

Conference Paper

Income and Expense Analysis of Retail Trade Sector Companies Traded on Borsa Istanbul

Türker Susmuş¹ and S. Özgür Başlangıç²

¹Ege University, Department of Business Administration

²izmir, Turkey, International Business and Logistics Expert

Abstract

Retail trade sector is growing rapidly and shows significant improvements in the "World Trade". This charming sector is expanding and developing in Turkey appropriate to the developments in the world. In particular, population growth, the spread of the use of a credit card, the developments in Turkey's economy and such other reasons, this sector has made a quite development in recent years.

There are a total of eight companies operating in the retail trade sector in Borsa (Stock Market) Istanbul. Operating expenses such as; research and development expenses, marketing, sales and distribution expenses, general administrative expenses are very important for the determination of profitability of these companies. In this study answers to the following questions are to be searched; what is the share of operating expenses in this sector? Is there a relationship between the profitability with operating expenses? What is the ratio of total expenses in operating expense? What is the rate and volume amount of domestic market sales and export to foreign markets? This eight retail trade company operating in Bourse Istanbul will be reviewed by analyzing their income tables statistically.

Keywords: Retail Trade, Marketing, International Business

Corresponding Author: Türker Susmuş; email: turkersusmus@gmail.com

Received: 19 January 2017

Accepted: 2 February 2017

Published: 19 March 2016

Publishing services provided by Knowledge E

© Türker Susmuş and S.

Özgür Başlangıç. This article is distributed under the terms of the [Creative Commons Attribution License](#), which permits unrestricted use and redistribution provided that the original author and source are credited.

Selection and Peer-review under the responsibility of the EBEEC Conference Committee.

1. Introduction

One of the most important sectors, in almost every economy in the world is the retail sector. This sector, provides a major contribution to reach the products to the end user by establishing a bridge between producers and consumers [8]. However, the emergence of rotation between individuals is very important in the development of retail sector. Increases in urban migration and at the number of working women have contributed to the development of this concept [6].

Day by day, we observe a rapid and continuous increase in the trade share of retail sector due to economic development and rapidly changing of consumer preferences. Undoubtedly, constructions of the new shopping malls are one of the most important factors at the rise of the trade share of retail sector [5].

Although the birth of retailing is very old in Europe, it shows a very serious development especially in England, France and Belgium in the second half of the 20th century. Despite stagnation during the Second World War the retail sector grows rapidly due to healing activities of directly affected the countries. Due to facilitated access to the

OPEN ACCESS

distant consumers the milestone for the retail sector is the development of the postal system and the common usage of the internet [3].

The main and important functions of the retail sector companies can be listed as follows [3];

- Provide kinds of products and services,
- Presenting products that are adapted to personal consumers in low quantities,
- Hosting products that consumers can take at any amount and any time,
- Development of services for consumers to buy and use products.

Generally, basic factors for efficiency increase in retail sector can be listed as follows [2];

- Speed increase in the shopping process,
- Reduced waiting,
- Information improve on available products,
- Efficient allocation of workforce,
- The improvement of sales information,
- Better information is obtained for product development activities,
- With accurate information about sales, financial control facilitates,
- Decreasing the bureaucracy in dealings with the manufacturer.

Consequently, companies located in the retail sector are working to fulfill the following services [3].

- Sell products and services where appropriate,
- Delivering a variety of goods needed by the market,
- Divide the amount of wholesale products into smaller pieces, in order to make sales in small quantities,
- Making commercial products more acceptable,
- Inventory building,
- Providing the arrive of products in the distribution system from the manufacturer or from wholesalers to consumers,
- Providing information to consumers, manufacturers and wholesalers,
- Providing product warranty and after-sales services,
- Evaluation of consumer complaints,
- Credit supply,
- Providing the social conversation.

If we consider the functions, economic potential and the service provided by the retail sector, the development of the sector is expected to continue in the coming years. On the other hand, the spread of major international companies to this growing sector are anticipated [7].

2. Retail Sector in Turkey

In our country, the rapid growth of population and economic developments, have a very important share in the growth of this sector. Compared with European countries, Turkey ranks 7th in this sector. The 5th in food spending and 8th in non-food spending in all over the Europe. This ranking shows Turkey's impressive potential in the retail sector. Liberal economic policies after 1980's has led to a serious improvement in the retail sector [10].

In this context, it would be more correct to elaborate the historical development of the retail sector in Turkey in three different parts as before 1980, the post-1980 and today's.

2.1. Retail Sector before 1980

In the time of the Ottoman Empire in the past, this sector is left to the minorities and Turkish people met with the retail sector in the Republican period. The distribution of basic necessities in developing countries is important in providing the social and political order. In this respect, retail sector in these years has gained great importance and from time to time Governments directly or indirectly intervene in the retail system [4].

In the early years of the Republic, due to inefficiencies in the distribution system, state-funded cooperatives have been established as the solution to this problem. Later in the 1930s, the state-controlled low price policy were made in the retail sector, especially in food products [1].

During World War II, as is the case in all countries and in Turkey has led to an economic recession and the retail sector is quite influenced by this recession. Especially considering the importance of food distribution, this recession is very important in terms of the level of people's welfare. After the war, economic crisis, which began in 1950s, has made it harder for the state government in Turkey. In particular, there has been a degree of scarcity of basic food products in major cities. The first chain store "Sümerbank" was established to be a solution to these problems by the state (Şahin, 2002:17).

In order to organize and develop the distribution system in Turkey, new laws issued, incentive programs published and cooperative support from European countries on these issues have been taken. These studies which were conducted by the Government gave the result in the 1960s and private sector initiative, was opened big stores especially in the field of clothing. Extreme price increases in the 1970s has provided the development of the cooperatives and by this way they doubled the number of members [4].

2.2. Retail Sector after 1980

In the 1980s, with the implementation of liberal policies, trade and the service sector has started to progress significantly. The effect of these economic policies was seen in

2014 Ranking	Country	Market Attractiveness %25	Country Risk %25	Market Saturation %25	Time Pressure %25	GRDI	Change (2014/2013)
1	Chile	100,0	100,0	13,2	47,3	65,1	+1
2	China	60,9	52,5	44,5	100,0	64,4	2
3	Uruguay	93,4	57,5	70,3	32,4	63,4	-
4	United Arab Emirates	98,5	82,3	17,5	43,8	60,5	1
5	Brasil	99,4	59,8	48,7	33,2	60,3	-4
6	Armenia	26,4	35,3	81,5	86,7	57,5	+4
7	Georgia	32,4	32,8	79,6	78,8	55,9	+1
8	Kuwait	78,8	72,6	32,9	31,7	54,0	+1
9	Malaysia	66,7	68,7	32,3	43,5	52,8	+4
10	Kazakhstan	45,4	38,5	72,7	54,3	52,7	+1
11	Turkey	83,6	50,2	46,5	30,2	52,6	-5
12	Russia	94,0	38,4	30,7	46,4	52,4	+11
13	Peru	46,0	43,0	61,9	51,3	50,6	-1
14	Panama	56,2	46,9	52,7	41,3	49,3	+8
15	Indonesia	46,2	33,4	57,7	59,6	49,2	+4

TABLE 1: Global Retail Development Index. ISBANKASI, https://ekonomi.isbank.com.tr/UserFiles/pdf/sr_01_perakende.pdf (Access date 01.04.2016)

the 1990s. in the retail sector. The entrance of foreign stores to the market increased the competition and has played an educational role in the retail sector [4].

Since the 1990s, small grocery shops are experiencing the transition to modern retailing especially in our country. Large stores have increased their service and competitiveness with the advantages of group purchases. In the conditions of increasing competition, some small-scale businesses are closed, and the others increased their strength by establishing purchasing cooperation. Modern retail sector, due to the positive contribution of added value and jobs created by the formal economy is called the locomotive of the retail sector [10].

2.3. Today's Retail Sector

Today, with a turnover of 150 billion dollars, retail sector is the fourth largest sector in Turkey and follow energy, education and health sectors. Especially with the newly built shopping malls sector has grown the retail sector rapidly and domestic brands from food to electronics made serious strides in the sector. As compared to the amount per store per million people in Turkey with European countries, the retail sector in countries of the region seems to be the market with the highest growth potential [6].

According to the ranking in 2013, Turkey was ranked at 11th and has continued to be among the highest growth potential markets. On the other hand, in 2014, Turkey is increasing its attractiveness for investors and the retail market at Turkey is growing fast and is located in the developing countries [9]

On the other hand two more indexes will be helpful for understanding the position of retail sector in Turkey. Retail Trading Sector Confidence Index and Consumer Confidence Index can be examined our study in detail.

The Retail Trading Sector Confidence Index level as of the month of July with 104,4 resides over the reference value 100, gives positive signals about activity in the sector. On the other hand, since the decline of sales prices from April 2015 and expected business volume-volatile trend of assessment of sales, it is likely to experience fluctuations in the future.

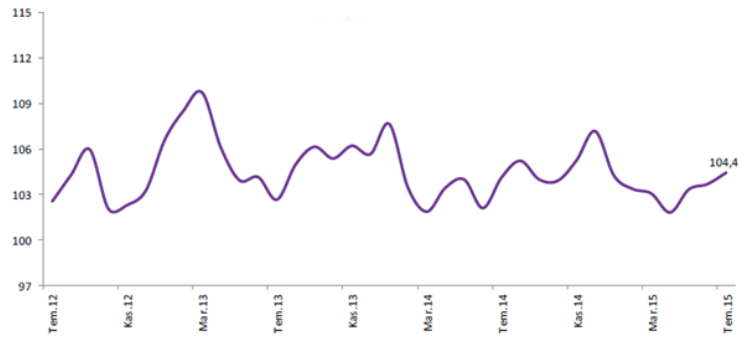


Figure 1: Retail Trading Sector Confidence Index. TUIK, <https://biruni.tuik.gov.tr/medas/?kn=70&locale=tr> (Access date 01.04.2016).

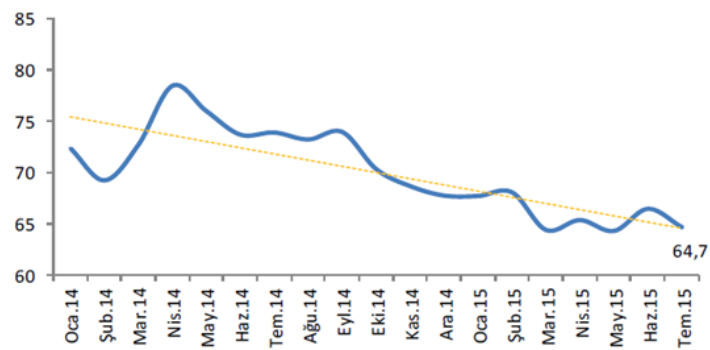


Figure 2: Consumer Confidence Index. TUIK, <https://biruni.tuik.gov.tr/medas/?kn=70&locale=tr> (Access date 01.04.2016).

In the period of January-July 2015, the sub-sectors of general economic situation expectation over the next 12 months has deteriorated significantly. In accordance with that expectation, an increase has been observed in expectation of the number of unemployed. On the other hand, during this period, there has been a decrease in spending expectations for durable and semi-durable goods.

3. Income and Expense Analysis of Retail Trade Sector Companies Traded on Borsa Istanbul

In our application, it is often taken for companies operating in the form of fast moving consumer selling their goods at hypermarket chains. For this purpose, in our analysis six companies have been included registered at Borsa Istanbul. In order to make a healthy comment, other retail companies that are not operating in the form of hypermarket chains are excluded. In Table 2, these six company's income statement between 2008 and 2014 has been examined in detail.

The data in the table is adapted to analysis from the web site of Borsa Istanbul (<http://www.borsaistanbul.com>) and consists of six company's seven years basis total income and expenses. In order to ensure the consistency of the analysis, the annual income and expenses are exchanged into Euro. By this way we have reached thesectorial sum of six companies operating in the same area.

		Marketing Expenses	Administrative Expenses	Total Operation Expenses	Cost of Goods Sold
Sales	Pearson Correlation	,924(**)	-,424	,992(**)	1,000(**)
	Sig. (2-tailed)	,003	,343	,000	,000
	N	7	7	7	7

TABLE 2: Correlation Table. ** Correlation is significant at the 0.01 level (2-tailed).

In this research below mentioned points examined in detail;

- Relationship between Sales Income and Sales and Marketing Expenses.,
- Relationship between General Administrative Expenses, Total Operating Expenses and the cost of sales.

Firstly, the relationship between Total Operating Expenses that make Sales and Marketing Expenses and General Administrative Expenses to Sales Income were examined separately. Later, these two expenses discussed as a single total combined under the name of Total Operating Expenses, and thus created the possibility to make comparisons. The results obtained from the correlation analysis made under the 99% reliability level are given in the table above.

According to the table;

- There was a significant relation between Sales Income and Sales and Marketing Expenses for the values calculated $p=0,03 < .05$ and $r=,924$.
- Sales Income and Sales and Marketing Expenses affect each other in a positive way.
- In accordance with our expectations, no significant relationship has been found between General Administrative Expenses and Sales Income for the $p=0,343 > .05$. In this context, it is not possible to talk about an affect of General Administrative Expenses on Sales Income.

On the other hand, in the study Total Operating Expenses were obtained and analyzed by collecting Sales and Marketing Expenses and General Administrative Expenses.

According to this, analyze;

- There was significantly higher levels of relationship found between Total Operating Expenses and Sales Income ($p=0,00 < .05$ and $r=,992$).
- Accordingly, Total Operating Expenses and Sales Income are positively affecting each other.
- The relationship between the sales income and cost of sales were correlated exactly as expected. Here, the correlation value is positive at the highest level.
- Perfect relationship found between sales income and cost of goods sold.

If we examine Table 3 for the annual period between 2008 and 2014, below mentioned results can be determined;

- Higher increases have experienced, in both sales and costs in 2010 and 2012.

	2014	2013	2012	2011	2010	2009	2008
Sales	10.615.430.000	10.538.563.519	10.269.639.676	8.895.808.723	9.565.928.919	7.754.518.071	7.719.076.721
Cost of Goods Sold	8.552.703.690	8.506.130.189	8.298.097.711	7.147.445.201	7.658.062.934	6.115.464.064	6.109.659.126
Gross Profit	2.062.726.341	2.032.433.330	1.971.541.915	1.749.358.522	1.907.865.985	1.639.054.007	1.609.417.594
Operation Expenses	1.842.993.901	1.804.476.111	1.807.939.148	1.522.239.892	1.704.092.672	1.387.653.994	1.349.765.791
Marketing and Sales Expenses	1.525.202.805	1.492.971.215	1.158.534.716	967.104.494	1.092.780.995	853.888.316	818.582.670
General Administrative Expenses	317.796.096	311.504.896	649.404.432	560.135.398	611.311.678	533.765.668	531.172.121
EBIT	219.727.440	247.957.220	163.552.767	227.118.630	203.773.313	251.400.023	259.651.804
Cost of Goods Sold / Sales	80,57%	80,56%	80,80%	80,34%	80,06%	78,88%	79,15%
Gross Profit / Margin	19,43%	19,44%	19,20%	19,66%	19,94%	21,14%	20,85%
Marketing and Sales Expenses / Sales	14,37%	14,14%	11,28%	10,81%	11,42%	11,01%	10,60%
General Administrative Expenses / Sales	2,99%	2,95%	6,32%	6,30%	6,39%	6,88%	6,89%
EBIT / Sales	2,07%	2,35%	1,59%	2,55%	2,13%	3,24%	3,36%
EBIT	219.727.440	247.957.220	163.552.767	227.118.630	203.773.313	251.400.023	259.651.804
The Number of Companies	6	6	6	6	6	6	6
Average EBIT per company for total 7 years	36.621.240	41.326.203	27.258.795	37.853.105	33.962.219	41.900.004	43.275.301
Average EBIT per company for a year	5.291.606	5.903.743	3.894.114	5.407.586	4.851.746	5.985.715	6.182.186
Percentage change in SALES							
comparison with previous year	0,54%	2,81%	15,43%	-6,99%	23,36%	0,46%	
Percentage change in COST OF G.S.							
comparison with previous year	0,53%	2,51%	16,10%	-6,67%	25,22%	0,10%	
Percentage change in M&S Expenses,							
comparison with previous year	2,16%	28,87%	20,42%	-11,96%	27,98%	4,31%	
Percentage change in G.A. Expenses,							
comparison with previous year	2,02%	-52,04%	15,95%	-8,37%	14,53%	0,49%	

TABLE 3: Income Statements of 6 Retail Companies and Some Ratios

- The cost of sold goods for each year, on average accounted approximately 80% of sales.
- Gross profit was realized as 20% on average each year.
- In Total Operating Expenses, the highest share belongs to the Marketing and Sales Expenses. If we examine the ratio of Marketing and Sales Expenses to Sales, it is starting with 10.60% in 2008 and increased up to 14.37% by 2014. Accordingly, in order to increase sales in the retail sector, it has been identified that companies must give more importance to marketing and sales of expenses.
- The share of General Administrative Costs decreased steadily over the years.
- The ratio of EBIT / Sales ranged around %2 and %3.
- It was determined that, after 2008 and 2009 years EBIT starts going down and in 2012 the lowest level has been seen.
- On average, except for the year 2012, a company has achieved approximately 5,000,000 EBIT annual.

4. Conclusion

In this study retail sector volume all around the world has been examined and financial data of this sector in Turkey has been analyzed in detail. The retail sector has a

trade volume of over \$ 20 trillion in world trade. This enormous trade volume attracts investors, including foreign, for developing the country's economy.

According to statistical data, the Turkish retail sector has the highest development potential in the countries of the region. The size of the Turkish retail sector, exceeded 400 billion dollars in 2015, and also it is expected to grow 10% more in 2016. The ratio of EBIT / Sales ranged around %2 and %3. We can understand that retailing is a sector which has low profitability because of the fact that cost of goods sold has 80% of sale price. Because we found that a very strong relationship between the sales income and cost of sales. On the other hand, there is a significantly higher levels of relationship found between Total Operating Expenses and Sales Income because Marketing and Sales expenses has an important big portion in the Operating Expenses. In addition, it was found that a company has achieved approximately 5,000,000 EBIT per annual except for the year 2012. In our opinion, in order to be maximized this profit, a retailing company is necessary to decrease variable cost like buying goods.

References

- [1] I. Akgöbek and i. Akgöbek, *Büyüme Stratejisi Olarak Sirket Birlesmeve Satinalmalari Türk Perakendecilik Sektöründe BirArastirma*, (Unpublished Master. Thesis [Master, thesis], University of KaramanogluMehmetbey, Karaman, 2011.
- [2] V. Gürsel, *Perakendecilerin Ölçeğindeki Büyümenin Sebeplerive Ekonomik Sonuçlari, Süleyman Demirel Üniversitesi İktisadiveIdari Bilimler Dergisi, Volume, 14 Number 2, 407-423, (2009).*
- [3] G. Güz, *Perakende Sektöründe Kurumsal Kaynak Planlamasi*, (Unpublished Master. Thesis [Master, thesis], University of Istanbul Teknik, Istanbul, 2005.
- [4] R. Kaplan, *AHP Yöntemiyle Tedarikçi Seçimi: Perakende Sektöründe Bir Uygulama*, (Unpublished Master. Thesis [Master, thesis], University of Istanbul Teknik, Istanbul, 2010.
- [5] M. Kompil and H. M, *Türkiyede Batı Tarzı Büyük Ölçekli Tüketim Mekânlarının Gelisimive Kentsel Perakende Alanlarının Yasalve Yapısal Olarak Düzenlenmesi Gayretleri*, *MegaronJournal*, **Volume 4 Number 2**, 90-100, (2009).
- [6] N. Özgüven, *Kriz Döneminde Küresel Perakendeci Aktörlerin Performanslarının Topsis Yöntemi İle Değerlendirilmesi*, *Atatürk Üniversitesi İktisadive İdari Bilimler Dergisi*, *Volume 25 Number 2*, 151-162, (2011).
- [7] D. N. Sarkar, K. Kundu, and H. R. Chaudhuri, *Purchase Preference Factors for Traditional Rural Retailers: A Cross- Sectional ConceptualStudy*, *Vikalpa The Journal for Decision Makers*, *Volume 41 Number 1*, p. 19, (2016).
- [8] A. Wilson, *Attitudes towards customer satisfaction measurement in the retail sector*, *International Journal of Market Research*, **44**, no. 2, 213-222, (2002).
- [9] ISBANKASI, https://ekonomi.isbank.com.tr/UserFiles/pdf/sr_01_perakende.pdf (Acces date: 01.04.2016).
- [10] URL. IZTO, (2016)., acces date, acces date, http://www.izto.org.tr/portals/0/argebulten/perakendesekt%C3%96r%C3%9C_g%C3%96zdesev%C4%B01m%C4%B0%C5%9E.pdf.

[11] TUIK. , <https://biruni.tuik.gov.tr/medas/?kn=70&locale=tr> (Acces date 01.04.2016).