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Retail Turnover and Models of its Development

Abstract

Retail turnover reflects the state of the national economy, the efficiency of production and the management of the product distribution process, the development degree of the market and its conjuncture. Retail turnover is the sale of all food and non-food products sold by retail and public catering organizations, as well as by entrepreneurs and individuals engaged in the sale of agricultural products in the markets, based on cash and non-cash payments. Retail turnover is divided into trade retail turnover and public catering retail turnover. Retail trade turnover is one of the main indicators by which the activity of enterprises and trade organizations is evaluated. In our research, turnover is a quantitative indicator that characterizes the volume of sales. Like any cost indicator, retail turnover has certain disadvantages. Thus, any increase in prices directly influences retail turnover and it can be increased due to the sale of expensive goods, not due to mass consumption goods for affordable prices.

Keywords: *trade turnover, retail turnover, consumption goods, sales, funds, market*

Introduction

Retail trade is the direct sale of goods and products to the consumers. In today's world retail trade is becoming more and more competitive. This competitiveness makes companies to implement innovative methods to attract consumers and create long-term consumer loyalty. For example, governments replace more expensive products with relatively cheaper ones in order to increase people's purchasing power. Margin is used to cover costs and make a profit. The amount of the margin is regulated by the general state of the market or state regulation of prices (for some categories of goods and services). At the moment, in Azerbaijan the physical volume of c trade turnover for the next year is determined within the framework of the state trade turnover management system. Moreover, the managers of all public catering enterprises are annually informed about prospective retail turnover indicators, as well as their share in retail turnover. Thus, the trade turnover is recognized as one of the main indicators of the socio-economic development of the country, and it is considered as one of the most important goals at the macro level (Pərakəndə ticarət və ictimai iaşə sahəsində fəaliyyətin lisenziyalaşdırılması).

Materials and Methods

Retail turnover reflects the state of the national economy, the efficiency of production and the management of the product distribution process, the development degree of the market and its conjuncture. Retail turnover is the sale of all food and non-food products sold by retail and public catering organizations, as well as by entrepreneurs and individuals engaged in the sale of agricultural products in the markets, based on cash and non-cash payments. Retail turnover is divided into trade retail turnover and public catering retail turnover. In our research, turnover is a

quantitative indicator that characterizes the volume of sales. Like any cost indicator, retail turnover has certain disadvantages. Thus, any increase in prices directly influences retail turnover and it can be increased due to the sale of expensive goods, not due to mass consumption goods for affordable prices (Agamaliyev & Shukurov, 2010).

Research

Retail circulation is the final stage of consumption goods in the process continuing from the circulation sphere to personal consumption where consumers buy them for consumption. In the development indicators' system of an enterprise, turnover is of primary importance and plays a very important role. For a catering enterprise trade turnover is the main indicator of its production and trade activity. The market share of any public catering enterprise in the turnover of the region is evaluated according to its turnover volume. The development of trade determines the breadth and depth of the enterprise's penetration into the consumer market and its competitive position in this market, as well as the opportunities and pace of economic development of the enterprise in the future. Connected with turnover, other indicators that evaluate the efficiency of the enterprise (total income level, costs, profitability, turnover) are taken into account, analyzed and forecasted. Trade turnover and its components have a great influence on the formation of the enterprise's resource potential (volume and composition of labor, material, financial resources). The volume of trade ultimately determines the volume of total income, as well as the remaining profit of the enterprise, the stability of its position in the market (Znacheniye, zakonomernosti i osnovnyye napravleniya razvitiya roznichnogo tovarooborota).

The development of the trade circulation of all proprietary trade enterprises play great role in the economic and social policy of the Republic of Azerbaijan. Because the turnover of goods characterizes the scale of demand and supply in the market, and also stimulates the development of production and accelerates the turnover of the enterprise's capital, on the other hand it determines the scale of foreign economic activity, the volume of money circulation, budget revenues and other macroeconomic indicators.

Marketers and buyers are trying to control the situation in the trade. To understand the impact of retail, today's consumers must pay attention to many commercial phenomena that are overlooked by both buyers and sellers (Paco Underhill Why do we buy, or How to force to buy Why We Buy, 2003).

Retail turnover is one of the most important indicators of the economic and social development plan. This affects both production and consumption. It includes the number of goods sold to the population through retail trade networks and public catering establishments, as well as goods sold to enterprises, departments and organizations. Most of the retail turnover is directly related to personal consumption and purchasing power of the population.

The importance of retail turnover is also determined by its volume that characterizes the living standards of the population. The basis of private consumption is the retail sale of goods. Almost 80% of material goods required for population consumption are delivered to them through retail trade. To a certain extent, the development of the circulation of goods affects the money circulation. The main part of the money in circulation is involved in the retail purchase and sale of goods and thus serves the retail circulation. The share of small wholesale trade in the total volume of retail turnover in our republic is about 5 %. The main indicator of the economic and social development plan of the country is considered to be the turnover of retail goods. The increase in the volume of retail turnover reflects the improvement of the material well-being of the country's population. That is, the population buys products with their money and meets their material and spiritual needs (Samedov, 2005).

The more the product corresponds to consumer demand, the more successful the producers will be. Manufacturers must find consumers to whom they want to sell, study their needs, and then create a product that best satisfies these needs (Philip Kotler, 2007).

The patterns of development of retail goods circulation are mainly related to the continuous increase of the total volume of retail goods circulation caused by the increase of necessary consumer goods (their variety, quality and the increase in wages of employees). Over the past few

years, the retail turnover of all types of sales in the country has increased more than 5.1 times, and the development of turnover per capita is also growing rapidly. In the compared period, the turnover of goods per capita increased almost 5 times. The increase in the turnover of goods reflects the continuous increase in the standard of living of the population and the increase in the level of satisfaction of their demand for consumer goods.

The growth rate of goods turnover in cities and regions of the country also changes regularly. This change (regularity) is related to the correct placement of productive forces on the territory and population migration.

Trade in consumer goods is turning into a complex dynamic system, operating in an extremely large-scale, rapidly changing socio-economic market conditions. The development of trade, primarily retail trade, shows the importance of society in solving the most important socio-economic problems of the country. Because trade to a certain extent determines the socio-economic status of the population. Currently, there is a complex process of restructuring the economic relations of producers, commercial structures, and the social sphere. Therefore, the whole range of positive and negative processes, contradictory trends taking place in the socio-economic life of the country, reflecting the current state of the economy, is reflected in the consumer market, including in the trade in consumer goods (Nikolaeva, 1997).

By the decision of the General State Tax Inspectorate of the Republic of Azerbaijan dated April 15, 1997 (order A-76), "Instructions on the rules for calculating and paying tax from the activity (production) income in the field of retail trade, public catering and household service" were adopted (Pərəkəndə ticarət, ictimai iaşə və məişət idarəsinin fəaliyyətinin gəlirlərindən (hasilatdan) verginin hesablanması və idarə edilməsi qaydaları haqqında, 1997).

According to the Law of the Republic of Azerbaijan "On Profit Tax of Enterprises and Organizations", the mentioned Instruction applies to the income of enterprises in the field of retail trade, public catering and household services, regardless of their organizational and legal form, as well as ownership, and determines the rules of calculating and paying the tax. On April 22, 1994 (No. 800), The National Assembly of the Republic of Azerbaijan adopted "Rules for Licensing Activities in the Field of Retail Trade and Public Catering". These rules determine licensing of retail trade in the country and tax procedure through obtaining a license by legal and natural persons operating in the field of public catering. https://e-qanun.az/framework/8873

In January-February 2021, 6.0 billion manats worth of food products, beverages and tobacco products, 2.8 billion manats worth of non-food goods were sold to consumers through the retail trade network. If we compare these figures with January-February 2020 period, it is obvious that retail trade turnover decreased by 1.3 percent in real terms, including 4.9 percent for non-food products, and 2.0 percent for food products, beverages and tobacco products.

Table 1

During the reporting period, the commodity market was characterized by the following indicators

Product groups	Income from sales, million manats	Compared to January-February 2020, per cent
Retail turnover	6 027,9	98,7
Including		
food products	2 824,1	102,2
beverages and tobacco products	380,9	100,3

textiles, clothing and footwear	997,5	92,9
electrical goods and furniture	316,3	88,7
computers, telecommunication equipment and printing products	43,2	102,0
pharmaceutical products and medical supplies	138,4	150,8
automobile gasoline and diesel fuel	322,6	88,1
other non-food items	1 004,9	96,4

Source: azstat.org

During the reporting period, 46.9 percent of the funds spent by buyers on final consumption goods were spent on food products, 6.3 percent on beverages and tobacco products, 16.5 percent on textile products, clothing and shoes, and 5.4 percent on gasoline and diesel fuel. 5.2 percent of the funds were spent on electrical goods and furniture, 2.3 percent on pharmaceutical products and medical supplies, 0.7 percent on computers, telecommunication equipment and printing products, and 16.7 percent on other non-food goods. For January-February period in 2021, 26.6 percent of consumer products were sold by commercial enterprises, 49.9 percent by individual entrepreneurs, and 23.5 percent in markets and fairs. Compared to January-February 2020, retail trade turnover increased by 9.3 percent for enterprises and 1.6 percent for individual entrepreneurs in real terms. Retail trade turnover of markets and fairs decreased by 15.8 percent. During the reporting period, an average inhabitant of the country consumed 302.1 manats per month in the trade network, including food products, beverages and tobacco products worth 160.6 manat, and non-food goods worth 141.5 manats (HTTP Server Test Page).

In the process of retail trade analysis, a system of indicators is used, on the basis of which a description of the implementation of the retail trade plan is given, and reserves are determined in order to increase turnover and to improve the quality of trade services (Roznichnyy tovarooborot, yego ponyatiye i znacheniye v ekonomike strany. Analiz roznichnogo tovarooborota, zakonomernosti yego razvitiya).

The production of products designed to meet a wide range of needs should be the focus of manufacturers. Retail trade turnover is one of the main indicators by which the activity of enterprises and trade organizations is evaluated (Tokarev, 2005).

The main goal of commercial enterprises is to maximize profits. Circulation acts as the most important and necessary condition, without which it is impossible to achieve this goal. Since the commercial enterprise receives a certain amount of income from each manat of sold goods, the task of profit maximization requires a constant increase in the volume of trade as the main factor of income and profit growth, a relative reduction of distribution costs, labor costs, etc.

The indicator of retail turnover (as well as wholesale) has quantitative and qualitative characteristics. The quantitative characteristic of turnover is the volume of sales in monetary terms, and the quality is the structure of turnover (Pplanirovaniye roznichnogo tovarooborota predpriyatiya i razrabotka meropriyatiy po vyyavleniyu rezervov yego rosta, 2018).

The viability of a retail plan can also be tested using a critical selling point, sometimes called a break-even point. This does not coincide with the period when the company begins to make a loss, but coincides with the period when the income generated does not cover fixed costs.

Conclusion

From our research, we can conclude that the planning of the retail turnover for the next year can be carried out by the methods of calculation based on the average ratio of the quarterly turnover within the annual turnover and using seasonality indices. When planning quarterly retail trade turnover using seasonality indices of retail trade turnover, calculations are made through multiplying the average quarterly turnover of the following year by the seasonality index of the corresponding quarter (adjusted). During the experiment, it became clear that the following methods can be used when planning the structure of retail goods turnover: the method of dynamic series equalization and calculation based on the average shares of turnover of product groups in the annual volume of retail goods turnover. When calculating the structure of retail trade turnover, it should be taken into account whether the turnover is determined by individual goods and product groups, or by food and non-food products.

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