Contents

Key survey observations 04
Economy and wealth 07
Russians’ New Year budget structure 11
Omni-channel retailing 15
Consumer behaviour 21
Research methodology 25
Contacts 26
Deloitte presents the 19\textsuperscript{th} annual survey of consumer behaviour ahead of the New Year and Christmas holiday season.
Key survey observations

- The percentage of Russians who plan to purchase gifts online increased from 23% to 31%. 56% of holiday trips and tickets will be purchased online.

- About one third of all online purchases will be made by young people under 34 through foreign marketplaces.

- The average Russian’s planned holiday budget amounts to RUB 16,900, which is 2% higher than last year’s actual spending (RUB 16,500).

- The average Russian’s New Year budget structure will remain practically unchanged: gifts (43%), food and beverages (45%), entertainment (12%).

- Customers’ expectations of interactions with store assistants mainly include knowledge about products (74%), a welcoming attitude (64%), and informing them about discounts and offers (63%).

- The main reason not to purchase online is the complexity of product exchange or return (84%).

- Meanwhile, Russians’ actual spending in the last holiday season (RUB 16,500) happened to be 7% higher than originally planned (RUB 15,500).

- 46% of Russians plan to benefit from Black Friday discounts and promotions. Meanwhile, 13% of Russians are not aware of Black Friday.
Key survey observations

The percentage of Russians who believe that the economy is in recession has increased from 54% to 66%. The current percentage is the highest over the entire period of the survey (since 2006).

However, next year Russians expect the economy to return to the level of 2013 (12% expect growth, 41% expect recession) and to demonstrate the same dynamic currently seen in Europe.

For the third year in a row, Russians perceived a deterioration in their purchasing power. The percentage of those who feel that their purchasing power improved has fallen from 12% to 9%; of those who felt they can spend less—decreased from 57% to 53%.

Russians expect their 2017 spending power to be reduced by 10%. Meanwhile, every other Russian’s purchasing power for the current year turned out to be lower than his/her original expectation.

The main reason for the deterioration in purchasing power is the economic situation as a whole (55%).

This year, as was the same case last year, money is far ahead of all the most desired gifts (men: 64%, women: 69%). Traditionally, the second most desired gift for men is a smartphone (45%), and for women—travel (52%). However, they are most likely to receive chocolates (51%) and cosmetics (48%).

As for other popular gifts for adults, food and beverages rose from 10th to 4th place.

Most Russians will purchase gifts in specialized chains (29%) and hypermarkets (24%).

Russians purchase gifts in luxe boutiques two times more frequently (6%) than Europeans (3%).

This year’s shopping season in Russia is expected to start earlier than last year: 34% of gifts will be purchased before 15 December (compared to 31% last year); during the last week of December, 23% of gifts will be bought (compared to 30% last year).
Russian retail market shrinking in dollar terms

- Due to the rouble devaluation, the Russian retail market continues to shrink in 2016 in hard currency terms by approximately 7%. As a result, forecasts indicate that in 2016 the Russian retail market will account for 10.9% of the whole European market (in 2012–2014 this figure was around 15%) and will maintain its fourth position after Germany, France and the UK.

- Economists expect that 2017 will be a year of growth in USD terms, after a few years of reduction.

- In 2018–2020 the market is expected to resume growth, but 2020 retail sales in Russia are forecasted to only come close to 2010 levels.

Russian retail market: rouble sales continue to grow

- Despite economic instability, retail sales increased in rouble terms in 2015 (+8%) and will continue to grow throughout 2016–2020, with 2016 sales being double 2009 sales. The annual growth rates are expected to reach 8% by 2018.
Economy and wealth
Consumer perceptions and purchasing power
Current view of the economic conditions in Russia

Current perception of the economy

Russia 2016

- The percentage of Russians who believe that the economy is in recession has increased during 2016 from 54% to 66%.
- This represents the most pessimistic perception of the economy for the last 10 years.
- The recession is being felt the most by seniors aged 55+.

Russia 2015

Women and the elderly are more inclined to identify negative trends

- Traditionally, women perceive the economic environment more prudently than men: 69% of women and 62% of men said there is a recession in 2016.
- Similarly, the elderly match women’s views (69% recession) whereas the younger generation matches men’s views (62% recession).
Russian do not expect an economic miracle

Expectations of the economy in 2017

- The percentage of Russians who expect economic growth next year declined by 7% as compared to last year, down to 12%.
- The crisis of 2008 taught Russians that the economy is not going to recover quickly. In 2009 there was a general expectation that the economy would resume growth within a year, while this time expectations for 2017 are more balanced;
- Russian expectations regarding the recession are similar to the average expectations in the EU;
- Greece holds the most pessimistic view in the EU with 72.5% of respondents indicating a recession in 2017.
Millennials also perceive tough times

- The percentage of Russians who were born between 1980–2000 and believe that the economy is in recession has increased during 2016Y from 56% to 62%;
- Their expectation of growth in 2017 is 12%; this is a decrease of 7% from the previous year’s expectations.

Stability of purchasing power slightly increased

- This year the number of Russians who feel that their purchasing power improved has fallen from 12% to 9%, in addition to the number of those who perceived a deterioration in their purchasing power—from 57% to 53%;
- The good news is that the difference went to the group where respondents feel they have the same amount to spend, resulting in a 7% increase;
- Similarly to last year, young Russians (aged 18-34) make up the group that has suffered the least from economic instability.
Russians’ New Year budget structure
Presents people want, and presents people get
The average Russian’s holiday budget is expected to be 2% higher than last year’s spending

- The average Russian’s planned holiday budget amounts to RUB 16,900 (EUR 250), which is 2% higher than last year’s actual spending (RUB 16,600).
- Meanwhile, Russians’ actual spending in the last holiday season happened to be 7% higher than originally planned (RUB 15,500).
- At the same time, this means that this year’s holiday budget is higher than last year’s budget by 9%.

- Russians’ budget structure is not expected to significantly change in comparison to the prior year’s actual expenses.
- Gifts account for 43% of Russians’ budget, compared to 51% across Europe.

Exchange rate used this year: 67.5 RUB/EUR
Prior year: 71 RUB/EUR
Most Russians want to receive money as a gift

But will they get what they want?

Most desired New Year & Christmas gifts:

- This year, the same as last year, money is far ahead of all other most desired gifts;
- Men’s top three most desired gifts have not changed. Men prefer money and high-tech devices;
- Women appear to demonstrate more variation in their preferences. While they do not want to deny themselves travel (second place), cosmetics and perfumes came in third place for a second year in a row (two years ago jewelry was in third place).
Russians tend to be more conventional in terms of their wishes

Money is the gift that people desire most

Most desired Christmas gifts:

<table>
<thead>
<tr>
<th>Gift Category</th>
<th>Ranking and share in 2016</th>
<th>Ranking and share in 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money (cash)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Travel</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Smartphone</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Laptop/PC Computer</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Cosmetics/Perfumes</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Chocolates</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Jewellery/watch</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Tickets for the theatre/concert/cinema/sports match</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Tablets</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>Clothes/shoes</td>
<td>10</td>
<td>12</td>
</tr>
</tbody>
</table>

- The top 10 most desired gifts remained almost the same except for the clothes and shoes category, which took 10th place (up from 12th) kicking gift vouchers out of the list.
- Money for the second year in a row has been selected as the most desired gift in Europe as well.

Chocolates and perfumes/cosmetics are again the top gift choices for purchase

Most popular Christmas presents to be purchased in Russia

<table>
<thead>
<tr>
<th>Gift Category</th>
<th>Ranking and share in 2016</th>
<th>Ranking and share in 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chocolates</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Perfumes/cosmetics</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Money (cash)</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Food and drink</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Gift vouchers</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Books</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Cooking accessories</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Health products</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>Tickets for the theatre/concert/cinema/sports match</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Smartphone</td>
<td>10</td>
<td>17</td>
</tr>
</tbody>
</table>

- Food and drink move up from 6th to 4th place;
- Health products gained five positions;
- Smartphones made it into the Top-10 while being only 17th last year;
- Books continue to lose popularity not only as a desired gift, but also as a gift Russians buy for others.

For adults

<table>
<thead>
<tr>
<th>Gift Category</th>
<th>Ranking and share in 2016</th>
<th>Ranking and share in 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money (cash)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Travel</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Smartphone</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Laptop/PC Computer</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Cosmetics/Perfumes</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Chocolates</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Jewellery/watch</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Tickets for the theatre/concert/cinema/sports match</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Tablets</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>Clothes/shoes</td>
<td>10</td>
<td>21</td>
</tr>
</tbody>
</table>

For teenagers aged 12 to 18

<table>
<thead>
<tr>
<th>Gift Category</th>
<th>Ranking and share in 2016</th>
<th>Ranking and share in 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chocolates</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td>Money (cash)</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Games</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Books</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Smartphone</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Console (Nintendo Wii.)</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Tablets</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Clothes/shoes</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>Tickets for the theatre/concert/cinema/sports match</td>
<td>9</td>
<td>19</td>
</tr>
<tr>
<td>Sports and leisure equipment</td>
<td>10</td>
<td>4</td>
</tr>
</tbody>
</table>

- Teenagers will have a higher chance of getting a smartphone (up from 8th to 5th place) or a console (up from the 18th to 6th place);
- Tickets are also a much more likely option than before (up from 19th to 9th place).
Omni-channel retailing
The Internet is an integral part of the shopping process.
The share of online gift purchases in Russia rose

Where did people find them?

Share of gifts to be purchased online

<table>
<thead>
<tr>
<th>Year</th>
<th>Europe</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>22%</td>
<td>31%</td>
</tr>
<tr>
<td>2012</td>
<td>25%</td>
<td>24%</td>
</tr>
<tr>
<td>2013</td>
<td>27%</td>
<td>26%</td>
</tr>
<tr>
<td>2014</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>2015</td>
<td>29%</td>
<td>23%</td>
</tr>
<tr>
<td>2016</td>
<td>31%</td>
<td>31%</td>
</tr>
</tbody>
</table>


Portion of online gift purchases expected to be carried out via overseas marketplaces

- I will not buy from overseas marketplaces: 31.5%
- Less than 20%: 31.5%
- From 20 to 50%: 18.7%
- From 50 to 80%: 10.7%
- From 80 to 100%: 5.0%
- All of them: 2.7%

Where people search for/compare desired products

- Search engines (Google, Yahoo)
- Online shops (with one or more offline stores)
- Comparison sites (Pricing)
- Online shops (without offline stores)
- Websites of brands/suppliers
- Websites with coupons and offers
- Forums and blogs
- Social media (Facebook, Twitter etc.)
- Email newsletters and online leaflet via email
- None of these

Europe 2016:
- Search engines (Google, Yahoo): 31%
- Online shops (with one or more offline stores): 31%
- Comparison sites (Pricing): 31%
- Online shops (without offline stores): 31%
- Websites of brands/suppliers: 31%
- Websites with coupons and offers: 31%
- Forums and blogs: 31%
- Social media (Facebook, Twitter etc.): 31%
- Email newsletters and online leaflet via email: 31%
- None of these: 31%

Russia 2015:
- Search engines (Google, Yahoo): 22%
- Online shops (with one or more offline stores): 20%
- Comparison sites (Pricing): 25%
- Online shops (without offline stores): 24%
- Websites of brands/suppliers: 27%
- Websites with coupons and offers: 26%
- Forums and blogs: 26%
- Social media (Facebook, Twitter etc.): 26%
- Email newsletters and online leaflet via email: 26%
- None of these: 29%

- The share of online gift purchases in Russia is at 31% and seems to be growing again after a fall last year. Overall throughout Europe, the share of online purchases is stable (at the same level);
- Of all Russians planning to shop for gifts online, 18% will buy more than half of them via overseas marketplaces;
- The most common and popular way to find desired gifts in Russia as well as in Europe in 2016 are through search engines with their contextual advertising followed by online shops of offline retail chains.
Russians tend to look over a few known online stores rather than refer to a price aggregator

If a product is not available in an online store, one usually prefers to:

- Go to another online store
- Go to a physical store of a different retail chain
- Go to another website (search engine, price comparison site, etc.)
- Go to a physical store of the same retail chain
- I never shop online
- Would not continue shopping for the product

- If a product is not available in the familiar online store, he/she is most likely to first search for this product at another known online store (35%). This year second place goes to “a physical store of a different retail chain”, while last year’s second place was “go to another website (search engine, price comparison, etc.)”.
How e-commerce can further compete with offline stores

What benefits do customers appreciate in offline stores?

Shoppers’ top 5 needs in which offline stores still beat e-shops

- Possibility to easily exchange or to return products
- Protection of my personal data (ID, address, etc.)
- After sale services (repair)
- Safety in respect to payment
- Competent and professional advice

- Physical stores are still above the competition in terms of the ease of product exchange or return, after-sale service, and competent advice at the store. There is a slightly changing trend however—Safety in payment and Protection of personal data moved up to 2nd and 4th place, which indicates customers’ greater attention to these areas.

- However, Russians mainly value e-commerce in terms of the availability of consumer feedback, ease of searching for product information and price comparison.
Good sales staff should greet customers with a welcoming attitude and answer questions about products and offers

Customers’ expectations of a store’s sales staff

- Be knowledgeable about products
- Greet me promptly with a welcome attitude
- Let me know about discounts / offers
- Assist me finding gifts
- Help me pay quickly
- Has the ability to match any other retailer’s prices
- Offer me home delivery option
- Assist me about e-commerce
- None of these

• Customers’ expectations of interactions with store assistants mainly include knowledge about products (74%), a welcoming attitude (64%), and informing about discounts and offers (63%).

• In this regard, Russians and Europeans are alike.

• This year’s trend is increased importance of assistance in finding gifts (42% vs. 29% last year).
Specialty chains and hypermarkets beat traditional department stores

Retail formats used to purchase gifts

- The most rapid fall in Russian gift purchasing methods is in traditional departments stores, which keep losing customer loyalty for a second year in a row. This year hypermarkets and supermarkets moved to 2nd place replacing department stores.
- In contrast to Russians, Europeans are loyal to traditional local shops, which come second for gift shopping after specialty chains.
Consumer behaviour
Decision-making and timing of purchases
Fewer Russians will buy gifts at the last moment

• 61% of Russians are planning to do their holiday shopping in the second half of December.

• Although Russians traditionally do their holiday shopping later than Europeans, this year’s shopping season in Russia is expected to start earlier than last year, which is a repeating trend.

Most Russians to leverage Black Friday deals

To what extent are you going to leverage offers during Black Friday as part of your holiday shopping?

- I will consider some of the deals on offer to save my holiday budget 26%
- I will try to use maximum Black Friday opportunities relevant to my shopping needs 25%
- I will avoid Black Friday shopping because I expect no significant discounts to normal prices 19%
- I will avoid Black Friday shopping because the exact products I need are usually not on offer 17%
- I do not know what ‘Black Friday’ stands for 13%
- Black Friday period is too early for my holiday shopping, I usually do it closer to the New Year 11%

• 51% of Russians will use at least some of the opportunities that Black Friday offers;

• 36% do not believe they can benefit from Black Friday deals, as either the discounts are small/artificial or irrelevant products are on sale.
What channels of information are used for getting ideas and advice on gifts?

- Russians as well as Europeans are most influenced by the Internet and in-store advertisements and promotions.
- Word of mouth closes the Top-3.
- Magazines and TV are the most effective in the Fashion and Music category.
What do Russians use to find particular gifts channels of information

- The most popular gifts to be searched for on the Internet are Leisure and high tech products.
- Stores are particularly effective in the Food and Drink category.
- People get insights on leisure and sports gifts mainly through word of mouth.
Research methodology
Details and approach

The survey was conducted in nine countries in Eastern and Western Europe during the last week of September and the first two weeks of October 2016.

The respondents are 18 to 65 years old.
Information was collected via the Internet with a structured questionnaire distributed to a sample of individuals selected from a controlled group;

In order to adjust the Internet sample to the population of each country, we used ex-post statistical weighting based on gender and age in each country;

The Russian sample is more representative of the middle and upper social classes in large cities since the survey was carried out via the Internet.

This survey has been conducted since 1998.

Russia has been covered for ten years in a row.
Contacts

Vladimir Biryukov
Partner
Moscow, Audit
Head of the Retail, Wholesale & Distribution Group in the CIS
+7 (495) 787 06 00, ext. 1860
vbiryukov@deloitte.ru

Sergey Turushev
Senior manager
Moscow, Audit
Consumer & Industrial Products Group in the CIS
+7 (495) 787 06 00, ext. 2350
sturushev@deloitte.ru

Egor Metelkin
Partner
Moscow, Audit
Head of the Consumer & Industrial Products Group in the CIS
+7 (495) 787 06 00, ext. 2320
emetelkin@deloitte.ru