastructure of wholesale trade, lack of modern technologies in trading processes, lack of working capital, there are not enough large wholesalers operating in this market sector in the Republic. There are no major Russian and international wholesale and distribution companies of the federal level which causes a low level of capital concentration in the wholesale trade (Komleva, 2013).

Trade in the Republic of Mordovia is also characterized by such problems as uneven distribution of trade facilities in the region, low physical affordability of goods and services for consumers, the poor quality of public services, poor use of modern technologies in the field of retail and wholesale, high depreciation of material - technical base of wholesale trade.

#### *Catering Analysis*

The development level of catering is one of the most important indicators of social and economic development of society. Catering services are rendered by different types of businesses - restaurants, bars, cafes, snack bars. At the same time clear requirements for a particular type of catering companies in Russia have not yet been developed. In this connection, the direction of the specializations of these companies is determined on the basis of their own positioning.

The Russian catering market is characterized by low quantity of catering per capita, a relatively low frequency of going out for a meal and underdeveloped regional markets. The situation in the catering in Russia indicates, on the one hand, the high potential of this market and lack of its saturation, and on the other hand, a low level of income of Russian citizens. The Russians spend on food about 30% of the revenues on average, that is twice as much as Europeans as and 6 times more than

people in the United States. This is due to both the level of well-being of the Russian population and the high prices for food and catering.

In the Republic of Mordovia there are 836 public catering companies with 56.6 thousand seats. From 2009 to 2013 the number of catering facilities in the Republic of Mordovia increased slightly (by only 20 objects), and the number of seats in the republic increased by 2.3 thousand. There have also been changes in the structure of public catering companies (Table 6).

**Table 6.** Development of a network of public catering in the Republic of Mordovia for 2009- 2013

Company type	Companies number					Seats number				
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
Restaurants, cafes, bars	162	172	166	169	180	8998	9770	9962	9903	9357
Public snack bars, dinings	51	51	66	66	85	1999	2128	2701	2528	3490
Dinings on the books of educational institutions, companies, production plants	603	583	565	541	552	43274	43241	42212	41856	39366
<b>Total</b>	<b>816</b>	<b>822</b>	<b>797</b>	<b>776</b>	<b>830</b>	<b>54271</b>	<b>55137</b>	<b>54875</b>	<b>54590</b>	<b>56570</b>

In 2013 the number of public dinners and snack bars increased almost by 32% compared to 2009. At the same time there was a decrease of public catering owned by companies.

In the 2010-2013 the structure of public catering in Russia changed in comparison with 2009-2010. Customer choice shifted from expensive restaurants to services of the network public catering. According to research company "Komkon" in 2013 expensive restaurants were regularly attended by 14.7% of the population of the Volga Federal district and by 21.3% in 2011. Turnover of expensive restaurants in these regions decreased by 25-30%. In addition, the cost of an average bill in restaurants was reduced as well as the number of visitors. At the same time, in the network restaurants and cafes of medium bill price and small catering cafes with reasonable prices the number of visitors increased by 12%, while the average bill decreased by 4% (Russian statistical yearbook, 2014).

In 2010 - 2013 years there was an increased interest of foreign networks to the catering market of the Russian regions. In 2011, such large foreign brands as Burger

King and Dunkin 'Donuts emerged on the markets of the Volga Federal District, the number of objects of McDonald's, Sbarro, Subway, Planeta Sushi, Il Patio, Rostik'S, Kroshka-Kartoshka, Shokoladnitsa, Tinkoff , Juice master etc. increased.

From 2009 to 2013 turnover of public catering in the Republic of Mordovia increased from 46.9 mln USD to 61,9 mln. USD per year. Among the regions of the Volga Federal District the Republic of Mordovia was the lowest on catering turnover in 2013. On the catering turnover per capita the Republic of Mordovia in 2009 - 2013 was ranked last among the regions of the Volga Federal District (Table 7).

**Table 7.** Dynamics of public catering per capita in the Volga Federal District, thousands USD

Region	2009	2010	2011	2012	2013
The Republic of Mordovia	0,05	0,06	0,07	0,08	0,09
The Republic of Bashkortostan	0,15	0,14	0,16	0,18	0,19
The Republic of Marij El	0,10	0,11	0,13	0,15	0,16
The Republic of Tatarstan	0,17	0,18	0,19	0,20	0,21
The Udmurt Republic	0,12	0,13	0,14	0,15	0,17
The Chuvash Republic	0,09	0,10	0,12	0,13	0,14
The Kirov Region	0,15	0,15	0,22	0,23	0,25
The Nizhni Novgorod Region	0,14	0,15	0,16	0,19	0,21
The Orenburg Region	0,10	0,11	0,12	0,14	0,16
The Penza Region	0,07	0,08	0,09	0,11	0,13
The Perm Territory	0,22	0,23	0,24	0,26	0,28
The Samara Region	0,17	0,18	0,19	0,19	0,21
The Saratov Region	0,07	0,08	0,09	0,11	0,12
The Ulyanovsk Region	0,05	0,07	0,07	0,09	0,10

The leaders on this indicator are Perm, Nizhny Novgorod regions and the Republic of Tatarstan - 0.28 thousand USD, 0.21 thousand USD and 0.21 thousand USD respectively. This situation is caused by the fact that 64.8% of the population of the Republic of Mordovia have below average per capita income, and 8.6% live below the subsistence level. In addition, the population of the Republic of Mordovia tends to save money (18% of total revenue is accounted for savings - one of the highest rates in the Volga Federal District).

Thus, the catering market of the Republic is developing, but it is still far from saturation. In recent years the material and technical base of the industry significantly changed, the level of its technical equipment and services for visitors improved, introducing progressive forms of sales of own products. However, despite the positive trends in the catering industry of the Republic of Mordovia, there are still no franchising, poor implementation of the network forms of catering organization in

the segments of the population with the average income, there is low number of catering outlets offering services regarding the interests of consumers: ice cream cafes, children's cafes, family cafes, sports cafes, cafes offering dishes of national cuisine.

#### Analysis of condition of public services

Service industry is one of the most promising areas of business. It is designed to meet the needs of the population and to create a comfortable environment for work and leisure. The degree of satisfaction of the population's needs for services is one of the indicators of the level and quality of life.

A fifth of the gross domestic product of Russia accounts for domestic services. Over the past few years, the Russian market of personal services showed steady growth about 20% per year.

In 2013 for the population of the Republic of Mordovia paid services equal to 594.95 mln USD were provided, which is almost by 70% more than in 2009.

The increase in paid services was caused by the increase in effective demand as well as their availability to the wider population. Per capita consumption of paid services in the country was equal to 0.72 thousand USD, which was significantly lower than in the Russian Federation and regions of the Volga Federal District. In general, the Russian per capita consumption of paid services in 2013 was equal to 1.18 thousand USD, which was by 1.6 times more than in the Republic.

The share of personal services in the total volume of paid services provided to the population of the Republic of Mordovia in 2013 was 10.8%. In the per capita calculation in the Republic on average personal services were provided for the amount of 65.2 USD. The structure of spending on services had no significant changes from 2009 to 2013, because of the generated in recent years strong demand for the group of life-supporting services (Table 8).

**Table 8.** The costs for households in the Republic of Mordovia for 2009 - 2013 years. \*

Services	2009	2010	2011	2012	2013
The costs for services	45,3	43,1	51,6	51,2	53,0
Incl.: utility services	14,2	16,5	22,1	22,4	25,1
Incl.: housing	1,3	0,8	1,6	1,6	1,8
energy	2,3	2,5	2,9	2,8	2,9
gas	4,3	6,4	6,2	5,9	6,7
central heating	2,6	2,6	4,2	4,1	4,3
water and other utilities	3,6	4,1	7,1	8,0	8,7
domestic services	5,6	3,4	6,1	6,0	6,4
culture services	4,9	2,5	1,8	1,7	1,8

educational services	4,3	3,8	4,4	4,4	4,6
health care services	1,1	1,1	0,7	0,7	0,8
spa and health services	0,4	0,6	0,4	0,4	0,4
passenger transport services	4,9	4,6	5,4	5,3	5,4
communication services	7,4	8,0	9,3	9,0	9,5
other services	2,6	2,4	1,4	1,3	1,5

\* based on a sample survey of household budgets; the average per household member; USD per month.

The data in Table 8 states that there was a significant increase in the following costs: housing and utility services by 2.7 times from 2009 to 2013, including doubled electricity costs, three times increased costs for central heating. This was caused by the increase in tariffs and prices for services, as well as rising of incomes and increasing the range of services provided by organizations of consumer services.

In the Republic of Mordovia, there are significant differences in the cost structure of paid services in high- and low-income segments of the population. Thus, the costs of services of 10% of the population with the lowest level of available resources in 2013 was equal to 21.0 USD, while in the group of the population with the highest level of available resources it was equal to 132.3 USD.

Households with different levels of well-being have a different cost structure for the services payment. In the high-yielding households costs for all kinds of services are 56.0% (for domestic services - 31.2%, for the poor - 2.3%). Richer people have the opportunity to purchase a wide range of services (domestic services, services in the area of paid education and sports, recreation, entertainment and leisure, information and computer maintenance and repair of property and vehicles, etc.).

The main factors restraining the development in the sphere of public services in the Republic of Mordovia are the following: low level of solvency of the population; insufficient technical equipment of companies; high prime cost of the rendered personal services; unattractiveness of business in the personal services sector because of low profitability.

Thus, based on the results of the analysis, a significant lag in the development of the consumer market of the Republic of Mordovia from the national average was revealed.

In this regard, there are the following the most important strategic objectives of the consumer market: increasing the level and quality of life and increasing the share of the middle class on the basis of economic modernization of the region, the growth of its innovative activity and competitiveness. They were identified as priorities in the Republican targeted program for the development of the Republic of Mordovia for the period of 2013-2018.

Considering high social and economic importance of the consumer market the Concept and the Republican targeted program "Development of the consumer market in the Republic of Mordovia" for 2013-2018 were developed. Their

development is caused by the globalization of social and economic processes, by the dynamic development of worldwide trade and services, increasing their share in GDP. In addition, the impact on the expansion of the boundaries of national and regional consumer markets of the Russian Federation, changing their structure in the period up to 2018, Russia's accession to the WTO and the need to prepare for the World Cup FIFA 2018 were considered.

Objectives of the program are creating the conditions for sustainable balanced development of the consumer market of the Republic of Mordovia, improving the social and economic efficiency of its operation, providing the absolute majority of the population with the access to the services of the consumer market, creating comfortable living conditions and quality of life for the population.

There are two possible substantiated development scenarios of the consumer market of the Republic of Mordovia in 2013-2018: moderately optimistic and conservative. By the authorities of the Republic the moderately optimistic scenario was adopted. It provides the implementation of structural reforms in the sectors of the consumer market by accelerating the development of network forms of trade and logistics organization; increasing the share of large shopping centers at reducing the number of markets (except agricultural) and objects of small retail trade; dynamic development of various forms of distance selling, franchising.

The expected efficiency of the implementation of the Program of development of the consumer market will be determined by the following main results: the creation of new jobs; an increase in turnover of retail trade and catering; improving the quality of customer service in the areas of trade and public catering and consumer services. The implementation of the program activities, as the conducted research has shown is connected with the following risks:

- increase in the share of imports and increase of the intensity of competition in the consumer market due to Russia's WTO accession
- volatility in exchange rates due to the instability of the political situation in the world and in relation to the implementation of the economic sanctions by the United States, several European and Asian countries;
- decrease in entrepreneurial activity level as a result of increase in the tax burden on small and medium businesses;
- decrease in private investment and the investment attractiveness of Russia and its regions;
- maintenance of high level of subsidization of the regional budget.

#### **4. Conclusion**

The comprehensive analysis and diagnosis of the consumer market condition of the Republic of Mordovia, covering the retail and wholesale trade, catering and consumer services, allowed revealing positive trends and areas of concern in its development. On the basis of the hypotheses, formulation of development objectives of the consumer market (activation of entrepreneurial activities and maintaining a

competitive environment; the creation of modern infrastructure of the consumer market; improving the quality, competitiveness and access to goods and services for the population, formation of the mechanism for protection of consumers' rights, improvement of the government policy in the sphere of the consumer market) and their coordination with the customer the Concept and the National Program "Development of the consumer market in the Republic of Mordovia for 2013-2018 years" have been developed.

The results of the analysis and the substantiation of perspective directions and priorities for the development of the consumer market under the Concept and the Republican target program for the development of the consumer market in the 2013 - 2018, are important not only in terms of solving problems and improving the quality of life of the population, investment attractiveness of the territory, and employment growth, but also in terms of the necessity of developing the hospitality industry before the World Cup to be held in Russia (Saransk - the capital of the Republic of Mordovia is among the cities which will host the football matches).

Within the limitations of the study there are insufficient attention to the mechanisms of implementation of the multi-level approach to the regulation of the consumer market, as well as problems related to accession of Russia to the WTO and the implementation in relation to it of the economic sanctions by the United States, several European and Asian countries.

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