

# Evolution of retail in Russia

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**Abstract.** This study purpose was to investigate the historical evolution of trade in Russia, spanning three distinct periods: pre-Soviet, Soviet, and post-Soviet eras. In the article authors analyzed the shifts and continuities in Russia's trade landscape over time and understand how historical patterns influence contemporary trade dynamics. Authors used methods of data collection from primary sources, including archival research and economic statistics, supplemented by a review of scholarly literature. Both qualitative and quantitative analyses were conducted to extract insights into trade practices, regulations, and economic conditions. The results reveal significant transitions, including the dominance of state-controlled trade during the Soviet era and the emergence of retail chains in recent years. Retail chains have evolved to assume distribution functions, blurring the lines between trade and production. In conclusion, this historical analysis elucidates the historical context of Russia's trade practices, offering insights into its economic evolution. Understanding the impact of historical events on trade structures provides valuable perspectives for comprehending contemporary trade dynamics in Russia.

## 1 Introduction

Throughout history, trade has been a vital facet of economic development and societal transformation [1, 2]. The exchange of goods and services between individuals, communities, and nations has not only fostered economic growth but has also been instrumental in shaping cultures, forging alliances, and even influencing the course of history itself [3, 4].

Trade in Russia has deep historical roots, dating back to ancient times when it served as a crucial link between the East and the West along the Silk Road [5, 6]. This exchange of goods, ideas, and cultures played a pivotal role in Russia's development, contributing to its unique blend of traditions and influences. As Russia evolved from a collection of disparate territories into a unified empire, trade continued to be a driving force behind its expansion and modernization [7].

The significance of trade in Russia became even more pronounced during the 19th century as the country underwent a period of rapid industrialization and urbanization. The development of a modern transportation infrastructure, including the Trans-Siberian Railway, facilitated the movement of goods across the vast expanse of the country [8, 9]. This era also witnessed the emergence of bustling marketplaces and the growth of urban

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centers, further emphasizing the role of trade in shaping Russia's social and economic landscape.

This article undertakes a systematic investigation into the dynamics of trade in Russia, focusing on three distinct periods: the pre-Soviet era, the Soviet period, and the post-Soviet years.

Russia's trade history, however, bears the distinctive imprints of its historical phases. Notably, the Soviet era had a profound impact on the distribution processes, with the state assuming a dominant role in regulating trade [10, 11]. In contrast to developed markets, where the transition to modern retail chains unfolded over decades, Russia's transformation in this regard transpired in a considerably condensed timeframe, spanning just the past 10 to 15 years [12, 13].

The purpose of the article is to examine and provide insights into the historical evolution of trade in Russia across different time periods, specifically focusing on the pre-Soviet, Soviet, and post-Soviet eras.

## **2 Methods**

In this study, we employed a multifaceted research approach to investigate the historical evolution of trade in Russia across three distinct periods: the pre-Soviet era, the Soviet period, and the post-Soviet years. Our research methodology encompassed data collection and analysis, drawing upon various primary and secondary sources to offer a comprehensive understanding of Russia's trade history.

Our study relied on extensive archival research, accessing historical documents, government records, and trade-related publications from the pre-Soviet, Soviet, and post-Soviet periods. We conducted the review of scholarly literature related to the history of trade in Russia.

We also supplemented our archival research with economic statistics obtained from official sources, including the State Statistics Committee of the Russian Federation (Rosstat) and historical economic reports. These data sources offered quantitative information on trade turnover, retail structures, and economic indicators across the study periods [14].

Throughout the study, we contextualized our findings by examining the historical events and socio-economic conditions that influenced trade dynamics in each period. This contextualization allowed for a deeper understanding of how external factors impacted trade practices and structures [15, 16].

## **3 Results**

### **3.1 Pre-Soviet period**

An important factor in the growth of retail turnover in pre-revolutionary Russia was the change in the ratio between commodity and natural consumption, which was determined by the development of productive forces, as well as the social composition of the population and the income level of individual social groups [17-20]. The level of commodity consumption and its share in consumption were directly dependent on the degree of decomposition of the peasantry, it occupied the smallest share in the budgets of workers and lower economic groups of peasants (in the structure of workers' expenditures, food costs were about 50%) [21]. The turnover of goods depended mainly on the increase in prices, and not on the increase in the physical mass of goods. At the same time, there was a process of increasing consumption by the bourgeois classes with a simultaneous decrease in the standard of living

of the broad masses of workers. In addition, the trade turnover was extremely unevenly distributed across individual regions of the country, between the city and the countryside.

Before the First World War, an economic crisis began in Russia, the level of production fell, which contributed to the consolidation of industrial production (while Russia lagged 15 times behind the United States in terms of production, England – 4 times). In the conditions of poverty at the beginning of the last century, ruined artisans rushed into trade and received permission to open the smallest forms of trade – stalls and tents. Such small (or as they were called at that time "petty") formats accounted for 83% of all retail facilities. In terms of turnover, stores had the largest share (47%). In general, in pre-revolutionary Russia [22], small and minute trade enterprises prevailed, the average number per store was 1.3 people, and the greatest density of enterprises was observed in the metropolitan provinces. In total, stationary trading enterprises were divided into four types (depending on the patent category issued to them) [23]:

Category 1 – wholesale stores and warehouses for the sale of goods, large enterprises for the purchase of agricultural products with a turnover of more than 300 thousand rubles per year, as well as credit institutions with an authorized capital of more than 200 thousand rubles. These included trading joint-stock companies (by type of products sold), manufactories, syndicates. Industrial syndicates preferred not to maintain their own warehouses, but to sell to syndicates of merchants, often created by them (for example, the syndicate of sugar growers, nail-wire - examples of Russian monopolies of that time);

Category 2 – shops selling goods to consumers and small traders, enterprises buying agricultural products in the amount of 50-300 thousand rubles per year, as well as credit institutions with an authorized capital of 50-200 thousand rubles;

category 3 – small retail shops selling goods only to consumers with one trading floor, taverns, tea, coffee, tobacco, pharmacies, bookstores, enterprises for the purchase of agricultural products in the amount of 10-50 thousand rubles per year, as well as credit institutions with an authorized capital of more than 10-50 thousand rubles;

Category 4 – stalls and shawls without hired employees, enterprises for the purchase of agricultural products in the amount of up to 10 thousand rubles per year, as well as credit institutions with an authorized capital of up to 10 thousand rubles;

Category 5 – for delivery. One of the earliest forms of trade that survived until the revolution was fairs, which for a long time had a local character, later turning into federal (the largest was Nizhny Novgorod). With the concentration of trade in the hands of large capital - manufactories, with the development of infrastructure, the role of fairs decreased, and the expansion of stationary trade displaced them. Another form of trade was marketing cooperatives – partnerships of wealthy peasants for the sale of agricultural products (mainly butter and cheese) [24]. During the First World War, it was replaced by workers' cooperation.

### **3.2 The Soviet period**

In the USSR, trade was carried out by the state, cooperatives and collective farms and excluded private capitalist trade intermediaries.

State trade was carried out by trade organizations located in cities and workers' settlements [25]. The state trade network consisted of the organization of the Ministry of Trade of the USSR, departments of working supply of industrial and transport enterprises (ORSs), trade and sales organizations of various departments (for example, military trade, pharmacy chains under the Ministry of Health, book sales networks under the Ministry of Culture) [26-27]. Profit and circulating funds were at the disposal of the state, which is due to the fact that the bulk of consumer goods were concentrated in the hands of the state and were sent to the market in accordance with plans. In 1940, state trade accounted for 63% of the country's retail turnover, and state wholesale operations accounted for 95% of the

turnover. The retail trade enterprises included department stores. In 1933, "Deli", "Grocery", city retail chains were created in large cities.

Cooperative trade was carried out by the system of consumer cooperation (this is an association of workers and peasants at large enterprises for the purpose of delivery and distribution of products necessary for them) and individual enterprises of commercial cooperation. Consumer cooperation originated in the USSR in the 1960s, united 35 million shareholders and 20 thousand consumer societies [28]. The activity of the consumer cooperative is mainly concentrated in the countryside, where it delivers and distributes goods necessary for the rural population and collective farms, purchases agricultural products and accepts products for sale on a commission basis. In 1940, it accounted for 23% of the country's retail turnover.

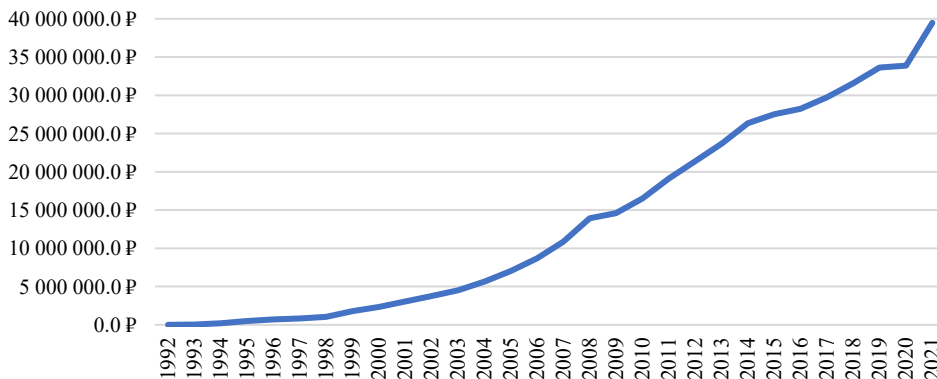
Collective farm trade, introduced in 1932, was an unorganized market of the country, which means that its turnover was not directly planned, and the price level was formed in the market under the influence of supply and demand and was not set by state bodies. Collective farmers traded their products in the city markets without private intermediaries. In 1940, it accounted for 14% of the country's retail turnover.

In 1931, a complete ban on private trade was announced with the formation of workers' supply organizations and multi-branch trade organizations, which received a pronounced specialization in the commodity segments of wholesale or retail trade. They are characterized by the centralization of managerial functions, the unification of the assortment, and planned management. Competition between the ORS was not allowed, they worked on fixed market segments. From 1930 to 1935 a special trading system "Torgsin" was introduced, in which you could buy anything, but you had to pay in foreign currency or precious metals. In the 1960s, the self-service format was developed, supermarkets appeared in the 1970s, and telephone trading (order desk) developed since the 1970s. In 1985, there were 20 stores per 10,000 inhabitants in the USSR, while in the USA – 61, in France – 86, in Japan – 135, Italy – 176.

### **3.3 Post-Soviet period**

Modern trade in Russia originates with the adoption of the Law on Free Trade in 1991. In the 1990s, the development of supermarkets in Russia began – "Sedmoy Continent", "Kopeyka", "Perekryestok", etc. During this period of time, the system of centralized distribution of consumer goods was abolished, retail trades and wholesale bases were liquidated [29]. With the entry of international brands into the market, there was a need for a distribution link and in the 1990s trade was separated from production by a wholesale link - distributors selling goods to stores and markets [30-32].

In 2000-2001, Auchan and Metro entered the market, and this gave impetus to an explosive growth in trade turnover and the development of retail infrastructure in the country – the construction of high-quality warehouses and self-service stores.

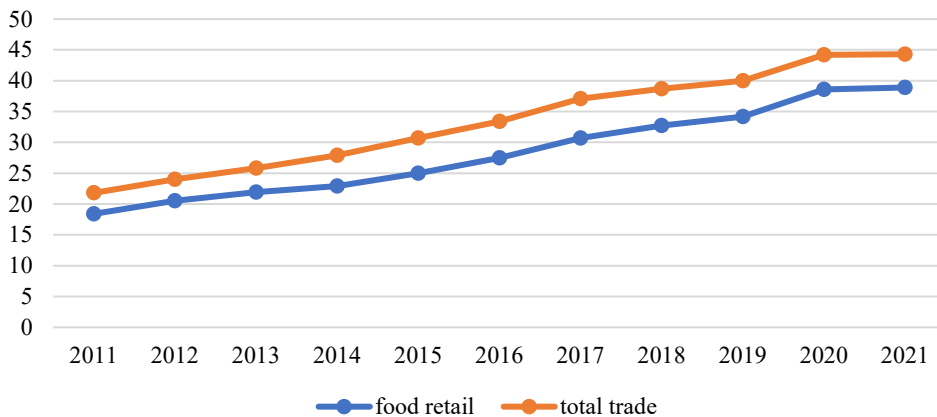


Source: compiled by the author on the basis of Rosstat data

**Fig. 1.** Retail trade turnover in the Russian Federation, million rubles

In the 2010s, there was a process of active organic development of retail chains, both Russian and foreign. Their share in the country's trade turnover has increased to 40% in recent years.

In Russia, there is a tendency to increase the share of retail chains in the turnover. If in 2011 they accounted for about 20% of the trade turnover, then in 2021 they are already about 40%.



Source: compiled by the author on the basis of Rosstat data

**Fig. 2.** Shares of retail chains in the total volume of retail trade turnover

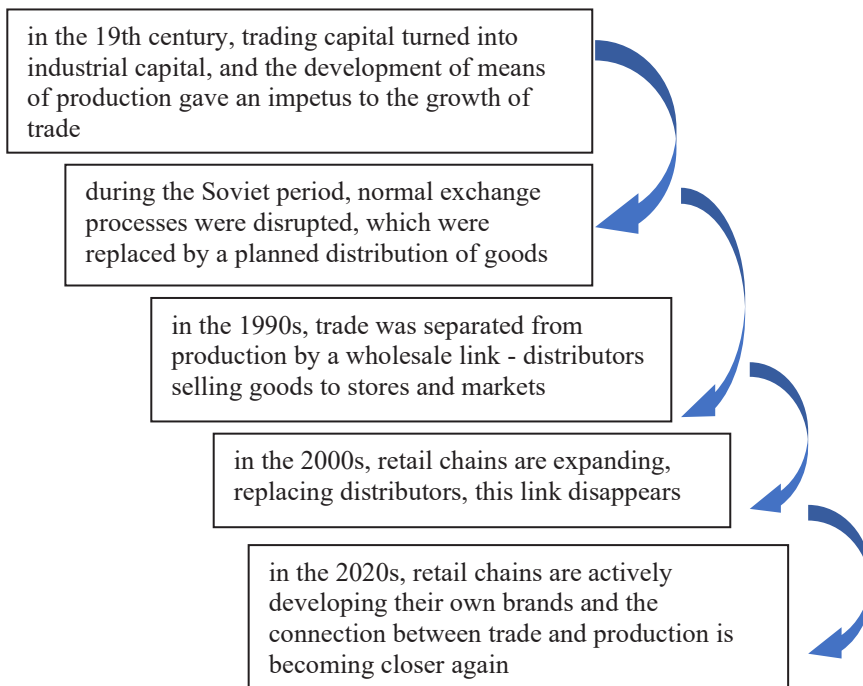
Currently, retail chains have assumed the function of a distribution link: manufacturers ship goods in large batches to their warehouses, there is no need for an additional wholesale link, and the role of distributors is reduced to the function of a logistic company. With the spread of their own brands of networks, they become customers of the production of goods, which means the convergence of trade and production, which is a characteristic of a new stage of retail development in Russia. A summary of the stages of development is presented in Table 1.

**Table 1.** Historical milestones of retail development in Russia

Stage	Characteristic	Conclusion
The pre-Soviet period	The following forms of trade prevailed: fairs, marketing cooperatives – partnerships of wealthy peasants for the sale of agricultural products	The gradual concentration of trade in the hands of large capital - manufactories, the development of infrastructure. There appeared an extra element between the manufacturer and trade
The Soviet period	Trade was carried out by the state, cooperatives and collective farms and excluded private capitalist trade intermediaries	The flow of goods and money was controlled by the state, trading capital was separated from production. The proceeds from trade reimbursed production costs, and manufacturing enterprises, having received such monetary compensation, used it to cover expenses
The post-Soviet period	Freedom of trade, the system of centralized distribution of consumer goods was abolished, retail trades and wholesale bases were liquidated. Entry into the Russian market of foreign Auchan and Metro networks, development of retailers' infrastructure. Retail chains become customers of the production of PL goods	The appearance of mass-demand goods on the market with the help of distributors. The disappearance of an additional link of distributors, whose role was assumed by retail chains. The role of distributors is reduced to the function of a logistician. Retail is getting closer to production

Source: compiled by the author

The evolution of trade development in Russia is presented on the figure 3:



Source: compiled by the author

**Fig. 3.** Evolutionary processes of trade development

## 4 Conclusion

Summarizing the consideration of the history of trade development in Russia, we can conclude that the chain "production-distribution-consumption" was disrupted during the Soviet period, began to recover in the 2000s and continues at the present time.

It is essential to acknowledge certain limitations in our study. Historical data, particularly from the pre-Soviet and early Soviet periods, may exhibit gaps and inconsistencies. Additionally, changes in data collection methods and definitions over time could affect the comparability of data across different eras. Despite these challenges, we have strived to provide a rigorous and insightful analysis of the historical evolution of trade in Russia.

Future research on the historical evolution of trade in Russia could focus on in-depth period studies, regional disparities, and comparative analyses with other nations. Exploring the contemporary trade landscape, socio-economic implications, and the role of technology [33-41], alongside investigations into trade's impact on geopolitics and consumer behavior, offers rich avenues for exploration.

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