Russia

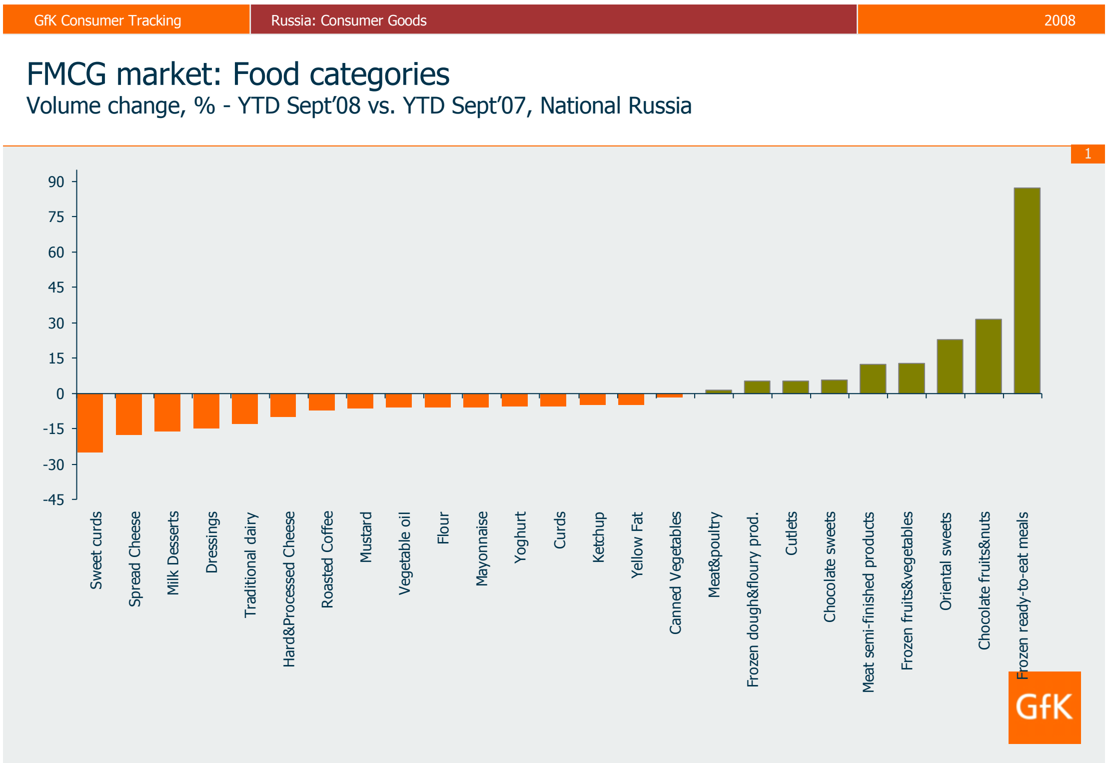
Russians continue to consume goods that save their time and money

Year on year, Russia is increasingly joining in a global process of change in nutritional cultures. This process is partly manifested as a movement away from the consumption of home-made food towards commercially produced food that is ready-to-eat or requires minimal preparation. In 2008, Russia is demonstrating a significant increase in the consumption of ready-to-eat convenience food. In addition, there is growth in the consumption of the goods which, like convenience foods, can save people time.

This paper examines the main consumer trends in Russia in 2008 which were revealed by the data from GfK's Consumer Panel research. The GfK Consumer Panel comprises a sample 7,000 households which are representative of the whole Russian population. More than 100 categories of FMCG products were included in the research which revealed the following trends:

1. A substantial increase in the consumption of convenience foods

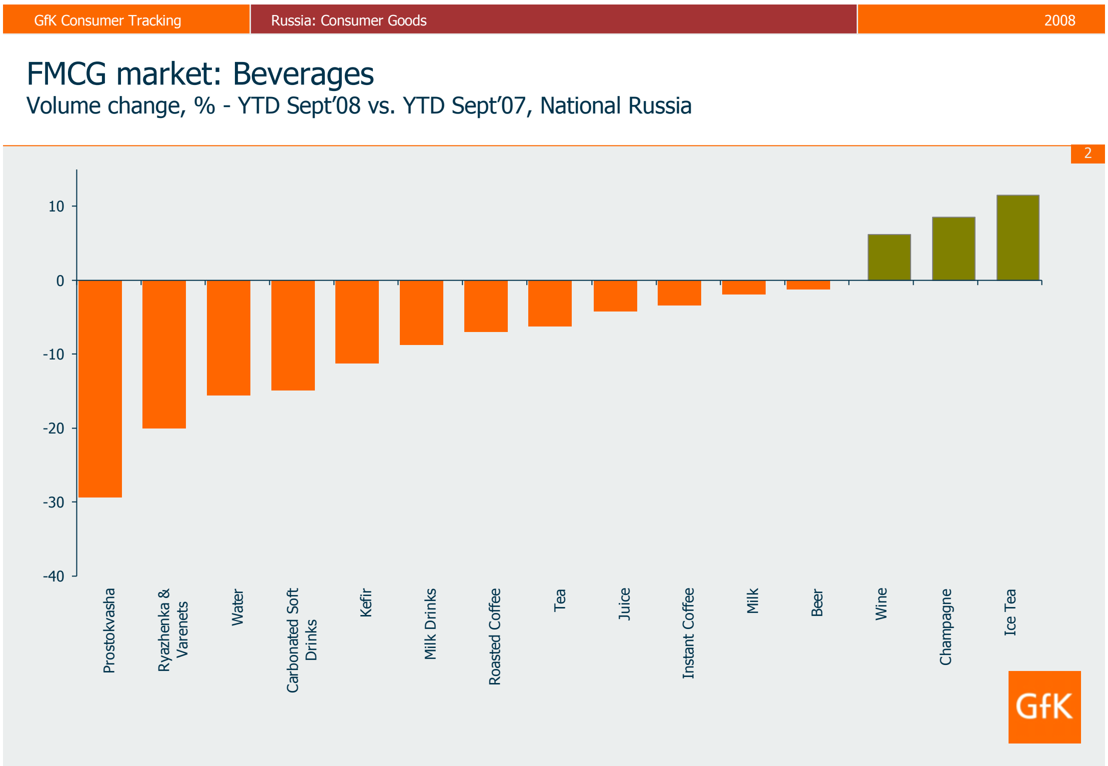
The global changes in eating habits have had a further influence on consumer behaviour in Russia in 2008. There has been a trend for Russians to purchase more pre-prepared frozen food and this has become much more obvious compared to the previous survey period. Frozen, ready-to-eat meals, frozen fruit, frozen vegetables and semi-finished meat products have demonstrated significant volume growth while the sales of the products which are required for the preparation of home-made food have remained stable in terms of volume (e.g. meat and poultry) or have suffered a volume decrease (e.g. flour, vegetable oil).



Meanwhile, the consumption of traditional dairy products (kefir, ryazhenka) has reduced in YTD Sept'08 compared to YTD Sept'07 with traditional dairy products losing 13% of sales volume. A similar situation is found for other cultured milk foods such as yoghurt (6% decline in volume), curds (5% decline) and sweet curds (25% decline). The decrease in the consumption of milk products together with the growth seen in alcoholic beverage intake does not seem to be a health-positive trend for Russia.

2. Growth in consumption of alcoholic beverages

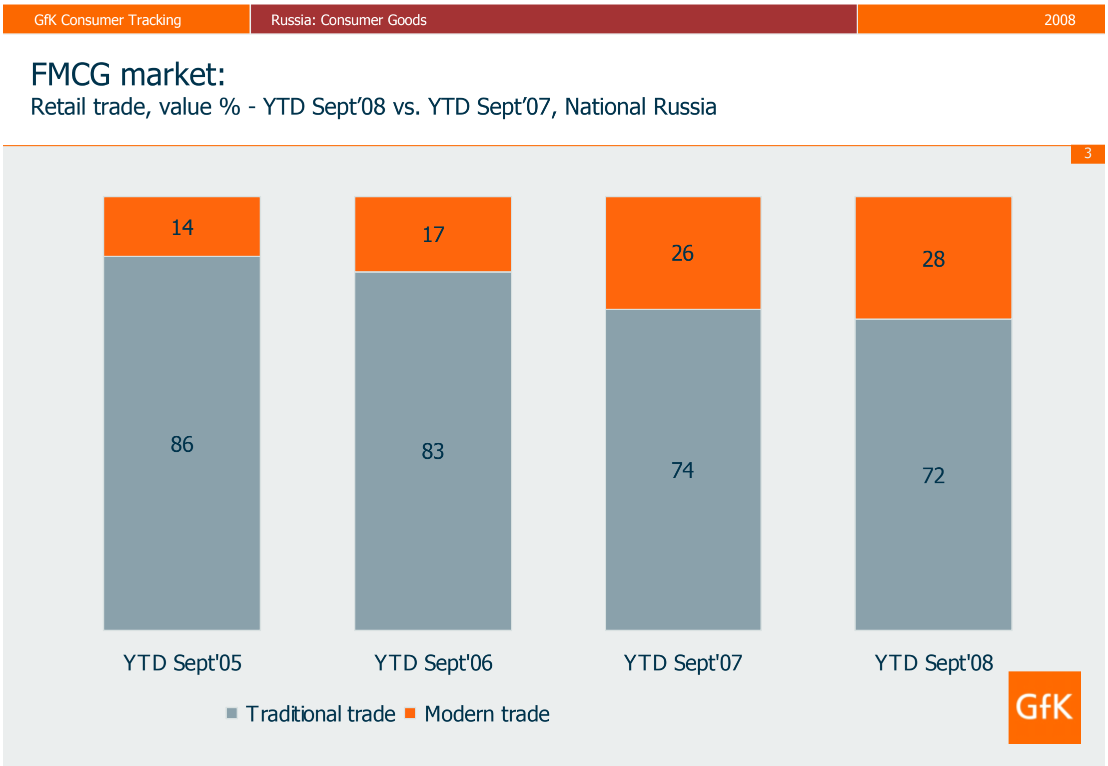
In 2008, Ice Tea is the category demonstrating the most growth among the beverages on the GfK database and is the only non-alcoholic category that continues to grow in terms of volume (11% growth). All other non-alcoholic beverages, especially cultured milk products, have suffered a noticeable decline in volume. Sales volumes of instant and roasted coffees, teas and carbonated soft drinks are also decreasing. On the other hand, alcoholic beverages have experienced a growth in volume in YTD Sept'08 compared with YTD Sept'07. The most visible growth in terms of consumption of alcoholic beverages is seen for champagne (9% growth) and wine (6% growth).



It should be borne in mind that the increase in uptake of convenience foods and the decrease in the purchase of products that are required for the preparation of home-made food together with the fall in intake of traditional dairy products may partly be related to price changes in YTD Sept'08 compared to YTD Sept'07. The increases in prices for vegetable oils (+76%), traditional dairy products (prostokvasha +39%, ryazhenka +38%, kefir +36%) and flour (+43%) have considerably outstripped the price rises for frozen ready-to-eat meals (+9%), frozen vegetables (+15%) and semi-finished meat products (+13%). The prices for meat and poultry which would be used for home-made food preparation are also increasing more significantly (+16%) than the prices of ready-to-eat meals. This means that the increase in convenience food consumption described above could partly be explained by the fact that people are buying more ready-to-eat meals to save not only time but also money.

3. Growth of Modern Trade Formats

The trend of buying products in modern trade channels such as hypermarkets, supermarkets, discounters and the cash&carry has continued to increase in 2008. The value share of modern trade increased by 28% in YTD Sept'08, and this was mainly due to the growth in the value share of the discounters. To some extent, this growth of the discounters could be explained as one of the indicators that, in 2008, the Russian people have become more concerned about saving money.



The volume share for Private Labels has remained stable in Russia as is evidenced by comparing the figures for YTD Sept'08 and YTD Sept'07. In YTD Sept'08 the highest volume share within the private label sector was found for the categories Grains & Porridge and Dressings. There is a quite significant increase in volume share for private labels for the Chocolate Spreads category (+4%) when comparing YTD Sept'08 to YTD Sept'07.

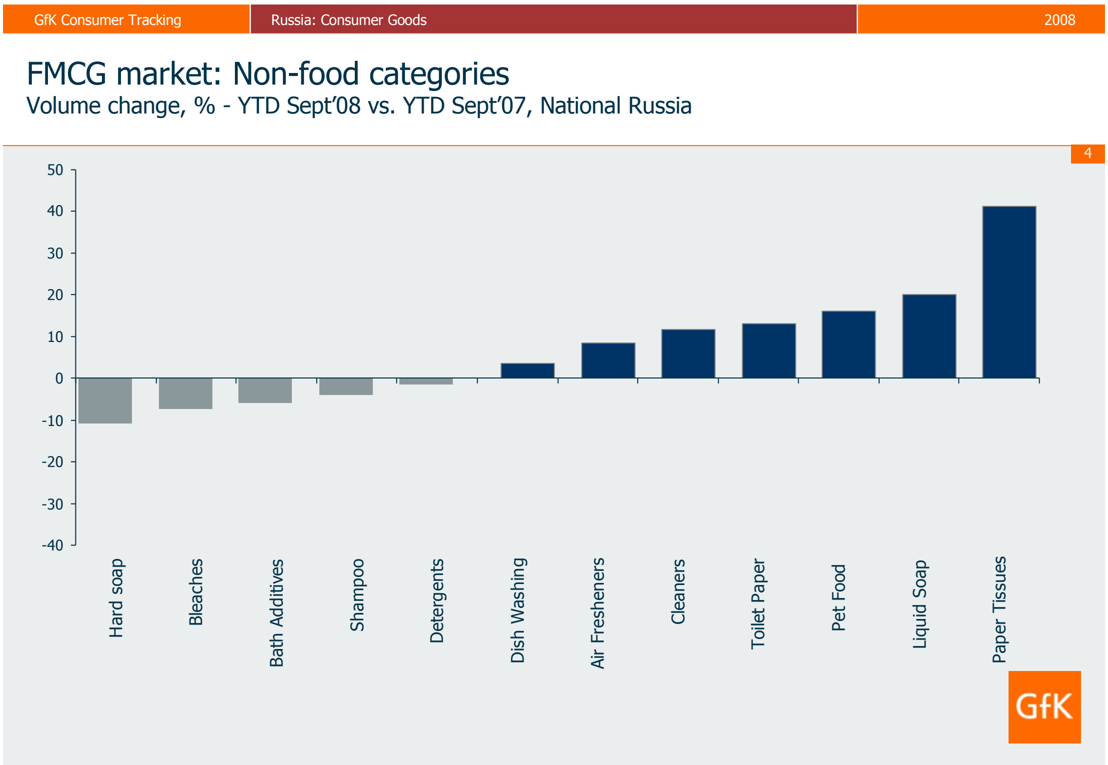
Private Labels in Russia
Volume, %

Russia	YTD Sept 2005	YTD Sept 2006	YTD Sept 2007	YTD Sept 2008
Grains & Porridge	**4**	**5**	**6**	**7**
Dressings	**7**	**8**	**9**	**7**
Ice Tea	**2**	**5**	**5**	**4**
Chocolate Spreads	**-**	**-**	**-**	**4**
Instant Soups & Noodles	**2**	**2**	**6**	**4**
Sweet Curds	**2**	**3**	**4**	**4**

4. Growth in Household Care Products

In YTD Sept'08 compared to YTD Sept'07, Russian people bought more household care goods but reduced their purchases of personal care products except for toilet paper, paper tissues and liquid soaps, all of which demonstrate significant volume growth. Amongst household care goods the most visible volume growth is seen for cleaners (+12%), air fresheners (+8%) and dish washing products (+4%). Meanwhile, sales volumes of bleaches are in decline (-7%).

Sales volumes of personal care products have also declined in terms of volume: in comparison with 2007, as in 2008 Russians bought less shampoo (-4%), bath additives (-6%) and hard soap categories (-11%).



This analysis is based on the data obtained from GfK Rus's Consumer Panel. The Consumer Panel is one of the most effective methods of measuring consumer behaviour. It enables the researcher to know WHO bought the product (socio-demographic profile), WHAT was bought (all the information about the product, including the bar-code which enables all the details about the product to be determined), WHEN (the date of purchase which enables not only the purchase to be identified but also the consistency of repeat purchase) and WHERE (the respondent indicates the trade channel or trading network). All questions concerning consumer panel data from GfK Rus can be addressed to our GfK Consumer Tracking representative or go to www.gfk.ru.

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