SURVEY

# FOOD RETAIL AND CONSUMER MARKET OF RUSSIA

Results of 2018 and Trends for 2019. Forecast up to 2021

DEMO VERSION

**INFOLine**
информационное агентство | information agency

- RETAIL AND CONSUMER MARKET INDICATORS
- FMCG RETAIL MILESTONES
- RATINGS OF FMCG RETAIL CHAINS
- MARKET SURVEY OF LEADING FMCG SUPPLIERS

# CONTENTS

# CONTENTS

**Classification of FMCG Retail chains outlets used by INFOLine**
**Branch Ministries, Departments and Associations**
**List of Sources**
**List of Abbreviations**
**Information Use Agreement**
**About the Author: INFOLine Information and Analytical Agency**

## 1.2. RETAIL TURNOVER

- In 2018, the retail turnover (RT) of Russia continued to show a positive trend, which began in 2017 after two years of decline (**-4.8%** in 2016 and **-10%** in 2015). In 2018, retail turnover amounted to **RUB 31.6 trln**, an increase of **2.8%** in physical terms and **6.2%** in monetary terms. According to the MED forecasts of April 2019, it is expected that the retail turnover growth in physical terms will slow down to **1.6%**; it will accelerate to **2.1%** in 2020 and to **2.5%** in 2021.

- In 2018, the downward trend in the share of food products in the retail trade continued: the share of Food retail turnover in 2018 was **47.7%** that is **0.7 pp** lower than in 2017. At the same time, in the Non-Food segment, the largest sales growth was observed in such categories as mobile phones, computers, household appliances, sporting goods and automobiles.

- On average, in 2018 inflation (CPI) was **2.9%**. In Q1 2019, CPI accelerated to **5.2%**, including to **5.8%** for the Food CPI, to **4.6%** for the Non-Food CPI and the **5.1%** for Services CPI. The highest increase in prices was noted in such categories as sugar (**29.5%**) and eggs (**19.3%**) for food products, and in tobacco products (**9.8%**) and motor gasoline (**9.6%**) for non-food products.

### Dynamics of Retail Turnover, in % of the Corresponding Period of the Previous Year
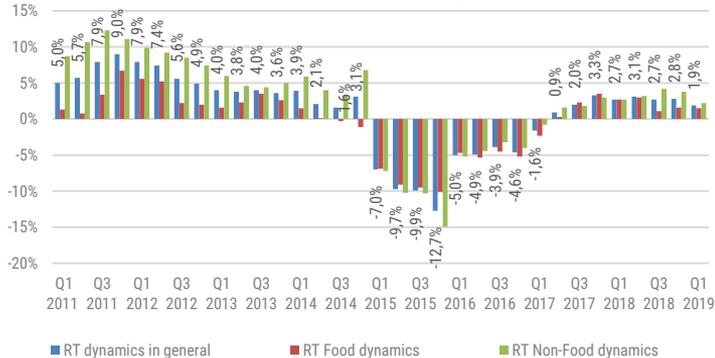
Source: FSSS

### Growth Rate of Consumer Prices (December to December of the Previous Year), %
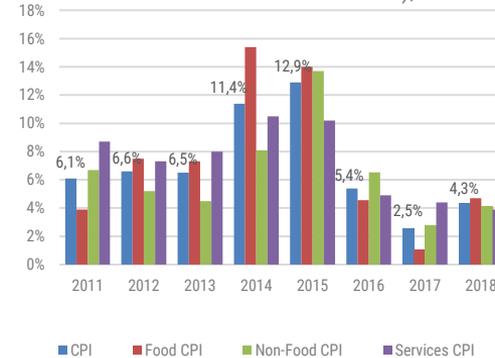
Source: FSSS

### Retail Turnover, % YoY
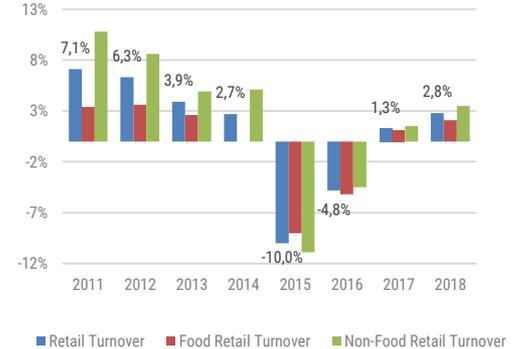
Source: FSSS

## 1.5. DYNAMICS OF INCOMES AND EXPENDITURE OF THE POPULATION

- In 2018, the real disposable household income increased by **0.1%**. At the same time, in H1 2018, for the first time since 2014, real disposable cash incomes of the population showed significant growth, mainly due to the pre-election first quarter, when there was a local increase in payments in the public sector to fulfill the May decrees.

- After the election, the growth in real disposable income slowed down, and by the end of Q4 2018, a decrease of **-2%** occurred, which accelerated to **-2.5%** in Q1 2019. Nevertheless, according to the results of 2018, for the first time in five years, Rosstat, as part of the new methodology, determined that real disposable cash incomes grew by **0.1%**, while it decreased by **0.5%** in 2017, by **4.5%** in 2016, by **2.4%** in 2015, and by **1.2%** in 2014.

- As part of the basic forecast published in April 2019, MED expects real disposable cash income to grow by **1%** in 2019 (despite a decrease of **-2.3%** in Q1 2019), by **1.5%** in 2020 and by **2.2%** in 2021.

- According to the estimates of the RF Central Bank (CBR), the share of non-cash payments in the retail trade turnover at the end of 2018 amounted to **55%**, and, overall, in 2018, exceeded **50%** (**40%** in 2017, **32%** in 2016 and **24%** in 2015).

### Dynamics of Wages and Real Incomes, %



Real salary
Real disposable cash income

*Source: FSSS (2014-2019 by new methodology)*

### Household Income and Expenditure Ratio



Household expenditures, RUB trln
Excess of cash income over expenditures,% (right scale)
Dynamics of household expenditures,% (right scale)
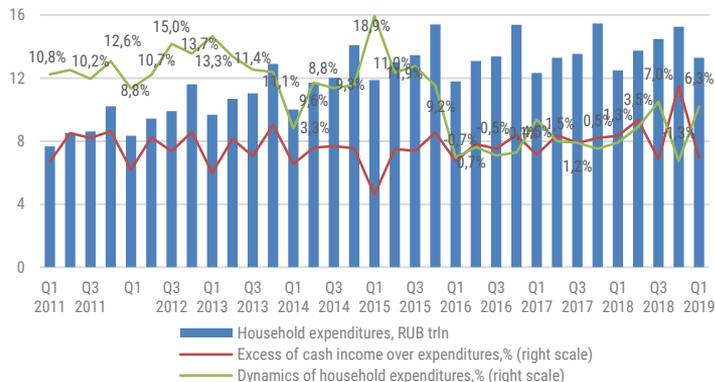
*Source: FSSS*

### Distribution of Population by Per Capita Income



*Premium* ~10%

*Middle* ~20%

*Value* ~55%
*More than 60% of Russians do not have significant savings!*

*Buy STOP* ~15%

*Source: CBR, Sberbank open data, INFOLine estimates*

# PART I. RETAIL AND CONSUMER MARKET INDICATORS

In full version of review
**FOOD RETAIL AND CONSUMER MARKET OF RUSSIA. RESULTS OF 2018 AND TRENDS FOR 2019. FORECAST UP TO 2021**:

GDP Dynamics and Breakdown
Retail Turnover by Type of Goods
Retail Turnover Structure by Segments
Structure of Household Cash Income and Expenditure
Consumer Lending Status and Deposits
Consumer Behavior



In full version – 8 slides, 19 diagrams

## 2.1. GOVERNMENT REGULATION: KEY INNOVATIONS OF 2018 AND CHANGES IN EXCISE DUTIES

- **From January 1, 2019, Federal Law No. 303-FZ dated August 3, 2018 entered into force** (<u>text of law</u>). The law provides for an increase in VAT from **18** to **20%** from January 1, 2019. The preferential rate on children's and socially significant goods remains at 10%. The increase in VAT did not affect small businesses on the simplified tax system (STS), unified tax on imputed income (UTII) or patent tax system exempt from VAT. In addition, until 2025 there will be a zero VAT rate for air travel to Crimea and Sevastopol. A zero rate is also fixed for air transportation to the regions of the Far Eastern Federal District and the Kaliningrad Region. According to CBR, in general, the effect of VAT increases on consumer price growth in Q1 2019 was moderate, as evidenced by the moderate increase in prices of non-food products and unregulated services that are subject to VAT at a base rate of 20%. The impact of VAT increases on retail prices was limited by the desire of large retail chains to distribute the price increase over time and make it less noticeable for buyers, as well as ruble strengthening in the face of limited consumer demand due to accelerated decline in real disposable incomes and increased repayment and loan servicing costs. Thus, the transfer of VAT increases to retail prices turned out to be longer than CBR and MED assumed, and the contribution to inflation will be near the lower limit of the previously announced range of 0.6-1.5%. With this in mind, the Bank of Russia lowered its annual inflation forecast for the end of 2019 from 5.0-5.5% to 4.7-5.2% and expects that the quarterly growth rate of consumer prices in annual terms will slow down to 4% already in H2 2019, and annual inflation will return to 4% in H1 2020.

- **From January 1, 2019, Federal Law No. 350-FZ dated October 3, 2018** (<u>text of law</u>) entered into force to introduce a phased (from January 1, 2019) increase in the retirement age to 65 and 60 years (men and women, respectively (with features depending on place of residence, seniority, position, etc.)), a new procedure for indexing insurance pensions (it is assumed that the size of pensions will be indexed above the inflation level), preserving the current procedure for assigning a funded pension, an urgent pension payment and a lump-sum payment, establishing a new procedure unemployment benefits (it is assumed that the minimum benefit will increase from RUB 850 to RUB 1,500 per month, and the maximum will rise from RUB 4,900 to RUB 8,000 per month), preserving the right to early retirement benefits for citizens recognized as unemployed (for two years before the age giving the right to receive such a pension including ahead of schedule), etc.

# PART II. RETAIL MILESTONES

In full version of review
**FOOD RETAIL AND CONSUMER MARKET OF RUSSIA. RESULTS OF 2018 AND TRENDS FOR 2019. FORECAST UP TO 2021**:

Return Prohibition Law
State Regulation Of Trade
Cash Register Equipment
Tax Free
Online And Cross-border Trade
Government Regulation in Non-food Retail
Consumer Product Quality Control

In full version – 13 slides

## 3.1. FOOD RETAIL STRUCTURE

- In 2017–2018, the discounter channel developed most rapidly due to the high investment activity of federal retailers (**X5 Retail Group** and **Magnit**). Its dynamics amounted to approximately **18%**.
- The hypermarket channel was characterized by the stabilization of the number of facilities against an increase in the number of closures by inefficient retailers and the negative dynamics of like-for-like sales (especially in Non-Food categories such as clothes, shoes and equipment), as well as a shift in focus to children's and office products, cosmetics and drogerie.
- In 2019–2020 INFOLine predicts a continued trend of building an efficient distribution networks by chains: from logistics, direct import and private labels to online trading and the development of wholesale sales, combined with an increase in IT investment to personalize customer interactions within the new business ecosystem based on the widespread use of BIG DATA. According to INFOLine, this phase of development of retail FMCG can be called "Consolidation is the technological superiority". All this significantly increases the threshold for entering the industry and accelerates the consolidation process (this is confirmed, inter alia, by the deal between Dixy, GK and Krasnoe&Beloe, GK).

### Food Retail Turnover Dynamics by Sales Channels



Legend: Hypermarkets, RUB trln with VAT; Supermarkets, RUB trln with VAT; Discounters, RUB trln with VAT; Stores, RUB trln with VAT; Traditional trade, RUB trln with VAT; Dynamics, % (right scale)
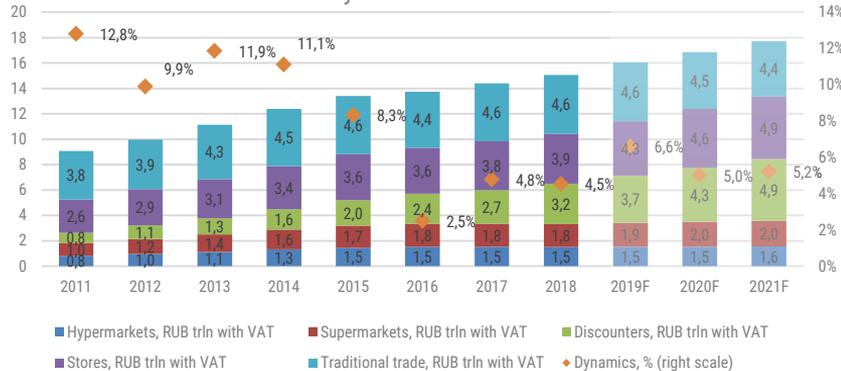
*Source: INFOLine calculations*

### Sales Structure in FMCG Retail Chains (excluding drogerie, pharmacies and other non-food chains and facilities)



Legend: Food, RUB trln excluding VAT; Non-Food, RUB trln excluding VAT; Food share, % (right scale)
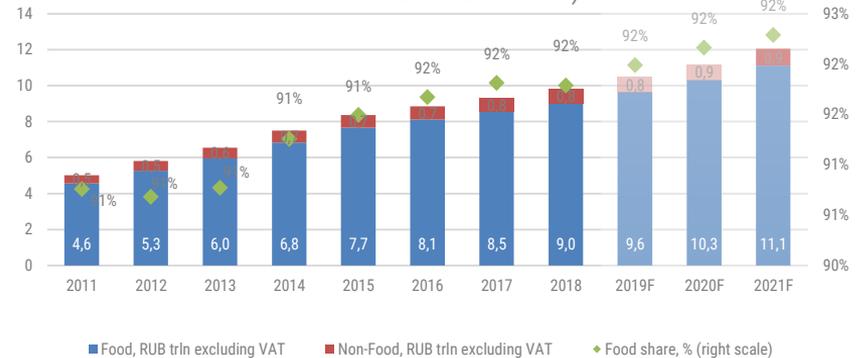
*Source: INFOLine calculations*

## 3.6. TOP-10 FMCG RETAIL CHAINS BY THE RESULTS OF 2018

- In 2018, **X5 Retail Group** maintained its leadership by dynamics of retail facilities and retail space growth, expanding the chain by **2310** facilities and **984 thousand sq.m**, which is below the level of 2017 (**2934** facilities and **1178 thousand sq.m**). In 2019, plans to open **1,8 thousand** objects, mostly Pyaterochka discounters.

- In 2018, the **Magnit** retail chain reduced investment activity. The network developed mainly in the segment of discounters, where the increase amounted to **1302** objects against **1604** for 2017. in 2018, Magnit increased the network by **18** "Magnit Family" and "Magnit-Opt", **731** "Magnit Cosmetic", reducing the number of hypermarkets by **2**.

- In 2018, **Lenta** expanded its network by **13** hypermarkets and **38** supermarkets, increasing its retail space by **84.7 thousand sq.m**. The company had to close one hypermarket in St. Petersburg due to a fire. In Q4 2018, the company sharply reduced wholesale sales, which led to a slowdown in revenue growth.

- **METRO** opened 3 shopping centers in 2018 (1 shopping center in 2017). In 2019, the company does not plan to implement new investment projects, focusing on the renewal of existing shopping centers and the development of the franchise network **Fasol**.

### Revenue of TOP-10 FMCG Chains



Legend:
- 2015, RUB bn without VAT
- 2016, RUB bn without VAT
- 2017, RUB bn without VAT
- 2018, RUB bn without VAT
- Dynamics 2017/2016, % (right scale)
- Dynamics 2018/2017, % (right scale)
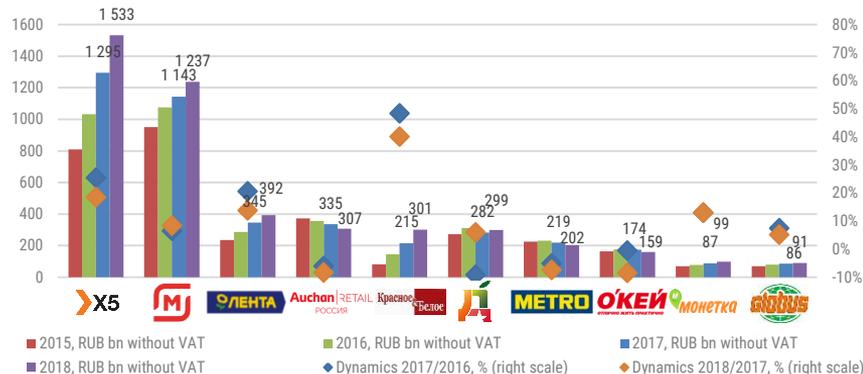
*Source: corporate data, INFOLine estimations, the data on Lenta for 2015-2016 – INFOLine estimation, except for wholesale*

### Number of Facilities and Selling Space of TOP-10 FMCG Chains at the End of the Period



Legend:
- Retail space as of the end of 2017, thousand sq.m
- Retail space as of the end of 2018, thousand sq.m
- The number of objects as of the end of 2017 (right scale)
- The number of objects as of the end of 2018 (right scale)
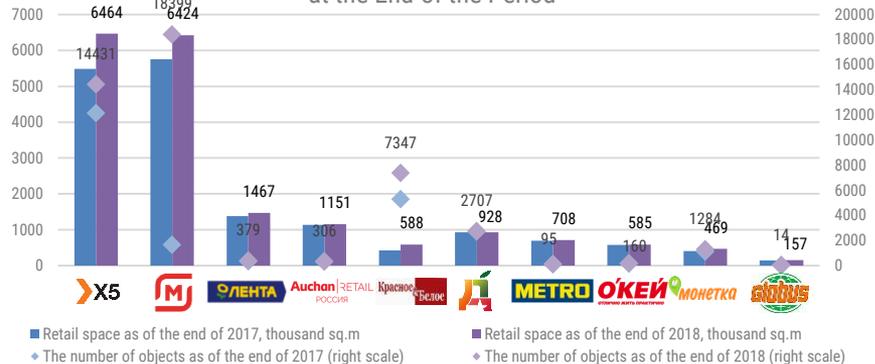
*Source: corporate data, INFOLine estimations (data for METRO is given considering Crimea and without Fasol franchise chain)*

## 3.10.1. FMCG RETAIL CHAIN FORMAT RATING: HYPERMARKET

- At the end of 2018, <u>Lenta</u> maintains leadership in revenue in the hypermarket format, opening **14** new hypermarkets in the year (with the planned **18**) and increasing its total selling space by more than **60 thousand sq.m**.
- In 2018, regional retailers continued to leave the FMCG hypermarket market: for example, **Holiday, GK** closed **14** hypermarkets (including those sold to <u>Lenta</u> in 2017-2018). **Tri Kota LLC** completely turned off the retail business (it operated **7** Tri Kota hypermarkets in the Primorsky and Khabarovsk Territories). <u>Prisma</u> closed **3** Prisma hypermarkets in St. Petersburg and **1** in the Leningrad Region focusing on the supermarket format development. **Ritm-2000 LLC** closed **5** of **6** Telezhka hypermarkets in the Tver Region.
- In 2018, only one new retailer entered the FMCG hypermarket market: in October **Altair Plyus LLC**, which develops **Remi** and **Ekonomych** chains in the Primorsky Territory, opened the first **Remi** hypermarkets in rented areas where Tri Kota hypermarkets previously operated.
- The largest drop in hypermarket sales in 2018 was demonstrated by <u>METRO</u> (**-7.4%**) and <u>Auchan</u> (**-8.6%**).

Number of Facilities and Food Retail Turnover in Hypermarket Format (including non-chain)



Number of hypermarkets
Food turnover with VAT, RUB trln (right scale)

*Source: INFOLine calculations and estimates*
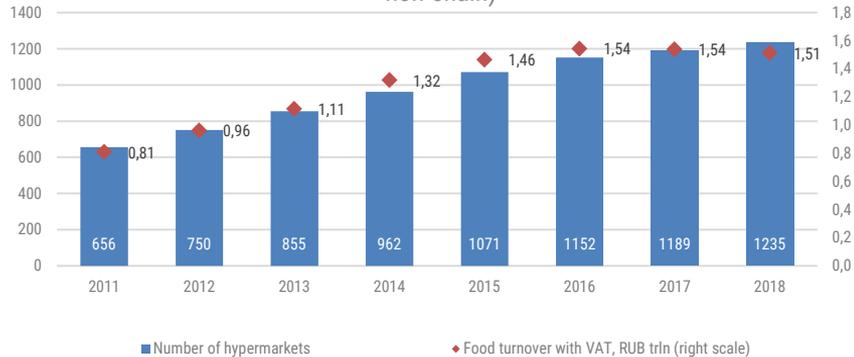
Revenues of TOP-5 FMCG Chains in Hypermarket Format
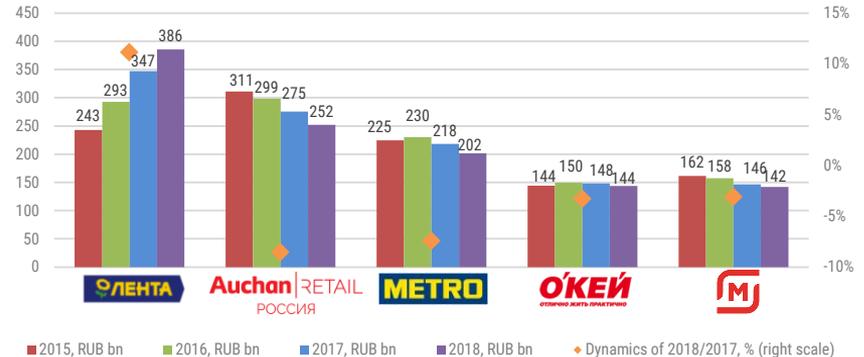


2015, RUB bn    2016, RUB bn    2017, RUB bn    2018, RUB bn    Dynamics of 2018/2017, % (right scale)

*Source: INFOLine calculations and estimates*

## 3.10.1. FMCG RETAIL CHAIN FORMAT RATING: HYPERMARKET

- The trend of recent years in the hypermarket format is selling space reduction. <u>**X5 Retail Group**</u> has stopped the development of the **Karusel** format and is gradually transforming hypermarkets into supermarkets.
- <u>**Lenta**</u> primarily opens compact hypermarkets with an average selling space of about **5 thousand sq.m**. In 2019, it is planned to significantly reduce the rate of organic growth in this format.
- In August 2018, <u>**Selgros C&C**</u> began opening hypermarkets in Moscow in a reduced format in shopping centers (area reduced from **8** to **3.7 thousand sq.m**) with a reduced range (from **40** to **22 thousand** SKUs) and a Non-Food share (from **50%** to **20%**), but with an increased self-service area.
- In April 2019, <u>**Hyperglobus**</u> opened the first hypermarket in a shopping mall (Salaris shopping center in Moscow), with a selling space of 9.9 thousand sq.m. In Q2 2019, the company plans to complete the approval of a business strategy providing for the development of a new format with a selling space reduced from **13** to **5 thousand sq.m** (including outlets in the shopping centers).

### Number of TOP-5 FMCG Chains in Hypermarket Format at the End of the Period



Source: INFOLine calculations and estimates
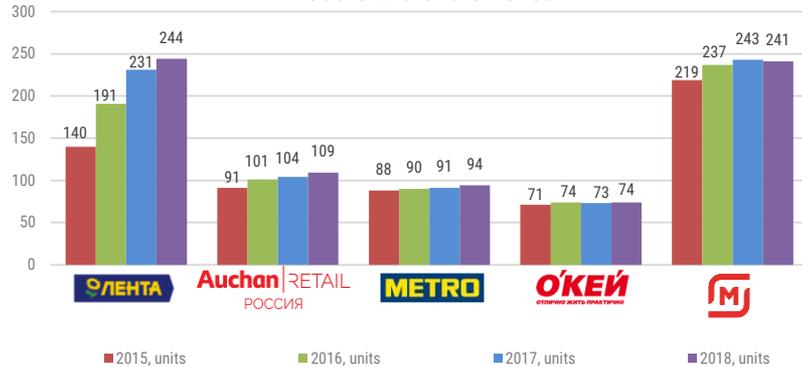
- 2015, units
- 2016, units
- 2017, units
- 2018, units

### Selling Space of TOP-5 FMCG Chains in Hypermarket Format at the End of the Period



Source: INFOLine calculations and estimates

- 2015, thousand sq.m.
- 2016, thousand sq.m.
- 2017, thousand sq.m.
- 2018, thousand sq.m.
- Dynamics of 2017/2016, % (right scale)
- Dynamics of 2018/2017, % (right scale)
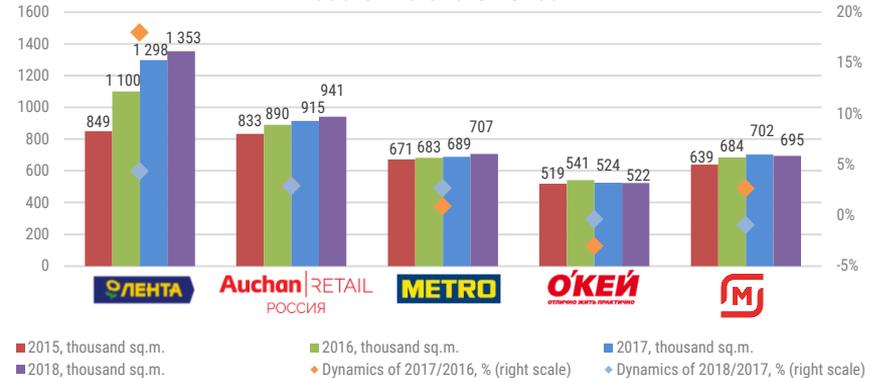
# PART III. FMCG RETAIL PERFORMANCE

In full version of review
**FOOD RETAIL AND CONSUMER MARKET OF
RUSSIA. RESULTS OF 2018 AND TRENDS FOR
2019. FORECAST UP TO 2021**:

Number and Area of TOP-200 FMCG Chains
TOP-10 FMCG Retail Chains by the results of 2018 and H1 2019
FMCG Retail Chain Format Ratings by Formats
Online Trade Development by FMCG and Foodtech Chains
Wholesale Trade Development by FMCG Retail Chains
Private Label Development by Russian FMCG Retail Chains
Launch of FMCG Chain Distribution Centers
Largest M&A Deals
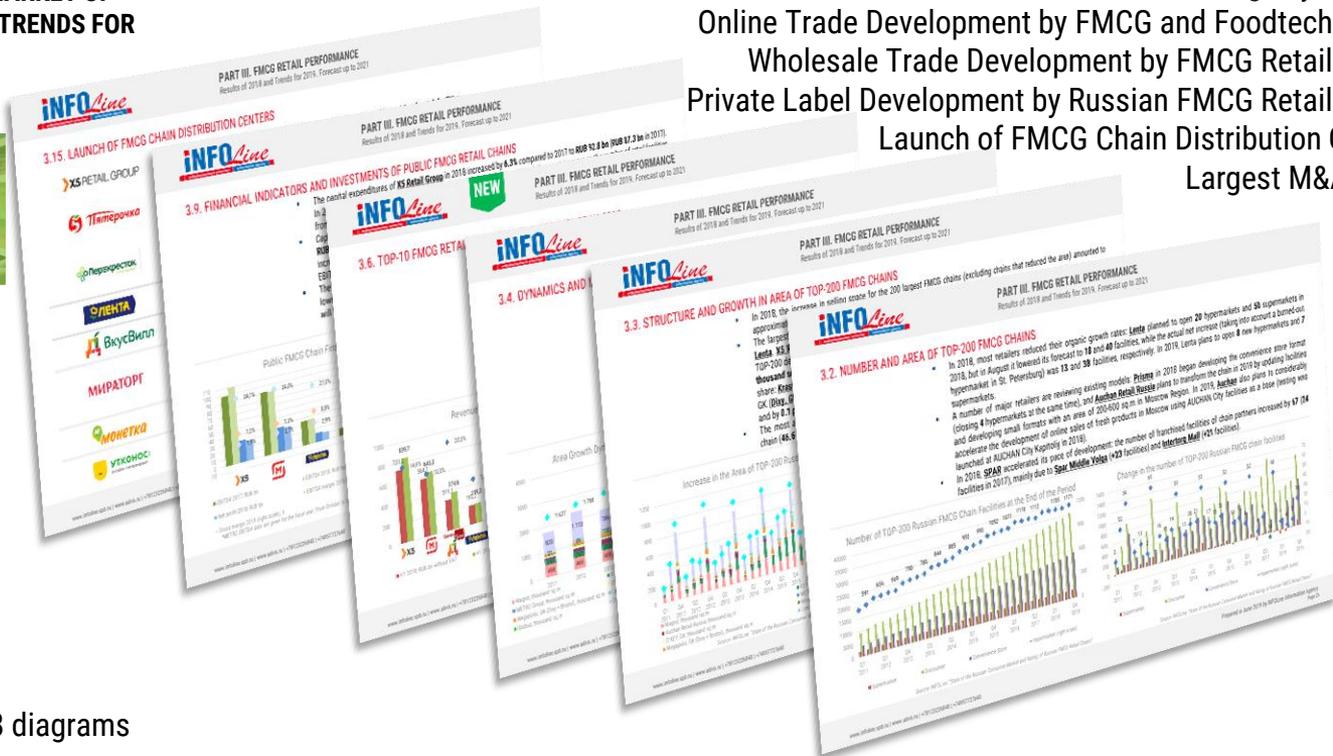
In full version – 37 slides, 58 diagrams

## 4.1. SALES RESULTS OF LEADING FMCG SUPPLIERS IN 2016-2018 AND FORECAST FOR 2019

- In 2018 retail turnover in the food segment increased by **2.1%** to **RUB 15.06 trln** in physical terms (by 4.5% in monetary terms). At the end of 2017, the indicator in physical terms increased by **1.1%**.
- In 2018, real disposable incomes of the population grew by **0.1%**. In H1 2018, real disposable monetary incomes of the population showed significant growth for the first time since 2014. This was mainly caused by the pre-election first quarter when there was a local increase in payments in the public sector for implementing the "May Decrees".
- The overwhelming majority (**80%**) of leading food products suppliers noted an increase in sales in 2018 in rubles, and more than a third of respondents said that sales grew by **10%** or more.
- The INFOLine forecast was confirmed: growth in sales of leading FMCG suppliers accelerated, despite the market stagnation as a whole, which is associated with consolidation (crowding out small players and replacing imports).
- Sales forecast for 2019 is somewhat more optimistic for the majority – also **80%** of respondents expect an increase in sales, and only **5%** of respondents expect a decrease.

### Sales Dynamics of Leading FMCG Suppliers in 2016-2018 and Forecast for 2019,%

| Category | 2016 (actual) | 2017 (actual) | 2018 (actual) | 2019 (forecast) |
|---|---|---|---|---|
| Growth + 25% or more | 7% | 7% | 12% | 10% |
| Growth +10%-+25% | 35% | 27% | 22% | 27% |
| Growth + 10% or more | 42% | 34% | 35% | 37% |
| Growth +5%-+10% | 27% | 24% | 24% | 24% |
| Growth up to + 5% | 12% | 13% | 20% | 19% |
| At the last year level | 10% | 11% | 13% | 16% |
| Revenue reduction | 9% | 18% | 8% | 4% |

Forecast for 2017-2019 — 2016 (actual) — 2017 (actual) — 2018 (actual) — 2019 (forecast)
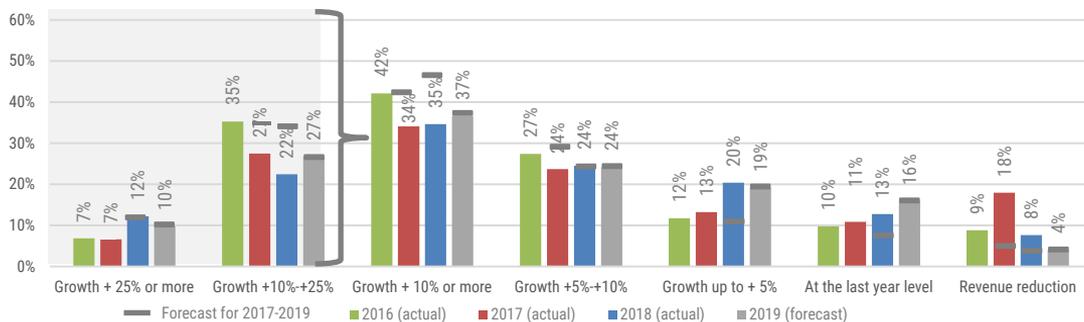
### Plans of FMCG Suppliers on Change in Sales in 2019,%

Revenue growth in 2019

Revenue reduction in 2019

Retaining revenue at the 2018 level

Revenue growth up to + 5%

Revenue growth + 5% -+10%

Revenue growth +10% and more
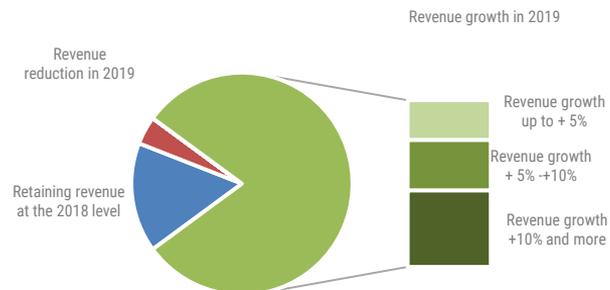
*Source: INFOLine analysis based on answers to questions: "How did sales of your company grow in 2018 (in rubles)?" and "How will sales of your company grow in 2019 (in rubles)?"*

# PART IV. MARKET SURVEY OF LEADING FMCG CHAIN SUPPLIERS

In full version of review
**FOOD RETAIL AND CONSUMER MARKET OF
RUSSIA. RESULTS OF 2018 AND TRENDS FOR
2019. FORECAST UP TO 2021**:

Sales Results of Leading FMCG Suppliers in 2016-2018 and Forecast for 2019
Development of Companies and State Regulation Influence
Interaction of Leading Suppliers with FMCG Chains and Share of Sales through
FMCG Chains



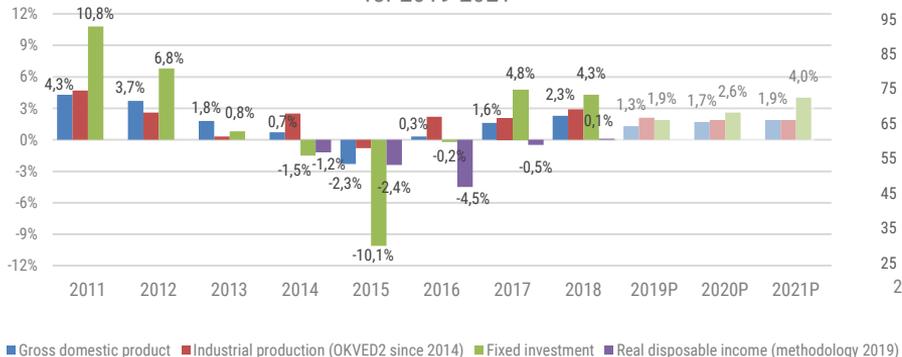In full version – 8 slides, 21 diagrams

## 5.1. DYNAMICS OF RUSSIAN MACROECONOMIC INDICATORS

- In mid-2019, analysts and government agencies began to deteriorate forecasts for the Russian main macroeconomic indicators for 2019-2021. So, in June, CBR lowered its GDP growth forecast from **1.2-1.7%** to **1.0-1.5%** in 2019. In July, the IMF downgraded its forecast for GDP growth by 0.2 pp to **1.2%** in 2019.
- According to INFOLine, the reasons for worsening Russian economic growth expectations are less related to the risks of a slowdown in the global economy, and it is primarily affected by internal factors.
- The INFOLine forecast was confirmed: the effect of ruble devaluation almost completely exhausted itself in 2018-2019.
- A survey of leading manufacturers conducted by INFOLine in H1 2019 shows that the main factor hindering the development of companies is the rising production cost, as stated by more than **70%** of respondents.
- Amid the stagnating real incomes of the population, domestic market saturation, tightening of state regulation and other factors, Russian companies are reducing profitability. The development of companies is increasingly based on the strategy of vertically integrated holdings (from production to marketing of finished products).

March 6, 2019. State Duma of the Russian Federation. Minister of Economic Development M. Oreshkin. Report entitled "On the Priorities of the Medium-term Social and Economic Development of the Russian Federation."

### Dynamics of Main Russian Macroeconomic Indicators in 2011-2018 and Forecast for 2019-2021



■ Gross domestic product ■ Industrial production (OKVED2 since 2014) ■ Fixed investment ■ Real disposable income (methodology 2019)

*Source: MED, FSSS, INFOLine calculations (baseline scenario)*

### Dynamics of CBR Foreign Exchange Rates in 2011-2018 and Forecast for 2019-2021



■ International reserves of the Russian Federation, USD bn
— USD exchange rate in RUB

*Source: CBR, INFOLine calculations (baseline scenario)*

www.infoline.spb.ru | www.advis.ru | +78123226848 | +74957727640
Prepared in June 2019 by INFOLine Information Agency
Page 16

## PART V. FORECAST FOR FOOD RETAIL TRADE

In full version of review
**FOOD RETAIL AND CONSUMER MARKET OF RUSSIA. RESULTS OF 2018 AND TRENDS FOR 2019. FORECAST UP TO 2021**:

Scenario conditions and macroeconomic indicators of Russia
Structure of Food retail market of the Russian Federation in 2018 and 2021
Forecast of real wages dynamics and real incomes of the population
Basic forecast of RTO Food (including VAT) and forecast of
retail objects and retail space number by sales channels
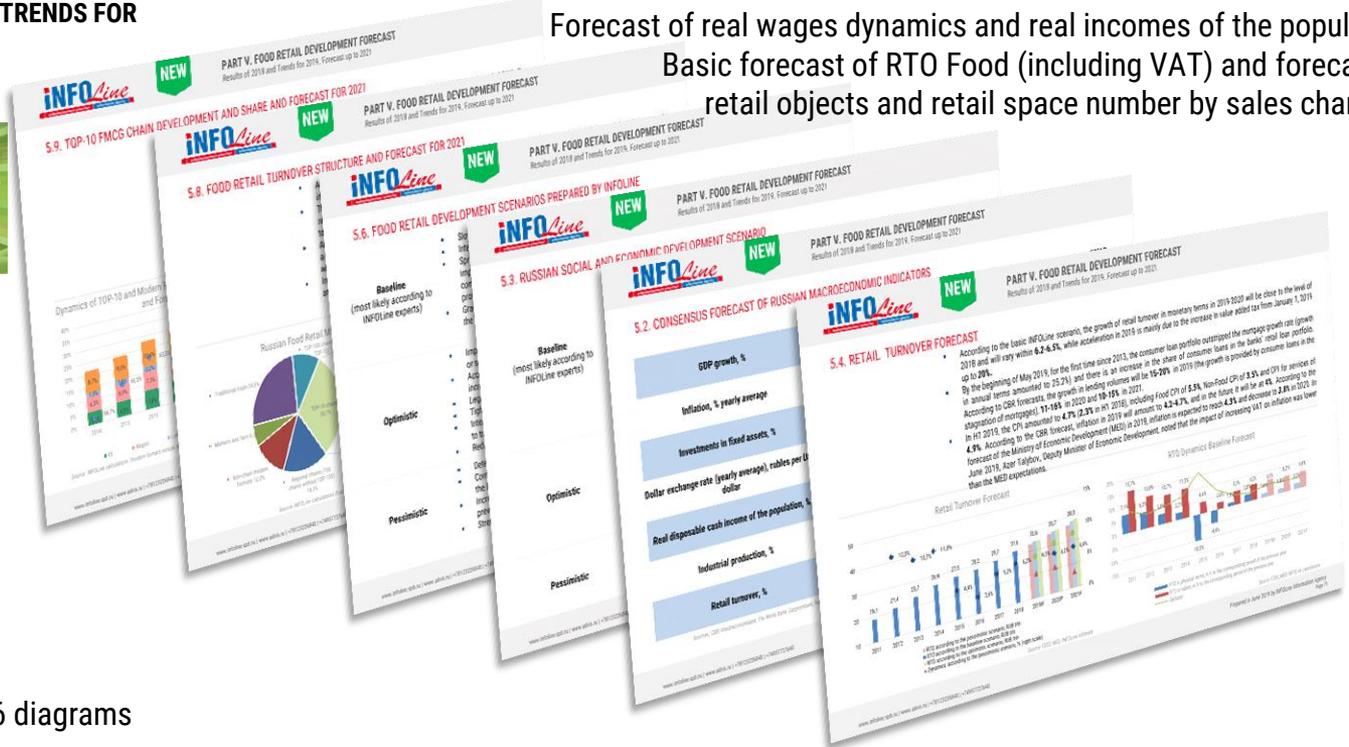


In full version − 11 slides, 16 diagrams

# RESEARCH FOOD RETAIL AND CONSUMER MARKET OF RUSSIA. RESULTS OF 2018 AND TRENDS FOR 2019. FORECAST UP TO 2021



Release date: **March 2019**
Number of pages: 67 **(Number of diagrams: 114)**
Language: **Russian / English**
Format: **Presentation (PDF)**
Price: RUB **150 000**

| Structure: |
|:---:|

**PART I. Retail and Consumer Market Indicators (8 slides)** GDP Dynamics and Breakdown. Retail Turnover. Retail Turnover by Type of Goods. Retail Turnover Structure by Segments. Dynamics of Incomes and Expenditure of the Population. Consumer Lending Status and Deposits. Structure of Household Cash Income and Expenditure. Consumer Behavior.

**PART II. Retail milestones (13 slides)** Key innovations of 2018 and changes in excise duties. Government regulation of retail. Return prohibition law. Cash register equipment. Tax Free.Online and cross-border trade. Consumer product quality control. Relationship with EU, USA and Turkey: regulation of sanctional products.

**PART III. FMCG Retail Performance (37 slides)** Dynamics and structure of market, shares of largest players, number and area of retailers (based on data from TOP-200 FMCG chains, dynamics and forecast of investment activity, trends and development forecasts. Ratings of chains by revenue, retail space, by formats. Online trade development by FMCG and Foodtech chains. Wholesale trade development. Launch of FMCG chain distribution centers. Largest M&A deals.

**PART IV. Market survey of leading FMCG suppliers (8 slides).** Sales results of leading FMCG suppliers in 2016-2018 and forecast for 2019. Factors impending suppliers development and criteria of successful retail chain operation. Government regulation. Interaction of leading suppliers with FMCG chains, share of leading suppliers sales through FMCG chains. Promo sales and special range for FMCG chains. Online sales and exports in sales structure in 2018 and forecast for 2019. **Updated in May 2019.**

**PART V. Forecast for Food retail trade (11 slides).** Scenario conditions and indicators of Russia's economic development in 2018-2020, scenarios of Food retail development, elaborated by INFOLine, the forecast of the dynamics of the population's income and expenditures, the forecast of retail trade turnover, the forecast of Food retail turnover by sales channels, forecast of the number and sales spaces of FMCG oultlets by sales channels. **Updated in October 2019.**

# RESEARCH NON-FOOD RETAIL AND CONSUMER MARKET OF RUSSIA. RESULTS OF 2018 AND TRENDS FOR 2019



## Structure:

**PART I. Retail and Consumer Market Indicators (8 slides)** GDP Dynamics and Breakdown. Retail Turnover. Retail Turnover by Type of Goods. Retail Turnover Structure by Segments. Dynamics of Incomes and Expenditure of the Population. Consumer Lending Status and Deposits. Structure of Household Cash Income and Expenditure. Consumer Behavior.

**PART II. Retail state regulation (10 slides)** State regulation of non-food retail trade (including key innovations of 2018, regulation of cash register equipment, cross-border trade, online, etc.).

**PART III. Situation in Certain Segments (34 slides)** Market dynamics and capacity, development trends and forecasts, forecasts for market segments (DIY&Household and furniture, household appliances, computer equipment and mobile devices, fashion and children's products, cosmetics and drogerie, pharmacy segment, online trading). For each segment, chain ratings (by revenue, number of stores and selling space) and development prospects of the largest retailers are also presented. Characteristics of key industry events: development of the logistics system and distribution centers, M&A deals, rebranding and development of new formats.

**PART IV. Forecast for Non-Food retail trade (7 slides)** Scenario conditions and indicators of Russian economic development in 2019-2021, INFOLine Non-Food retail development scenarios, forecast of population income and expenditure dynamics, retail turnover forecast, Non-Food retail turnover forecast by segments: DIY&Household and furniture, household, computer equipment and mobile devices, fashion and children's goods, cosmetics and drogerie, pharmacy segment, online-trade. **Updated in October 2019.**

Release date: **March 2019**
Number of pages: **120 (Number of diagrams: 90)**
Language: **Russian / English**
Format: **Presentation (PDF)**
Price: RUB **150 000**

# RESEARCH INFOLINE RETAIL RUSSIA TOP 100. RESULTS OF 2018. TENDENCIES OF 2019. FORECAST UNTIL 2021



Release date: **June 2019**
Number of pages: **360 (Number of diagrams: 300)**
Language: **Russian**
Format: **Presentation (PDF)**
Price: RUB **100 000**

## Structure:

**PART I. Indicators of retail trade in Russia** Dynamics of GPD, investments and industrial production, GDP structure by economic activity types, retail trade turnover, financial condition of households, distribution of population by per capita income, state of consumer lending and deposits, market structure and level of consolidation of retail trade

**PART II. Рейтинг крупнейших ритейлеров INFOLine Retail Russia TOP-100** Russian retail market structure and forecast for 2021. Indicators of INFOLine Retail Russia TOP-100 rating: dynamics of profit and revenue per 1 sq. m by rating segments, net increase of retail space of TOP-100 retail chains. INFOLine Retail Russia TOP-100 Rating by revenue, rank rating, ratings by number of stores and retail space, net revenue, sales density, the fastest growing and fastest-falling chains

**PART III. Market survey of DIY and FMCG suppliers** Sales dynamics of the largest FMCG and DIY suppliers, the share of sales of the largest suppliers through chains segment, sales of the largest suppliers through the Internet, the interaction of the largest suppliers with retail chains, development of companies and state regulation, barriers to suppliers development, etc.

**PART IV. Largest M&A deals at the retail market** Analysis of consolidation processes and description of M&A deals by segments, realized in 2018-2019.

**PART V. Appointments and resignations at the retail market** Appointments and resignations of key executive managers in retail companies by segments, as well as in regulative bodies

**PART VI. Development of online trade** rating of chains by online sales, key events in the development of online trade in 2018-2019, which can have an impact on the development of offline networks, state regulation of online trade

**PART VII. TOP-100 largest chains in Russia** business profiles include a standardized structured description of operational indicators (number of objects, retail space), financial indicators and performance indicators, key events of the chain, the main formats of trade, investment activity, regional representation, development of logistics and private labels, information about TOP management and beneficiaries, as well as plans and development prospects, descriptions of online shops of chains.

# ANALYTICAL DATABASE: 700 FMCG CHAINS OF RUSSIA. 2019

**Extended version**

**Standard version**



Release date: **May 2018 (Update: May 2019)**
Number of pages: **530**
Versions: **Standard/ Extended**
Language: **Russian/ English (upon request)**
Format: **PDF**
Price: RUB **80 000**

## Content

➢ Current state of FMCG retail market
➢ TOP-50 Rating (TOP-100 in extended version) of the largest FMCG retailers (extended version also includes TOP-10 chains of stores at filling stations and TOP-20 specialized chains)
➢ Description of main formats of FMCG chain retail
➢ Database 700 chains and 600 warehouses of Russian FMCG chains

## Advantages of the Research

➢ Dynamics of macroeconomic indicators since 2007
➢ Operational and financial results of the largest FMCG chains
➢ Forecast and trends of FMCG retail market development in Russia
➢ Analytical database containing operational and financial indicators of Russian 700 FMCG chains split by Federal districts, highlighting specialized chains and the "store at filling station" format.

# MONTHLY INDUSTRY REPORT: RUSSIAN CONSUMER MARKET AND FMCG RETAIL CHAINS RATING

**Russian version**

**English version**

Update: **every month**
Language: **Russian/English**
Number of pages: from **290**/ from **130**
Format: **PDF**
Price (month): RUB **20 000 /** RUB **25 000**
Annual subscription (12 months): RUB **120 000 /** RUB **180 000**

## Project description

➤ Description of retail trade development in Russia (macroeconomics, state regulation etc.)
➤ Description of most important events in the Russian FMCG retail trade (including a Case on most topic issues)
➤ Main events and development plans of over 200 Russian FMCG retail chains (operational, financial indicators, plans and development forecasts, M&A deals etc.)

## Advantages of the Review

➤ Dynamics from 2014
➤ Monthly monitoring of activities of over 200 largest FMCG retail chains
➤ Monthly analysis of consumer market and influence of key events on Russian FMCG retail trade
➤ Verified contact details
➤ Table and /or graphic materials on:
  - operational and financial indicators of chains;
  - investment activity
  - regional presence;
  - openings/closings of objects.
➤ Over 5 000 analyzed sources

# REVIEWS OF ECONOMY AND KEY INDUSTRIES



- **New!** in 2017 INFOLine presented a series of industry reviews that, in addition to a detailed analysis of the development of the industry, include: ratings, analysis of foreign economic activity, description of the largest M&A transactions, analysis of changes in state regulation, the dynamics of development of industries in the last 5 years and forecast for development of industries in 2018-2020 and some more elements necessary for understanding the current situation and prospects.

- **New!** The studies are published in a convenient electronic presentation format: the optimal combination of key findings and thesis, graphic materials (more than 1000 figures, diagrams, tables), as well as hyperlinks to the most important regulatory documents and company websites. Materials are available in English.

- **New!** A consolidated (by method and structure) set of 7 (!) researches covers all key sectors and markets of the Russian economy. The reviews include scenario forecast and development prospects for the next three years.

Special offer: **You can get a short version of any research of the area you are interested in FOR FREE**, just send your request at mail@infoline.spb.ru or contact us by phones: (812) 322-68-48, (495) 772-7640.

## INDUSTRY REVIEWS:

- Construction industry of Russia
- Transport industry of Russia
- Agro-industrial complex of Russia and Production of food
- Fuel and energy complex of Russia
- Retail and the consumer market of Russia

# COMPREHENSIVE RANGE OF RESEARCHES AND REVIEWS OF RUSSIAN RETAIL TRADE

INFOLine Retail Russia TOP-100

Foodtech: online trade and delivery services. INFOLine Russia TOP online food retail Rating
(results of 2018 and quarterly review)

Food and Non-Food retail and consumer market of Russia. Results of 2018. Trends of 2019. Forecast up to 2021

Russian consumer market and FMCG retail chains rating (results of 2018 and monthly review)

Analytical Database: 700 FMCG Chains of Russia (standard and extended versions)

Russian DIY market. Results of 2018. Trends of 2019. Forecast up to 2021
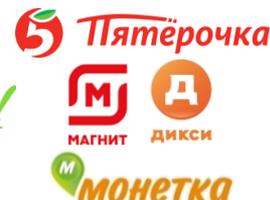(standard and extended versions)

INFOLine information agency also conducts <u>individual researches</u> in accordance with your technical task.

To find more about individual research you may contact us by e-mail <u>retail@advis.ru</u> or by phones +7(812)322-68-48 or +7(495)772-76-40

## CLASSIFICATION OF FMCG RETAIL CHAINS OUTLETS USED BY INFOLINE

| Format | Hypermarket | Supermarket | Convenience store | Soft discounter | Hard discounter |
|---|---|---|---|---|---|
| Retail space, sq. m | From 2500 | 500-2500 | 50-500 | 350-1500 | 250-2000 |
| Price level | Low, medium | Medium+ | Medium | Low | Low |
| Range, thousand | 30-60 | 5-30 | 0.6-13 | 2-7 | 0.5-3 |
| Share of Non-Food in assortment, % | 15-40% | 10-25% | <10% | <15% | <15% |
| Logistics features | Mosty goods are stored directly in trading floors | - | - | Centralization level of supplies is over 80% | Mosty goods are stored directly in trading floors |
| Average share of PL in SKU, % | from 10% | from 10% | from 5% | from 15% | from 20% |
| Examples of companies | ЛЕНТА, АШАН, О'КЕЙ, КАРУСЕЛЬ, METRO | Перекресток, BILLA, АЗБУКА ВКУСА, SPAR | Красное&Белое, Ярче!, МАГНОЛИЯ, Фасоль | Пятёрочка, МАГНИТ, ДИКСИ, МОНЕТКА | СВЕТОФОР, ДА!, БАТОН, Хороший |

# CLASSIFICATION OF FMCG RETAIL CHAINS OUTLETS USED BY INFOLINE

| Format | Description of formats |
| --- | --- |
| **Hypermarket** | ▪ A large-format self-service store located in a detached building or in a shopping center. The retail space of such object is over 2500 sq. m. The product range - 30-60 thousand items. The average ticket in the format - RUB 900-5000 depending on the chain and the store, average revenue per 1 retaiol outlet - RUB 900 mln without VAT per year. A special feature of the format is that stock reserves are also kept at the territory of the retail outlet |
| **Supermarket** | ▪ A large self-service store located in a detached building, shopping center, on the first floors of residential buildings. The retail space of objects varies from 500 to 2500 sq. m., the product range includes from 5 thousand items (supermarket) to 30 thousand items (large-format supermarket), and has a relatively high share of non-food products (10%-25%), the share of PL in SKU - from 10%. The average check in the format in 2019 is about RUB 600, depending on the retail chain and the store, the average revenue per 1 retail outlet is RUB 250 mln without VAT per year. The format mainly has higher level of trade margins than hypermarkets and convenience stores, and a greater share of fresh goods in the range. Supermarkets target middle-class shoppers. Also the supermarket format includes freshmarkets and shopping facilities integrated with HORECA INFOLINE also refers to the format "supermarket" the objects of retail chains Atak and Auchan-supermarket (positioned as supermarkets-discounters). All objects of "Azbuka Vkusa" retail chain, as well as objects under the SPAR brand are referred to the "supermarket" format (even if the retail space of objects is less than 500 sq. m). |
| **Convenience store (Minimarket)** | ▪ A small-format self-service store or a store with significant prevalence of self-service, located on the first floors of residential buildings, in basements, in detached objects. The retail space of the objects varies from 50 to 500 sq. m. The range includes from 0.6 to 13 thousand items. In 2019 the average check in the format is about RUB 300, depending on the retail chain and the store, the average revenue per 1 retail outlet is RUB 50 mln without VAT per year. The "minimarket" format also includes specialized retail chains and stores at filling stations, which are operated by retail companies, which include more than 5 stores at filling stations. Some specialized chains in the course of work have transformed into universal ones due to expansion of the product range (for example, Krasnoe&Beloe, earlier liquor store). |

# CLASSIFICATION OF FMCG RETAIL CHAINS OUTLETS USED BY INFOLINE

| Format | Description of formats |
|---|---|
| **Specialized convenience store (Specialized minimarket)** | ▪ A small-format convenience store focused on one or more key product categories. The main specialization areas of food retail chains in Russia are meat, alcohol, bakery products, tea/coffee, etc. A number of specialized chains are developed by large manufacturers and distributors. The main characteristics of specialized chain stores are deep and rich assortment within the key product groups, small retail space (mainly up to 150 sq. m.), the trade is mainly over the counter or mixed (over the counter and self-service). It should be noted that the product range of these chains is not completely highly specialized and includes a limited list of everyday goods. |
| **Soft discounter** | ▪ A chain of self-service stores from 20 retail outlets located on the first floors of residential buildings, in basements, in detached objects. The retail space varies from 350 to 1500 sq.m., the product range consists of 2-7 thousand items, the share of non-food in SKUs of soft discounter is less than 15%, the share of PL in SKUs – more than 15%. In 2019 the average check in the format is RUB 250-350, depending on the chain and the store, the average revenue per 1 retail outlet is RUB 110 mln without VAT per year. The peculiarity of the format is low level of trade margins, developed logistics system (presence of DC/warehouse) with a high level of supplies centralization (80%). |
| **Hard discounter** | ▪ A chain of self-service stores of a warehouse format (minimum of commercial equipment, sale is carried out from pallets or boxes, there are practically no racks), from 15 retail facilities located on first floors of residential buildings, in basements, in detached objects. The retail space varies from 250 to 3000 sq.m., the product range consists of 0.5-3 thousand items, the share of non-food in SKUs of hard discounter is less than 15%, the share of PL in SKUs – more than 20%. In 2019 the average ticket in the format is about RUB 250 depending on the chain and the store, the average revenue per 1 trade facility is RUB 150 mln without VAT per year. The peculiarity of the format is the low level of trade margin, the minimum number of personnel, which is interchangeable. The product range is dominated by either private labels or little-known brands. The number of well-known brands in each product category is limited, a significant part of the product range consists of products with a long shelf life. The pricing policy of the format assumes a minimum margin . |

# BRANCH MINISTRIES, DEPARTMENTS AND ASSOCIATIONS

- Federal Service for Supervision of Consumer Rights Protection and Human Welfare (Rospotrebnadzor)

- Ministry of Industry and Trade of the Russian Federation (Minpromtorg)

- State Duma Committee on Economic Policy, Industry, Innovative Development and Entrepreneurship

- Federal Agency for Technical Regulation and Metrology of the Russian Federation (Rosstandart)

- Ministry of Finance of the Russian Federation (Minfin)

  - Federal Customs Service of the Russian Federation (FCS)

- Ministry of Health of the Russian Federation (Minzdrav)

  - Federal Service for Supervision of Healthcare of the Russian Federation (Roszdravnadzor)

- Chamber of Commerce and Industry of the Russian Federation (TPP)

- Retail Companies Association (ACORT)

- Association of Internet Trade Companies (AITC)

- Association of trading companies and manufacturers of electrical household and computer equipment

- Union of Professional Pharmaceutical Organizations

## LIST OF SOURCES

- FSSS. Information on Social and Economic Situation in Russia. January-December 2018 // January 25, 2019 (Report).
- FSSS. Information on Social and Economic Situation in Russia. January-March 2019 (Report).
- FSSS. Report "Social and Economic Situation in Russia" for January-December 2018 // February 07, 2019 (Report)
- FSSS. Report "Social and Economic Situation of Russia" January-February 2019
- CBR. Bank of Russia Statistical Bulletin No. 12 of 2018 // January 29, 2019 (Bulletin).
- CBR. Monetary Policy Report // December 2018 (Report).
- Ministry of Economic Development (MED) of the Russian Federation. Scenario conditions for the forecast of social and economic development for 2019-2024 // April 9, 2019
- MED. Scenario Conditions, Main Parameters of the Forecast of Social and Economic Development of the Russian Federation and Projected Changes in Prices (Tariffs) for Goods, Services of Economic Entities Engaged in Regulated Activities in the Infrastructure Sector for 2020 and for the Planning Period 2021 and 2022 // April 22, 2019
- Reporting and annual reports of international and domestic companies according to IFRS.
- GfK TEMAX®. Demand for Smartphones in Russia and the World // January 2019 (Analytical Review).
- PDSM Group. Pharmacy Drug Market in 2018 // February 2019 (Survey).
- Fashion Consulting Group. State of Retail Trade in Consumer Goods // December 2018 (Analytical Review).

- Results of major industry retail forums.
- INFOLine Information Agency. Questioning, Polling and Interviewing 200 FMCG Retail Chains // January-April 2019
- INFOLine Information Agency. Questioning, Polling and Interviewing 200 Non-Food Retail Chains // January-April 2019
- INFOLine Information Agency. Monitoring of Store Openings and Closures // January 2018 - April 2019 (Register).
- INFOLine Information Agency. Analytical Database: 600 Universal and Specialized DIY Retail Chains of the Russian Federation // December 2018 (Register).
- INFOLine Information Agency. DIY Market in the Russian Federation // October 2018 (Survey).
- INFOLine Information Agency. Household Market in the Russian Federation // August 2018 (Survey).
- INFOLine Information Agency. State of the Consumer Market of the Russian Federation and FMCG Retail Chain Rating // January 2018– March 2019 (Review).
- INFOLine Information Agency. INFOLine DIY RETAIL RUSSIA TOP // March 2019 (Rating).
- INFOLine Information Agency. INFOLine FMCG RETAIL RUSSIA TOP // May 2019 (Rating).
- INFOLine Information Agency. Retail Sale of Household Goods, Garden and DIY Retail Chains of the Russian Federation // January 2018 - April 2019 (Thematic News).
- INFOLine Information Agency. Food retail and FMCG Retail Chains of the Russian Federation // January 2018 - April 2019 (Thematic News).

## LIST OF ABBREVIATIONS

| | | | |
|---|---|---|---|
| AO | Autonomous area | pp | Percentage point |
| JSC | Joint-stock company | RAPC | Russian Association of Pharmacy Chains |
| AITC | Association of Internet Trade Companies | RTO | Retail turnover |
| BCPI | Base consumer price index | DC | Distribution center (warehouse) of the retail chain |
| GDP | Gross domestic product | REC | Russian Export Center |
| VEB | Vnesheconombank | CIS | Commonwealth of Independent States |
| GK | Group of companies | JV | Joint venture |
| EEU | Eurasian Economic Union | PL | Private label |
| USAIS | Unified State Automated Information System | MC | Management Company |
| EU | European Union | AC | Authorized capital |
| VED | Vital and essential drugs | FAS | Federal Antimonopoly Service |
| CJSC | Closed joint-stock company | MICEX | Moscow Interbank Currency Exchange |
| IE | Individual entrepreneur | FSI | Federal State-Funded Institution |
| CPI | Consumer price index | FG | Financial group |
| IT | Information technology | PG | Pharmaceutical group |
| CRE | Cash register equipment | FTS | Federal Tax Service |
| DP | Drug products | FD | Federal district |
| MPI | Medical preventive institution | | Formats of shopping facilities: hypermarket - a facility with a selling space of 2,500 sq.m; supermarket - a facility with a selling space of 500 to 2500 sq.m; discounter - a facility with a selling space of 200 sq.m focused on providing customers with low prices; convenience store (minimarket) - a facility with a selling space up to 500 sq.m. |
| PP | Pharmaceutical products | | |
| Minkomsvyaz | Ministry of Telecom and Mass Communications of the Russian Federation | | |
| | | FSSS | Federal State Statistics Service |
| Minpromtorg | Ministry of Industry and Trade of the Russian Federation | FCS | Federal Customs Service |
| | | CBR | Central Bank of the Russian Federation |
| Minselkhoz | Ministry of Agriculture of the Russian Federation | Digital economy | Market segments where added value is created using digital (information) technologies |
| Mintrud | Ministry of Labor and Social Protection | CEO | General director (of the company); Chief executive officer (of the company) |
| Minfin | Ministry of Finance of the Russian Federation | EBITDA | (Earnings before interest, taxes, depreciation and amortization) analytical indicator equal to the amount of profit before deduction of expenses for interest, taxes and accrued depreciation |
| MIFNS | Interdistrict inspection of the federal tax service | | |
| SME | Small and medium enterprises | Food | Food products |
| Minekonomrazvitiya | Ministry of Economic Development of the Russian Federation | Hard DIY | DIY market segment that includes products for construction, overhaul and base construction |
| | | ICMRA | International Coalition of Medicines Regulatory Authorities |
| NBCH | National Bureau of Credit Histories | LFL | Like-for-like sales |
| PIT | Personal income tax | Non-Food | Non-Food Products |
| PJSC | Public joint-stock company | SKU | Stock keeping unit; range item (unit of one product group, brand, class in one type of packaging of one dimension, capacity, color, etc.) |

## AGREEMENT ON INFORMATION USE

▪ A subscriber (client, buyer) shall have the right to store and process the information provided.

▪ Any distribution, resale, copying and publishing of the information are not allowed.

▪ Neither any part of the information, nor the information in its entirety may be distributed in the local network, transmitted or transferred in any form or by any means including electronic, mechanical, photocopying, recording or any other means without prior consent of INFOLine.

▪ It is prohibited to transfer the information to any other entities including subsidiaries, companies with a participatory interest, other legal entities as well as structural divisions without separate legal identity located at other physical address including branches, divisions and any other structural divisions for any commercial or non-commercial purposes.

▪ Term of performance of the subscriber's duties under this Agreement shall be 10 years from the information submission.

▪ A subscriber may not transfer or assign in whole or in part its rights and duties under this Agreement without prior written consent of INFOLine.

▪ A subscriber shall be fully liable for non-performance of its duties under this Agreement according to the current laws of the Russian Federation.

*The information submitted includes communications and materials of INFOLine Information Agency INFOLine* (registered by Federal Supervision Agency for Information Technologies, Communications and Mass Media (Roscomnadzor) under IA No. FS 77-37500)

## ABOUT THE AUTHOR – INFOLine



At present companies are in urgent need of monitoring and analysis of industrial events and general economic situation in the Russian Federation and around the globe. This problem may be efficiently solved only with the help of highly competent information department.

INFOLine Agency is **your information department** working for the benefit and development of your business. Our services will be available to all employees of your company.

INFOLine Agency is an independent company and since 2001 it has been working in the research market of Russia. Surveys and reviews of investment processes in various economic sectors performed by the Agency experts in 2001-2017 are **highly appreciated** by numerous clients and partners and are **used effectively** in their work.

## 28 KIM Avenue, St-Petersburg 199155

## www.infoline.spb.ru | www.advis.ru | +78123226848 | +74957727640

## mail@advis.ru | str@allinvest.ru

## Thank you for your attention!