

## Russia

### Support of the launch and development of a new retail chain (clothes market)

In 2006-2007 GfK Rus conducted a series of studies supporting the launch of a new brand of clothes retail chain and measuring the performance and efficacy of the marketing activities. The chain was launched in autumn 2006 and now has 18 outlets in 12 Russian cities.

GfK-Rus conducted 5 surveys, which covered the following tasks:

1. Description of the Russian clothes market revealing empty niches
2. Description of consumer habits in the clothes market and exposure of unmet needs
3. Retail chain name test
4. Advertisement tracking study
5. Brand diagnostic survey

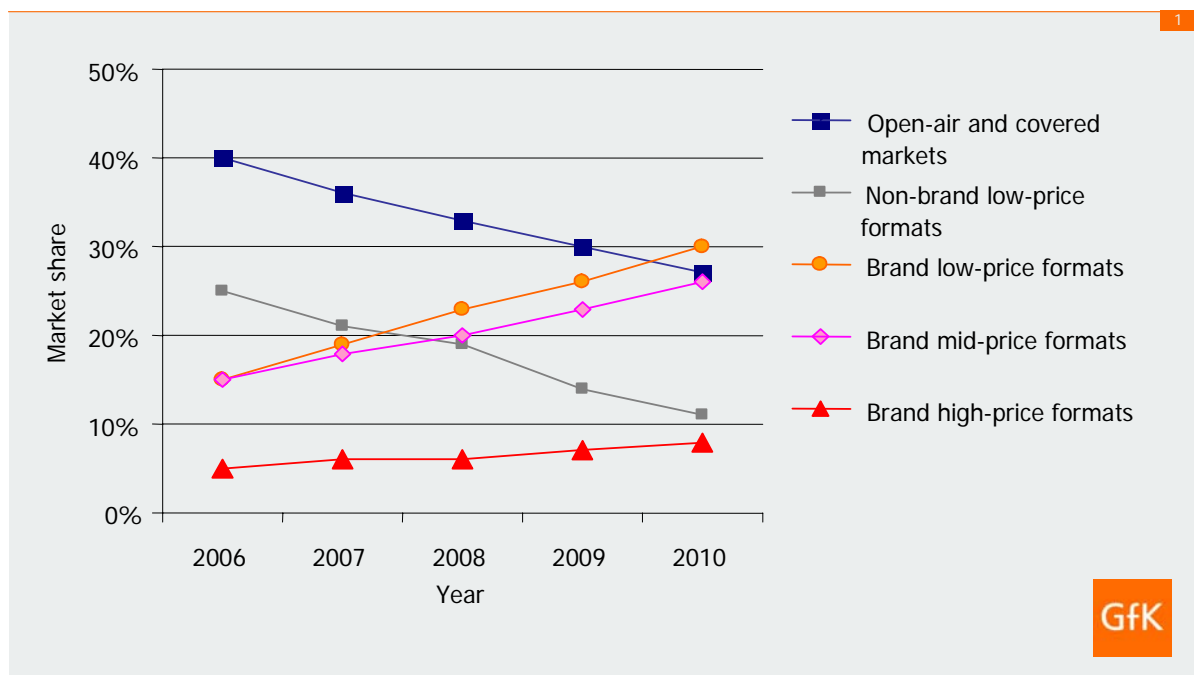
#### Launch stage: Revealing empty niches

Desk research and expert interviews have shown that the Russian clothes market is one of the most rapidly developing markets in Europe, increasing by 12-14% every year. The low-price segment was found to cover about 50% of the clothes market in Russia and 40% of the Moscow market. The leaders in the low-price segment were markets, although this retail format has been shrinking by about 7% every year.

GfK Russia

Ad hoc Research

#### Dynamics of market segments in Moscow

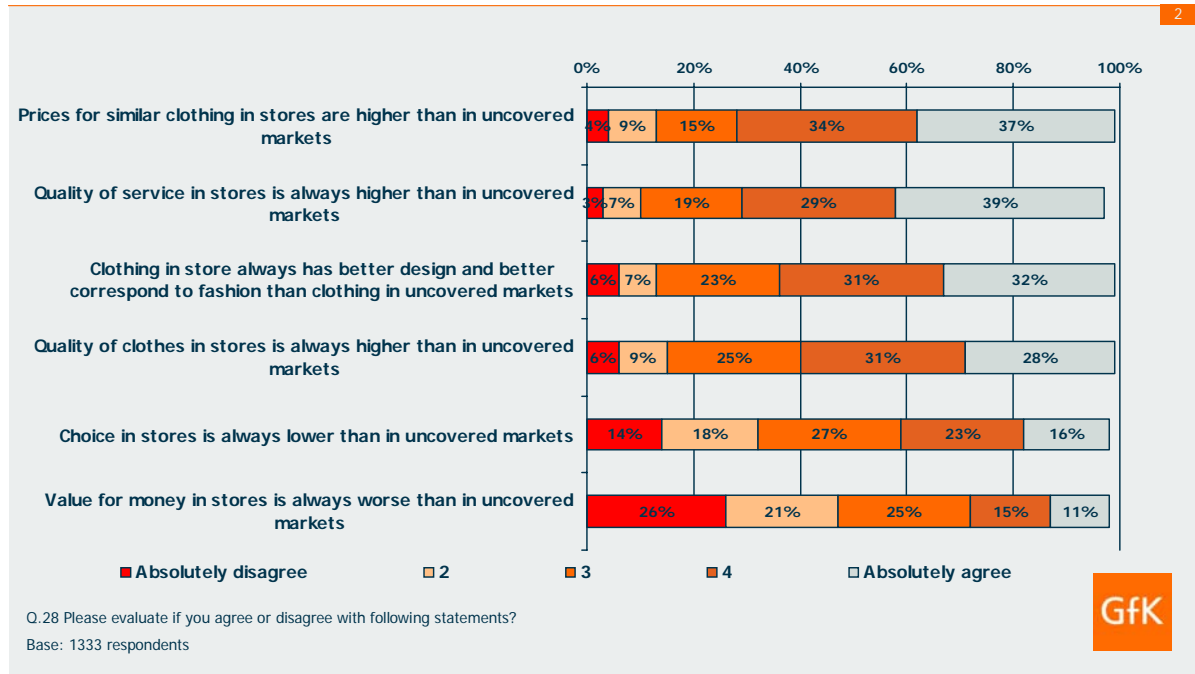


A U&A survey of the clothes market has shown that there has been no strong brand in the low-price segment. At the same time, about 30% of consumers in the low-price segment felt a need to buy brand products. The main factors involved in the choice of store are wide ranging so the conclusion was reached that the format of "one-brand clothes hypermarkets" was likely to be the most welcomed format in the low-price segment.

As uncovered markets had been the leading format in the low-price segment, a new chain would initially be in competition with such markets. We also found a number of convictions concerning the advantages of open air markets over clothes shops. In particular, it was thought that clothes on open air markets always cost less than in shops and that the range to be found in markets is usually greater. These findings allowed the client to develop an effective advertising campaign.

In addition, it was revealed that competition in the Moscow clothes market was much greater than that in the regions. At the same time, prices for prime trading rents in Moscow were very high due to lack of supply. On the basis of these findings, it was recommended that the chain launch should be initiated in large Russian cities in the regions.

## Uncovered markets and stores comparison



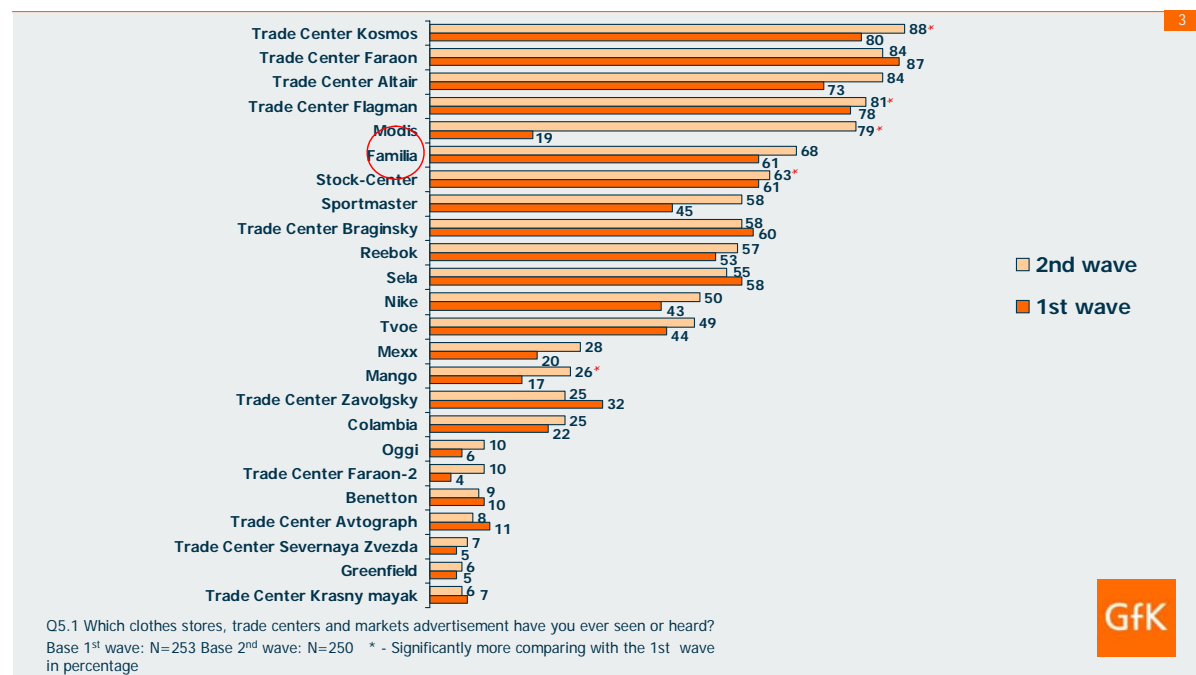
The client suggested 6 options for the name of the chain and we carried out tests to find the most promising choice in terms of attractiveness and association with the planned retail format. We recommended the use of the name "Modis" and this name was eventually accepted.

## First shops opening: Advertising test

The first Modis shop was opened in March 2007 in Yaroslavl'. A month later a second shop was opened in the same city. The client supported the opening of the shops with an advertising campaign and GfK-Rus conducted a study to measure the effectiveness of the campaign. The campaign comprised TV commercials and outdoor placements with the main message being about European style design and low prices.

Two waves of interviews were conducted (before and after the campaign) which showed that the advertising campaign was extremely effective with awareness increasing from 19% to 79% so that Modis exceeded all local monobrand chains in this parameter. We recommended using the same communication strategy in other cities.

## Prompted awareness of advertising by clothes trade centers



## Market share retention: Chain positioning improvement

About 10 shops were opened during 2007 but sales figures were below expectations. In the first few months after the shops opened the number of visitors was very high but the visit/purchase ratio was low and the numbers of visitors did not grow.

GfK-Rus conducted a Modis brand diagnostic survey to find the reasons for these problems. It was found that the Modis image demonstrated several weak points which potentially would limit both the numbers of first visits and the share of repeat visits. The main weak points were found to be clothes design and aspects associated with clothing quality.



It was found that the Modis image was quite good amongst people who knew about the brand but had never visited a Modis shop but that the image amongst those who had actually visited Modis shops was significantly worse. It was recommended that qualitative surveys should be conducted to show the perceived disadvantages of the current clothing lines. In addition, we suggested that a customer satisfaction study should be carried out.

At the current time, GfK-Rus is planning a new survey to measure Modis customer satisfaction. The Loyalty Plus method will be used to show key enhancers and key dissatisfiers with respect to consumer loyalty.

This case study demonstrates good practice in research based marketing, which allows the creation and development of a successful trade concept and goes on to achieve the expected market results.

**Contact:**

Ivan Diakonov  
Senior Consultant

**GfK-Rus**

Ryazanskij prospect 8A/11th floor  
109428 Moscow  
Russia

Tel. +7 495 937 7222

Fax +7 495 937 7233

[ivan.diakonov@gfk.com](mailto:ivan.diakonov@gfk.com)

[www.gfk.ru](http://www.gfk.ru)