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May 2022

RCIS

Russian Consumer Insights Snapshot

The Russian consumer: 2021 trends persist

Technologies of Trust

Retailers rapidly acted to the current market changes, though decisions on business reorganisation, assortment and customer communications remain to be made.

In May 2022, we conducted a survey and identified consumer behaviour patterns in the new market environment.

We observed trends in the increasing popularity of online channels and stable interest in offline stores, and also a reduction in discretionary spend dating back to 2021. While the current market requires rapid adaptation from retailers, these consumer trends continue with the acceleration of online grocery sales as a clear example. The online segment continues to play an important role for all surveyed categories, which once again highlights the relevance of the omnichannel approach for retailers. Retailers need to take these factors into account in making crisis management decisions and cutting costs under sanctions.

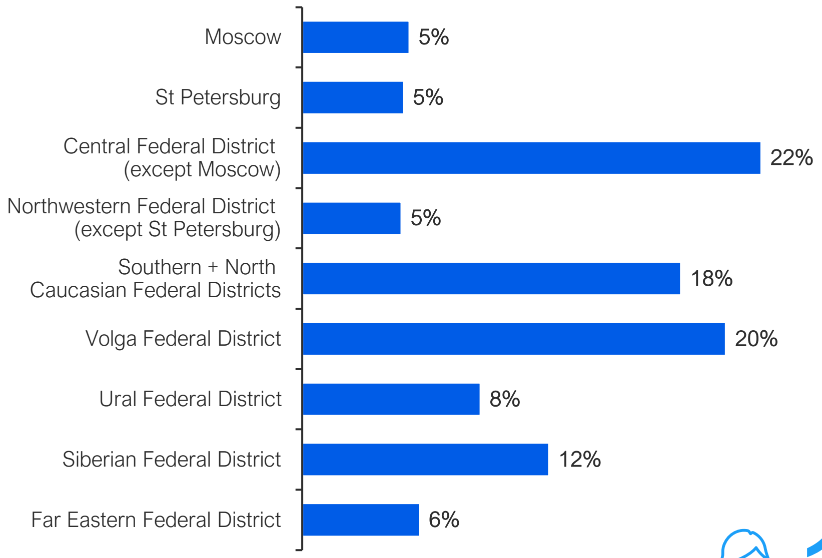
About the survey

The main goals of the survey are to highlight key expected changes in the spending behaviour by Russian consumers in the next six months, to identify the specific features of online and offline shopping, and to identify the nuances of Russians' consumer behaviour and preferences.

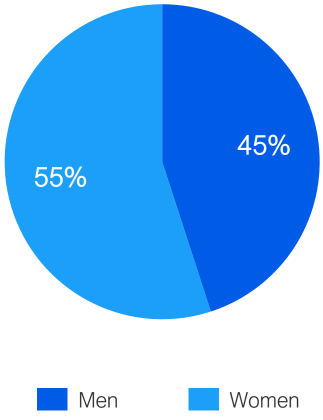
The sample included 1,600 Russian consumers, with a structure representative of the Russian population by gender, age, level of income and federal district

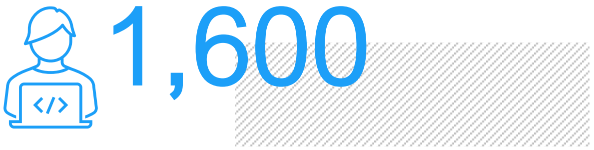
Survey period: May 2022

Federal Districts

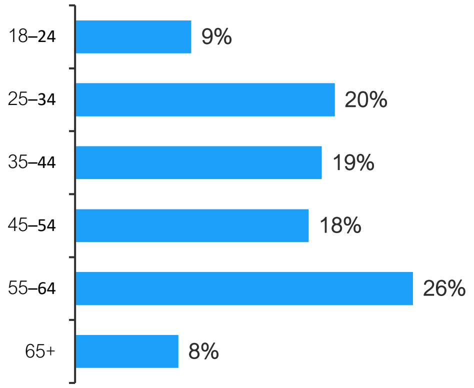


Gender

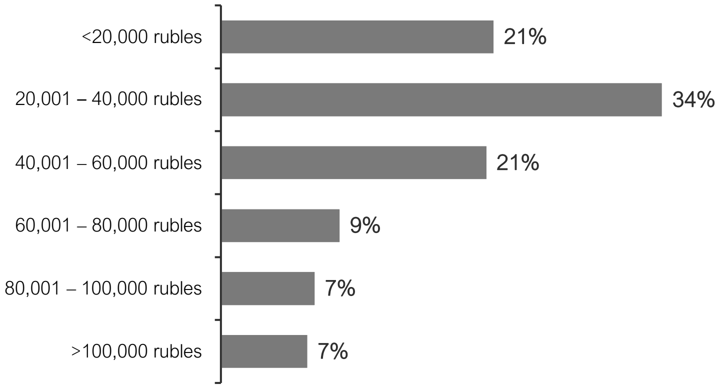




Age



Income



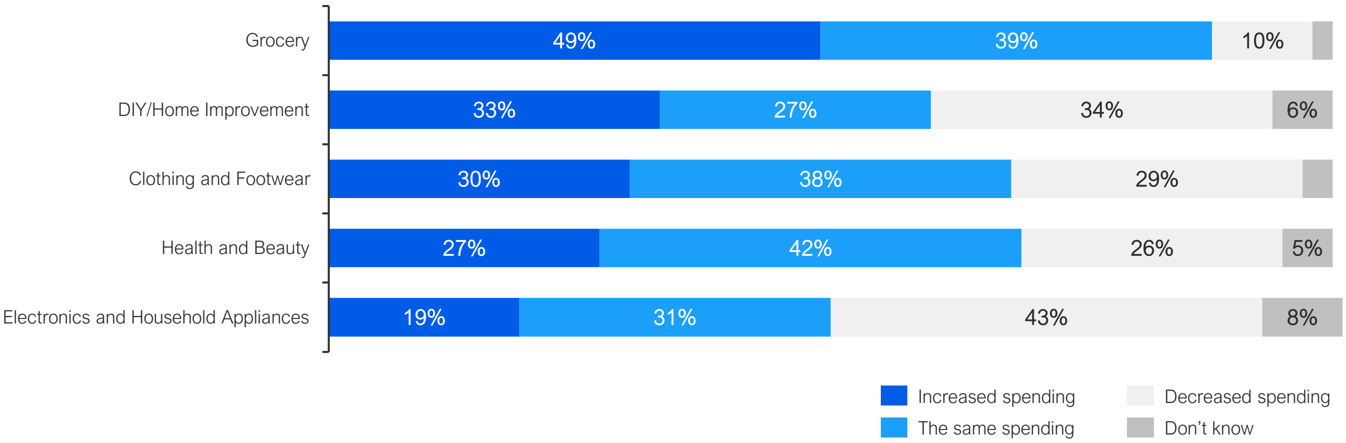
Spending by category

When estimating their future spending in the next six months, half of Russians projected increased expenses, mainly on basic goods, such as Grocery (49%). An increase in Grocery spending was detected in 2021, and it continues to grow.

Respondents decreased their spending mainly for Electronics and Household Appliances (43%). This is driven by the significant price increases due to shelf availability and import restrictions for these goods, which discourages consumers from making purchases.

The Health and Beauty category is expected to be the most stable in terms of estimated spending, though availability of products might lead to higher consumption of local products. Thus, 42% of survey respondents believe their spending in this category will not change in the next six months.

As the current market requires rapid adaptation, retailers and manufacturers have to adjust their strategy according to the expected consumer needs in each category. Grocery has the highest potential in terms of its estimated spending increase, whereas Health and Beauty turned out to be the most stable. Electronics and Household Appliances will see the biggest consumer spending decrease.



- Women and men have different expectations on their consumer spending in the next six months.
- Almost one quarter of men expect to spend more on household appliances (23% expect increase), while almost half of the women provide estimates opposite to men's (46% expect decrease).
- Women more often expect reduced spending on clothing and footwear (31% vs 26%, respectively)

Key factors driving selection of retail chain or store for purchases of different product categories

Promotions remain the key factor for consumers in their retail store choice. Exceptions are Grocery (59% choose the store based on the convenience of its location (and discounts)) and DIY/Home Improvement (48% are influenced by the product range that best suits their preferences).

- The relevance of discounts and special offers highlights the need for retailers to elaborate and continue to focus on promotional activities.
- After the criterion that prices match their expectations, customers reliably focus on product range and quality, which means retailers have to take these factors into account.
- The trend of selecting stores based on convenience continues for the Grocery category

Grocery (food and beverages)	1. Convenient location (59%) 2. Discounts and special offers (55%) 3. Product range matches customer needs (54%)
DIY/Home Improvement	1. Product range matches customer needs (48%) 2. Discounts and special offers (45%) 3. Quality of goods and services match customer expectations (35%)
Clothing and Footwear	1. Discounts and special offers (59%) 2. Product range matches customer needs (57%) 3. Quality of goods and services match customer expectations (49%)
Health and Beauty	1. Discounts and special offers (52%) 2. Product range matches customer needs (47%) 3. Quality of goods and services match customer expectations (36%)
Electronics and Household Appliances	1. Discounts and special offers (55%) 2. Product range matches customer needs (44%) 3. Quality of goods and services match customer expectations (39%)

- Women value discounts and special offers, as well as convenient delivery terms, more often than men. For instance, in Clothing and Footwear, the difference between men and women in the perceived relevance of discounts is 10%.
- In their turn, when selecting goods, men focus on the properties of the good itself and not on the terms of its purchase. Men emphasise quality more often than women. For instance, in Electronics and Household Appliances, the quality factor is 6% more relevant for men than for women, while the discount factor is 7% more relevant for women than for men.

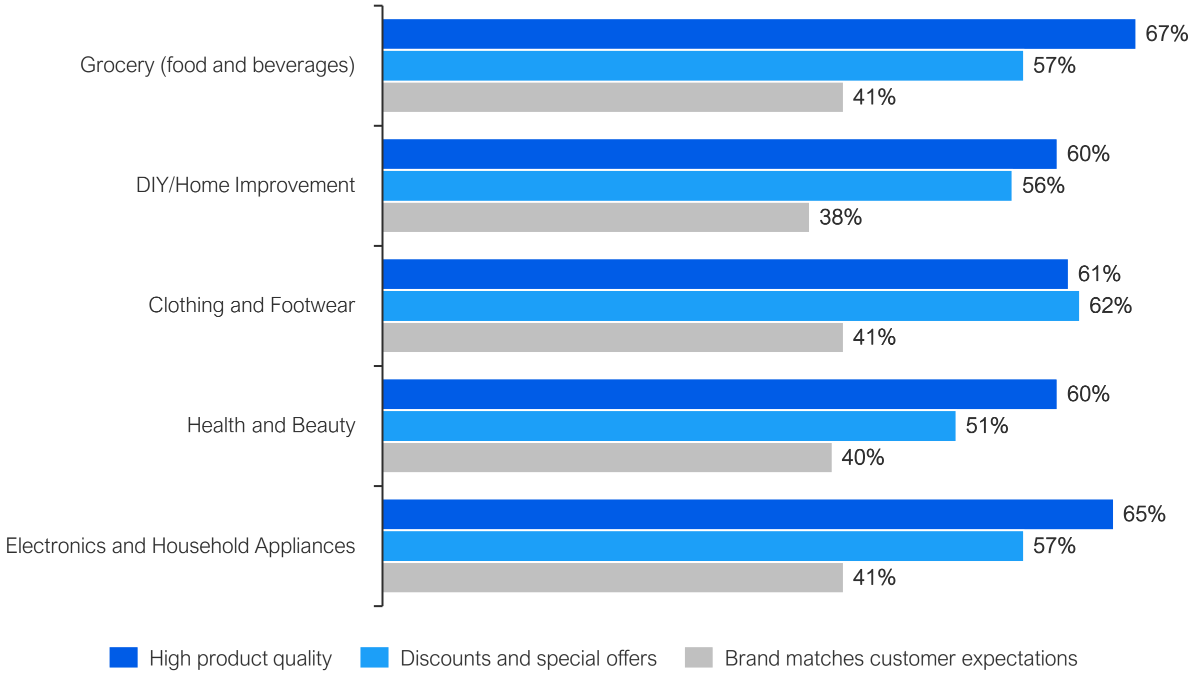
Key factors driving brand selection in purchases of different product categories

In most categories, high product quality is the determining factor to select a brand or product. We observed this trend in 2021. The exception here is Clothing and Footwear, where customers focus equally on attractive prices and product quality (62% and 61%, respectively).

In addition, the Top 3 brand selection factors are the same for all categories.

Despite the relevance of the price-quality balance, across all product categories, consumers are attracted when brands match their expectations.

Quality is the main brand selection factor for consumers, which means manufacturers should pay attention to this driver. Nonetheless, discounts and special offers remain a relevant factor.

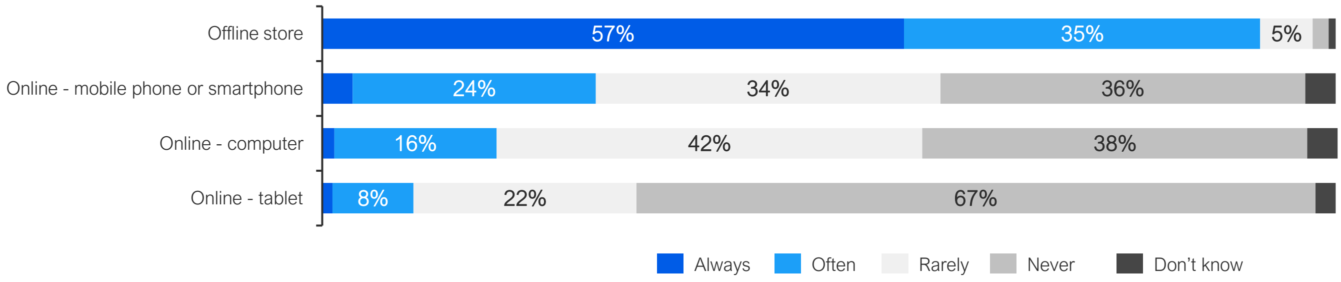


Buying behaviour differs by income level. The higher the income, the more attention the consumer pays to product quality and customer service. For instance, in Clothing and Footwear, respondents with household incomes higher than RUB 100,000 reported more often than others that their choice of store to buy clothing and footwear was driven by the product range matching their needs (67%), the product quality matching their expectations (50%), and the high level of customer service (19%).

Grocery (food and beverages)

- Almost all respondents buy grocery offline at different frequencies (97%). Though the offline channel prevails, online continues to grow, reaching 56%.The smartphone remains the most popular device for online purchases, with 3% of respondents always using them, 24% often using them, and 34% rarely using them.
- Environmental friendliness follows the top three criteria and is a vital decision-making factor when it comes to grocery purchases.

Channels



Top five factors influencing the retail store choice

Top five factors influencing the brand choice

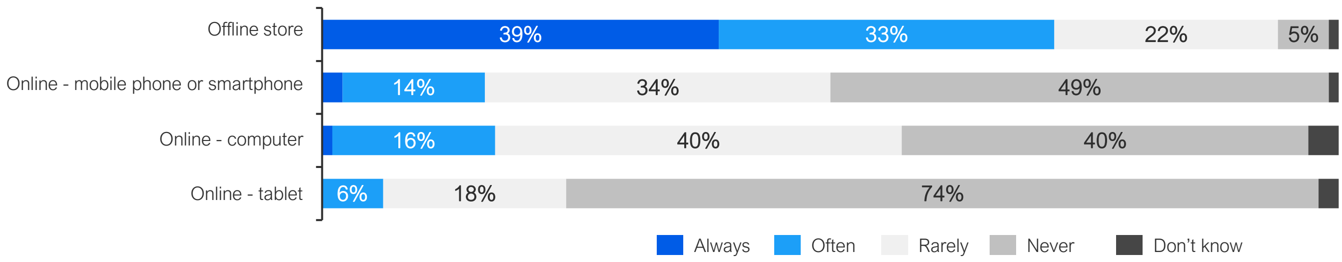
Russians aged 18–24 are the most loyal consumers in the online segment of grocery shopping. They often use different online shopping methods. For this group, the most important factors in choosing a store turned out to include online availability of goods and services, delivery terms, and a nice selection of products and information about them.

Russians between the ages of 55 and 64 focus on the quality and environmental friendliness of products when choosing a brand.

DIY/Home Improvement

- In DIY/Home Improvement, offline purchases prevail (39% always, 33% often).
- In general, 57% of Russian consumers make online purchases in this category at different frequencies
- Similarly to electronics, most people use a PC rather than a smartphone to buy online in this category
- Easy and fast delivery and the convenience of store locations are among the most critical factors influencing the choice of store
- When choosing a brand, most consumers in this category focus on environmental friendliness

Channels



Top five factors influencing the **retail store choice**

Top five factors influencing the **brand choice**

Store choice factors depending on age:

- Respondents aged 18–24 buy DIY/home improvement goods online more often than others.
- In-store shopping remains the top choice in the DIY/home improvement category for Russians aged from 45 to 54.
- Respondents aged 18–24 and 25–34 are more often driven by the customer experience (21% and 14%, respectively).
- For 55-to-64-year old Russians, the most common factors influencing the choice of DIY/home improvement store include whether the product range matches their needs (54%) and convenient delivery (38%).

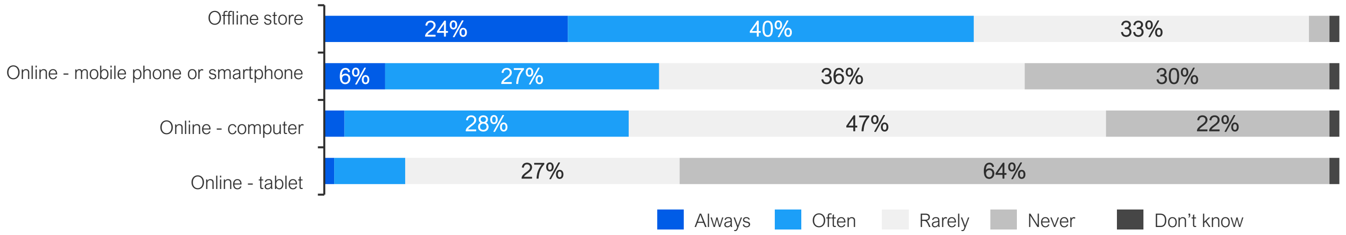
Brand trust drivers depending on age:

- Product and packaging design are more important for respondents aged from 25 to 44 (18% from 25 to 34 and from 35 to 44).

Clothing and Footwear

- Despite the evolution of online platforms, in-store shopping remains the main channel for buying clothing and footwear (24% and 40% buy offline always or often, respectively).
- Smartphones dominate over other online shopping channels, yet computers are not far behind (for the “always” and “often” groups).
- In addition to the top three critical criteria, consumers place importance on the convenience of location when choosing a store (39%)
- It comes as no surprise that design and brand awareness remain significant for consumers in the Clothing and Footwear category

Channels



Top five factors influencing the **retail store choice**

Top five factors influencing the **brand choice**

Store choice factors depending on gender and age:

- Being able to see products in person is more important for males (30%) and respondents in the age brackets over 55 years old (31% for 55–64 and 34% for 65+).
- More than half of surveyed females pay attention to discounts and special offers (62%). In addition, one fifth of women pay attention to the availability of both offline and online stores (20%) and convenient delivery terms (19%), while only one tenth of men consider these factors (10% and 13%, respectively).

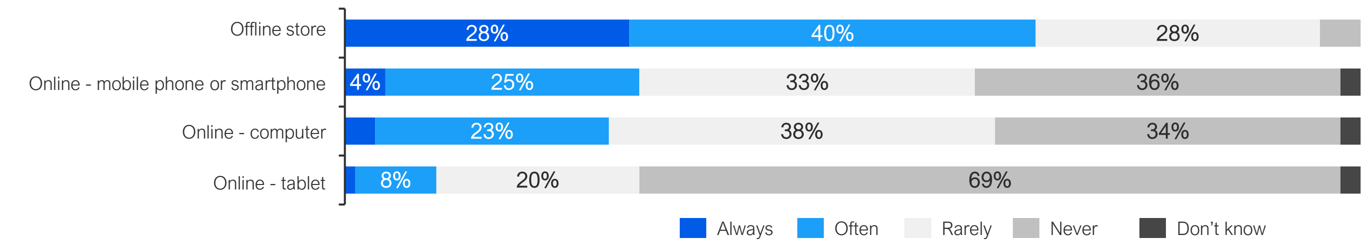
Brand trust drivers depending on gender and age:

- Females are driven by special offers and packaging design more often than males (68% and 27%, respectively, for women, versus 55% and 22%, respectively, for men). At the same time, males put priority on such factors as product quality and brand awareness more often than females (67% and 23%, respectively, for men, versus 56% and 16%, respectively, for women).

Health and Beauty

- In the Health and Beauty segment, offline purchases prevail (28% always, 40% often).
- Smartphones and computers are equally important channels for respondents after physical stores (in the total for the “always” and “often” groups, smartphones are slightly more popular).
- The choice of retail chain also depends on location.
- The environmental friendliness of products is the fourth most important factor, ranking higher than brand awareness.

Channels



Top five factors influencing the **retail store choice**

Top five factors influencing the **brand choice**

Store choice factors depending on gender and age:

- Almost a third of surveyed men who make purchases in-store always do so offline (32%). At the same time, women show more diverse shopping practices and use online channels more often than men.
- When choosing a retail chain, females more often attach importance to discounts and special offers (58% vs 44%). In addition, the availability of both an offline store and an online platform is significant for women (21% vs 11%). It is only logical then that convenient and fast delivery is more critical for women than for men (15% vs 10%).

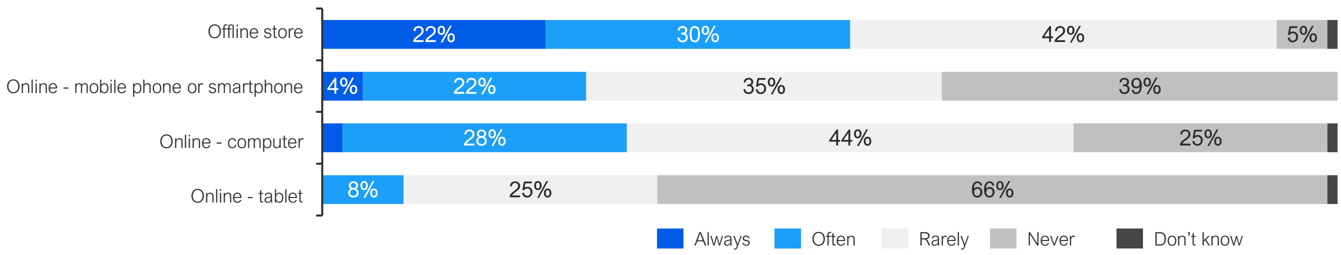
Brand trust drivers depending on gender:

- Females put importance on such factors as discounts (55%), environmental friendliness of products (40%), and product design and packaging (14%) more often than males.

Electronics and Household Appliances

- Respondents prefer to buy electronics and household appliances in person, though they do so less often than in other categories (22% also do so, 30% often).
- Consumers use computers for online shopping in this category much more often than other devices.
- When choosing a retail chain, consumers tend to prefer convenient and fast delivery and an omnichannel offering.
- Along with the top three criteria, brand awareness is also an essential driver of product choice (32%).

Channels



Top five factors influencing the **retail store choice**

Top five factors influencing the **brand choice**

Store choice factors depending on gender and age:

- Importantly, men pay attention to product quality when choosing a brand more often than women (68% vs 62% for women). For attractive prices with discounts and special offers, the situation is the other way around (60% for women vs 53% for men).

Brand trust drivers depending on gender and age:

- Younger people value the after-sales customer experience more often than other respondents (26%). Survey respondents in the middle age groups (25–44 years old) look at the product and packaging design more often (23% for the 25-to-34 age group and 22% for the 35-to-44 age group). Respondents aged from 45 to 54 emphasised that the brand should match their expectations more often than others (47%).

Contacts

Alexei Shekhovtsov

Director

alexei.shekhovtsov@tedo.ru

Jordy Turk

Director

jordy.turk@tedo.ru

Daria Kolesnikova

Marketing Manager

daria.kolesnikova@tedo.ru

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