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Joint study by Technologies of Trust and NAFI

360-Degree View of Shoppers in Russia

Issue 1

Consumer spending forecast for the next 6 months

Evolution of channels and methods of shopping

Barriers to purchase and their impact on probability of purchase and method of shopping

Технологии Доверия

НАФИ
АНАЛИТИЧЕСКИЙ ЦЕНТР

About the survey

Technologies of Trust is a Russian audit and consulting group with an extensive value proposition that meets different business requirements.
As the country goes through a social and economic transformation, the company continues to monitor changes in the consumer segment.

NAFI is a multidisciplinary analytical centre that provides the complete range of research services. This nationwide study was conducted in the format of an online survey among users of NAFI's proprietary 'Tet-o-tvet' online panel.

Objective

To describe consumer behaviours in relation to five categories of consumer goods: 'Clothing and Footwear', 'Electronics and Household Appliances', 'Food', 'Health and Beauty' and 'DIY and Home Improvement'.

Issue 1. Barriers to purchase. Evolution of channels. Spending forecast

Survey methodology

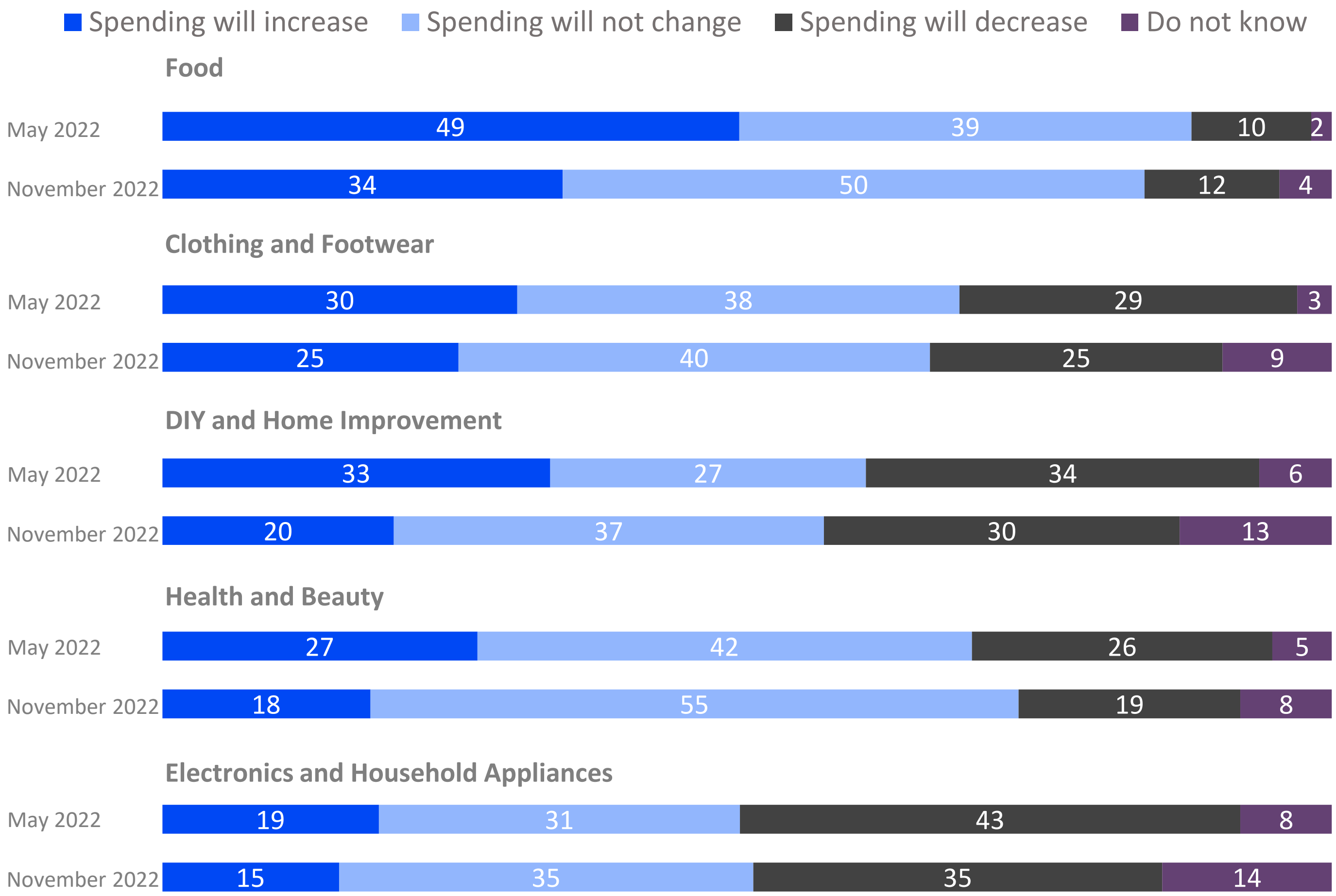
Target audience
Citizens of Russia aged 18+

Sample
1,600 people

Survey geography
Russia

Survey period
November 2022

Changes in 6-month forecasts of consumer spending (as a percentage of the survey population)

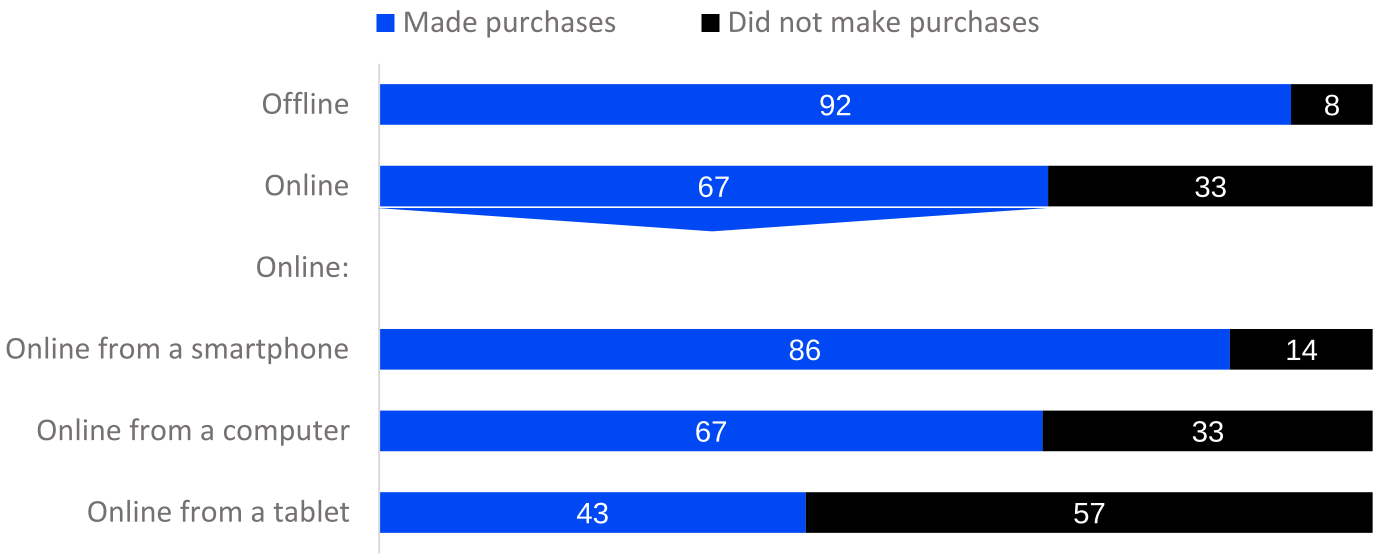


Q How much do you expect to spend on these categories of consumer goods over the next 6 months?

As compared to May 2022, in November 2022, consumers in Russia anticipate that the situation will **stabilise**. Thus, the share of respondents who expect their current levels of spending to stay the same has gradually increased across all categories included in the survey.
The trend towards stabilisation is particularly noticeable in the ‘Health and Beauty’, ‘Food’ and ‘DIY and Home Improvement’ segments.

Alongside increased expectations of the stabilisation of spending in all categories, the share of consumers who anticipate an increase in spending decreased in comparison to May 2022.. The number of respondents who expect increases in food prices dropped significantly – by **15%**.

Online and offline shopping



Q Distribution of answers to the question: How often did you shop for consumer goods of this category in the following way? (as a percentage of respondents)

Sixty-seven percent of survey respondents shopped online, while 92% of respondents had offline buying experience in the last 6 months. Smartphones are the most common device for online shopping. They were used by 86%* of all respondents that shopped online. Computers come next at 67%, and 43% of respondents made purchases from tablets in the last 6 months.

As can be seen from the e-commerce statistics, online purchases surged in 2022. Our survey shows that the online shopping channel is generally popular in the country. However, these figures vary by region. The next section focuses on geographic variations in consumer spending.

Women in Russia were 6% more likely than men to make purchases in online stores and marketplaces in the last 6 months, while the gender percentages for offline shopping were, as expected, the same for both sexes.

*These figures may vary for different categories of consumer goods. More insights on the evolution of the channels in the 5 categories of consumer goods will be presented in future issues of the report on the survey findings.

Consumer spending by region

Comparison between the populations of different regions shows that consumer spending is fairly evenly split between regions, with no sharp peaks. Consumers in the North Western Federal District are slightly more likely to make purchases, while people living in the Far East are the least frequent shoppers.

min max

	Federal District								
	Moscow	St Petersburg	Central (excl. Moscow)	North Western (excl. SPB)	Southern + North Caucasian	Volga	Ural	Siberian	Far Eastern
Purchase frequency index*	**18.98**	**19.27**	**18.53**	**20.37**	**18.15**	**18.78**	**18.99**	**18.59**	**18.05**

* This index is based on respondents' self-assessment of their frequency of purchases in each survey category across the federal districts included in the survey (the map shows the regions where the survey was conducted).

While involvement with online purchasing does not vary much by region, there is pronounced regional variation in online shopping experience. People living in Moscow were more likely to shop online, as expected. However, the difference between the number of online shoppers in the country's capital and in St Petersburg stands at 9%, suggesting that the online channel still has room for growth and pointing to the need to explore possible growth levers.

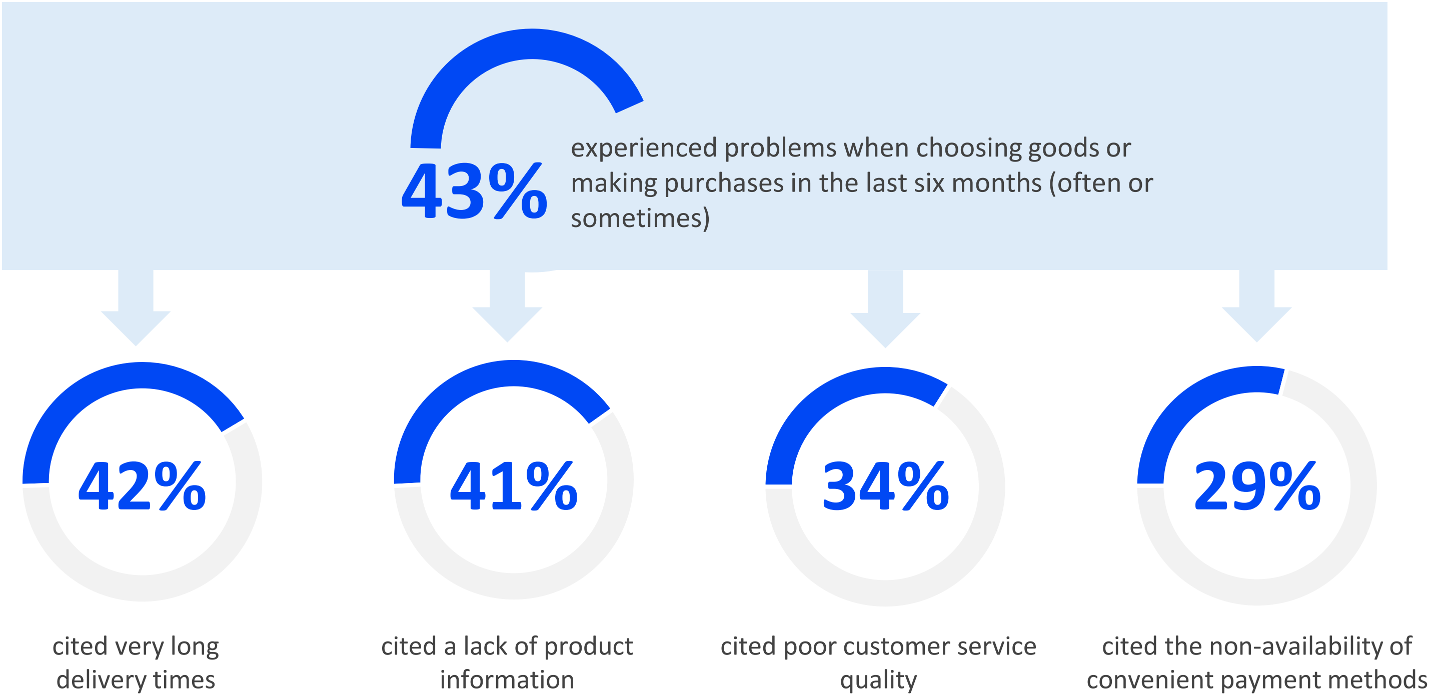
People living in the Far East make online purchases much less frequently.

This might suggest that both the customer experience and online store offerings for the population of the Far Eastern regions need to be much improved and that e-commerce formats in these regions have scope to grow.

Shopped online

78%	69%	57%
Moscow	St Petersburg	Far East

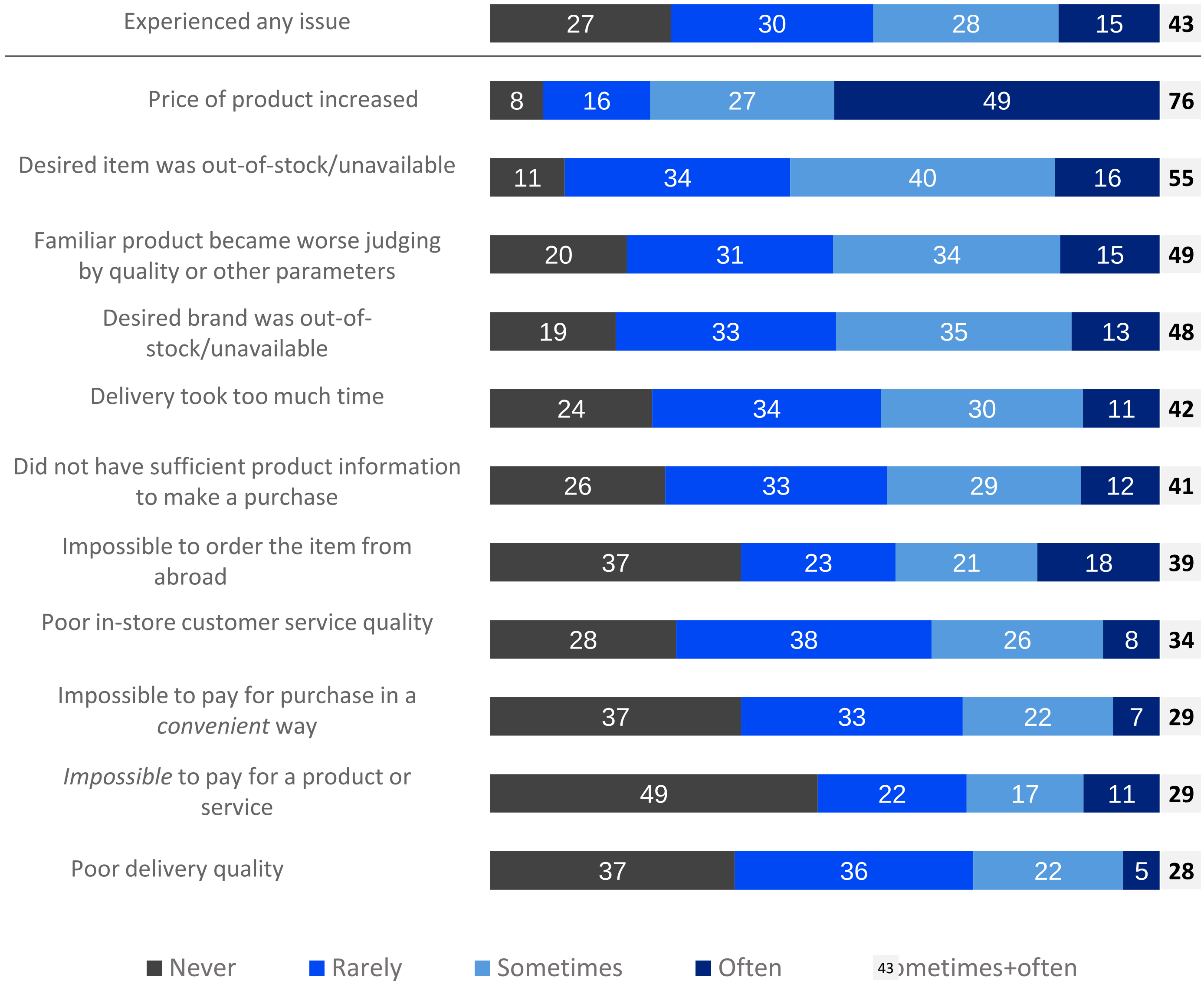
Barriers to purchase



The majority of consumers faced some barrier or another to making a purchase in the last six months, which is generally typical of any purchasing decision-making process. However, this year, the percentage of respondents who say that this happened often or sometimes stands at 43%. Thus, the shopping experience of a significant portion of consumers in the period from May to November 2022 logically reflects changes that took place in the retail industry on the whole. Inflation, the reconfiguration of supply chains, and the disappearance of some once-favoured products and brands and the appearance of new ones all undoubtedly had an impact on the availability of products, the product offerings in familiar stores, competition between retailers and brands, and ultimately on buyer choices. However, in addition to factors that manufacturers and retailers have only limited influence over (such as factors in the price of goods or the presence of a particular brand in the market), respondents also refer to addressable issues and include them in the list of barriers to purchase. Thus, 42% of Russians cited unsatisfactory delivery,* 41% voiced concerns about the lack of product information, 34% were not happy with the quality of customer service and 29% could not pay for their purchase in a way that they find convenient.

These are issues that can be fixed immediately, as they largely depend on retailers' policies and their willingness to respond to Russian customer demands and meet their expectations.

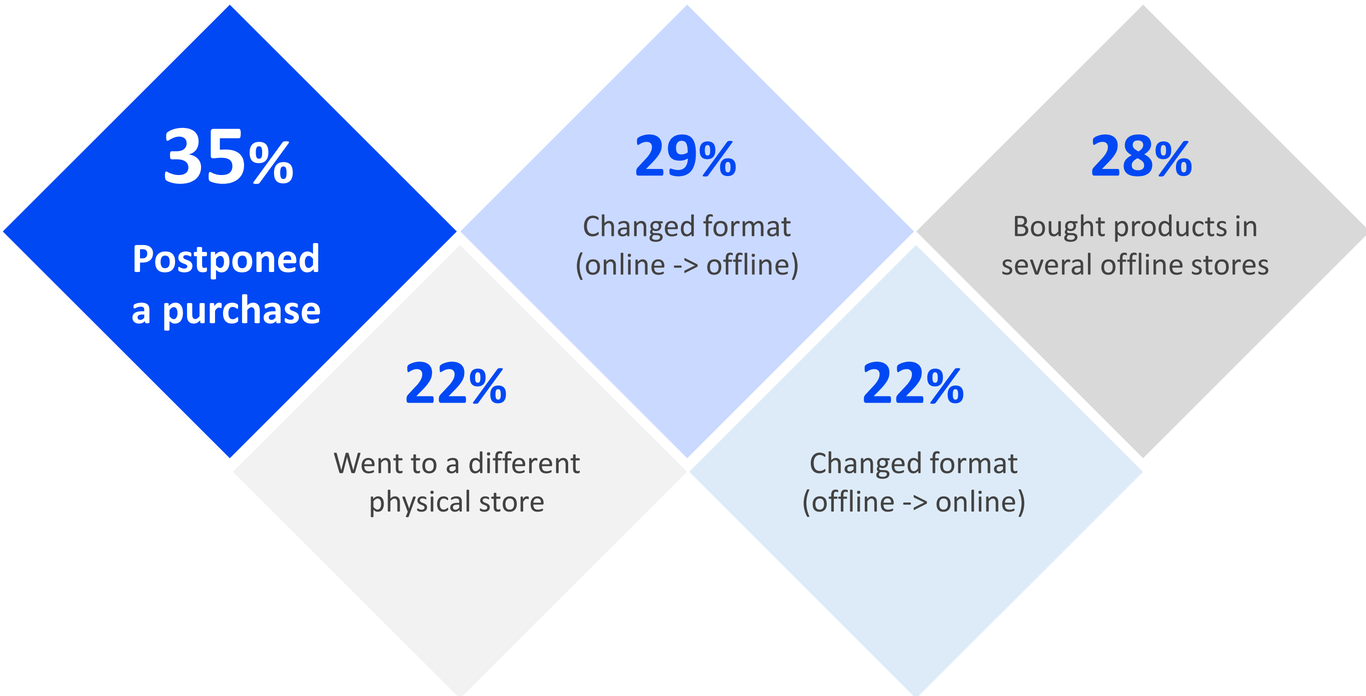
* More insights on delivery quality will be presented in subsequent issues of the report on the survey findings.



Q Distribution of answers to the question: Think of situations when you were making purchase decisions or buying products in the last six months. How frequently did you face the following difficulties? (as a percentage of the survey population)

As can been seen, the consumer appetite for a seamless shopping experience has not declined even in the face of supply chain disruptions and inflationary pressures.
The following question provides a clearer picture of the potential impacts of the barriers to purchase that customers face and can help in devising strategies to boost sales.

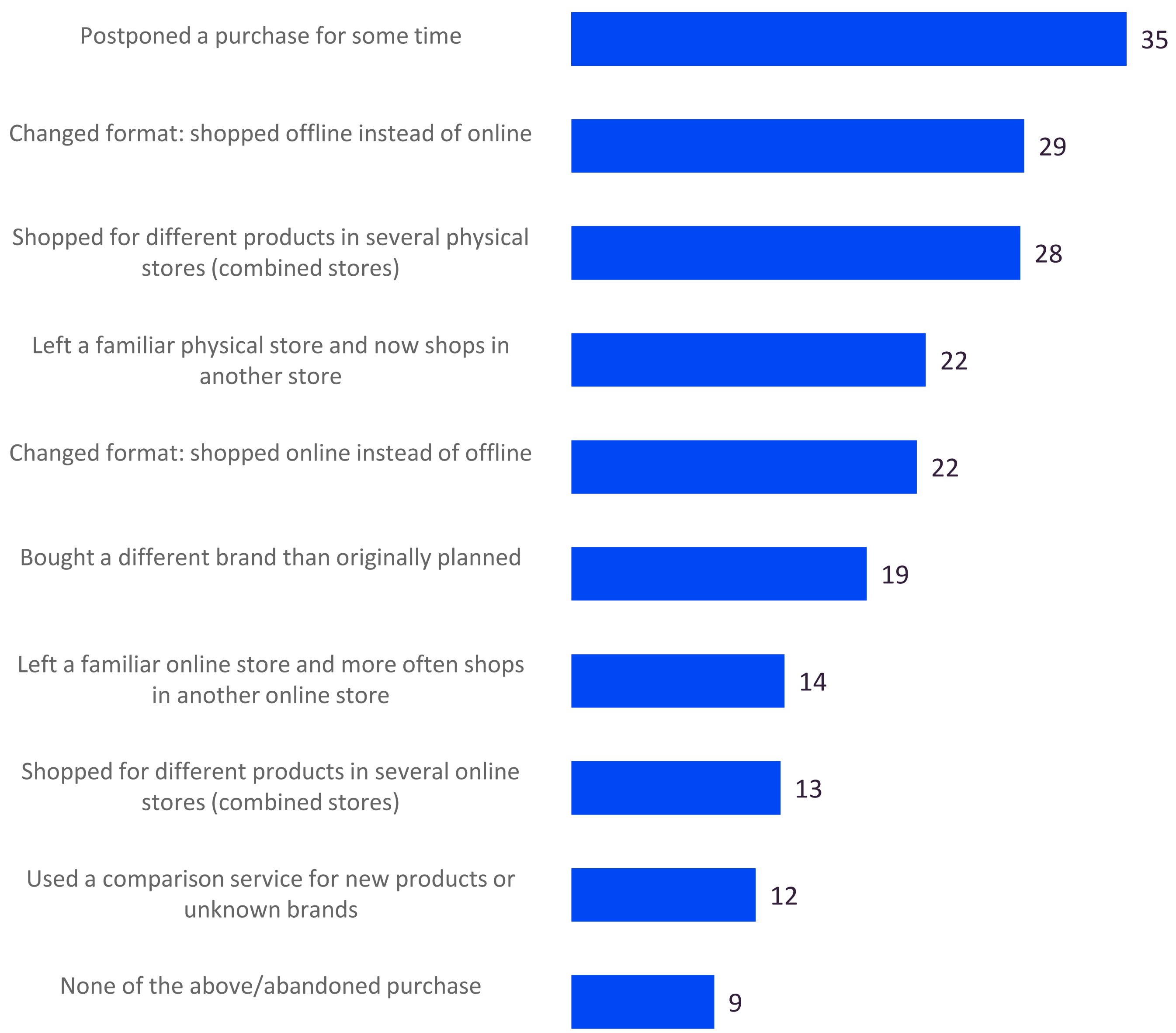
Consequences of difficulties that Russians had with making choices and buying products



The survey reveals that, after having encountered difficulties, **35%** of potential buyers left the store without purchasing and postponed the purchase for some time, and **9%** ultimately abandoned the purchase entirely. Twenty-two percent of respondents went to a different physical store. Twenty-eight percent of shoppers narrowed the list of products they bought at a particular physical store and bought the remaining products from another retailer, thus combining shops. Twenty-nine percent changed the channel for a specific purchase from online to offline, while 22%, on the contrary moved, from offline to online.

These figures suggest that there are new opportunities to exert considerable influence on customer behaviour and to improve the consumer experience if retailers are willing to experiment.

Although they have questions about new products and brands, the majority of Russians (88%), even aided by technology, are not accustomed to using comparison websites to find out whether particular products are available and make purchases from several retailers.



Q Distribution of answers to the question: What did you do when you had difficulties with making product choices? (as a percentage of respondents who experienced any difficulties)

The audience aged between 25 and 34 is more sensitive and attentive to problems in the process of choosing and buying products, and these respondents were more likely to cite almost all the problems on the list. Russian consumers aged 55 and older were more likely to note price increases, while young people (aged between 18 and 24) more often cited extremely long delivery times and the inability to pay for products or services.

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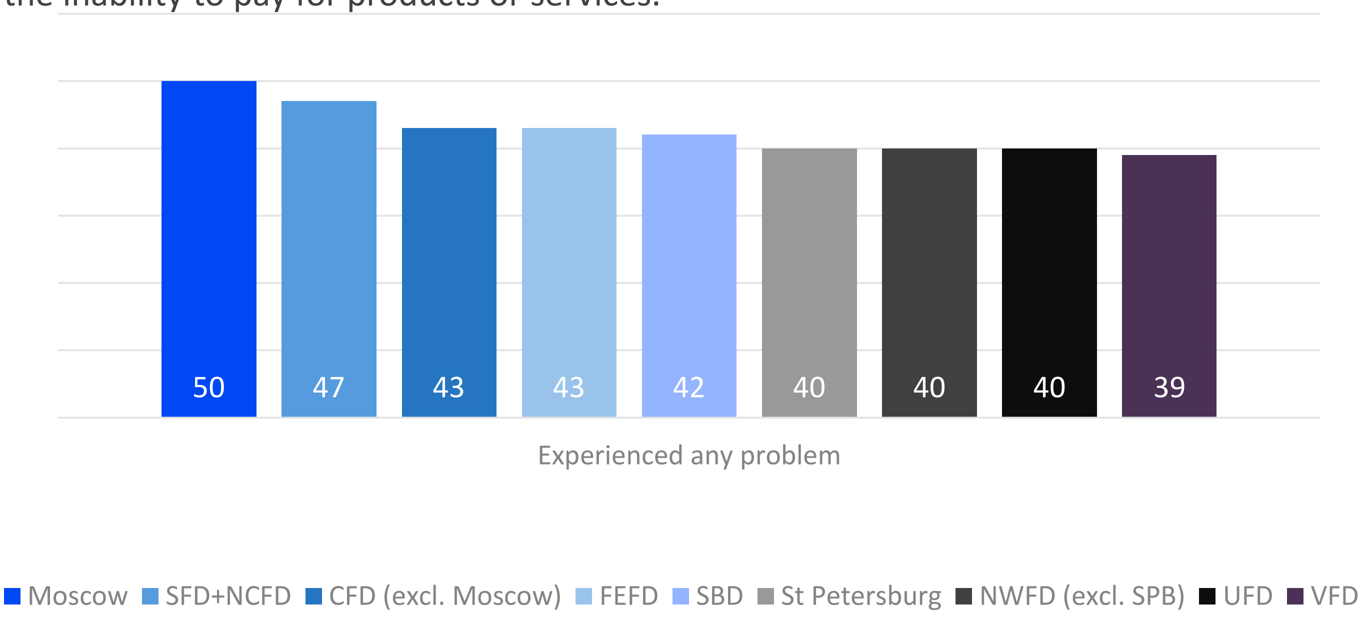
Consumer values and behaviours continue to change both in Russia and around the world. Nevertheless, in this turbulent world, there is a clear and stable trend towards more efficient purchases. Our survey shows that companies still have plenty of levers that could help them significantly improve the consumer experience and boost their sales. As the market advances, the technical and operational barriers that impact purchase decisions in the consumer shopping journey will have to be overcome.

Natalia Kozlova

Partner
Retail and Consumer Industry Leader
Technologies of Trust

Barriers to purchase in the regional context

Respondents from Moscow and the Southern and North Caucasus Federal Districts were more likely to cite problems in selecting and purchasing products, while respondents from the Volga and Ural Districts noted the fewest issues. People living in Moscow were more likely than people from other regions to mention poor customer service quality, the absence of a desired brand in the product range, and the inability to order a brand from abroad or to pay for products or services. People living in the South and the North Caucasus were more likely than representatives of the populations of other regions to cite a worsening of the quality of familiar products, poor customer service quality and the inability to pay for products or services.



Moscow

Muscovites are more likely to shift to another brand (24% of respondents reported this)

South + North Caucasus

People from the southern regions (33% of respondents) are more likely than others to change buying channels and move from online to offline

North West

People living in the North West and St Petersburg are much more likely than others to use comparison engines for unknown products or brands (23% of respondents)

Far East

One in two has postponed a purchase and one in three has changed from a familiar physical store (more likely than people from other federal districts)

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