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Pictured: Amazon's picking warehouse in South Wales, UK.
Photo by Vincent Boiset / Riva press/ Camera press

Ipsos Comcon

TrendVision 2017

GAME CHANGERS



RUSSIAN ECONOMY OUTLOOK – 2018-2021: MUTED GROWTH IS “THE NEW NORMAL”

RUSSIAN ECONOMY OUTLOOK – 2018-2021

Muted growth of economy is the “new normal”

Russian GDP grew in 2017 by 1.5%, compared to 3.7% world average

Inflation was tamed below 4% - lowest rate in decades

Vnesheconombank projects in 2018 – 2021 GDP growth will be confined to 1.5 – 2% range

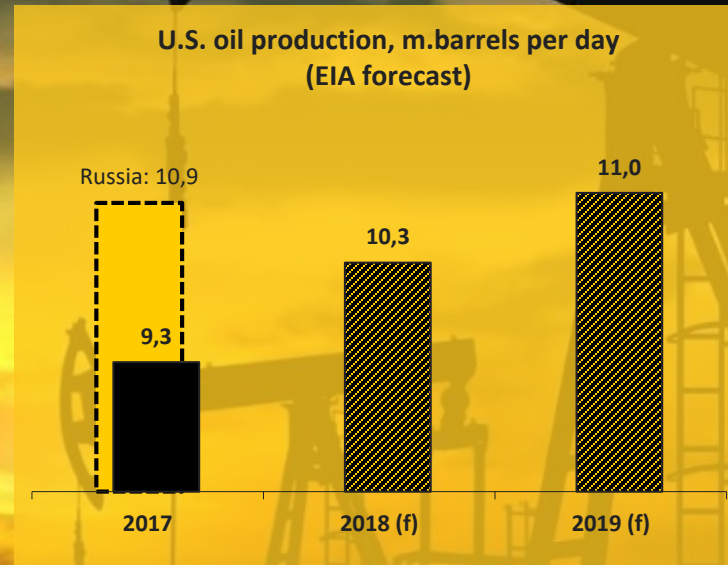
Real disposable incomes are set to return to 2.3% growth rates in 2018

	2017 to 2016
GDP	1.5%
Capital investments	5.2%
Retail turnover	1.1%
Commercial services volumes	0.1%
Real wages	3.4%
Inflation	3.9%
Exports	3.4%
Imports	17.4%

RUSSIAN ECONOMY OUTLOOK – 2018-2021

Russia remains highly dependent on volatile oil and gas prices

- Russian economy is highly dependent from natural resources exports, primarily oil and gas. Yet as oil price approaches \$70 per barrel, it boosts competitive U.S. oil production
- U.S. is set to become world's #2 oil producer, surpassing Saudi Arabia - and possibly Russia in 2019



RUSSIAN ECONOMY OUTLOOK – 2018-2021

Tax burden on population is due to increase

As the windfall of oil & gas revenue vanished, income tax rate is set to increase from 13% to 15%, lowering disposable income and spending

Retirement age will be gradually increased from current 55 and 60 years (females and males, respectively) to 63 and 65 years

It will reduce household incomes in short term, as many pensioners still work after age of 60 to have two income sources

 $60 > 65$

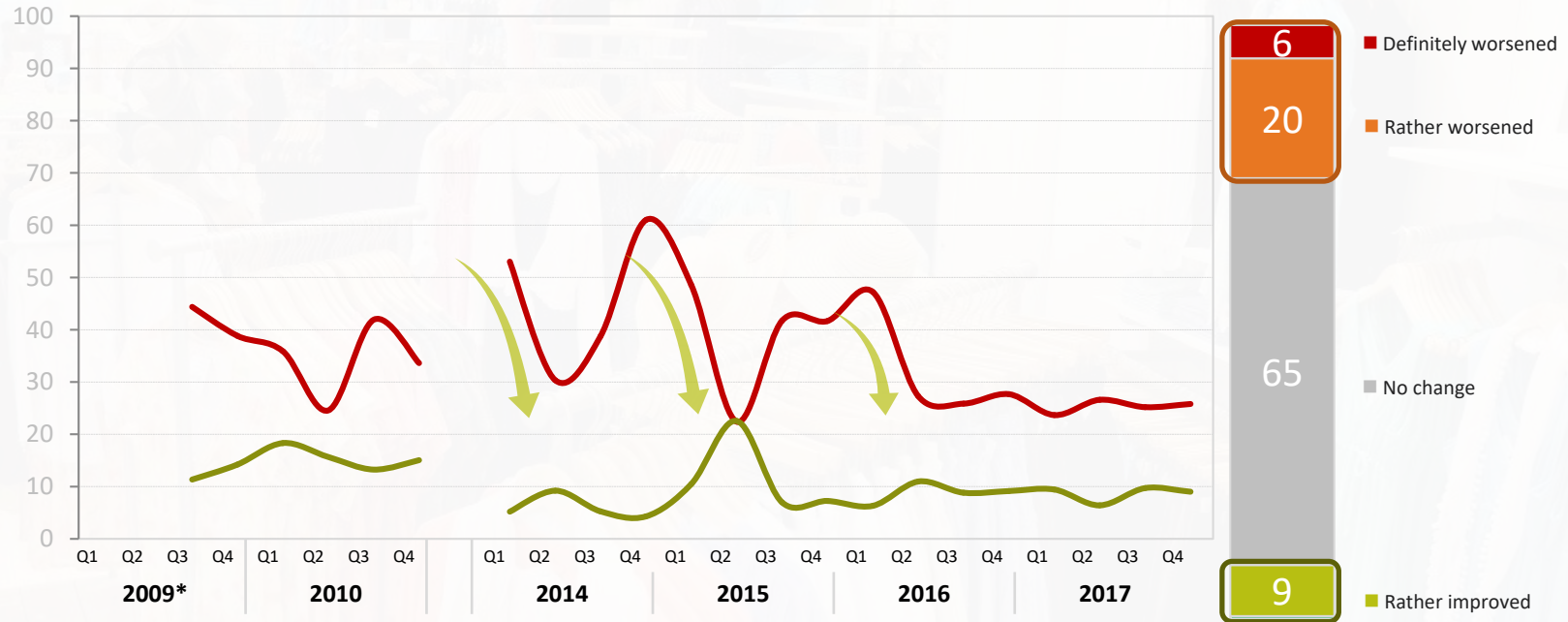
Male retirement age

 $55 > 63$

Female retirement age

Perceptions of the economic situations stabilized since 2016 as Russia is formally out of recession

ECONOMIC SITUATION CHANGES VS. PREVIOUS MONTH, %



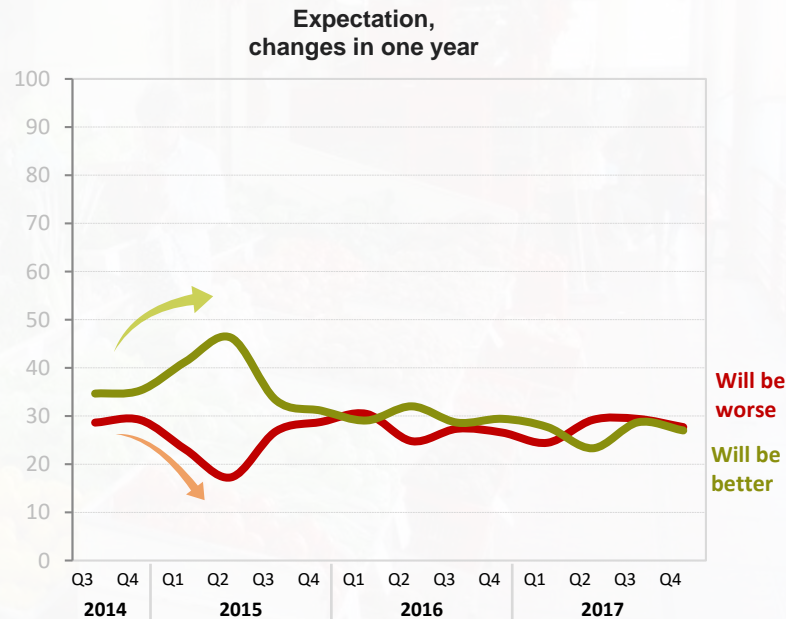
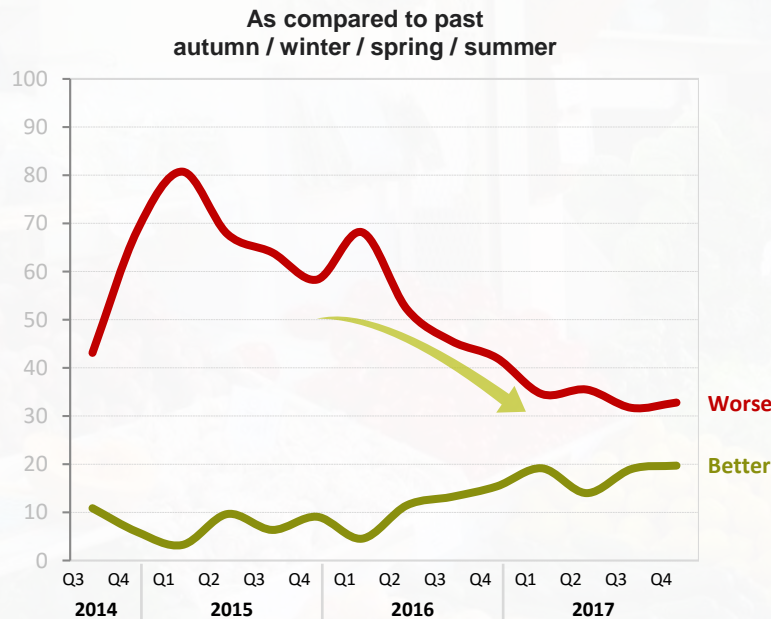
* Covered since July 2009

Q: How did the economic situation change in our country compared with the previous month?

Yet as Russians see the economy becoming less volatile, they don't expect rapid improvements soon

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ECONOMIC SITUATION, %



Q: How the economic situation in Russia has been changed since last year / will be changed in one year?

Despite stabilization, Russia still ranks low on global Ipsos Consumer Confidence Index

Top-3 performers:

China



70.3

India



65.0

US



62.8

Bottom-3 performers:

Saudi Arabia



52.6

Argentina



45.8

Russia

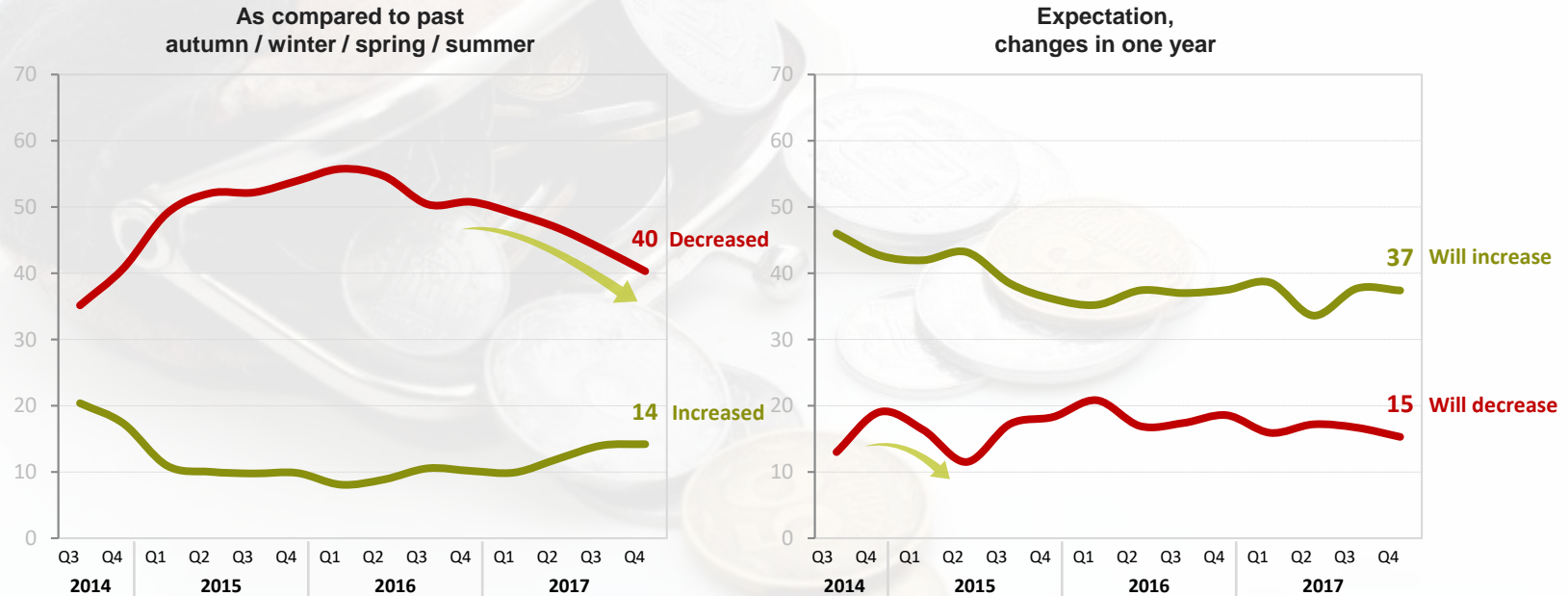


40.8

Global average: 50.5

Modest improvements in incomes haven't yet translated in positive income growth expectations

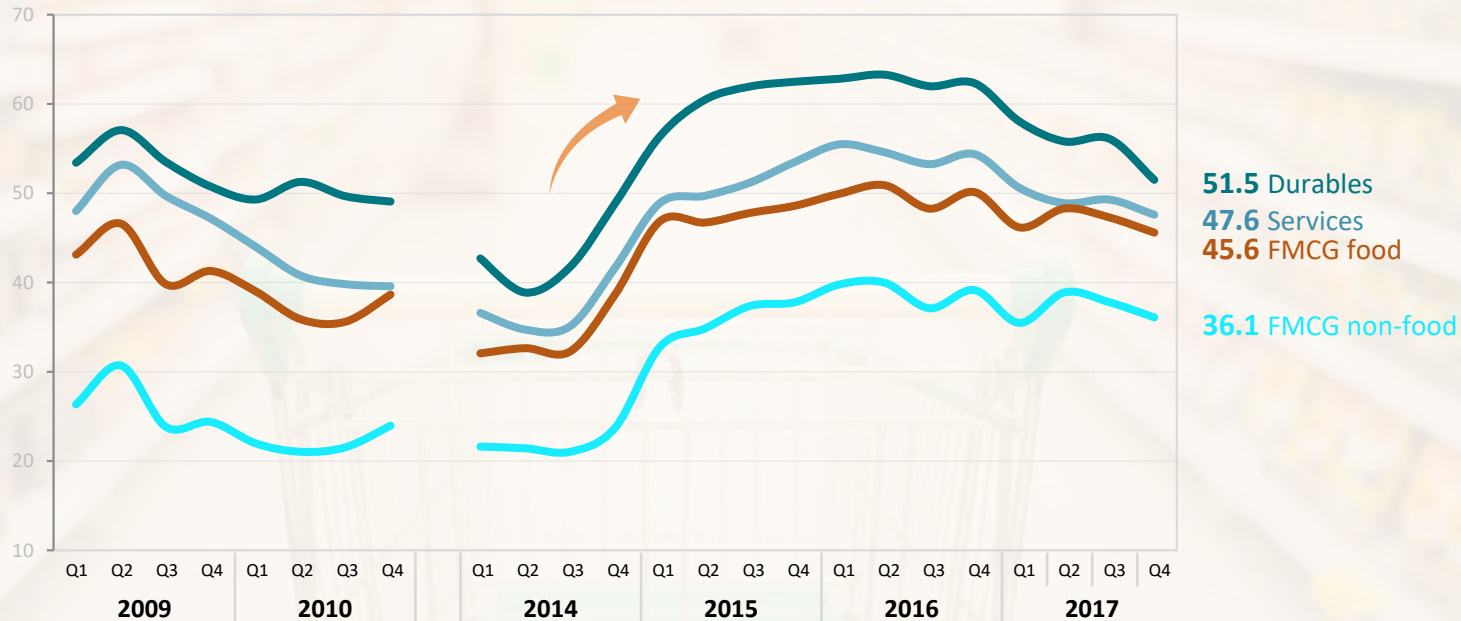
MONTHLY INCOME, %



Q: How your monthly income has been changed since last year / will be changed in one year?

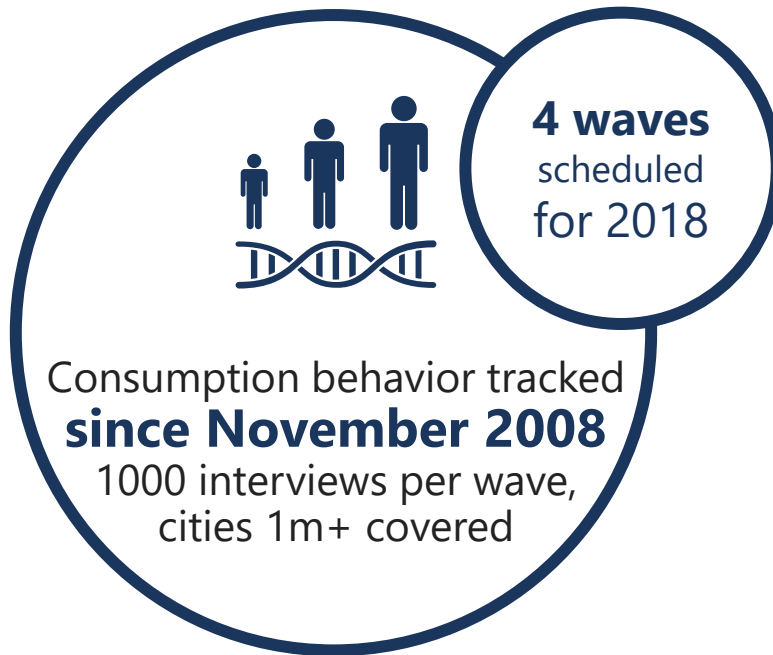
As the result, consumers are slow to abandon “saving pattern” in their FMCG & durables spending

SAVE MONEY ON, % (AGGREGATED INDEX BY CATEGORIES)



Q: Thinking of the last month, did you change the purchases of the following categories?

"New reality" survey offers in-depth outlook on how Russians adapt to financial crises



RUSSIAN ECONOMY OUTLOOK – 2018-2021

Limits for growth

- Unemployment is already minimal, 5.5% in 2017
- Capacity utilization in manufacturing is at the peak
- Inflation is at the lowest in decades, curbing the potential of active monetary policy
- Role of state in economy doubled since 2005 and reached 70%
- The only viable growth engine is productivity, yet it needs investments, including foreign

RUSSIAN ECONOMY OUTLOOK – 2018-2021

Yet ruble devaluation made Russia attractive spot for tourism, boosted by FIFA World Cup



- In Q1 2018 the number of Chinese tourists visiting Moscow and St.Petersburg doubled compared to year ago.
- FIFA World Cup 2018 hosted by Russia will be another opportunity for host cities
- Few Russian companies and brands account for tourists in their business planning so far
- Exceptions – Azbuka Vkusa and DIKSI retailers are testing Chinese AliPay payment system

KEY TAKEAWAYS

Economy: implications

- Companies need to adjust for muted growth as the GDP won't be adding above 2% annually in 2018-2021.
- For global companies this will mean disadvantage compared to other global markets with better GDP growth rates
- Sales forecasts needs to account for decreasing purchasing power of households as tax burden is set to increase and higher pension eligibility age would mean lower added incomes from social payments
- Brands need to be creative about breaking the customers from “crisis mode”. As the households have adjusted and inflation rates are steady customers need to be reminded that the life goes on and urged to look beyond saving

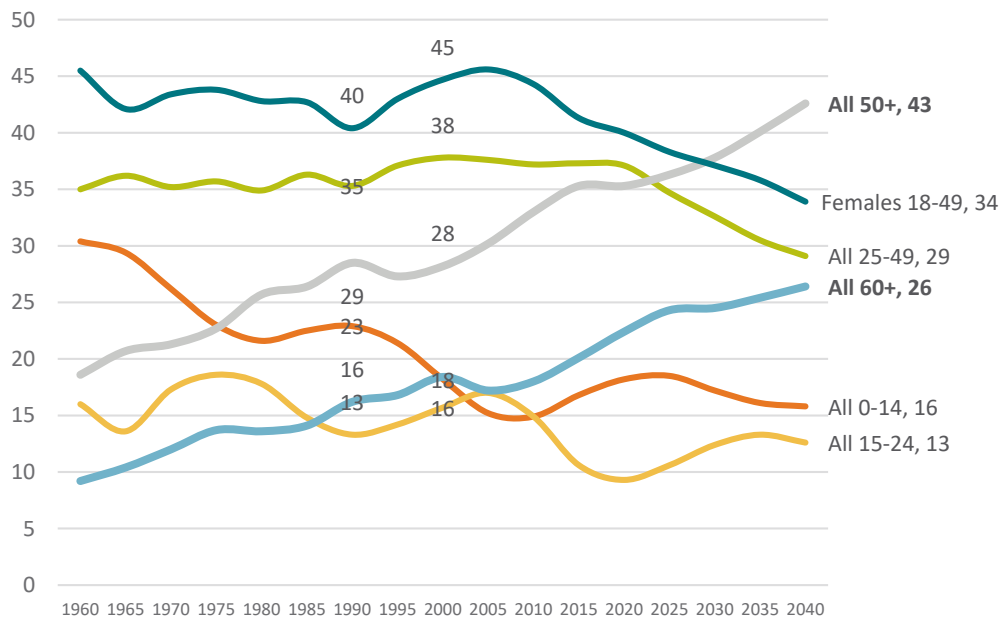
AGEING POPULATION AND ITS IMPLICATIONS FOR CONSUMER BRANDS



AGEING POPULATION AND ITS IMPLICATIONS FOR CONSUMER BRANDS

Russian demographics is set to change

Share of age groups, %



- Russia's demographics will soon resemble today's Japan
- Population in working age (20-64) will drop from 95m peak of 2012 to 82-85m by 2030
- Russia also enters 15-year decline in number of females of child-bearing age
- Their number will shrink by 7-8 million compared to a 2010-2012 peak

AGEING POPULATION AND ITS IMPLICATIONS FOR CONSUMER BRANDS

By 2035 there will be more pensioners than citizens in working age

800K

Russians retired and left the workforce in 2017 alone

600K

average annual forecasted decrease of Russian workforce in 2018-2030

AGEING POPULATION AND ITS IMPLICATIONS FOR CONSUMER BRANDS

It is time to rethink stereotypes about older audience that brands may have

- People who are 65 now were just 38 as the Soviet Union dissolved
- Those approaching pre-retirement age of 55 were in their twenties in 1991
- They lived through the modern Russian history in their active age and embraced modern consumer culture

AGEING POPULATION AND ITS IMPLICATIONS FOR CONSUMER BRANDS

55+ age group has significant purchasing power

29%

of all current
banking accounts

17%

of all car purchases
in past 4 years

35%

of all savings
accounts

25%

of all travel in Russia
and CIS countries

28%

of cumulative
household income

26%

of all concert visits

22%

of all appliance
purchases

24%

of all voluntary car
insurance purchased

“RusIndex” syndicated survey by Ipsos Comcon offers readily available insights & trends on senior consumers

Target group	All 10-75
Method	Home interview + self-completed online or paper questionnaire
Geography	47 cities with population of 100K and up
Periodicity	Four waves a year - winter, spring, summer, autumn
Sample (current wave)	24 900 respondents, 13 600 households per year covered
Universe	60.2m people

3 questionnaires:

- Family consumption
- Individual consumption and preferences
- Individual consumption and preferences of children aged 10-15 y.o.

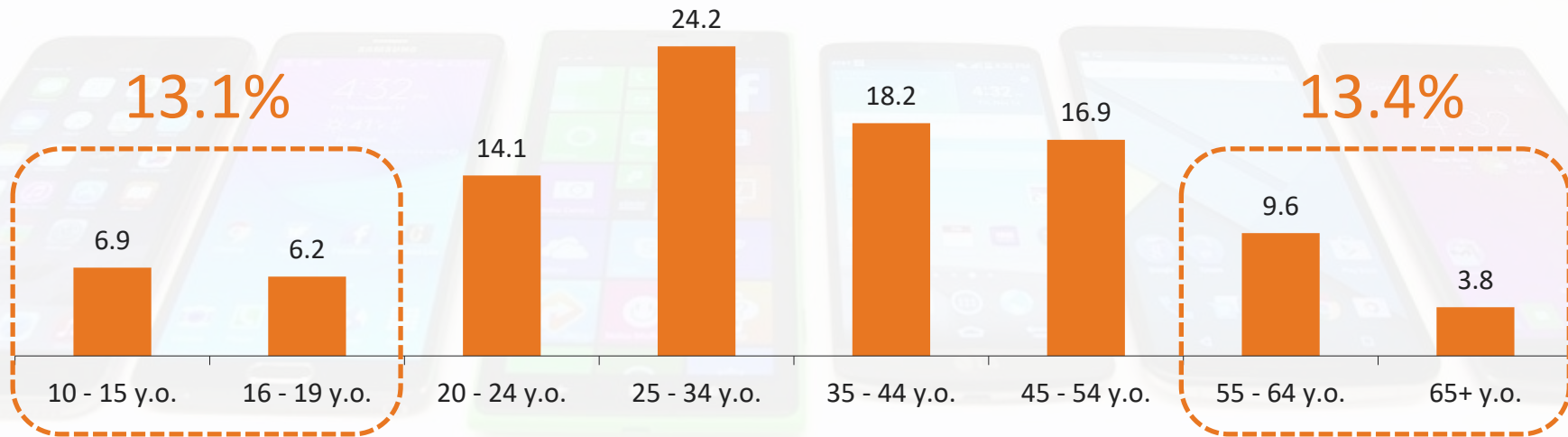


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AGEING POPULATION AND ITS IMPLICATIONS FOR CONSUMER BRANDS

Older age group surpassed teenagers by Internet audience size

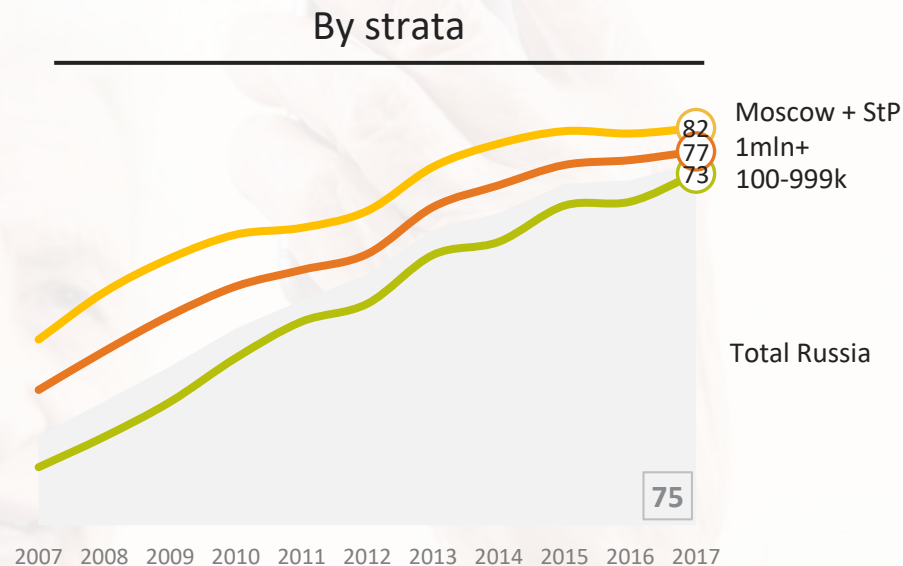
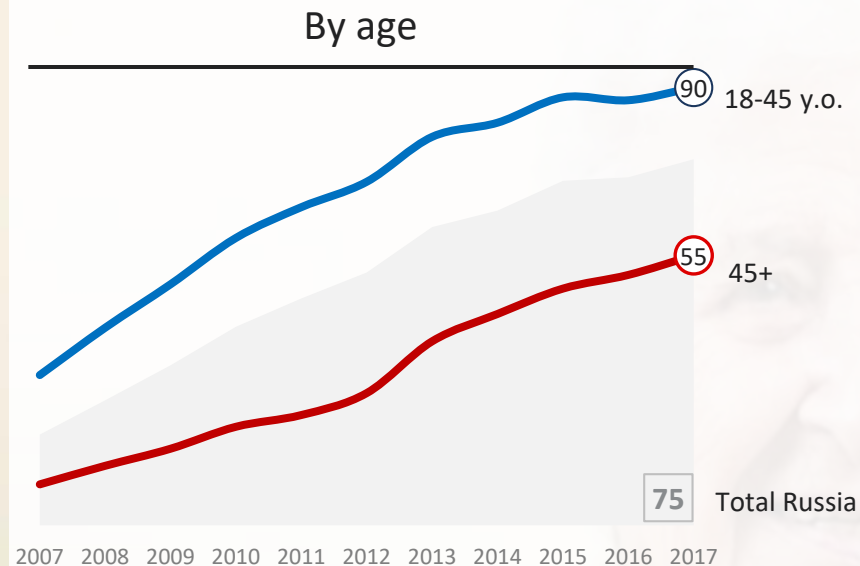
Weekly audience by age group, %



AGEING POPULATION AND ITS IMPLICATIONS FOR CONSUMER BRANDS

Internet audience growth in 2017 was largely sourced from oldest age group

Accessed Internet in the past week, %



“OnLife” syndicated survey by Ipsos Comcon provides insights on online consumers of all age groups

Target group	16+, active Internet users (at least weekly users)
Method	Self-completed online questionnaire
Geography	Cities with population of 100K and up
Periodicity	2 times per year (March and October)
Sample (current wave)	5 000 per year
Universe	34.5m people covered

Ipsos Comcon syndicated surveys portfolio at a glance


RusIndex

Premier

OnLife

**New
Generation**

**Baby
Index**

Target group	All 10-75	18-65, top 10% by social status (SEL)	16+, active Internet users	Children and teens 4-15 y.o. & mothers	Mothers of children under 4 y.o.
Method	Home interview + self-completed paper or online questionnaire	Self-completed online questionnaire	Self-completed online questionnaire	Self-completed paper questionnaire	Home interview + self-completed paper or online questionnaire
Geography	47 cities of 100K+	Cities 500K+	Cities 100K+	6 megacities (Moscow, St. Petersburg, Ekaterinburg, Novosibirsk, Rostov-on-Don, Samara)	Russia's megacities + Kiev, Minsk, Almaty
Periodicity	4 times per year (winter, spring, summer, autumn)	1 time per year (April)	2 times per year (March and October)	2 times per year (spring and autumn)	2 times per year (spring and autumn)
Sample (current wave)	24 900 respondents, 13 600 households per year	2 900 per year	5 000 per year	2 800 per year (children and mothers)	11 000 per year
Universe	60.2m people	1.24m people	34.5m people	2.44m children	1.55m people

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KEY TAKEAWAYS

Ageing population: implications

- Take a hard look at your brand's audience – did it change over time? How much sales do different age brackets generate compared to 10 years ago? Is your positioning up to speed?
- It is time to reconsider the old “18-55” boilerplate in your research briefs, too!
- Marketing needs to learn how to appeal to an older yet savvy audience. Remember, it creates new opportunities as the wealthy and sophisticated customers approach pre-retiring (55+) and retiree age.
- Examine how “age friendly” your product is – are you putting at least same level of attention to the needs of senior consumers compared to 25-45 y olds?
- Evaluate tone of voice. Be discreet and reminded that 60-year olds' idea of, say, youthfulness may be more complex than wanting to look and behave like they did 10 or 20 years before.

ABOUT IPSOS COMCON

Ipsos Comcon is a part of **Ipsos Global** company, ranking the third in the global research industry. With a strong presence in 87 countries, Ipsos employs more than 16,000 people and has the ability to conduct research programs in more than 100 countries. Founded in France in 1975, Ipsos is controlled and managed by research professionals. Ipsos Comcon offers full range of market research services and is specialized in the following areas: advertising research, innovations and brand research, customer relationship management research.

We are signatories to the Dedicated quality control system, the goal of which is to screen out 'professional respondents' from participation in qualitative research. The database is set up and maintained by **OIROM**, the Russian self-regulation body in market and opinion research.

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GAME CHANGERS

At Ipsos we are passionately curious about people, markets, brands and society. We deliver information and analysis that makes our complex world easier and faster to navigate and inspires our clients to make smarter decisions.

We believe that our work is important. Security, simplicity, speed and substance applies to everything we do.

Through specialisation, we offer our clients a unique depth of knowledge and expertise. Learning from different experiences gives us perspective and inspires us to boldly call things into question, to be creative.

By nurturing a culture of collaboration and curiosity, we attract the highest calibre of people who have the ability and desire to influence and shape the future.

“GAME CHANGERS” - our tagline - summarises our ambition.

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