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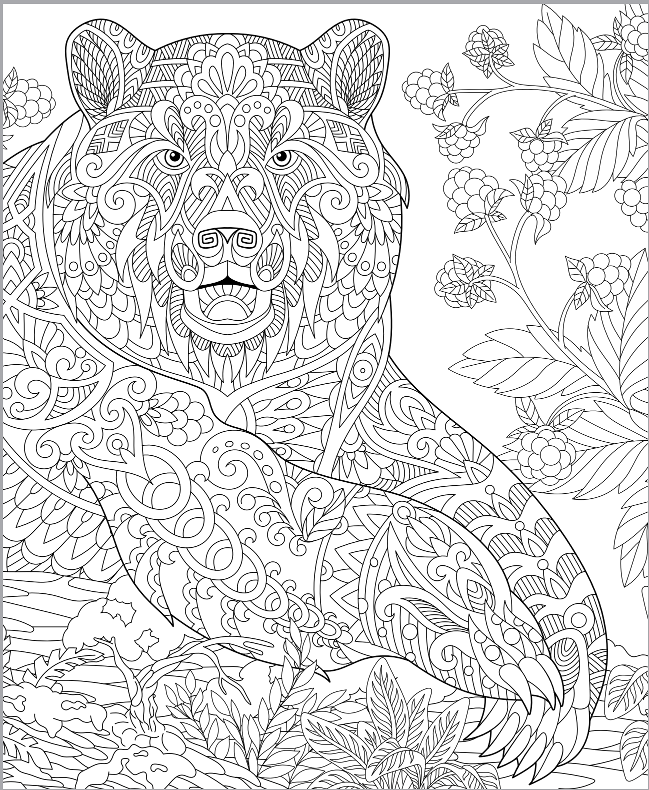


Russia 2019: The time of adjustments

GAME CHANGERS Ipsos

Russia 2019:
The time of adjustments

Ipsos editions
November 2018

Guide

Ipsos Flair: Understand to Foresee

Ipsos leverages assets thanks to its broader knowledge of countries and cultures, and their social and political environment.

In 2006, Ipsos Flair was created to demonstrate the originality and intellectual curiosity of Ipsos, because « Flair » is about instinct and intuition. It is the ability to capture the mood, to perceive the right direction, to know when to act.

It is also another way of looking, one that considers survey results as sociological interactions enabling us to understand the real relationship between people and everything around them: brands, ads, media…

By bringing together these diverse and complementary perspectives related to understanding people, markets and society, the Ipsos Flair series helps our clients to formulate and to fine-tune strategic planning approaches with the full picture.

We are really happy to edit Flair in Russia: it is a great country, with a long history and that has given birth to world-class scientists, composers, writers and artists. Russia is a country very often present in the headlines of the news, but no one has a clear vision of this country. Very quickly, ideologies and biases take hold and the picture goes sour.

It is time to change the way we look at Russia using Ipsos Flair's fresh inputs and outlooks. Our ambition is straightforward: to help you to better understand a "mysterious" country.

Enjoy your reading!

Henri Wallard
Deputy CEO

#Editorial

Russia could also have been called the Middle Empire, positioned between North Asia and Europe, the Pacific and the Arctic. With 17 million square kilometres and 11 time zones, it is the largest country in the world.

It is a real pleasure for a Frenchman to write about Russia: the ties between the two countries are powerful, historical, cultural and intellectual. The Russian language is rich in French words, and France is rich in monuments dedicated to the Russian Empire, as orthodox churches or the bridge Alexander the Third in Paris. The latest one is the Russian Spiritual Centre which has opened close to the Eiffel Tower; a complex feature including the Holy Trinity Cathedral crowned with five gilded domes.

Other examples? In Paris, subway stations have the name of the Red Army victories, like Stalingrad; it is not uncommon to find a Lenin, Battleship Potemkin or Yuri Gagarin avenue in certain cities of France. This creates a kind of familiarity with the Russian world, just waiting to wake up.

Russia's attractiveness increases. Last year, 24.5 million foreigners visited Russia. The number of people from Southeast Asia and East Asia travelling through Russia increased significantly between 2016 and 2017: +58% for South Korea, +15% for China, +20% for Japan, +61% for Thailand, +19% for Vietnam and +20% for India. As TourStat points out, tourist flows from Latin America also rose last year: +30% for Brazil, +26% for Argentina and +30% for Mexico. The main destinations for Russians and foreigners were Moscow, Krasnodar region (on the Black Sea coast), St. Petersburg, Tatarstan and the cities of the Golden Ring.

For Russia, 2018 is also a shining year. Politics and entertainment alternate, including the Presidential election and the FIFA World Cup's success. Thus, it is time to turn the spotlight on Russia, integrating a challenging balance of power between:

- The international situation, the consequences of economic sanctions, the decline in consumption and purchasing power (-9% after two years of crisis), the huge dependence of the budget on hydrocarbon sales revenue. If the poverty rate of the population has decreased from 29% in 2000 to 10.7% in 2012, according to the Russian statistical agency Rosstat, it has risen to 13.5% in 2016. The World Bank evaluate the number of Russians in a position of economic security (safe from falling into poverty) represents less than half of the population (46.3%), -10 points/2014.

- The internal mutations, a direct effect of the embargo. The economic sanctions against Russia have provoked in reaction the embargo against the signatory countries. This created an opportunity to replace imported goods with locally produced products (eg. fruits, vegetables, meat, fishing), benefiting farmers and the most efficient factories and recreated the attractiveness of Russian brands vs. international brands.

- Encouraging indicators, as the public debt represents only 22% of GDP (vs. 96% in France or… 132% in Italy!), the rising oil prices, the fact that Russia has emerged from the recession in 2017 and should have a growth rate close to 2% in the coming years. Inflation has reached a historic low (2.7% in 2017) and is expected to remain below inflation targets of 4% in the future.

Now, if Russia is able to be self-sufficient in the future, it will be a new ingredient of Russian pride and a real challenge to face a world divided between the friends of Russia and the countries persisting in sanctions. Already, we can see the consequences in terms of trade agreements, such as Russia / India or Russia / Africa, and of exchanges with Europe and the USA.

These are not the only changes. Uber's rise and digital business or commerce's growth create new practices directly influencing the perception, the usefulness and the value of brands and companies.

We spoke at the beginning of history and past glories. In a few lines, we developed issues as crises, challenges, and adaptation. These are the major stakes for Russia to open a new way to the future.

Hence our title for 2019, "The time of adjustments": in a country where the temperature can go from -50 in winter to +45 (or more) in summer, it's no wonder that the sense of adaptation and adjustments are the key words for everyone. Consumption: sharing to save money; Loyalty: arbitrating to keep value for money; Work life: waiting for more flexibility.

Consumer-citizen mobility creates new challenges. Brands, advertising and companies must adjust very quickly to continue to seduce, to surprise, to be timely. It's not easy, because their rhythm is slower, with bloated processes. The most versatile and fastest are the big winners in this race for speed, adaptation and flexibility.

"Innovation" is, of course, the mirror image of "Adaptation". It is the reason why the Russian consumers are so fond of technologies, digital activities, connected health devices, among others.

Let's now look at our first Ipsos Flair for Russia, designed for this purpose: exploring, with the help of Ipsos Russia experts:

- the various opinions people hold regarding brands, ads, companies and institutions;
- the elements that help us understand messages, and attitudes towards them (favourable/unfavourable, trusting/sceptical, positive/critical etc.); and
- the consequences we should learn, to define a successful strategy of influence (marketing, media, ads, etc.).

Let us transpose to our profession this sentence of Pushkin "*The words of a poet are his deeds*" and we see one of the main ideas of Jean-Marc Lech, co-chairman of Ipsos from 1982 to 2014: "*There is no silent expert*", animating Ipsos Flair's spirit.

Yves Bardon
Ipsos Flair Programme Director – Ipsos Knowledge Centre

#The Perspective

from **Dmitry Shoulgin,** *Managing Director Ipsos Comcon, CEO Central and Eastern Europe*

"Russia is a riddle wrapped in a mystery inside an enigma." This Churchill quote is often used by both supporters and opponents of Russia. The latter look at Russians with distrust and suspicion, the former admire the "mysterious Russian soul," but both view this "bizarre" country as being very different, unique in a positive or negative way, and, well, alien.

Whilst there might be many reasons for these perceptions, one thing is sure: not very much is widely known about this nation, its past, present and its potential. The ever-changing political environment doesn't help either. The relationship between the West and Russia has been a pendulum that perpetually swings from hostility to cooperation and back again.

Today, an image of Russia is largely shaped by media contents which are often highly politicized and selective. Before, there were Hollywood movies, where historical facts gave way to romantic or farcical plots. The Russians got their hands on it as well! In the 1930's, several thousand Russian émigrés populated Hollywood, and many were involved in the film industry as advisors, songwriters and actors. Interestingly, "fake" Russian names used by American and English movie stars were not uncommon – did you know that Boris Karloff had no Russian ancestors? Was it just fashion? Or genuine acknowledgement of Russia's influence on the world culture, including literature, music, theater, cinema?

It's no secret that Russia has played an important role in the history of the world since the country opened itself to the West, even before Peter the Great, with the aim to modernize the society by borrowing European technological, scientific and institutional ideas. The successive members of the Romanov dynasty contributed to the establishment of Russia as a major European power, again, not without outside influence.

France shared their social and political ideas. The access to French literature and education was facilitated by adoption of the French language as the language of conversation and correspondence among the Russian nobility. Many of their children learned French before Russian!

Germans and Brits added to our understanding of machinery and economics. The mid-19th century saying "No church without a priest, no factory without a Knoop" referred to Ludwig Knoop, a German-born merchant who supplied almost 190 Russian factories with English equipment, and became one of the richest entrepreneurs in his time.

Italians helped to revamp Russian architecture. Go see Castello Sforzesco in Milan, if a trip to Russia is not yet planned, but you want to get a feel of the Kremlin walls and towers!

Interpenetration of cultures, trade and economic relations between Russia and the rest of the world have never stopped, even in the midst of the Cold War. The 70's saw the legendary "Gas for Pipes" project between the USSR shipping natural gas to West Germany and the German Mannesmann Corporation paying for the fuel with their transportation pipes. In 1972, PepsiCo signed the trade agreement with the Soviet Union, where PepsiCo was granted exclusive export rights to Stolichnaya vodka in exchange for importing and marketing of Pepsi-Cola, making it the first foreign consumer product officially sold in the USSR. In 1976, Marsteller Inc. shot their hugely successful ad campaign for Danone Yogurt in the Soviet Republic of Georgia. A year later, to honor an historical joint venture in space, Philip Morris and the Soviet cigarette manufacturer Yava produced a commemorative brand Soyuz-Apollo (marketed as Apollo-Soyuz in the States). Adidas's three stripes gained the cult status among Soviet teens after the company had made uniforms for the USSR 1980 Olympic team.

At a time when even basic necessities were in short supply, foreign brands were sought-after by Russian consumers having been perceived as high quality. Nevertheless, when the Soviet Union collapsed and tons of Western brands flooded the Russian market, many failed to prove their superiority to more reliable, though still largely generic, local products. International brands remained desirable, however, the most successful ones owe much of their growth to being ahead of the game in terms of localizing their production and marketing, which not only brought cost savings and tax privileges, but also made brands closer and more relevant to local buyers. Despite sanctions, this trend keeps up in CPG, pharmaceutical, automotive and other industries.

At the same time, Russian companies have become sophisticated, innovative and highly competitive, gaining market share across a wide range of sectors – technology, telecom, banking, personal care, food & beverages. A big part of the success is the ability to engage with ever more demanding and tech-savvy consumers. Russia has the highest number of Internet users in Europe (110 million at the end of 2017). Mobile subscriber penetration reaches 160%. This creates enormous opportunities for digital marketing, e-commerce and online businesses. In 2016, the mobile economy had generated nearly 2% of total GDP and created 1.2 million jobs (1.6% of total employment in Russia).

Big market players participate in the innovation boom by establishing corporate accelerator programs in search for companies which they might collaborate with in order to come up with innovative solutions for their customers. Skolkovo Innovation Center, which is often called Russia’s Silicon Valley, was established in 2010 in collaboration with global giants (Google, Microsoft, Intel, Boeing, Cisco and others) to create a favourable entrepreneurial ecosystem, and many Skolkovo start-ups are already among global leaders in their niches.

PeoplePerHour, a long-established marketplace connecting small businesses and freelancers worldwide, ranked Moscow as #20 World's Best Cities for Startups 2017, outclassing San Francisco, New York and Tokyo. According to the Global Entrepreneurship Index, human capital is the main pillar of the entrepreneurial ecosystem in Russia. Indeed, science was of exceptionally high standard in the former Soviet Union and remains advanced in modern Russia, despite the fact that many talents have now been borrowed by other world countries to help their development.

Russian tech companies gain an advantage in their competition with global rivals by diversifying their services to better meet the demands of local citizens. The McKinsey Global Institute's Smart Cities report, published in 2018, ranks Moscow as #2 city in Europe deploying the greatest numbers of applications overall and moving forward in all domains, and #1 city with the highest awareness, usage, and satisfaction scores among local residents.

Has Russia turned the corner and moved away from being a resource-based economy? Definitely not. Yet, the developments are indicative of a progressive rebound, with the renewed growth of GDP (1.5% in 2017) and inflation at a record low (2.5%). Russia's population of almost 145 million people represents a huge market opportunity, with 45% of total population being under the age of 35, most receptive to innovative products and ideas, open to diversity of cultures and experiences. The new generation will hardly celebrate the "mysterious Russian soul," but remains a complex mix of ambivalent values (international vs. proudly local, progressive vs. traditional, experimental vs. loyal) and "a riddle" that needs to be decoded by marketeers in order to succeed in Russia.

The Holy Trinity Cathedral –
Russian Orthodox Spiritual & Cultural Centre in Paris

Contents

User Guide

#Discovery Report

Working on Ipsos Flair Russia, we asked our researchers the question "What impressed you most in Russia, looking from inside?" We offer you the most interesting observations...

Its amazing that…

- … with the naked eye you can see the changes in the economy of the regions. So, on business trips, you can't help but notice active construction and development of transport infrastructure (cars and railways, bridges and tunnels); sports facilities, residential buildings, enterprises – The Greater Sochi (changes here are grandiose!), Krasnodar, Vladivostok (excellent roads in the interior of Primorsky Krai), Ekaterinburg are, probably, the most striking examples. All this, despite the crisis, certainly triggers around the growth of small and medium-sized businesses, and contributes to growth of general well-being and optimism. // **Denis Afanasko,** *Expert in Automotive Market Research*
- … the taxis service changed so quickly. Thanks to mobile applications from an unsafe option with a long wait or a pre-order, it has become a convenient and fast alternative to travel around the city, which is always "at hand." // **Ekaterina Ryseva,** *Expert in Innovation*
- … thanks to social media, the atmosphere of my "close court" (neighbourhood) is reviving – neighbours unite and get acquainted again in local groups, organise holidays and subbotniks (cleaning the space around), discuss and solve common problems, and help each other on private requests. // **Anna Uvarova,** *Expert in Customer Experience*

- … by the level of customer care, the public sector already often outperforms commercial companies due to the sending/tracking requests online and using avaliable online forms to evaluate the service. // **Mila Novichenkova,** *Marketing and Communications*
- … the programme "Moscow Longevity". I see it in action, it's very nice to see the changes. The vision of ageing, of living at retirement changes in a positive way. Elderly people become active, engage in dancing, sports, hobbies, travel. // **Yulia Bychenko,** *Expert in the Baby Goods Market*
- … Moscow metro from a conventional mode of transport turns into a convenient public space. On the screens in the coaches you can watch news, use free wifi. Toilets are avaliable. And, of course, special places for musicians. "Music in the subway" is an excellent project. // **Ksenia Sharova,** *Expert in Customer Experience*

#Compass of change. From where to where?

In April 2018, the "Strategy of Russia Development for 2018-2024"[1] was presented. Its main message is a focus on improving quality of life and economic renewal, a course to overcome the lag in quality of life and the disclosure of the capabilities of the country and its inhabitants. A lot of attention in the new strategy is given to the development of entrepreneurial energy and new technologies in Russia. Priority in higher education will be given to engineering and technical topics. This will help increase the stability of the country's economy to sanctions and possible future world crises. The plans are a doubling of non-primary exports and a decrease in the dependence of the economy on the sale of raw materials. Particular attention will be paid to exporting services in education, health, tourism and logistics.

[1] Strategy of Russia Development for 2018-2024, https://strategy.csr.ru

The development of cities and regions, in addition to increasing their attractiveness for the most talented, also implies the improvement of infrastructure and transport accessibility both within cities and between cities. A unified transport system for the city and the region will allow you to travel and transport goods faster and more conveniently. Also, the strategy has the goal of increasing the availability of affordable and high-quality housing, in particular, the return of such a "forgotten" phenomenon as lucrative houses, where apartments will be built specifically for rental and will immediately have the necessary furniture and household appliances. Declared freedom of movement is also in place – if desired, you can easily leave the rented apartment and find another.

Demography

Strategy 2018-2024: Everyone is important. One of the declared priorities for the near future is a reduction in mortality and an increase in the duration of a healthy and active life for Russians. By 2024, life expectancy is expected to increase by five years - by improving the health system and preventing disease through prophylaxy and sports. The poverty level is supposed to be reduced by 10%, including by raising the old-age pension by at least a third.

Thanks to these measures, people can stay active and in demand for longer. Therefore, over the next 16 years, the retirement age will gradually increase and by 2034 will reach 63 years for women and 65 for men.

What now. In 2017, there have been improvements in the economy - Russia's GDP grew by 1.5% (compared with 3.7% in the world). Inflation was held at a record low of 4%. According to VneshEconombank's forecasts in 2018-2021 GDP growth is expected in the range of 1.5-2%. Real incomes in 2018 will return to a growth rate of 2.3%.

The recession in the economy has stopped, but the Russians do not expect quick improvements. The year 2017 brought a reduction in plans for the purchase of a car, real estate and renovation of an apartment and a dacha, while simultaneously raising the demand for investments and savings.

Modern Russia is still affected by the demographic crises of the Great Patriotic War and the late 1990s. As a consequence, the able-bodied population is reduced by 700,000 – 1 million people annually. The number of pensioners in the next decade will grow rapidly. According to the forecasts of the Ministry of Labour and Social Protection, while maintaining current trends by 2025 the share of older people in Russia will reach 27%, and by 2035 the number of pensioners will exceed the number of people of working age. The demographic picture confirms the need to increase the retirement age, stated in the country's new development strategy.

Life expectancy in Russia according to WHO 2015[2] is 65 years for men and 76 years for women. In the past decade, this indicator has increased by five years for men and for three years for women. For comparison, in France, according to the same WHO data, life expectancy is 79 years for men and 85 for women. Moscow, the republics of Ingushetia and Dagestan are regions of Russia with the highest life expectancy, where men and women live about five years longer than their compatriots in the whole country.[3]

Unfortunately, in Russia, old age usually brings with it a low income. So, according to Ipsos Comcon, 6% of urban residents aged 65 and older have difficulty finding food; every fifth person provides himself with food, but hardly finds money for clothes.[4]

Over the five-year period 2012-2017, under the influence of the economic crisis, the share of people with material self-esteem "is enough for food and clothing, but not for household appliances" and grew by 10% from 55% to 65%. In the age group 65+ there was an increase in the indicator by 15pt, in 2017 this category included 82% of the population of 65+ of the major cities.

[2] Life expectancy Data by country. World Health Organization (2015)

[3] Data of Rosstat

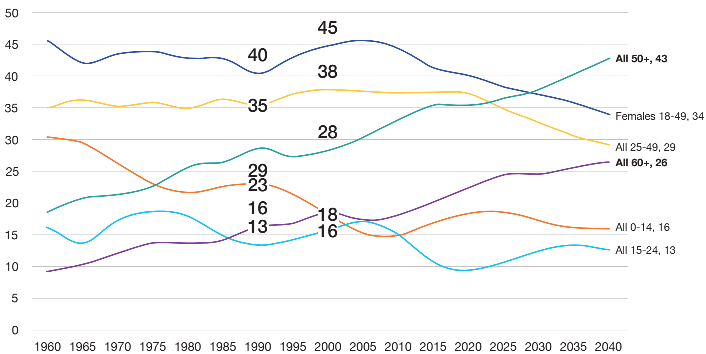
[4] Source: Ipsos Comcon. RusIndex 2017.

Impact on business

For those above... What does increasing the retirement age mean for brands? What brands can offer Russians at the age of 55+?

Consumer habits of current pensioners were already formed in modern Russia. People who many marketers still, from habit, imagine themselves as "grandmothers in a kerchief on a bench," have already learned the taste of travels and delicacies abroad. They opened deposits in banks and owns an iPhone. The growth of the Internet audience in recent years was formed at the expense of the older age category: they already use smartphones, make purchases online.

Share of age groups, %



Source: UN Department of Economic and Social Affairs, Population Division, World Population Prospects 2017, Russia

Therefore, marketers should adjust the standard query in the brief for an audience survey of 18-55 years and analyse how the age structure of their brand has changed, compared to what it was 10 years ago. A classic example: brands of clothing. Young people have a wide choice of modern designs and actual trends. For the category 45+ only wide choice of quite similar clothes is available. This is a promising field of development for brands!

Both the ageing of the population and the course toward a full-fledged active life are reflected in the data in the form of steadily growing attention to a healthy lifestyle - an increase of 5% in three years. Of all life goals, healthy living is in first place.

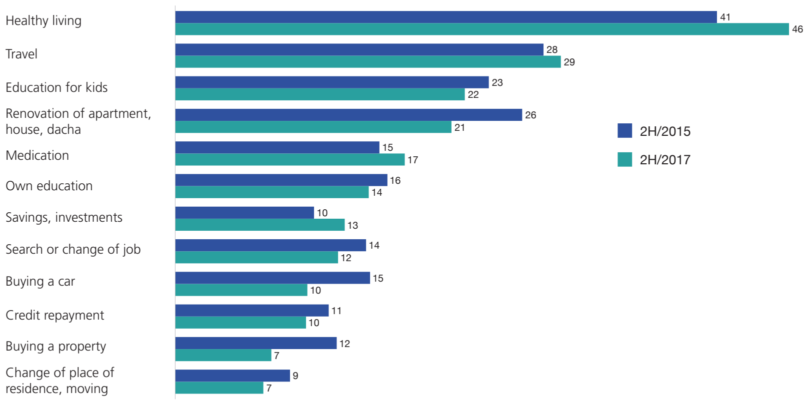
This poses new challenges for both the food industry and the service industry. For example, the importance of healthcare raises questions about the transformation of classical "Soviet sanatoria". A generation that is already familiar with what is a holiday in decent European or Turkish hotels is entering retirement age and has completely different service expectations. What can the resort and recreation sector offer them?

For the favourable development of brands today, the company needs to put the question of what to offer to those over 50.

"Yellow card" for retail. Another challenge to the crisis economy is hunting for discounts. According to the RusIndex survey by Ipsos Comcon, the proportion of people who agreed with the statement "I'm always looking for special offers, discounts" in 2015 was 37%, and already in 2017, it grew to 45%. Teaching consumers to seek discounts is easy. But it is difficult to change this habit back.

In the last few years we hear: "In the country there is a crisis; it is necessary to change consumer habits". The data shows that the life of Russians is stabilising. But we are already used to discounts. Searching for products with yellow price tags and take goods following marketing promo campaigns at supermarket checkouts is a new standard. Both retailers and brands are now asking themselves: how can the mind of the consumer be changed? They cannot cope with this problem alone. Retailers and brands need to act together, looking and presenting to their consumers revised brand values to pay, not just waiting for sale prices.

Life goals for the next 12 months (%)



Base: Russians16+, cities with population over 100,000
Source: Ipsos Comcon, RusIndex

Now inside the country we are witnessing an interesting period when, under conditions of sanctions, crisis and instability in the foreign political arenas with an ambiguous attitude toward Russia, internal re-awareness of Russians is taking place. If in 1990-2000 desire for Western and foreign goods and brands peaked, then today local Russian brands are gaining popularity. More interest in buying local products, and local brands of Russian designers, more interest in travelling inside the country. In the signs on the streets are increasingly appearing Russian names and traditional symbols. Expectations set by the West, in many ways, surpass Russian reality. But – no doubt – there is a rethinking and re-awareness of oneself. Who are we? Where are we going? Everyone asks these questions and seeks for an answer for themselves.

#Leisure time. Rap, ballet, a shopping centre or a park?

In the post-perestroika period of the active capitalism deployment in Russia, with commercial companies as the avant garde, it was “good tone” to work a lot – staying late at the office, forgetting about the family and the favourite hobby. Or being torn between work and life outside the office.

Negative effects from stress and overstrain were not long in coming, and the business world now talks more and more about the importance of a work/life balance. People have and will have more opportunities to spend time for themselves.

Wherever Russians look for ways to spend their leisure time, both in the two capitals and beyond, there are many options for different tastes, lifestyle and size of wallet. And in terms of entertainment, the data fully confirms the proud title of St. Petersburg as the Russian cultural capital.

By **Mila Novichenkova**, *Marketing and Communications*

A “holy place” is never empty

Deciding what to do in their spare time, half of the city residents in Russia, without further ado, will go to the shopping and entertainment centre. Recently, it is the entertainment component that attracts people here – first of all, families with young children. They are the main users of services that allow children to stay in the game zones for a while, while parents are shopping.

A major tragedy with a large number of victims, occurred in the shopping centre "Winter Cherry" in Kemerovo in April 2017, which compelled local authorities throughout the country to pay extra attention to safety techniques and to compliance with tenants with all available legislative requirements and regulations. Despite the general shock experienced by people all over the country, the psychological barrier to visiting shopping and entertainment centres was rather temporary – the format is too popular among the people, and the authorities are interested in preserving flows as Russians not only spend there a lot of time, but leave large sums of money.

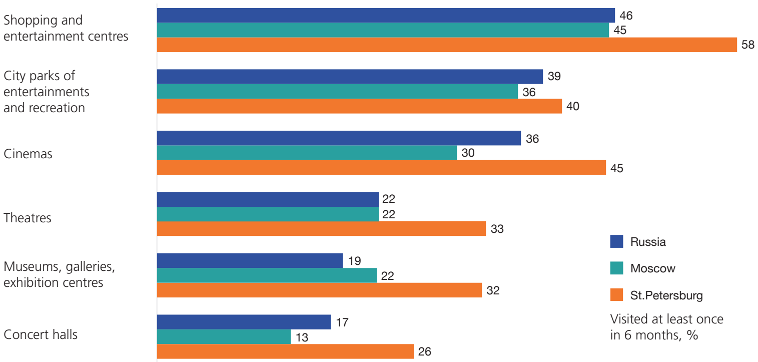
Large shopping centres are usually built in regional centres or big cities, and these sparkling "holiday of life islands" collects the consumer flow of not only one city, but also draws residents from the periphery, from surrounding villages and small towns.

At the end of 2014, a mega-mall "Aviapark" opened in Moscow, which at that time became the largest in Europe. But after only two years the "garland of the leader" went to the Samara city, where a mega-mall "Gudok" appeared, which surpassed the "Aviapark". Trade and entertainment giants now exist not only in the European part of Russia, but beyond the Urals – in Yekaterinburg, Chelyabinsk, Ufa, Barnaul and Novosibirsk.

The entertaining component of large shopping centres began to develop actively, under the influence of the economic crisis of 2014. The flow of buyers fell, and after them the number of tenants began to decline. But "a holy place is never empty", as the Russian proverb says, and huge spaces began to fill with entertainment formats.

The centre of attraction is often a cinema. At first, small children's play areas grew around the cinemas, but lately there are more and more large forms – autodromes, rope parks, trampolines, quests and other kinds of interactive and digital playgrounds for all ages.

Attendance of entertainment formats



Base: Russians 10+, cities with population over 100,000
Source: Ipsos Comcon, RusIndex 2017

The tendency to combine shopping with entertainment formats along with the beginning trend of abandoning hyper-consumption is replacing the pleasure of owning things by the pleasure from impressions. One of the possible scenarios of further shopping centres' development could be their turning into centres for a full-fledged "one-day recreation" in response to the need for rapid recovery from urban stresses, one-day spas appeared.

The attraction of cinema

Standalone cinemas are increasingly moving under the wing of the aforementioned shopping and entertainment centres. In total, any format of cinemas – standing separately, within shopping centres, and independent – attract one third of the urban population of Russia.

According to the Russian Film Foundation data in 2017 the Russian audience was offered a choice of almost five hundred different movies. Most of them are foreign, they collect the main money flow. Films produced in Russia in 2017 were only a quarter of the total film distribution[5]. Nevertheless, the attendance of Russian cinema for the year increased by 1.5 times.

According to the kinopoisk.ru web resource, the top three box-office films of 2017 included two domestic films – the "Movement Up" sports drama and the "The Last Bogatyr" family fantasy comedy in the first and third places respectively. The second line on box office in Russian cinemas was occupied by a fantasy film " Pirates of the Caribbean: Dead Men Tell No Tales".

In the past few years, the sound of the "heroic epic" theme in Russian movie production is well marked – here we have a reminder of the space achievements of the past times of the USSR, and vivid sports victories, and epic themes about Russian warrior-defenders of the motherland (bogatyrs). Domestic cinema makes its significant contribution to the vector of increasing patriotism and pride for the country, which was set in early 2016 as a "national idea"[6]. The two highest-grossing domestic films of 2017, mentioned above are of this sort - "The Last Bogatyr" and "Movement Up". Mass audience with gratitude reacts to the "national positive" storytelling shot in good quality.

[5] According to the Russian Film Foundation http://www.interfax ru/culture/595016

[6] «We do not and can not have any other unifying idea, except patriotism» // The «Kommersant» daily newspaper. 03.02.2016. https:/ www.kommersant ru/doc/2907316

Recreation outdoors

Another extremely popular format for leisure activities in Russia is the city parks of entertainment and recreation, which in terms of popularity is quite a bit behind shopping centres. A quarter of park visitors are there several times a month.

Parks in Russia are becoming a self-sufficient space of cultural and sports recreation, integrating the sites for acquaintance with art, the concert component and entertainment. City parks are beginning to serve as symbols of the cities. For example, in Moscow, in addition to the landmark "Gorky Park" and "Sokolniki", in the end of 2017, near the Kremlin, Zaryadie Park was opened. In St. Petersburg there is a park "New Holland", a modern park "Krasnodar" was opened in the city with the same name.

If earlier city parks were created, mainly for entertainment and recreation, now the green spaces become multifunctional. As the popularity of remote working grows, parks become one of the areas where you can arrange a comfortable workplace. In Moscow, the movement to equip zones for "coworking" in parks is gaining momentum.

Many parks already now actively develop in their own edutainment format. For example, in the new " Zaryadie Park " the scientific and cognitive centre "The Preserved Embassy" works. Summer educational programmes work in Moscow's Gorky Park for several years in a row.

Sports activities, the most popular of which, perhaps, are running and yoga, are also firmly rooted in the park spaces.

The attractiveness of parks for visitors and the multidimensionality of the activities concentrated there are actively used by large global brands and local companies to engage their audiences. Bright examples are the campaign by PepsiCo "Summer is tastier with Lay's" in parks and outdoor areas; the project "This is your

Coca-Cola" with the personalisation of cans, as well as the sports and creative space Adidas BaseMoscow in Moscow's Gorky Park, telecom operators' activities, and many other examples.

Interactive culture

Approximately one in five Russians visited the theatre or museum at least once in the past six months. These two formats also feel the strong influence of the trend of switching from formats for passive viewing to active engagement of visitors. Modern gallery formats actively use video, virtual reality and gaming. And theatre spaces increasingly blur the boundaries between the viewer and the stage. Interactivity and multimedia rule the ball, attracting the audience.

Another interesting example of cross-formality – the translation of theatrical performances in theatres – both in recording, and sometimes in real time.

Despite the fact that Russia is famous for ballet, it is more a matter of national pride, a symbol, than a part of life of the average Russian. According to the survey of RusIndex, only 2% of urban residents attend ballet performances within the past three months. Approximately at the same level is the popularity of musicals and operas. Against the general background, of course, St. Petersburg stands out prominently – in the Russian cultural capital these "classical" leisure activities are significantly more popular.

Concerts. Rap in intellectual packaging

A little behind theatres and museums are concert halls – about every fifth Russian visited them at least once in six months.

One of the "highlights" of 2017 was the first concert of rapper Miron Fedorov, known under the nickname Oxxxymiron. The concert was held at one of the most famous concert venues in Moscow – in the concert hall "Olympic" – and gathered 22,000 spectators. Journalists attribute to Miron, who graduated from

Oxford, the image of a new Russian intellectual whose texts, unlike the traditionally expected from the rap of simplicity, are ornate and complex. It is noteworthy that the image of the intellect also perfectly coexists with the abundance in the rapper's texts of profanity. However, this is typical for rap.

In the summer of 2016, Oxxxymiron became the "first ambassador" of the Reebok Classic brand in Russia. As a result, at the end of 2017 the second joint collection of the sports brand and the famous rapper "Whole Life On The Road" was released.

What other interesting discoveries and finds Russians are waiting in the formats of leisure and recreation – will show in the time and the results of our research.

The Voronezh city, the modern shopping mall Chizhov Gallery

#Do good. The Renaissance of Charity in Russia

They say that history develops in a spiral. Charitable traditions in Russia are an excellent example of this.

The history of charitable and social activities in Russia went through periods of prosperity before the 1917 revolution, extreme passivity during the Soviet era, and is currently experiencing a renaissance with uplifting stories, notable figures and events, which until recently would have seemed unlikely.

By **Ksenia Mamina**, *Expert in Qualitative Research*
and **Mila Novichenkova***, Marketing and Communications*

Before the Revolution. Philanthropy as part of the mentality

Historically, charity in Russia was associated with the influence of power and the development of Orthodoxy. So, already in 996 the Kiev's prince Vladimir defined tithes for the maintenance of monasteries, churches and hospitals, while officially obliging the clergy to engage in public charity. Throughout the next ten centuries, it was the church that became the main institution of social assistance for the old, poor and sick.

Tsar Ivan the Terrible, who remained in history as one of the most cruel Russian rulers, nevertheless adopted several laws on charity, including the first charitable institutions and almshouses.

Later representatives of the Tsarist dynasties always considered the development of social activities as one of the parts of state policy. In part, like in other countries, this was connected with wars, after which there remained the necessary support for the disabled, partly with the influence of the clergy and Orthodoxy, who considered the support of the weak and miserable to be not just state, but philosophical and spiritual importance.

By the time the last Russian Tsar Nicholas II entered the throne, a holistic and thorough system of guardianship had been built. Organisations that helped disabled people, both physically and mentally sick, poor old people, children without parental care, widows and other socially unprotected people were created and successfully functioned. The children were taught craft and literacy, the old people were placed in an almshouse. Free and cheap apartments, night shelters, folk canteens, sewing workshops, outpatient clinics and hospitals, including free clinics for pregnant women, were created and maintained at the expense of rich dynasties, individuals, estates.

Well-known patrons supported and created libraries, museum collections, theaters, art galleries.

The era of the USSR. The period of silence

In 1917 after coming to power, one of the first decrees of the Bolsheviks was to oppose all social support to the poor and charity in general. This, in the first place, was associated with a huge need for money – the young Soviet government, faced with the devastation and the consequences of the civil war, sought to control and subjugate all the financial flows in the country. All means of public and private charitable organisations were nationalised in the first months of the 17th year, their property was transferred to the state, and the organisations themselves were abolished by special decrees.

Also, the new philosophy of social structure assumed that strong and useful members of society would be supported in the country, and the rest would receive minimal state support – the state took upon itself the decision of all social problems.

The basic ethical attitude of Soviet society over a long period was pragmatism (a person should benefit society) and refusal to recognise the value of an individual outside his role in the society. Therefore, the goal of medical and psychological rehabilitation was consciously or subconsciously considered to be the opportunity to return an individual to perform his duties before the community, and to gain some more benefit from it. If the cure was impossible, such a person became practically "invisible", insignificant and uninteresting. Such a person was in the care of the family or specialised institutions.

Perestroika. Revaluation of values

Despite the fact that the established order seemed firmly and deeply assimilated, immediately after its destruction in the second half of the 1980s and the beginning of the 1990s, Russia began to restore the system of charity and solve social problems. The first impetus to this was the creation (again by the state) of several foundations – the Culture Foundation, the Children's Fund, the Charity and

Health Fund. On a new wave, large charitable organisations and grantmakers – such as the Ford's Foundation, the World Wildlife Fund (WWF), Médecins Sans Frontières and others – came to the renewing Russia. Charity ceased to seem something out of date, "pre-revolutionary" and forgotten.

By the beginning of the new millennium, Russian philanthropic organisations had been in the country that engaged in social support in various fields, and also helped with scientific, educational, and cultural projects. New patrons appeared – Vladimir Potanin, Mstislav Rostropovich, Vladimir Spivakov and others.

Gradually, the philosophical and cultural paradigm is changing - from the emphasis on "use for society" towards the recognition of the value of any person, regardless of his physical and mental state, the desire to provide biological, psychological and social comfort during lifetime - and for his family and after his death. This trend speaks of the development of society, of an increase in the degree of its humanism.

Charity in modern Russia

Now in Russia almost all kinds of philanthropy are represented. Over the past 20 years, about 140,000 NGOs have been organised, working in a variety of ways. The Orthodox Church also provides support to the socially unprotected.

The growth of private donations in Russia is connected not only with Orthodox spirituality and human compassion, but also with awareness of the need for mutual assistance – people reasonably believe that government support will not be sufficient to help in the organisation of treatment. If 30 years ago, Russians believed that no one but the state should and cannot help a person solve the most difficult and painful - problems, now they have come to the conclusion that people should help each other. From the passive expectation of solving the problem, people turn to the active and strong position of mutual assistance.

Currently, in the development of charity, we can see the following trends:

- **Centripetal:** the focus of assistance, primarily medical, is in Moscow. Here the best experience and the best technological equipment in the country are concentrated, the level of accessibility of paid from state budget medical help for the population is higher. In regions of Russia, the process goes much more slowly. Therefore, one of the tasks of organisations that oversee the development of Russian philanthropy is to expand into the regions.
- **The impact of social media**. Often, a popular post in a social network can have a greater impact on decision-makers than going higher to official levels or to court. In addition, here the reaction is almost instantaneous.
- **Transition from the situational solution of the most acute to the organisation of systemic long-term support.** Mutual penetration of state and administrative entities and charitable organisations: an example is the Center of Palliative Medicine (CPM), headed by Nyuta Federmesser. Being a state institution, the CPM adopts the best methods of work of the First Moscow Hospice and actively attracts the help of volunteers and philanthropists.
- **Transition to the infrastructure level** – in addition to targeted assistance, educational projects (courses for nurses, courses for relatives) are launched, comprehensive social support is organised, etc.

Factors of growth of involvement of Russians in charity

The base for the growth and development of charity in Russia lies in private donations. To date, more than half of Russians make charitable donations at least once a year. Approximately one in ten makes donations regularly[7].

According to CAF's annual report on the state of private donations[8], Russians are most active in helping children, religious organisations and the poorest. Approximately one in three helps the elderly, and one in five provides assistance to animals.[9]

Helping others, outside of your family, is increasingly being viewed not as an exception or "retro behaviour", but as the norm for a modern civilized person. The catalysts for this undoubtedly positive social trend are the following factors:

- **Opening a media space for charity and philanthropy.** If five years ago it was difficult to find articles about charity in the leading trade or mass media, then today it has become almost the norm. The theme of charity in the media field has ceased to be taboo. Perhaps the first conqueror of the media environment can be called Rusfond, which began cooperation with the Kommersant Publishing House and the First Channel when for most NGOs this seemed a fantasy.

  The opening of the media door was not only influenced by the growing interest in this topic in the society, but also because of the significant increase in the professional level of the non-profit organisations themselves, who have learned to use professional marketing tools and speak with commercial organisations and ordinary citizens in a language they understand.

[7] Source: Ipsos Comcon. RusIndex, 2017. Cities with population above 100 thousand people, aged 16+

[8] CAF Russia «The Report on private donation in Russia», 2017

[9] CAF Russia «The Report on private donation in Russia», 2016

Here it is appropriate to cite the example of the Vera Foundation, which managed to gain wide popularity and become one of the most "assisted" and respected foundations in Russia, including through the skilful use of communication tools. The campaign "If a person cannot be cured, it does not mean that he cannot be helped" became one of the first high-quality advertising campaigns for NGOs in Russia. A strong and memorable creative idea was used here, followed by many equally bright communication projects of this organisation.

Unconditionally, the opening of the media is largely promoted by the active participation of theatre and film stars in charity. Many have heard the fund "Give life" by Chulpan Khamatova and Dina Korzun, Charitable Foundation by Konstantin Khabensky and others.

- **Involving employees in the employers' charitable programmes.** Today it is almost impossible to find a large commercial company without its own corporate responsibility projects in Russia. Bright examples are the "Donor Days" of LG and the "Together Against Breast Cancer" campaign from Amway. Business not only allocates budgets to help solve socially important issues, but also actively involve their employees in this. According to the CAF research mentioned above, every fifth Russian citizen who participated in charity did this through a donation programme organised by his employer.

- **Development of volunteering**. Continuation of the trend to involve employees through employers is the development of corporate volunteering. Active volunteers, as a rule, are leaders by nature, and companies are interested in encouraging, motivating and retaining such people. More and more examples are given, when employees are allowed to use a certain amount of working time for the implementation of their volunteer projects.

However, the development of volunteering in Russia is not limited to the corporate sector alone. This movement finds wide support at the state level. In particular, by the Decree of the President of Russia, the year 2018 was declared the Year of the Volunteer.

- **Promotion of social projects through creativity.** Charitable projects can frighten, because they deal with grief and suffering. It helps creativity to switch perception to a positive wave. In particular, this direction is well used for the socialisation of people with disabilities, many of whom are talented and artistically gifted. Exhibitions and creative competitions become excellent tools – not only for socialisation and communication, but also for finding ways to make a living and grow independent. The development of inclusion is facilitated, for example, by the festival "Cinema without barriers". A bright representative of this trend is also the creative workshop "Naivno? Ochen!" (meaning very naive if translated from Russian) – the ideological inspirer of which is the star of cinema and theatre Nelli Uvarova.
- **Active use of event marketing.** Charity bazaars and fairs are becoming more and more normal every year. New Year, Christmas and Easter holidays are usually the most common occasions. One of the most ambitious among such events is the "Soulful Bazar" - a charity fair in Moscow, which has taken place annually in December since 2010.

However, not only public holidays become an occasion for good deeds. Increasingly, there are practices where ordinary people refuse gifts for their birthdays and instead are asked to transfer a comfortable sum to the beneficiary in favour of a certain beneficiary.

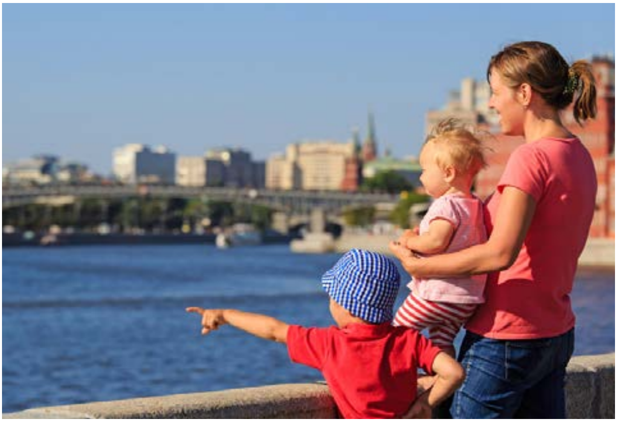
- **Picking up a wave of sporting enthusiasts and healthy living.** The course on a healthy way of life and ubiquitous enthusiasm for sports did not pass over the charity sector. Massive enthusiasm for running led to the emergence of many cross-country marathons – including charitable ones. For example, in May the "Running Hearts" marathon, organised by the "Naked Hearts" foundation of Natalia Vodianova and Sberbank, is traditionally held.

- **More channels for donations.** Undoubtedly, the technological trend is a good catalyst for charity. It's about diversification, and about simplifying ways to make a donation. Two of the most popular ways to make a donation today are through SMS or online. Traditional boxes for collecting donations in cash – only in third place. Also, we can't not mention here the development of online fundraising platforms and tools.

All these trends provide powerful support for the process of returning to the large-scale charitable work that was destroyed in the years of the USSR. More importantly, the society changes its attitude towards people who need help. Now, from the assessment of the potential "benefit to society", Russia is moving to a humane spiritual attitude to the absolute value and necessity of supporting any life – an incurably sick child, weak old man or a homeless cat.

Of course, these changes are slow, uneven, emergence but they go on, and this gives us hope for the gradual germination of a new society in Russia, more compassionate and more humane – and therefore more chances of survival and well-being.

Consequences



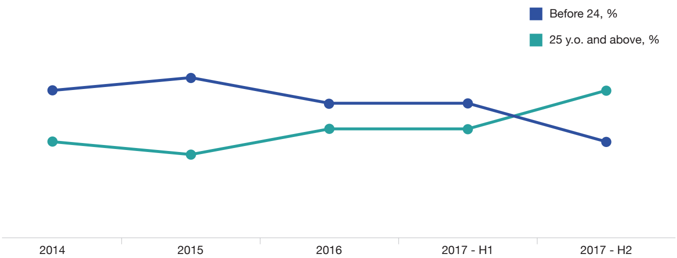
#Renovated mums. Mindful motherhood

In 2017, the birth rate in Russia fell by 11%, and Rosstat predicts a further decline in the birth rate in the medium term. Therefore, for children's goods brands, every child and every mother become more and more valuable, and understanding modern moms will be the key to brand development in a highly competitive environment.

By **Yulia Bychenko**, *Expert in the Baby Goods Market*

For Russia, as for the world as a whole, there is a long-term trend in increasing the age of marriage and increasing the age of birth of the first child. The proportion of mothers who consider that the most suitable age for the birth of the first child is up to 24 years (48%) is steadily declining and the proportion of those who prefer the birth of the first child 25 years and later is growing.

Preferred age for the birth of the first child



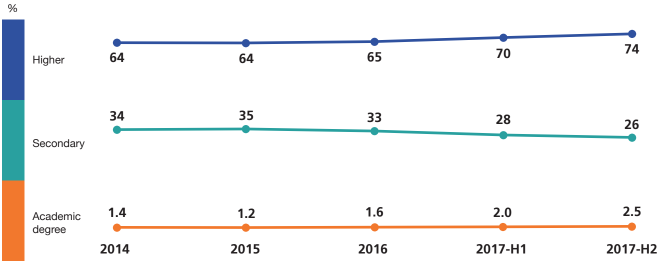
Base: Russian cities 1mln+, moms of children up to 4 y.o.
Source: Ipsos Comcon, Baby Index, 2014 - 2017

The increase in the age of birth of the first child radically changes the psychological portrait of the young mother. For the vast majority of mothers, motherhood is a conscious step (84%). They prepare for motherhood, attend courses, carefully read forums for moms, articles and other sources of information. As the important conditions for the birth of a child, Russian mothers consider marriage (54%) and moral and psychological readiness for this step (36%).

By the time the baby is born, his/her mother already has an education and has started making a career. Young dads become more mature. Therefore, the modern young family is much more independent financially and psychologically than it was before.

Mom's Education

The share of mothers with higher education is growing



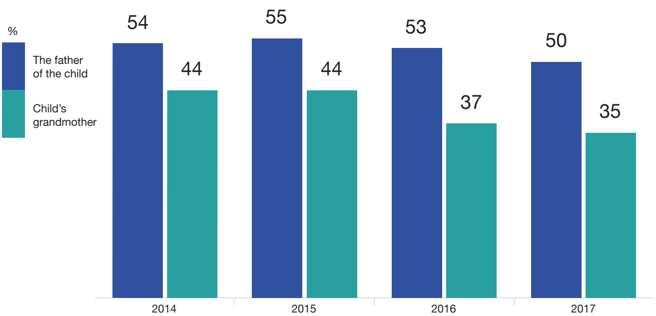
Base: Russian cities 1mln+, moms of children up to 4 y.o.
Source: Ipsos Comcon, Baby Index, 2014 - 2017

The role of fathers

The independence of the young family significantly changes the contribution of family members to the decision-making about childcare. More and more mothers call dads their main advisors. In this case, the influence of grandmothers on decision-making is reduced.

The main advisors in the upbringing of the child

The father is the main influencer in the upbringing of the child.
The role of grandmothers continues to decline.



Base: Russian cities 1mln+, moms of children up to 4 y.o.
Source: Ipsos Comcon, Baby Index, 2014 - 2017

Moms note the significant contribution of fathers not only in the purchase of goods for the child, as it was traditionally, but also in the care of the child. The largest brands of baby food have already paid attention to this trend and show in advertising in the situation of daily care of the child, not only mother, but also the dad. The bright example of this is the advertising campaigns of FrutoNyanya's brands "FrutoNyanya to help mother. And father", Agusha, Nestle.

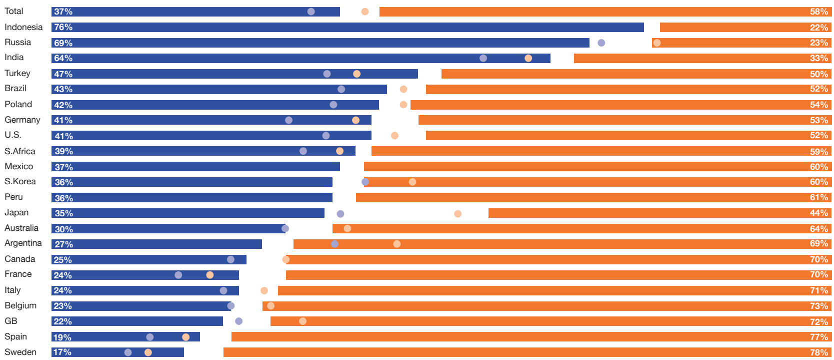
Traditional values and gender roles

Despite the independence of modern mothers and the growing contribution of fathers, Russia remains one of the most traditional countries in terms of gender roles. According to the Ipsos Global Trends report, 69% of Russians believe that "The role of women in society is to be a good mother and wife". Russia is one of the leading countries in the world in this indicator.

Gender roles in Russia are rigidly defined and society imposes on moms the primary responsibility for the well-being of children and families, making extremely high demands on mothers.

Most don't want traditional roles for women. Not in Russia.

The role of women in society is to be good mothers and wives



Base: 17,180 adults across 22 countries, online, 12 Sep - 11th Oct 2016
Source: Ipsos Global Trends 2017

■ Agree 2016 ● Agree 2014 ■ Disagree 2016 ● Disagree 2014

Russian mothers fully share the priority of traditional values and assume the role assigned to them. Family values are fundamental; most mothers believe that families should have children if they can (81%). The main value for mothers is the health of the child and the well-being of the family.

Activity and purposefulness

At the same time, for mothers, as for society as a whole, a dualistic, internally contradictory perception of the role of women and mothers in society is characteristic. The legacy of the Soviet period created the prevailing model of a family with two working parents.

Modern mothers continue this tradition; they are not inclined to become isolated within the family circle, are socially active and set ambitious career goals. Only 30% of moms think that "careers and children are incompatible". More than half of moms believe that you need to constantly take new heights and want to look successful in the eyes of others. The search for a balance between family and work, personal aspirations and public expectations is a key problem for modern moms.

Priority of education

Russian mothers differ from other countries by a very high level of higher education (71%). Therefore, education, diversified development of children, is a priority value for them.

Already at the age of one year, children are included in additional education. Most often it is an early development studio or a sports activity, and from school age, most children are obliged to attend 1-2 hobby sections. Moreover, even in a crisis, the costs of goods for education and additional education remain the most protected part of the family budget.

Significant potential for brands opens in the field of edutainment. Russian mothers are attracted to the opportunity to train and develop the child, even during entertainment. An active role in this market is taken up by entertainment experience, such as Kidzania - 23% of schoolchildren 7-15 years old are visiting these places.

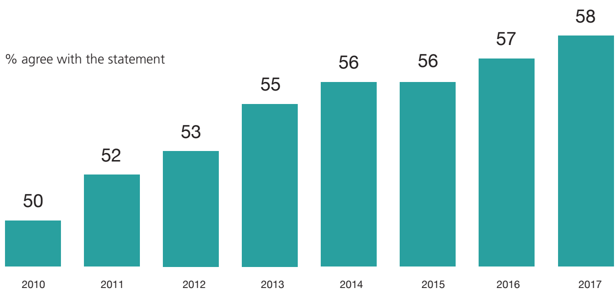
Understanding parenthood

The modern generation of parents, especially mothers, are increasingly moving away from authoritarian parenting styles to a softer, "understanding" style of communication with children. The proportion of parents who agree with the authoritarian saying "Children should eat everything that they are given" fell from 53% in 1999 to 39% in 2017.

The trend of "understanding" parenthood is stimulated both by the parents' inner motivation and by the expressed request from the new generation of children to accept and respect their individuality and uniqueness. Modern "digital" children in many respects outstrip adults (especially in mastering new technologies and interacting with huge information flows), so they do not feel piety before adults and expect to interact on an equal footing.

And modern moms are ready to respond to this request. Psychologists Lyudmila Petranovskaya and Julia Gippenreiter became real gurus for Russian parents in the formation of a new style of understanding and accepting of parenting on an equal footing.

Children should be allowed to do what they like



Base: Russian cities with population over 100,000. Aged 10+
Source: Ipsos Comcon. RusIndex, 2017

#Digital Natives. The future is here and now

Futurologists often speak about future trends: the merging of real and virtual space, voice and gesture control, instant access to information. However, when it comes to children, for them it is not the future, but the only possible present. Children of the generation of "digital natives" show us that the future is already here. For "digital" children it is customary to refer to those born after 2004. In Russia this equates to 25 million people.

Let's look at the timeline. YouTube appeared in 2005, and children who do not remember the world without the largest video portal are already 13 years old. Children who do not know the world without the iPhone are already 11. The children who are born now are not familiar with the world without virtual assistants. It is also difficult for children today to understand what the world is like without smartphones and the Internet, as their parents imagine the world of black and white cinema.

Interview

Yulia Bychenko, *Expert in the Baby Goods Market*

How can you describe a new generation?

Of course, the generation of "digital" children is not homogeneous. The psychology of age is of fundamental importance when we talk about the children's audience. Every 2-3 years the child's approach to the world and the worldview changes, and the children grow out of their previous hobbies and discard them.

At pre-school age, children are immersed in family, and parents are the main authority for them. Entering school, children understand that the world is much wider than they thought before, and begin to be interested in communicating with peers. And from adolescence, peers become the main reference group, and teenagers check all their actions with the peer environment.

Age features

4-6 y.o.	7-9 y.o.	10-12 y.o.	13-15 y.o.
My family is everything I need	The world is much larger than I thought before	Communicating with friends is more interesting than with parents	I can make my own decisions without consulting my parents.

How do digital children communicate?

Children of the generation "digital natives" from birth are immersed in digital space, the real and virtual worlds for them are equivalent and freely penetrate into each other.

The main screen for modern children is a smartphone, which *they perceive as an extension of their hands and their brains. Modern children are born users of applications. The main way to communicate with the world for them is pictures and symbols. The culture of writing by hand dies, the perception of written speech causes difficulties.*

Children of the generation of "digital natives" grow in the conditions of a huge information flow, they easily perceive a large amount of information, freely switch between information channels and see the world as a cloud of hypersyllables. Borders, including geographical ones, do not matter.

At the same time, the habit of living in conditions of information overload leads to less concentration of attention and more frequent switchability, a situationally conditioned attention deficit. Indeed, if access to any information can be obtained instantly, why concentrate on something just one?

What are the biggest changes you mark?

As an answer, I will cite several figures as an example.

Eight seconds - the average period of concentration of a representative of a new generation at one object[10].

[10] Source: Sberbank survey "30 facts about contemporary youth"

The main thing for modern children is to remain connected to the flow of information all the time. A single account, but many devices: a smartphone, a computer, a tablet - after all, the lack of online is equal to falling out of life.

61% of Russian children aged 7-15 years use two or more devices to access the Internet[11].

[11] Source: Ipsos Comcon. New Generation, 2nd half 2017. Kids 4-15 y.o., living in 1 mln cities of Russia

Communication with peers, which becomes relevant from school age, for the generation of "digital" children is inextricably linked with social networks. Teens read a lot of public content, but they write mostly only in their social media posts or their friends', classmates' *posts. The main content is emojis, stickers, memes, viral videos. The main device is a smartphone.*

However, I would like to destroy the myth that "children have gone to the Internet." Contemporary children are extremely multichannel: TV and the Internet are equal, and children are more active than adults in both channels. In this case, TV content is often watched online.

89% of Russian children 7-15 years watch TV, 90% use the Internet[12].

[12] Source: Ipsos Comcon. New Generation, 2nd half 2017. Kids 4-15 y.o., living in 1 mln cities of Russia

"Digital" children have grown in conditions of information abundance and redundancy, so the ability to quickly find information and navigate in it is more important for them than memorisation and lasting knowledge. Under the new conditions, it becomes increasingly difficult for brands to break through information "noise" and attract the attention of a child. And it's incredibly difficult to keep this attention. Children's preferences change in the blink of an eye, and the lifecycle of the app, the game, and the brand are getting shorter.

What do digital natives want?

While the generation of "digital natives" has not yet reached adulthood, their ideals and values have not yet been formed. Nevertheless, it is already possible to identify the basic needs and expectations of children growing up in the new reality.

One of the main requests of "digital children" is a request for acceptance of their individuality, uniqueness, a request for personalisation in everything. They highly value themselves and their opinions. "Digital" children in many respects outstrip adults (especially in the development of new technologies and interaction with information streams), so they do not feel piety before them and expect "horizontal interaction" on an equal footing. Modern children make the same requirements to brands: communication on *an equal footing and personalisation.*

At the same time, brands that are willing to trust children as researchers and creators, involve them in developing ideas and creating user content will be rewarded by the fact that children become ambassadors of the brand and will self-promote it. In the children's audience, the trust in the user's Internet content is higher than in any other type of media. This will encourage brands to make greater use of the creative capabilities of digital children.

How does this generation perceive advertising?

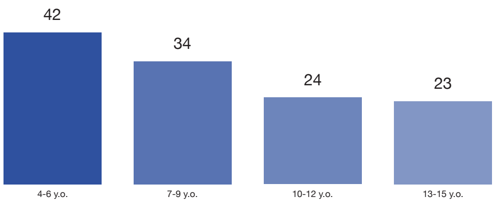
At pre-school age, children do not understand the marketing essence of advertising, do not switch channels during advertising, perceive it as part of the program.

From school age, children acquire the skill of switching channels, but often just distracted to other things and perceive advertising as a background. And immediately turn to the Internet for more information if they are interested in something.

Children prefer bright visual advertising with an active development of events and from the school age themselves send each other viral commercials. They are better than adults in remembering advertising and are more receptive to it. Modern children have grown up in the world of brands and are well versed in them even from the pre-talk age.

Behaviour during advertising on TV

Continued to watch TV ads after the beginning of the ad unit, %



Base: Russian cities 1 mln+ Kids 4-15 y.o.
Source: Ipsos Comcon New Generation, 2nd half 2017

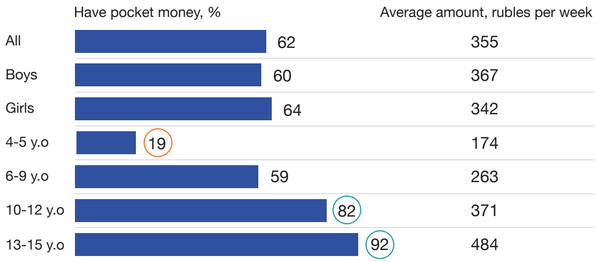
Can we talk about children as buyers?

Modern Russian children are characterised by early economic socialisation. Already at pre-school age children have pocket money, which they can spend on their own. Most often, children spend money on snacks, confectionery and drinks.

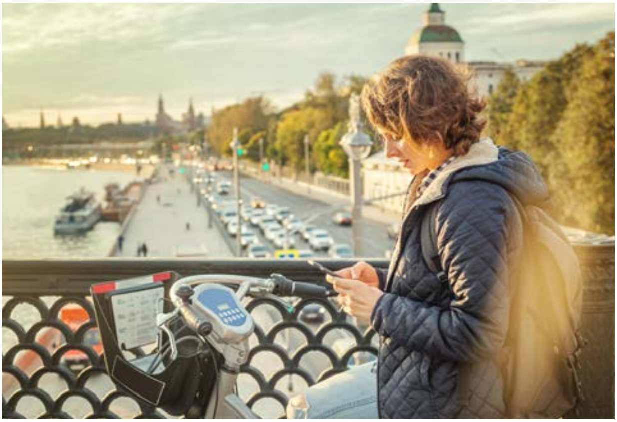
From school age, children already use electronic wallets and make independent purchases online. Children easily adapt to electronic money - 8% of children of 7-15 years have their own bank card, 14% have an electronic wallet[13]. This opens up opportunities for banks to introduce children to financial services long before they receive their first salary.

[13] Source: Ipsos Comcon. New Generation, 2H/2017. Russian cities 1 mln+. Kids 4-15 y.o.

Kids' pocket money



Base: Russian cities 1 mln+ Kids 4-15 y.o.
Source: Ipsos Comcon New Generation, 2nd half 2017



#Mobile Internet. Evolution from the "abacus" to mobile payments

Mobile Internet in Russia is developing rapidly.

Unlike in Western countries, where innovations were introduced over decades, it took many years in Russia to switch to a solid 4G coverage. The evolution of mobile Internet in Russia began in 2005.

Of course, it existed before, but in the slow "standard-GSM" format. In 2005, MegaFon launched EDGE technology. From here on, we can talk about the beginning of the development of mobile Internet in Russia.

But with technology spreading rapidly, where are we now?

Interview

Rimantas Reimontas, *Chief Client Officer*

What is the real situation in Russia?

It seems that mobile Internet accompanies us everywhere.

This is especially true in Moscow. We go to the metro and see that of the six people sitting on one side of the coach, three or four are holding smartphones. In all likelihood, they are online. However, according to our research, mobile Internet in Russia is more used outside of Moscow.

Thus, 12% of Russians and 10% of Muscovites only access the internet on their phone or tablet. This is because mobile Internet in Russia, in terms of cost per gigabyte (GB), is cheaper than the Internet from wireless or wired providers. In remote regions – on the Sahalin or the Far East – Internet from non-mobile providers can cost several thousand rubles a month, so the use of mobile Internet prevails there.

Due to the high cost of stationary, wired, satellite and other types of Internet, people only using mobile payment is more used by the inhabitants of rural areas than residents of cities.

What are the main expectations?

The demand for mobile Internet speed is increasing.

Russia has some of the cheapest prices for mobile internet.

One GB of mobile Internet in Russia costs 100 rubles (based on Content Review, 2017), which is seven times less than in the UK, six times less than in South Korea, five times less than in Germany and the United States.

Mobile Internet in Iran, Pakistan, Kazakhstan and Egypt is cheaper than in Russia. But the speed of mobile internet is not better in Russia than these countries. According to the Speedtest Global Index, Russia has the 77th fastest speed of data transfer via mobile Internet and far behind leaders Norway, Iceland, and Holland[14]. This is despite the fact that in 2016-2017 there was a qualitative leap with a noticeable expansion by operators of the LTE network outside of large cities which increased the average speed of mobile access in Russia by 25-30%.

[14] Speedtest Global Index, February 2018. http://www.speedtest net/global-index

Nevertheless, the need for speed is constantly increasing, with both the proportion of smartphone users and the use of traffic-consuming content is growing.

What do people do with their mobile phone?

In Russia, about 129 million people use 258 million SIM cards.

The number of devices connected to the mobile Internet is also growing. Today they are built into cars for easy navigation and even in refrigerators. Of course, the number of smartphone users is also growing. Today up to 95% of Russians have a mobile phone, with two-thirds of them are smartphone users. Hence, the market is still growing, and there is a need for additional bandwidth.

More than two-thirds of all mobile traffic is viewing video content. Also, a large proportion accounted for messengers, which are rapidly gaining popularity. The most popular instant messengers in Russia are WhatsApp, Viber and Telegram. There is a need for a higher data rate. In the past, and this year several major players in the market announced they began testing 5G network equipment (for example, MegaFon, together with Nokia tested the 5G network, which on a commercial basis will be introduced in 2021-2022).

In the future, the new network generation will solve many problems related to speed!

How does the development of mobile Internet affect brands?

In Russia, e-commerce is rapidly gaining momentum, consumers are increasingly ordering goods, food and more on the Internet.

Also active are contactless mobile payments - NFC technology, especially in Moscow. A year and a half ago paying by phone was new option, but today it has become a habit for Muscovites.

Therefore, each brand should first of all think not about the consumer who sits in front of the computer, but about the person who holds the phone in their hands. This means that websites must necessarily be adapted and optimised for mobile devices (obvious, which is not remembered by every brand).

You can create a separate app, but it is better to have a mobile-adapted site. Even an active user of apps accesses no more than 10 of them per day. It is easier for a person to open a website, as they do not need to search on their phone. Of course, apps have their advantages: for example, the opportunity to show themselves as a brand, with its appropriate branding.

But the user can install the application, use it for a day, then forget about it. Or delete an application that is not used daily to free up the phone's memory. However, we must not forget that mobile speed in Russia is still limited. Mobile sites should be "light", because users value their time.

When a person waits for a page to load for more than five seconds, they leave it. If the brand, after all, decides to go along the path of creating its own app, it is necessary to think of how to integrate their app into the user's daily routine. But this is another usability story.

TOP five apps on smartphones, %

Base: Active internet-users 16+ y.o., using smartphone. Cities with population over 100,000.
Source: Ipsos Comcon. OnLife, 2H/2017

#Shopping online. Extending borders

Online shopping in Russia is developing very actively. Russia is not a leader in the online purchase of goods and services. However, there is an annual increase in the volume of sales, with more and more small and "inexpensive" players trying to sell their goods and services online. Even FMCG discounters such as Dixie and Pyaterochka are already wondering if it is time to present more brands online.

Interview

Olga Shemetova, *Expert in Qualitative Research*

What do the numbers say about online trading in Russia?

In the group of active Internet users, the share of online buyers increased by three pp. in the last year. According to the OnLife survey for the first half of 2017, 77% of respondents made purchases on the Internet at least once every three months.

Average spendings online also grow. Based on the same OnLife survey, the average amount of online purchase for three months was 12,412 rubles (in comparison with 11,786 rubles in the same period in 2016).

The most popular categories of goods that are purchased online are railway and air tickets, tickets for concerts and events, bank services, books, children's toys, household appliances, clothing and footwear.

How is online commerce perceived in Russia?

The fundamental importance of online shopping in Russia is as follows:

"Online shopping solves the problems of the modern person."

In today's world, which is filled with routine, lack of time and stress, an outlet is needed that will save time, money, strength, will give new emotions, impressions and satisfaction. Such an outlet is online shopping.

Drivers of online shopping are divided into rational and emotional. Among the rational, the greatest weight have:

- *The opportunity to save time and money.*

- *Lack of influence of the seller, their pressure, which can lead to unnecessary, unreasoned purchase.*
- *Most often, prices in online stores are lower than in offline stores.*
- *There is an opportunity to compare many more options and offers simultaneously. Included in this comparison are both Russian and foreign online stores.*

The main emotional drivers of online purchases are:

- *The ability to distract from routine, plunge into your dreams and desires (for example, start choosing summer clothes in winter, at the same time thinking about the upcoming vacation).*
- *The opportunity to feel like a rational person who takes decisions in a balanced thoughtful way. Or, on the contrary, to make a thoughtless choice, buying a favourite thing and in anticipation of waiting for its delivery from abroad.*
- *Getting new impressions, emotions. Getting new information about existing products and services.*
- *A kind of escapism, when there is an opportunity to "escape" from the realities of the surrounding world, immersed in a world of unlimited possibilities.*

What wins – emotional or rational?

It should be noted that unlike many other countries, people in Russia are more emotionally involved in online shopping than rational! For us, online shopping is a pleasure from the process, getting new emotions and impressions, which result in a rather emotional choice, often the acquisition of even not very necessary products.

What is the image of online shopping?

Despite the constant growth of online shopping, 23% of active online users still refrain from shopping on the Internet. The main reason is the lack of the need to make purchases online (43%). Some of the respondents (18%) explain the refusal of online purchases by lack of money, while 14% do not buy goods online, because there is no possibility to see or test the product before purchase. Approximately one in ten does not trust online shopping or is afraid of difficulties with the return-exchange.

Also a weighty argument against shopping on the Internet is that photos and descriptions of goods in online stores do not help make a comfortable choice, but only complicate it. This is one of the weakest areas of Russian online stores: photos and descriptions do not always correspond to goods and do not help the right choice. This can lead to disappointment in a particular online store and online shopping in general.

Among other barriers to shopping online are:

- *The impossibility of obtaining a seller's advice and there is no possibility to "feel" the goods, to try on it.*
- *Insecurity of the buying process and the likelihood of leakage of personal data.*
- *Long delivery time when ordering in foreign online stores.*
- *Not all online stores provide an opportunity to purchase goods on credit.*

#Private labels. Challenging the giants

A crisis is a situation which can be seen not only as danger, but also as opportunity. In Russia, the deterioration of the economic situation has become a catalyst for the development of the market for goods by retail chains under their own trademarks. The term "Private Labels" is used to define this category. These are goods produced under the guidance of retail chains and sold exclusively in a certain chains. Most major retail chains use this approach. This trend is typical for most developed countries in the world. Russia also follows this road.

By **Tatyana Gerasimenko**, *Expert in Brand Health Tracking*

Changes in brands

In Russia, private labels appeared in the early 2000s. One of the first Russian retailers who introduced such products was the Perekryostok Trading House. The network has released its first product under the Private Label (PL) – drinking water in five litre bottles. Then other products of this brand followed.

The main distinguishing feature of goods under their own brands is usually, though not always, their cheapness. Most often, the price of such goods is lower than that of other brands, which makes such brands popular.

Active expansion of PLs was catalysed by dynamic pre-crisis growth of retail trade networks and increased competition between them. Leading retail chains began using PLs to attract buyers, for which the price is of great importance.

Changes in consumers

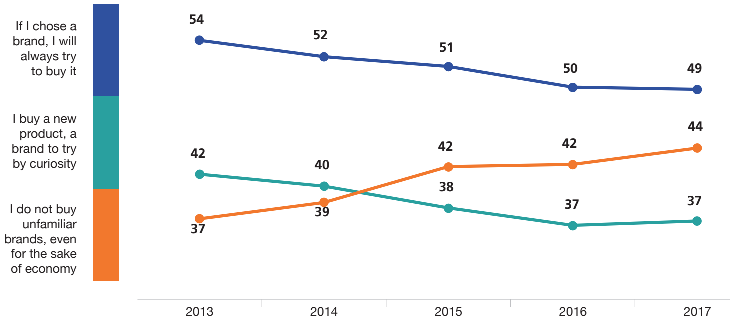
According to the results of the all-Russian consumer survey RusIndex'2017, the overwhelming majority of Russians aged 16 and older consumed Private Labels at least once. Over the year, this indicator grew by 10 pp. - from 60% in the second half of 2016 to 70% in the second half of 2017. Here it is important to note that not all brands can be easily identified by consumers as PLs, so in reality this share is even higher.

The change in the purchasing behaviour of Russians also contributes to the development of the PLs. Buyers are increasingly paying attention to the cost of goods and are looking for special prices and discounts in stores. The RusIndex survey in 2017 shows that for almost half of Russians price is the main factor in choosing a product.

The sanctions bans on the import of a number of foreign-manufactured goods made the Russians even more thoroughly study the shelves of stores and switch more actively from the usual brands to new ones.

Changing attitudes towards purchases

% agree with the statements



Base: Russian cities with population over 100,000. Aged 16+
Source: Ipsos Comcon. RusIndex, 2013-2017

The penetration index of the PLs differs depending on the product category. A low degree of PLs' penetration is noted in those categories where the buyer has a personal attitude towards the goods, while a high degree of penetration is typical for consumer goods. According to RusIndex in the FMCG sector, PLs were among the successful brands in such categories as paper products: toilet paper, paper towels and handkerchiefs (33% of the population aged 16+ consume PLs in this categories), canned products (22%), dairy and confectionery products (29% and 22% of consumers respectively).

To date, according to RusIndex, the leaders among own brands of networks by the share of consumers are the brands Everyday (Auchan's PL) and Red Price (PL of the X5 Retail Group). A third of Russians consumed products of these brands (34% and 28% respectively).

Private Labels help to build customer loyalty to the retail chains. Therefore, retail chains try to control and maintain stable quality of products manufactured under their own brands, while keeping affordable value for the end user.

Lower prices allow several factors at once. Such brands are not advertised using traditional means of mass communications, but are promoted directly in the process of choosing the goods by the buyer already at the place of the purchase. This means that marketing and advertising expenses are significantly reduced. Also, the network has the opportunity to control the production of such goods and, accordingly, their cost price. Significantly lowered for such brands and the costs of logistics and distribution, also reduced the cost of packaging of goods and its design, reduced the number of intermediaries between the network and the manufacturer.

I would like to note that retail chains sometimes present premium brands at a higher price than their counterparts, emphasising their higher quality.

What’s next?

Undoubtedly, with the development of PLs, the existing landscape on the market of brands of everyday goods will change.

Producers of consumer goods should realise that the share of PLs will grow, and their competition with conventional brands will only become more acute.

So it will be necessary to take measures to compete. It is important to carefully analyse all the strengths and weaknesses of PLs by retail companies. The struggle only at the price level doesn’t save the situation.

Over time, the price drop will hit the most precious thing – the belief in the quality of the brand. Buyers will no longer associate the brand with trust and recognition and will switch to a simple comparison of prices, which often turns out to be in favour of PLs.

In this situation, for independent brands, it is important not to let them be dragged into pure price competition with the PLs, and continue to hold their positions in the market, looking for those important added value advantages for which the consumer is willing to pay more.

The keys to succeed

#Be healthy. With body and soul

Per the World Health Organization, a person's life expectancy is 60% dependent on his way of living, 30% on heredity and ecology (15% each) and only 10% on medicine. People are increasingly coming to understand that their way of life matters and they themselves can influence the quality of their lives.

In addition, now in Russia, the values of a healthy lifestyle are maintained at the state level. The Strategy of Russia for 2018-2024 states that it is better not to treat illnesses, but to prevent it. In particular, through maintaining good health and sport. It is planned that in residential areas there will be more opportunities for free sports, and schools will teach kids how to responsibly take care of health. A national food quality management system will also be established.

By **Irina Mamaeva**, *Expert in Innovation*

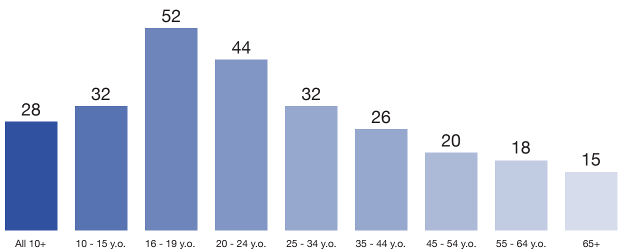
The promotion of sport is clearly seen in opening of fitness centres and sports clubs all over the country. The assortment of sports clubs inspires people to train: yoga, cycling, dancing, wrestling, CrossFit and much more.

Moreover, in addition to traditional sports clubs, there are services which sells subscription to several sports clubs and combined classes – at convenient locations. For example, walk in the morning to the pool next to the house and in the evening to yoga next to your work place.

Per the RusIndex '2017 survey[15], 28% of the population of Russia aged 10 and older take part in sports at least once in the last three months. The peak of interest in sports falls on the active young age group of 16-19 years old. And then the involvement in sports gradually falls as one grows up.

[15] Source: Ipsos Comcon. RusIndex, 2017. Cities with population over 100 thousand. Aged 10+

Played sports at least once in the last three months, %



Base: Russian cities with population over 100,000. Aged 10+
Source: Ipsos Comcon. RusIndex, 2017.

Moscow also promotes active longevity – a programme to improve the quality of life for the older generation. Scheduled lectures, free classes and groups, as well as indoor and outdoor classes: Nordic walking, gymnastics, special sports programmes. The participants in the programme will be given a choice of different sports depending on their interest and physical possibilities. In addition to sports, the programme includes creative workshops, computer literacy courses and lectures on healthy nutrition.

Sports formats – for every taste

More than two-thirds of those who take part in sport do it once a week or more often (according to the RusIndex survey for 2017). The most popular are exercising at home with gym equiptment (18%), running (17%), swimming (16%), fitness (13%) and cycling (11%)15.

The trend for a healthy lifestyle is supported by celebrities, who keep their blogs and talk about their training and nutrition programs. The most active ambassadors of a healthy lifestyle in Russia are Vera Brezhneva, Ksenia Sobchak, Sati Kazanova, Irena Ponaroshku.

One example involving a large number of participants is the project #CrazyDrying, which has been going on for several years. It involves 4,000 people, mostly girls, who make "attacks", "squats" and "push-ups" for a month to get a super prize and many other prizes from sponsors. In 2017, the year #CrazyDrying came out on Match TV and became a real-life show.

Running programmes and training for a marathon attracts more and more people every year. For example, 10,000 people took part in the annual Moscow marathon in 2017. In addition to this marathon, during the summer period there are many opportunities to try cross-country competitions and other than sports, to have fun. This goal is pursued by a "colour run", the distance of which is 5km, where at each kilometre, the participants sprinkle powdery, safe, bright paint. Each participant crosses four colourful zones, and at the finish the participants are not only colourfully stained, but also ready to share their photos on Instagram and, therefore, to promote sports and running.

Not only sport…

A healthy lifestyle affects not only the sporting aspect, but also penetrates the food habits of Russians.

The topic of lowered content of salt and sugar, the source of fats and the origin of products worries the population more and more. This is especially true for baby food, where mothers carefully read the composition and want to have the full range of information, what they feed the child and how to make his/her diet the most diverse and useful. At the same time, caring for the children's diet invariably entails changing the moms' own diet to be more balanced and useful.

The basis of a healthy diet is traditionally made up of meat, fish, fresh vegetables and fruits, as well as dairy products. In addition to traditional food there are also new products in the Russian market, for example, a new line of Nemoloko (translated as "Not milk") - these are products based on oats, which are an alternative to cow's milk. The technology used by "Sady Prodn'a" manufacturer turns oats into a liquid food product that is ideal for feeding adults and children, including those who are lactose intolerant and are allergic to milk protein.

The success of the VkusVill / Izbenka stores in Moscow illustrates the need for quality farm products. The demand for quality organic products produced in the local area exists not only in Moscow. For example, the "Kalina-Malina" cooperative, uniting Siberian farmers, already has a large chain of stores selling natural eco-products in Kemerovo, Tomsk, Krasnoyarsk, Novosibirsk and other Siberian cities. All products are made without chemical additives (in the form of preservatives, substitutes) using technologies that do not harm the environment and do not change the natural properties of the product (for example, do not prolong its life, killing both harmful and beneficial bacteria).

As mushrooms after the rain, services are growing to develop individual diets aimed at proper nutrition.

These services offer both drawing up of a food plan, and an opportunity to deliver a ready set of products, scheduled by days of the week and on food intakes to adjust a diet. Such services can cover both individual meal plans and a family menu.

Healthy way of thinking

A healthy lifestyle entails "healthy thoughts" - a more conscious attitude to resources and nature.

During Earth Hour, which has been held in Russia since 2009, more than 20 million people take part and the number of participants increases every year. At the appointed time, the illumination of the architectural ensemble of the Moscow Kremlin, Red Square, St. Basil's Cathedral and GUM, as well as more than 1500 other Moscow buildings, is extinguished.

In addition, today the number of people for whom it is important to know that the products they buy are produced with environmentally friendly and ethical methods is increasing – 49% of respondents aged 16+ agree with the statement "I like to buy goods from a socially responsible company."[16] For example, cosmetics of Russian brands Natura Siberica and Organic Shop are not tested on animals, as humanity is a part of natural cosmetics philosophy. The cosmetics of these brands do not use fats of animal origin.

[16] Ipsos Comcon. RusIndex, 2017. Cities with population over 100 thousand. Aged 16+

Sustainability is seen in the production of clothing. The international group H&M in its recent report has already stated that by 2030 it will completely switch to environmentally friendly or recycled materials. Now their share is already 35%. And the Russian brand Yours has also begun to develop its innovative eco-technologies. In particular recently, ecological technology bio-polish has been used for the processing of knitwear. Thanks to its introduction, knitwear not only becomes softer and more pleasant for the body, but is also longer-lasting, which is very important from a sustainability perspective in the era of total overproduction. In addition, the company invests in the development of technologies for the recycling of fabrics.

Perspectives. How do brands use these trends?

To catch the wave of the movement to improve the quality of life, it is necessary for brands to communicate these benefits both in current products and in new launches.

It is important to answer the question: how does my product help consumers to live a healthier lifestyle? These ideas need to be strengthened in communications in order to be relevant to the current trend for a healthy lifestyle. At the same time, the expansion of the assortment by going into the adjacent healthier categories can also help in attracting the "health addicted" consumers, in a good sense of the phrase. For example, dairy brands can expand their portfolios into a zone of lactose-free or dairy-free yoghurts and products, producers of any food can reduce sugar levels and use of harmful fats.

#Beauty trends. How to find the most loyal consumers?

By **Irina Bolotova**, *Beauty Expert, Qualitative Research*

First of all, it is necessary to note the significance of the notion of beauty among the Russian audience. Beauty and taking care of her appearance, in general, is one of the most important attributes of a Russian woman. Maintaining an attractive appearance is considered a "duty" of practically every girl.

In addition, the growing involvement of men in beauty practices related to taking care of their appearance should also be acknowledged. In the past, men were inclined to give their appearance little attention compared to women. Today more and more men are ready to invest time and money in daily grooming routines.

This trend is taken up by beauty salons, who have adapted for men beauty services, such as manicures, cosmetic procedures, etc., by hairdresser's salons turning into barbershops and offering a wide range of services – from haircuts to beard sculpting in the atmosphere of a modern men's club; by the cosmetics manufacturers producing a wide range of skincare products for men, which are no longer limited to shaving foam and lotion. All this makes it important to state the development of a new market – male beauty products and services for men. No longer are women the only active consumer in this market, carefully providing her man with all grooming necessities. However, it is the man himself, who is not a passive consumer, but is now a fully-fledged actor in this market.

It is noteworthy that two social categories can be identified among men and women, depending on their level of involvement within the beauty sector:

- **Highy involved** – this group is deeply immersed in the market, it is well-informed, knowledgeable, and competent in many beauty-related aspects and topics.
- **Less involved** – the audience simply understands the need to support an attractive appearance and invest their time and money in taking care of themselves on an as-needed basis.

Moreover, there is a certain dynamism in the expanding diversity in the market and the need to navigate through the sea of new products available. Both parts of the audience respond to this in their own way:

- The highly involved strive to become experts to be able to make conscious choices:

  "The consumer has become so savvy that they need a huge choice and they are ready to give up habitual cosmetic brands to try something new, whether it is k-beauty, j-beauty or small indie brands. And most significantly, the "seekers" segment, which in the past used to be relevant to a rather young audience, has been growing in strength and expanding every year"[17]

[17] What is j-beauty and why this is the top trend of the year // Buro24. 14.02.18 https://m.buro247.ru/beauty/expert/14feb-2018-what-youneed-to-know about-j-beauty-a.html

- The less involved strive to simplify their beauty routine as much as possible, to avoid the necessity to choose from a large variety of products, which they find frustrating.

Factors typical of the highly involved audience:

1. **Decreased influence of top bloggers in favor of microinfluencers**

Just about 2-3 years ago the authority of beauty-bloggers with thousands of followers was high – they were listened to with sensitivity, their recommendations were perceived as a guide to action, and their opinion was a weighty argument for or against buying this or that product. Their posts and videos were a world away from the advertising campaigns of the big brands; they seemed "near and close" to the ordinary consumer.

Our research shows that people are getting a bit sick and tired of following top bloggers; trust has been undermined by the numerous obvious advertising posts, and, now, the opinion of blogger has lost much weight.

At the same time, the need for a "navigator" that can help consumers choose the right product through a huge array of goods in the beauty market still remains. But the question arises: How should we be guided to not get lost in the market? At this point consumers are turning to the experience of other ordinary people like themselves.

Therefore, the growing tendency to turn to specialized site aggregators of recommendations and references (e.g., irecommend.ru, otzovik.ru) as a source of information about product benefits and pain points is unsurprising.

In addition, the influence of so-called microinfluencers has been growing; these are local opinion leaders within a particular community (forum, website, team, etc.) who do not have many followers, but who are highly trusted, due to the following:

- **high level of personal expertise in the category** (as a rule, it is a highly involved person who has vast experience of product consumption from different brands and can elaborate on the details).
- **absence of numerous subscribers** indirectly confirms the person's sincerity and honesty (as there is a belief that brands only pay the most popular top bloggers; and if a blogger is not widely known, they have an unbiased opinion).
- **mentioning not only product benefits, but also its weaknesses,** which emphasises the importance of microinfluencers.

2. **Customisation**

Cosmetics that can be "tailored" to a particular person's needs, the skin type, etc. give the impression of a unique product and, undoubtedly, cause interest especially amid the abundance of mass-market products.

This trend is actively used by the manufacturers making customized skincare products. Besides, today special services are provided in cosmetic corners, to allow consumers to figure out their skin type and tone with a spectrometer and mix the foundation in exact accordance with it.

But lately we observe the trend cascading towards a more affordable segment and the appearance of skincare and make-up cosmetics, which must be "refined" in a certain way by the user before application (mix the ingredients in the right proportion, or, for example, turn the skincare product into a foundation by adding a special pigment. Moreover, you can enhance the effect of a facecare product with the help of a special booster containing active ingredients and aimed at solving a particular problem. All this suggests that the trend is gaining popularity.

It is important to note that this trend is relevant only to the part of the audience who are ready to get involved in this process and enjoy it.

3. **An informed conscious choice**

As a result of the increasing expertise of the average consumer, the audience's overall awareness is also growing. Some consumers begin to get into the nuts and bolts of what they buy and they use every day. And the interest in the quality of product components presence/absence of "harmful" ingredients, product consumption value become more obvious; while bright and unusual packs, advertising promises, or bloggers' advice gradually become secondary.

Besides, the "advanced" Russian consumers, following the European trend to use eco-friendly and organic products, pay more and more attention to eco-labels, availability of international certificates of natural and organic cosmetics (e.g., Cosmos, Ecocert, BDIH).

For less "advanced" consumers, claims on the pack front (eco/bio/without parabens, etc.) are enough to make them feel that they made an ethical choice.

The following trends are relevant to **the less involved audience, striving to simplify their beauty-routine:**

4. **Simplicity and versatility**

The essence of this trend is the desire to make one's beauty and body skincare as effective as possible with a minimum set of products and effort. This can be related both to the general global trend for simplification, minimalism, succinctness, and the increasing trend for rational consumption.

The simplicity and versatility trend is actively used by manufacturers of multifunctional products (2-in-1, 3-in-1, etc.), as well as by many video bloggers who speak about various style lifehacks (how to make full makeup with the help of just one lipstick).

5. **Solution vs. product**

A significant trend, which is worth noting, is the search of a complex solution instead of choosing one particular product. This is due to the aspiration of an ordinary consumer to make choosing products simpler and easier and at the same time minimising the risk of making the wrong purchase.

A typical way to structure a brand's product portfolio (depending on the type of skin/hair or seasonal color analysis, presence of a particular problem, etc.) can be cited as an example, thus making it easier for the consumer to navigate and select not only one product, but the entire product line to solve a certain problem.

6. **Brand closeness to the consumer**

This trend is typical for **both audiences – highly involved and less involved consumers**. It is important for them to feel that the brand understands their needs and the development of its product range is based precisely on the TA needs, and not only on business KPIs.

- For instance, a brand's communication which tries to demonstrate that it is in tune with its audience and understands their needs, not only in the category, but overall (in the style: You have a baby? Are you tired? Did not get enough sleep? Our concealer will hide all the consequences of sleepless nights!) gets far more "points" from the consumer than a vague universal message about the benefits of a newly launched product.

This trend is also manifested in the attention to the **place of production** (the preference is given to domestic manufacturers, local ingredients and technologies), as well as the **company size** (small private manufacturer, young brands). There is a belief that these local and/or small brands better understand the audience's needs and are more flexible in their product portfolio management vs global corporations.

At the same time, when large cosmetic companies turn face-to-face to consumers, trying to take their opinions into account for product development or the creation of content for their official branded social media accounts, it is perceived positively, since it allows the consumer to feel engaged.

In a more "advanced" option, this trend is manifested in the aspiration of the consumer to find a brand with similar values and philosophy to them.

For example, the brand's ethics, the method, the website, and the origin of ingredients, the presence or absence of animal testing, etc. are important for a small part of the involved audience. And although this aspiration is relevant only to a small part of the advanced audience, these consumers demonstrate the highest degree of loyalty to a brand that is close to them.

#Eating. We chew as we live

Russian cuisine is generally considered as simple and non-sophisticated. However, this is only at first glance. The history of the formation of nutrition habits of a modern resident of Russia since the time of great-grandparents to the present day is fascinating and curious.

We invite you to make a culinary ethnographic trip together with our expert. Who knows, maybe fresh marketing waits for your brand just around the corner.

By **Evgenia Zadorina**, *Expert in Qualitative Research*

Pre-revolutionary Russia. "Shchi and porridge are our staples"

Aspiring today to rethink the traditional Russian cuisine, we possibly can find the menu of our great-grandmothers and great-grandfathers rather boring and uncomplicated. There are understandable reasons for this. First, a harsh climate that introduced natural restrictions in the diet. The second reason was that most of the days in the year (up to 216) were lean, when consumption of meat, milk and eggs was limited. Therefore, the basis of nutrition of the Russian people was cereals, vegetable dishes and bread. Of particular importance was the method of cooking: the food had to be hot, and it was cooked for several hours in a Russian stove. As a result, a diet was formed, well known to contemporary Russians by the saying "Shchi[18] and porridge are our staples".

[18] Shchi is a traditional Russian cabbage soup

It is no secret that the emergence and development of complex culinary arts (for example, sauces) has historically been associated with hungry times and the need to disguise a stale or unappetising ingredient in a dish. However, neither the use of sauces nor spices was typical of traditional Russian cuisine. On the contrary, it was built on the disclosure of the singular taste of a fresh and high-quality product. A Russian man who lived "on ground", close to nature, knew perfectly well how to feed the goose, so that meat was tastier, where the sweeter berry grows, and when this or that grass "enters into force." Correctly grown, selected and cooked in the oven, the natural product was beautiful in itself and did not need additional disguise and adornment of taste.

A classic example is the 'pokhlebka' (simple soup), which was cooked on the basis of one single vegetable component, and the main secret of its preparation was in the proper selection, preparation and cooking of this vegetable. It is also an 'ukha' (fish soup). Today we call 'ukha' any fish soup, but in Russia many kinds of 'ukhas' were known, depending on the type of fish used – sterlet's ukha, sturgeon's ukha, pike-perch's ukha, etc.

The Soviet period. “And what about potatoes? Just, cooked and eaten? It was not that ordinary!”

The creation of the Soviet Union changed not only the state system, but also the way of life of the population, which became increasingly urban. The centralised care for the nutrition of citizens was assumed by the state, actively developing public catering. And the traditional cuisine with Russian stove and fresh country product is gradually disappearing into the past. People face a food deficit, the usual diet varies, and now depends on the work of the food industry and what products are available in stores on the shelves.

The principles of economical use of products and the utilisation of residues require a more technological and ingenious approach to cooking. Soviet chefs, followed by Soviet housewifes, show wonders of savvy, creating recipes for new dishes from the simplest products. The heroine of the famous Soviet movie “The Girls” Tosya immediately counted more than ten ways of cooking ordinary potatoes!

But in addition to a limited choice, the housewives often came across the fact that an affordable product was not always quality and fresh. There is a need to “create” an appetising and attractive dish literally from nothing. At this point, the role of sauces in cooking grows: tomato paste and especially mayonnaise. Mayonnaise becomes an all-Russian favourite product for its ability to brighten the taste of not even a very high-quality initial product, to connect different (sometimes completely incompatible) ingredients together and literally save any dish. It is no coincidence that today the consumer often says: “With mayonnaise even a sweep can be eaten!”

Perestroika. “Great little joys”

In the 1990s, global social transformations once again entail changes in the dietary intake of Russians. Gradually imported food comes to the counters, and, not spoiled by variety, Russian people discover new products, tastes and categories: chocolate bars, yoghurts, chips and others. Today they became habitual and ordinary, but at that time these products seemed special and almost a delicacy.

At the same time, Russians are discovering fast food: the first McDonald’s line in Moscow reached a kilometre; and the fast food itself still has the halo of a “small holiday”.

The diet also includes dishes of foreign cuisine – pizza and rolls, which have become universally loved, though considerably modified in accordance with the tastes of Russians.

2000 years. “Take everything from life”

In the “Zero” years of consumer abundance, manufacturers continue to amaze with assortment and novelties. And consumers seemed to try everything indiscriminately not only at home, but also abroad: Turkish all-inclusive is the embodiment of the Russian dream of abundance.

In response to unlimited hedonism, some consumers turn to counting of calories and all sorts of diets, trying to control the consumption of the most delicious and seductive - sweet, fatty and fried.

And although the categorical refusal of favourite gastronomic pleasures does not happen, the optimistic and sybaritic attitude to food and novelties is gradually replaced by the more cautious. The media, and especially the Internet, talk about the dangers of e-components, GMOs, preservatives, etc.

Nowadays. “Do not take everything from life – be choosy”

Unpretentious in the past, now Russians for the first time look at food with mistrust and suspicion.

The economic crisis of 2014, sanctions and food embargo finally sober up and force to reconsider the habitual consumption pattern. Spontaneous purchases are replaced by careful planning, rational choice now prevails over the emotional.

From the hedonists and experimenters, consumers become real ‘value seekers’. And if for the majority there is a transition to a regime of total economy and hunting for a favourable price and promotion; then the advanced part of the audience has a tendency to eat a healthy and natural product.

Striving for informed consumption, advanced consumers increasingly appreciate the pure taste of a quality mono product, again the seasonality and the place of growth of raw materials are important.

Suddenly it turned out that already thoroughly forgotten traditional Russian cuisine perfectly corresponds to actual trends and needs for nutrition. Polba and buckwheat are new superfoods. Fans of experiments with pleasure open for themselves a local exotic – to try “a bear in nettles and sorrel with cranberry sauce” became more interesting than a salad with arugula.

The fashionable premium farmers’ markets are opening and expanding; the projects of delivery of village products are growing; fashionable chefs and restaurants willingly include in the menu recipes of dishes of pre-revolutionary Russian cuisine.

The brands are more eager to turn to the topic of locality: Siberia, Altai, Baikal, Kamchatka – have become brands by themselves. From now on, authenticity is one of the factors for which the consumer is willing to pay more even in a crisis.

History once again goes around in circles, as if recalling that often new is a well-forgotten old. What will be the next round?

#Alcohol. The fall of the Vodka Kingdom?

Since the process of distillation was widely known to Europeans, namely the Sixteenth Century, Russia is one of the countries of the so-called "Northern" type of alcohol consumption, where strong drinks predominate among consumed beverages.

In Russia, it is no surprise to anyone that this drink is vodka. "We drink vodka, we pour vodka, we only live with vodka" - it's sung in a popular Russian song. Consumption of vodka depending on the situation and the desire can optionally be complemented by beer. In Soviet times this "Northern" type of consumption in Russia was distinguished by the following specific moments.

1. World brands and whole categories of strong drinks such as whiskey, rum, gin and tequila were unknown to people. The Soviet government strictly protected the citizens of the USSR from the temptation of capitalism.

2. A significant proportion of cheap, sweet, local wine was of doubtful quality. Most often, wine was consumed by women on different occasions, but it was not ignored – in any occasion – by men.

3. The absolute domination of domestic consumption of alcohol (off-trade) due to underdevelopment of the on-trade channel and relatively low incomes of the population. Communists for 70 years could not do anything with vodka, but they destroyed the legendary Russian tavern.

Radical changes that began after the fall of communism, inevitably touched together with others such an important part of life for Russians, like alcohol. The market and consumption patterns began to change rapidly. Changes can be divided into three stages: 1992-mid 2000s, mid-2000-2014, 2014-present.

In the new consumption pattern that is emerging now, new scenarios are being formed. Brands are interested in not making a mistake.

By **Ivan Bezdenezhnykh,** *Expert in the Alcohol and Beer Market*

Stage 1992-mid 2000s. "The forbidden fruit"

The life of the Russian consumer goes into an era of economic turbulence and the emergence of consumerism. It is characterised by the following traits.

1. Maximum liberalisation and even cancellation of licensing and control over the sale of alcohol. Extremely gentle tax policy of low excise taxes. Never in the history of Russia vodka was so cheap and so easy to access.

2. The arrival of transnational companies, large world brands, new drinks on the Russian market: whiskey, rum, gin, tequila. The shelves of stores are beginning to resemble their

contemporaries in other countries. However, for the poor, who barely earned $50 a month, these drinks remained inaccessible. Brands like Hennessy or Johnnie Walker along with Rolex watches and Mercedes S600 cars, became symbols of the new Russian capitalism, a welcome but inaccessible *dolce vita* of an era of difficult changes. The majority continued to drink vodka at home, at best from time to time, drinking just cheap surrogates of Western drinks and brands.

A real game changer of this stage is beer, a favourite, familiar, but eternally scarce drink. One by one, large transnational beer giants came to the country. The emerging national brands start to struggle from scratch for the "consumer's soul"; pushing each other elbows, the biggest international brands rush in the market, beginning to be produced by licensing. Imported beer stands on store shelves and on tap in trendy bars, but at times it is more expensive than that produced in Russia. On these, "beer yeast" consumption begins to grow rapidly, and this beer fever will continue until 2008.

It is interesting that at that time both the authorities and the society favourably looked at the growth of beer consumption. It was believed that in comparison with vodka, beer consumption is a more cultural, "European" manner. In addition, many expected that if people drink more beer, they will drink less vodka. However, the "Russian peasant" also showed the breadth of his soul. If consumption of beer per capita in Russia quickly enters the "big league" of countries (81 litres per capita in 2007), then the consumption of vodka at the same time sets its historical record and does not think to decline.

At the same time, another important change was taking place, which may not be significant in terms of sales volumes, but it is very important from a cultural point of view. Representatives of young Russian capitalism want to work well and have a good rest. Like mushrooms after the rain, HoReCa (hotels/restaurants/cafes) institutions pop up for every taste and purse.

Of course, the bars and nightclubs of the industrial cities of the Urals were far from their prototypes of Soho and Ginza, but the beginning was set. Young people and the emerging successful middle class are accustomed to drinking outside the home, to keep experimenting. Having once tasted Irish stout or the white Russian, the Russians will not want to give it up any more.

Stage of the middle of 2000–2014. "Tectonic shift"

These are the years of oil abundance and financial stability. There was a radically changing lifestyle, and hence the style of alcohol consumption.

A gap growing in the style of consumption between consumers of different ages and different social groups. At one pole there are young townspeople, and at the other, middle-aged and older people, residents of the province. All ten years of this generational divide will become wider and wider, but what is its essence?

Older consumers, residents of small towns, remained faithful to the Russian alcohol traditions. They continue to drink vodka and beer (men), vodka and sweet wine (women) more often than other beverages. They rarely go to bars and restaurants, preferring a plentiful home meal. They also prefer traditional food and snacks to new-fangled snacks, pizza and sushi to order. It is important to note here that such consumption is not always associated with a difficult material situation, but often has the character of a "civilizational" choice.

But at the same time, millions of young townspeople begin to live and drink in a new way, and millions of middle-aged people change their preferences and habits in just a few years.

1. Whiskey becomes the most popular drink of young townspeople. Strong as a vodka, but prestigious and easily mixed with a cola, whiskey becomes the number two drink in Russia (if not in litres, then exactly in cost). In city folklore

and memes, whiskey becomes the main theme. The young generation begins to deny vodka, which has become a "marginal drink of losers and retrogrades." From an exotic drink of aristocrats and nouveau riche, whiskey turns into a drink of students and office clerks. Fathers (who continue to drink vodka) do not understand their sons.

2. From travelling abroad and fashion TV shows, the fashion for wine grows: dry, sparkling, fortified and Vermouth. Choosing the price and design labels, more people are ready to maintain a conversation about the characteristics of the Rioja and the New World wines, to distinguish the Syrahs from the valley of the Rhone and the Shiraz from Australia. The wine is excellent for a simple dinner of pre-prepared products, cheese and fruits. Exotic liquors and Italian Vermouth charm with the power of their brand. Mothers (they drink sweet wines) do not understand their daughters.
3. The cocktail card and culture is still difficult to understand, but students and young office workers find in simple mixes status, style and drunkenness at the same time. While parents prepare a complex table at home and choose vodka, their children go to the club and choose rum-cola.
4. Beer ceases to be a desirable product. Mass cheap brands remain popular, but are increasingly associated with low social status. In the eyes of a young Russian who has visited Prague and Munich, it is not enough just to drink beer to look successful and fashionable. It is necessary to drink expensive imported beer, a well-known international brand. Since 2008, the beer market in Russia has begun to stagnate.

At the end of the 2000s it seems that a little more and Russia will cease to be a brutal vodka kingdom. It seemed in a few more years, and in the beach bar of Andalusia or a trendy bar in Siberia, the same global Russians will drink the same global drinks. But history decided differently.

Stage after 2014. “Battle for what has been achieved”

This is the period of stagnation, falling incomes and reducing imports. The country closes from the global world for political and economic reasons.

Tasting European wines, scotch and cocktails, representatives of Gen Y do not want to give up the usual drinks and rituals. Gen Z do not know another reality, but increasingly they are forced to give preference to budget local versions of known beverages. They are not ready to deny themselves the joy of going to the bar, but are forced to count the money.

The young and cosmopolitan section of Russian alcohol consumers, if not declining quantitatively, certainly stopped growing, and its spending on alcohol stopped keeping up with global trends. Tectonic rupture, which rapidly expanded in previous years, stopped growing. And now on the one hand its conditionally “traditional” consumers who prefer vodka, beer, sweet wine and are not ready to try new drinks, experiment with rituals, and on the other – middle-aged consumers, young, hungry for something new, but not ready now to pay so much for it. Fathers and children, the city and the village – the classic subjects of Russian literature, are more relevant than ever for the alcohol market in Russia.

What changes in alcohol consumption can be seen in the past few years in Russia?

1. Russians began to drink less. The consumption of alcohol per capita and the frequency of this consumption is declining. Fashion for a healthy lifestyle does its job. The availability of new forms of leisure and social activities are an alternative to alcohol.
2. The global fashion for craft beer has reached Russia. Sales of lager fall, large brands lose their appeal. But young people willingly go to craft bars, try new varieties and small brands.

Small and medium-sized producers are starting to produce industrial craft and promote it through retail chains and independent stores. They are followed by large multinational companies.

3. Cheap local versions of international drinks are becoming more popular. They are more willingly bought in stores, bartenders are more likely to make cocktails with them. Bartenders have them in-house. Consumers are not ready to give up their favourite whiskey and rum, but they can not pay the extra $5-10. Local producers readily offer them budget Russian equivalents.

4. Interest in wine and cocktails is not simply preserved, but even growing among the advanced and young audience of large cities. Across the country, this is not such a large audience, but it is the most solvent and, importantly, it forms the fashion for a new one, and sets the trajectory of changes. What can we see there?

   a. Interest in dry wines. Such wines are strongly associated with the modern European way of life and look much more attractive than cheap and sweet local wines. Wine is a new way of life, a fashionable topic for a secular conversation. The guru of Russian journalism Leonid Parfenov in his YouTube channel not only comments on the events of the week, but also talks about wine from his collection.

   b. Interest in cocktails is not just preserved, but growing, and most importantly, the taste of consumers is gradually changing. From sugary sweet "beach cocktails" and simple mixes, more and more people are moving away, giving preference to complex, dry and bitter tastes.

But as the alcohol consumption in Russia has not changed, there is something constant, which determines the market in Russia. Overcoming these constants may take considerably

longer than in the past 30 years.

1. Russian vodka remains the main drink of the country. Its share (especially in cost) falls, but from a very high altitude. In addition, vodka and the age-old rituals associated with it are deeply rooted in Russian culture. It is unlikely that the Russians will refuse to drink vodka shots at home and will pass to fashion-based vodka cocktails. Yes, and for the price it remains the most affordable alcoholic drink. At the same time, vodka remains a purely Russian product. The share of imports and international brands has been and remains negligible. On the contrary, Russian companies are successfully starting to promote their brands to the international market.

2. Despite scientists' belief in climate change, Russia remains a cold country with a long and harsh winter and a short but hot summer. Peak consumption of strong drinks falls on the winter, and brewers year after year wait for the summer. The European culture of wine and cocktails smoothes this season. But do not expect that the Russians will drink wine as Italians, and beer as Czechs. In Russia, three winter months give the same volume of sales of strong alcohol as the other nine. For beer, the picture is similar, only the "hot" months fall in the summer.

3. Moderate drinking on a weekday for Russians is acceptable, but not interesting. At the weekend you can relax, but no more. The soul asks for a holiday, and the state generously gives these holidays. New Year and the first week after it are times for the main festivity. During the week people go to visit each other, and the housewives compete at the richest and most sophisticated tables. Strong alcohol is poured like a river. Then there are "gender" holidays. February 23rd is the day of the Red Army, and it does not matter whether the man served in the army or not. He, most likely, will receive alcohol from the woman as a gift, and will buy more and drink with his friends.

On March 8th – International Women's Day – men generously give women wine and champagne, and women are happy to arrange a hen party to drink it. In May, the northern nature comes to life, and from May 1st to 9th Russia has holidays. All rejoice at the first warm days, they try not to work and leave the city, to spend time in nature. These days they smell of shish kebab and very different kinds of alcohol. On these dates, there is another peak in sales and consumption of alcohol.

4. Summer in Russia is too short to be spent in the city. Nature gives strength, abundant food, pleasure, alcohol and relaxation. Every weekend tens of millions go to their country houses – 'dachas'. Relax from the bustle of the city, work with your hands, cook delicious food, get tanned and bathe. Alcohol here is an indispensable assistant.

5. If you walk along the central streets of Russian cities or read TripAdvisor, then it may appear that in Russia in recent years there has been a boom in bars. Is that true? Yes and no. The number of bars and enthusiasts who are ready to open their bar is growing. But the number of visitors and the average check for the evening almost do not grow. Bars did not become the focus of the public life of the quarter, but remained fashionable, inaccessible institutions. The fascination with gin-based cocktails or Alsatian white wine remains the lot of a small group of townspeople. The mass audience "votes with the ruble" and remains at home.

What’s next? What forecast can we give on the development of the alcohol market and consumption in Russia for the coming years?

One scenario, let’s call it “Indian” – is a further evolution of tastes, but in a situation of economic stagnation, low incomes and strict state control. This is a scenario in which the habits and rituals of alcohol consumption will change little, but tastes will continue to change. Russians will drink more whiskey, rum, gin, still (non-sparkling) wines and unusual beers. But it will be local production and local brands. The market will become similar to India, where local brands and local habits dominate.

Another scenario, lets call it “Polish” – is a gradual – increase in welfare, a liberal state policy of alcohol regulation. This scenario, which will change not only tastes, but also habits and alcohol consumption rituals. Global brands, bars and restaurants will become increasingly popular. The cultural difference in alcohol consumption between Russia and European countries will gradually fade.

#Banks. Customer journey from birth to retirement

About the banking system in Russia, you can and should write inspirationally. Changes that have occurred and continue to occur are impressive with their speed and scale.

Tatiana Shechkova, *Expert in Financial Market Research*

Banking in Russia is one of the fastest growing and changing sectors of the economy: during one generation we have seen a completely renewed banking system, new products, services, a revolutionary rethinking of the very principles of the existence of banks.

Judge for yourself: people born in the USSR could use one bank for retail products (Sberkassa) and three banks for corporate clients. In 1991 and later, on the wave of restructuring and building a market economy, there were 1,215 banks, which added chaos to the changing life of people of the post-Soviet era. And now in Russia there are about 500 banks, while only the top 10-15 banks are really popular.

How the banking system is structured in Russia

In Russia, three or four banks are state or "close to state", which for the majority of the population is a guarantee of their reliability. Despite not having the most favourable conditions of banking products, many people choose to deal with such banks. And the main bank for retail customers is Sberbank, which owns the widest network of branches throughout Russia: almost every Russian citizen has a card or a product in this bank.

The most famous federal commercial banks are Alfa-Bank, Raiffeisen Bank, Citibank, Rosbank (BCGV group), BIN Bank, Bank Otkrytie. In addition, many regions have their own local banks.

All the banks that I mentioned above are classic "old school" banks with branches, ATMs and managers in the offline branches. But there is one commercial bank that "violates all rules" - Tinkoff Bank: this bank has no branches (and until recently there was not a single ATM). Customers interact with the bank only online and through a manager who comes to the client at home or at work. The distinction of this bank is also the fact that customers can withdraw money from cards at ATMs of any bank without commission (in other banks, if this is not an ATM of a bank itself or a partner bank, you have to pay commission), and also make transfers from cards and to cards of other banks free of charge (in other banks for this commission is charged). Now a couple of banks copy Tinkoff's business model.

The number of commercial banks is gradually decreasing, as the state has taken a course to sanitise the banking system. Almost every month consumers hear that one or another bank has lost his licence, and a bank is being bailed out. This happens both with very small unknown banks, and with large and well-known banks.

Further on I will explain a little about how banks interact with the client at various stages of his life. We should be clear that we are talking mainly about residents of large Russian cities with average and above average income.

Bank clients. Customer journey from birth to retirement

The first interaction with a bank	Higher education, first earnings	Growing up, independent life	Age of maturity	Pre-retirement and retirement
Age: starting 6 y.o.	**Age:** 18-24 y.o.	**Age:** 25-44 y.o.	**Age:** 45-55 y.o.	**Age:** 55+
Products: Debit cards	**Products:** Debit cards and cash loans	**Products:** Credit cards, consumer loans, car loans, mortgages	**Products:** Deposits	**Products:** Accumulation for retirement and life after retirement

First interaction with a bank

Starting at six years old. Debit cards

A product that is available to even the smallest child is a debit bank card. In Russia, cards can be issued to children aged six to 14 as an additional card open to the parent's of the child, and also from the age of 14 as a basic card with the consent of the parent.

Bank cards can combine a means of payment, as well as a transport card and a pass to school.

The initiative to open a card for a child is most often exhibited by parents, and they choose a bank in which they themselves have bank products in order to be able to easily transfer funds from their accounts to the child's card. The purpose of giving the card to a child is to simplify operations with cash. If a child has a card, it facilitates transfering pocket money from parents (the main function), allows to control the expenses of a child, makes the carrying of money by the child more secure (loss of the card does not mean loss of money), and also has a pedagogical meaning: teaches a kid how to manage money (to allocate expenses, to track expenses via application).

Children perceive the card emotionally: for them, this is something from "adult" life, an element of growing up. When they get a card of their own, it grows their status in their own eyes and the eyes of classmates.

To be honest, children now own very few bank cards, but in the near future it will obviously become more, as unlike adults, for whom the card is a relatively new means of payment, children perceive the card as a familiar subject of everyday life: children did not know a time when bank cards were rare, so the card for them is an ordinary item, which is used by most adults. In the same way, for example, that computers and smartphones are perceived.

Getting higher education, first independent earnings

From 18 to 24 years. Debit cards and cash loans

Almost everybody at this age already has a bank card. Young people have their first independent sources of income – earnings or scholarships increase the need for a debit card to get this money:

- **Full-time/part-time work.** If young people are employed officially, then the employer issues a bank card for them to receive a salary. If it is part-time work, then the employer often asks to give card details for the simplicity of transferring money.
- **Study.** Students are in an environment where bank cards are widespread: many receive it when they enter college/university, and if they do not, they see such cards from fellow students/peers. In addition, in Russia there are still scholarships that some students receive. The scholarship is also paid to the debit card.

By 20-25 years, interest in cash loans is awakening: as a rule, young people take out cash loans to purchase gadgets. For example, in Russia the iPhone is very popular, the cost of which considerably exceeds the average salary of a Russian. Among young people, an expensive smartphone, headphones, laptops are items they must have, and a loan for the purchase of such goods can be issued in the store.

The share of credit cards in this age category is small, but it grows at the fastest rate in comparison with other age segments. Interest in credit cards is fuelled by offers of banks that have bonus programmes for young people such as the Sberbank programme "Spasibo", cashback (Tinkoffbank promises cashback up to 30%), and a long grace period (Alfa-Bank - up to 100 days).

Young people are the most active consumers of modern technologies and forms of factors. Young people actively use contactless payment technologies both on cards and in connection with Apple Pay/ Samsung Pay, use biometric data for authentication, services and offers georeferenced, as well as interactive interfaces, such as chats or online forms. In addition, the convenience of a mobile bank is very important for young people, since they prefer mobile banking to standard banking services. And the most important is the word for young people is "fast": everything should work in real time, all banking services should be available immediately, the funds from the card to the card or to the account must be transferred in one click.

Growing up, an independent life

From 25 to 44 years old. Credit cards, consumer loans, car loans, mortgages

The final step to financial adulthood occurs at a time when children begin to live apart from their parents. Now it happens at a younger age: 20-24 years. Renting an apartment and working, grown-up children begin to live on their own.

Debit cards, for which the salary is transferred, is available to all Russians who have an official place of work. At the same time, in order to evade tax, some employers still practice a scheme of partial transfer of wages to a card (usually the minimum amount), and the rest is given in cash in an envelope. Therefore, the amount of cash in hand for the population is quite large.

Very few manage to make savings (bank deposits or savings deposits), the rest live either on what they earn or are in debt. Among the most popular banking products at this age are credit cards and consumer loans. The most frequent goal of opening a consumer loan in Russia is a shortage of money for renovation. The second most popular place is the need to purchase real estate, and on the third – the car. The five most frequent purposes of obtaining consumer credit also include large purchases that require significant expenditures (household appliances, expensive clothes, furniture), and travel.

Also, loans for refinancing loans borrowed from other banks are becoming popular (since the financial situation in the country is unstable, it is quite possible, in a year after receiving the loan, to take a new loan on more favourable terms to close the old one). Almost a third of new loans go to pay off old ones.

Currently, **the average interest rates on consumer loans** range from 9% to 25.5% per annum, but the average is about 11.9-20%. Usually, banks provide holders of their cards or salary customers with lower interest rates than those with no card or salary products. This also applies to those who take the first loan in the same bank.

Most banks provide loans from 60,000 rubles. But the maximum amount varies from 250,000 to 10,000,000 rubles, but on average it is 200,000-500,000 rubles.

The repayment period is on average 1-3 years, but for large amounts the term can be increased to seven years. All loans are calculated on the fact that the consumer will pay back the prescribed contribution in the contract every month.

Rates for **auto loans** are growing along with a fall in car sales: in 2018 in the sector of car loans a steady increase in average rates can be seen. At the end of 2014, they were 17.7%, but already in January 2018, they rose to 21.2%.

Mortgage loans are not available to all segments of the population due to high mortgage rates – until recently they were 11-17% per annum, but now there is a downward trend and rates are in the range of 7 to 10%. Therefore, banks note an increase in the number of mortgage borrowers.

Age of maturity

From 45 to 55 years. Deposits

Together with the continued interest in credit products, at the age of maturity savings grow in bank accounts. About one-third of all Russians have savings.

The majority of money the population has, is kept in bank deposits; the part saved in securities and cash is small.

In recent years, banks have been pursuing a policy of reducing deposit rates – a year ago, some banks out of the top 50 gave 9.5-10% per annum in rubles, 2-2.5% in dollars and in 1-1.5% in euros. Now the maximum, which is available for consumers looking for savings in rubles when placing state-insured sums (1.4 million rubles) in banks of the top 50 do not exceed 8-8.55% per annum. The best offers for foreign currency depositors are at the level of 2-2.5% in dollars and 0.9-1.2% in euros.

However, moving away from the usual manner of accumulation is not so simple, therefore, more complex investment and accumulative insurance products offered by banks are not very popular.

The main purposes of savings (listed in descending order of popularity) are: just in case/in store, for a “rainy day”, for treatment, for buying an apartment or own house, buying a land/cottage, for education, for recreation/entertainment/travel, to buy expensive things, to buy a car, for your own business/purchase of shares, in order to increase your own funds (to receive interest/dividends).

Pre-retirement and retirement age

From 55 years and older. Accumulation for retirement and life after retirement

The retirement age in Russia still comes quite early – at 55 years for women and 60 for men (currently the extension of the pension age is actively discussed). The average monthly pension is 13,000-14,000 rubles (about 190 euros), which is not enough to maintain the usual pre-retirement standard of living.

Therefore, already at 45 years, most people think about the need for savings, and continue to save money before retirement. The deposit allows you to save your savings from inflation and get an additional income. Most of the pensioners are negative about buying securities, shares, savings certificates because of the complexity and unusualness of these products.

State and non-state pension and insurance programmes of trust are few, since the inconsistency of the official pension policy and the high level of inflation make these programmes unprofitable in the long-term.

The ideal option for a future pensioner in a big city is to accumulate enough money to buy an apartment that can then be leased: real estate taxes are low, and the rent may exceed the size of the pension several times over.

In any case, the Russians work as long as they have strength and the employer is ready to pay for their labour, since in this case they receive both a pension and a salary. Pensions are postponed to bank accounts for slightly more favourable interest rates than for the general population (banks provide special rates for pensioners).

After the end of work, pensioners lose attractiveness for banks on credit products: a significant number of banks do not give out to mortgages, credit cards, cash loans to retirees, or offer conditions significantly worse than market ones.

However, the financial activity of the elderly is steadily growing: pensioners form a third to a half of bank depositors, and the sums they keep in their savings accounts are significantly higher than the average for the market. In addition, retirees have mastered Internet banking (about a third of Sberbank's pensioners use it) and debit bank cards (80% of pensioners who are Sberbank's clients, have this card active).

This is how "banking life" in Russia flows from birth to retirement.

#Smoking. New rules for the old category

The tobacco market in Russia is quite different from most European markets. First of all, it is characterised by a sufficiently high category penetration (more than one third of the population smokes cigarettes of factory production at least from time to time) and high daily consumption (~ 16 cigarettes a day), which, taking into account the size of population, makes the Russian market one of the largest in the world.

Interview **Stanislav Shukhno,** *Expert in the Tobacco and RRP Categories*

What is the peculiarity of the tobacco market in Russia?

Recently, the tobacco category in Russia, like many others, has gone through turbulence associated with the economic crisis which *started in 2014. But if all other categories of goods, in the first place, were influenced by inflation and changes in the exchange rate, then the cost of cigarettes was further influenced by the growth of excise taxes. This combined resulted in a significant increase in the cost of tobacco products in recent years. Suffice it to say, that if a few years ago cigarettes cost several times cheaper than in Europe, now, if you count the cost of them as a share of income at a par with purchasing power, it corresponds to the level of Germany.*

The key consequences of the very rapid increase in the price of cigarettes were the switching of consumers to lower price segments and an increase in the number of illegal tobacco products, especially in the border areas with Belarus and Kazakhstan, where, despite the membership of these countries in the EEU (Eurasian Economic Union), the cost of cigarettes in real terms remains substantially lower than in Russia.

Due to the geographical features and size of the country, the tobacco category, as many other categories in Russia, has a regional specificity. A good example is the Mevius brand, which is one of the most popular in the Far East due to geographical proximity to Japan and other Asian countries, where this brand is traditionally strong, while in Moscow, awareness of the brand is very low.

Now many steps are being taken to reduce the popularity of smoking. Does it work?

Surprisingly, restrictive state measures (bans on advertising, open shelves, smoking in some public places, the increase in pack health warning size and the appearance of frightening pictures with illustrations of various diseases) have led to a decrease in the growth of smokers in the youngest age groups (18-24 years) and potentially created additional barriers to entry into the category, but practically have not affected people of older ages.

What are the differences in consumption of tobacco products in Russia and in the rest of Europe?

I see at least three:

First, the majority of cigarettes on the Russian market continues to be occupied by low nicotine products, whereas in key European markets, most smokers switched to stronger varieties to reduce daily consumption and thereby save money;

Second, modern formats of cigarettes are actively developing in the Russian market: thin, compact, using a capsule filter technology – which is not typical for most EU markets;

Third, the category of so-called "self-made cigarettes" has practically not developed in Russia, while in the EU markets many smokers choose this type rather than ordinary cigarettes because of the lower price.

However, further tightening of the tobacco category regulation, planned within the framework of Strategy of Development of Russia Until 2024, has all the chances to make its own adjustments.

What about electronic cigarettes?

Categories of electronic cigarettes and tobacco heaters do not remain without development. First of all, they attract smokers, but at the same time, in some sense, compensate the decline in smoking among 18-24 year olds. Despite the fact that penetration in these categories is small, they form new subcultures and make people using them very noticeable – especially when talking about devices with tanks for liquids and so-called mechanical modes.

Its doubtless, that a man who lets out as much smoke as a barrel with burning leaves can not remain unnoticed in the crowd!

What is noteworthy is that the category was developed mainly through the promotion of products by small companies, mainly of Chinese origin, and groups of passionate enthusiasts who believed that this is a healthier process of consuming nicotine, which can bring additional pleasure from the innumerable variety of tastes. At the same time, the big three tobacco manufacturers watched the process carefully and only recently presented their devices to the Russian market.

Tradition or vape: who wins?

Despite the many advantages that electronic cigarettes and tobacco heating devices have (less harm to health, lower price of consumption, unlimited number of flavours and aromas, etc.), smokers of ordinary cigarettes are mostly wary of new categories. They look on in disbelief at all their advantages, which are concealed fundamentally by other sensations from use, so are still not in a hurry to change preferences, and remain true to the traditional way of smoking.

Obviously, overcoming this barrier will bring significant benefits. Let's see who can make it the first in Russia...

#Automotive industry. Russians are open to innovation

Buying a car is a choice between mind and passion, ease of use and status, making children's dreams come true and the ability to "tinker under the hood".

By **Denis Afanasko,** *Expert in Automotive Market Research*

The older Russian motor car enthusiasts are "passionate engineers" in terms of their mindset. The specificity of education and thinking determines the great (and sincere) interest of many Russian consumers, especially the middle and older generation, in the technical side of things when it comes to cars and devices; they tend to strive to understand devices, as well as trying to improve them.

This kind of interest is also promoted by a typical initial auto background – many people were acquainted with the car in garages, where together with friends and like-minded people, our customers serviced and repaired their vehicles, made simple and sometimes complicated tuning, set radio cassettes, alarms, modified the suspension, etc.

It is interesting that many car owners, even having a good income and having reached the age above the average, are happy to continue "tinkering" with their cars, changing pads, oil, and doing something with the electrics. Such behaviour, for example, is seen less often in the rest of Europe, where any service frequently means referring to a specialist mechanic.

Also typical in Russia is the active discussion in the specialised auto forums of the technical side of their machines, mechanisms, ways of improvement and repair.

On the other hand, such "engineering" and, it seems, a rational and technical approach is combined with a large emotional involvement of the consumer in the sphere of auto and innovation, a vivid articulation of the needs for the use of technically more sophisticated cars. The spontaneous manifestations of this are, for example, active interest in various novelties, their discussions in auto-forums, and self-installing various devices on their cars. For many years our car enthusiasts have been actively using radar/scanners, DVRs, smartphones or tablets with navigation. To the built-in technologies and options from the manufacturer, people are more cautious, wanting cheaper ones ("I'll install myself", "I'll buy at a lower price") or tested ("I need more tested, I'd better wait") options.

Young people are more emotional and open to auto innovation

For the younger generation, 25-30 years old, "auto education in garages" becomes less typical; this generation already consumes ready solutions. And they are characterised by a more emotional attitude to auto innovation, as well as a slightly different approach – they are fond of innovations, but want to see them directly from the manufacturer.

What unites both age groups is the high interest and openness to modern technologies in the autosphere. Consumers are ready, open to the introduction of such innovations, and the demand for them is growing.

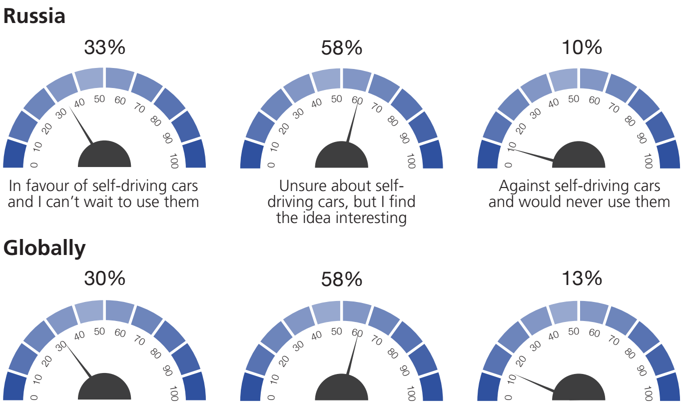
Interest in driverless cars among Russians is higher than in the rest of the world

According to the Ipsos Global Advisor survey, the proportion of Russians who want to own a self-driving vehicle exceeds the share of those in the global sample.

In Russia, 51% state they would like to own a driverless car. Globally it is 42%. The least willing to acquire this type of transport are those living in Germany (24%).

According to the results of the same poll, only 15% of Russians said they would not use a driverless car.

Russians find the idea of driverless cars interesting



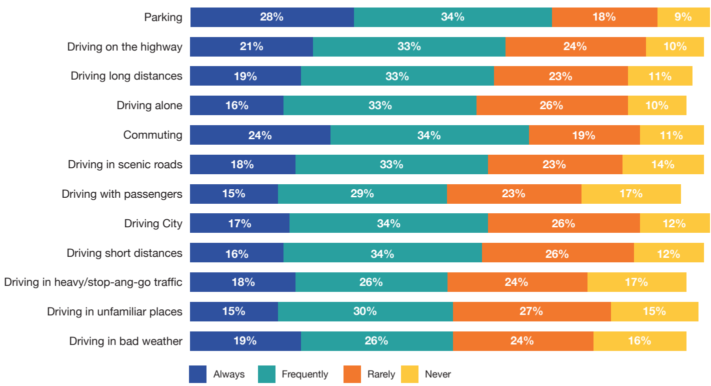
Base: 21 549 adults, 28 countries, online, Nov 27th – Dec 8th 2017
Source: Ipsos Global Advisor

Also interesting is the data on how Russians would like to use self-driving vehicles in the very near future (in 10 years).

Many already see it possible not only to park using driverless cars (62% of Russians), but also, for example, to make daily trips to work from the suburbs and back (58% of the polled Russians).

The older generation, on the whole, is more conservative, which can be explained by the desire for more proven technologies; they do not just want to take for granted what the brands promise them, unlike a more emotional and open young audience.

The expected frequency of driverless cars usage by Russians



Base: Russia, 500 respondents 16-64 y.o., online, Nov 27th- Dec 8th 2017
Source: Ipsos Global Advisor

According to PriceWaterhouseCoopers' forecasts, completely driverless vehicles in the world's largest cities will appear by the year 2040. The first self-driving cars will appear on the roads in 2021, but they, nevertheless, will require the participation of a human driver.

In our country there is also some work in this direction. So, at the end of 2016, an association "Autonet", developing self-driving cars, connected and electric transport, was established in Russia. There are now five participants in the "Autonet" association, including KAMAZ, who also created and tested their own prototypes of drones. In mid-2017, Yandex.Taxi conducted a self-driving car test. Testing was conducted on an empty stretch of road, and the tests were successful. The company plans to test an autopilot in urban traffic conditions in 2018.

It is believed that the advent of driverless cars will help reduce the number of accidents, most of which are due to human factors. Also, such vehicles will contribute to improving the quality of roads in Russia – road workers will have to redo the markings, road signs, borders, and install electronic sensors to make the roads suitable for unmanned vehicles.

However, despite the developments in this direction, Russia is unlikely to be in the forefront of this process. While the majority of Russians would like to own a driverless car, according to KPMG, Russia still ranks 18th out of 20 for its acceptance of self-driving cars. This might be due to the low appraisal of road quality, the general condition of the road infrastructure, the poor coverage of the 4G network and the low density of the charging stations network. Leading in the ranking are the Netherlands, Singapore and the United States.

"Connected" cars

While we wait for driverless cars to come, new technologies are becoming more accessible day by day. At present they are increasingly penetrating both the premium and the mass segments. Now even inexpensive and medium-priced cars are equipped with voice control, synchronisation elements with a smartphone, control from a smartphone, LED multimedia and instrument panel, personalisation for the consumer, etc.

This, of course, affects the formation of new needs, the openness of the Russian consumer to the application of new technologies. Thus, according to a survey conducted by PriceWaterhouseCoopers, the percentage of consumers willing to pay for new technologies in cars exceeds 50%, with a large proportion among young people (20-34 years) - 57%, and comparable among middle and older age: 35-54 years - 48%, 55-64 years - 46%.

Among the technologies that people are ready to pay for, the following lead:

- Built-in tracking device in case of loss or theft of the car - 83% of the people surveyed
- Ability to remotely turn off the car - 54%
- Biometric access to car systems - 50%
- Projection of information on glass - 44%
- Full integration of car systems with a smartphone - 37%
- Automatic control blocking in an emergency situation - 35%.

Practically on all points, the results have a negative dependence on age (the younger the audience, the more it is open to new technologies). The great restraint of the older generation, in our opinion, is connected (apart from greater natural conservatism) with the desire for a more rational understanding of the principles of work and the level of safety of new technologies, and their verifiability in practice.

However, it can be said with certainty that the demand for such systems will only grow with their improvement, becoming cheaper and ubiquitous in use.

Car ownership and car-sharing

With the active development of car-sharing services in the West, automakers questioned how much this could threaten the habitual business of selling cars to private individuals. In our opinion, in

Russia, at present, regardless of the rapid development of service in several cities, the idea of ownership is unlikely to be threatened.

- Car-sharing is used to meet only individual needs.
- Car-sharing is still popular with the most active part of auto enthusiasts – the so-called, early adopters.

However, automakers certainly should use this trend. First, car -sharing can partially cover the growing need for an extended test drive; secondly, the active and young part of users, the majority, is open to telling their friends and social networking users about the advantages of certain models used in car-sharing (Word of Mouth).

Thus, Russian consumers are open, in many cases, to a greater extent than worldwide, to new trends and technologies in the autosphere. And automakers, of course, should use this in their strategies.

Communication in the world of communication

#Digital epoch. Lost in social media

The Russian Internet market is the largest in Europe and seventh in the world. According to Internetworldstat estimates, at the end of 2017, there were more than 107 million Internet users in Russia. Social media as a large-scale phenomenon including social networks, forums, feedback sites, micro- and video blogs brings together an overwhelming number of network users (96%).

The landscape of the Russian Internet market is radically different from the European one. The positions of global players are much weaker due to the presence of local players who appeared earlier, were closer and better understood the features and needs of their users.

What opportunities does the situation create for business?

By **Pavel Lebedev**, *Expert in Social Intelligence Analytics*

Players in the market

- The local search engine Yandex is fighting for the audience on an equal footing with the global giant, Google, constantly improving and expanding its ecosystem of services (maps, videos, music, news, taxis, food delivery, car sharing, etc.).
- Local social media Vkontakte and Odnoklassniki (which means «classmates» in Russian) are much more popular than any global social media Facebook, Instagram or Twitter, both in terms of audience size, and in terms of the amount of time spent on the resource. Russia is one of the few countries where an active Internet user is registered on average on four social networks, but uses each of them a little differently.
- The most confident about its positions is the global platform YouTube, whose local version Rutube was not able to compete strongly. However, in other niche segments, such as review sites, advisory services, local players, again, dominate global ones: yandex.market, otzovik.ru, ireccomend.ru instead of global amazon.com and yellowpages.com; afisha.ru instead of TripAdvisor or yelp.com.

The specificity of the landscape has an impact on the perception of each social media and the typical behaviour in it.

VKontakte (VK.com) is the most popular social media. It has the audience of more than 90% of active Internet users[23]. It differs not only in the size of the audience, but also in the variety, convenience and simplicity of the services. The resource functionality includes not only users' updated feed, messaging, groups, fanpages, but also a huge number of applications and games popular in various segments of the audience. For a long time VK was a unique repository of free (pirated, not licensed) media content – movies and music. Over time, some of the content has been removed, and some has been legalised and is now available, but the habit of consuming content through the VK is very popular. VK is a Russian

[23] Source: Ipsos Comcon. OnLife, 2H/2017. Active internet-users P6 + y.o. (use 3 + services) Cities with a population over 100,000

response to Facebook without negative connotations around users' data protection, it is the pride of the Russian IT sector.

Odnoklassniki (OK.ru) is the oldest social media platform in Russia. It was created six months earlier than the VK (March 2006). At first it was much more popular than its main competitor VK. However, in 2008, the network's management introduced paid registration, which pushed users away and slowed the development of the network itself. After the abolition of paid registration and the change of management in 2010, the social network began to actively develop various, primarily, media services in order to compete with its main rival in services provided. However, the most interesting, popular and specific for the OK function can be considered virtual "gifts", which for a fee can be sent to your friends for almost any occasion (from birthdays and New Year to Radio Day or Bastille Day). Despite its wide audience in the perception of the overwhelming majority of Internet users, the OK has remained an old-fashioned, boring site, popular primarily among the older audience from regions of Russia.

It should be noted that since 2014 VK and OK, along with other popular services in Russia, are fully included in the assets of a large Internet holding Mail.ru Group. Such a trend to consolidate assets repeats global trends – Facebook bought Instagram and WhatsApp.

Facebook is a well-known, but less popular social media among Russian users. The media began to gain popularity in the middle of 2008, as a more serious, international alternative to local services, for a narrow group of users – marketing, PR, IT and other innovative technologies specialists. For a long time Facebook acted as something like LinkedIn (the latter, by the way, was blocked in Russia in 2016). For most ordinary users, Facebook looks quite complex in terms of design and usability, insufficient in terms of functionality. Nevertheless, for serious and public people - businessmen, media stars, politicians Facebook is one of the formats of "official representation in the social media" along with Twitter or Instagram.

Instagram – the rising star of Runet – shows more than 20% growth in the audience size for the year, while the rest of social media are quite stable in their rates. Functional simplicity and an emphasis on visual content is an obvious trend and an advantage for the youth audience. This social media channel has become the basic one for popular artists among young people (musicians, actors, TV hosts, etc.). If on VK.com the top author has 2.4 million subscribers (EeOneGuy), in the Russian segment of Facebook Maria Zakharova leads with only 385,000 subscribers, then on Instagram more than 15 users have an audience of over 5 million subscribers, and the most popular account Olga Buzova has more than 12 million subscribers.

YouTube – in the last few years it has become an obvious alternative to television viewing. If 3-5 years ago YouTube was perceived as a platform for frivolous and cheap in the production user's content for young people and children, now popular TV shows, and TV serials have their channels and get a good audience (KVN (club of cheerful and smart) -3.6 million subscribers, Evening Urgant - 2.2 million).

Visiting social networks, share among active internet users*	OnLife 1H/2016	OnLife 1H/2017
VK.com	92%	**93%**
YouTube*	89%	90%
Odnoklassniki.ru	65%	65%
Twitter*	61%	62%
Facebook	60%	60%
Instagram	47%	**58%**
LiveJournal.com*	49%	48%

Base: Active internet-users 16+ y.o. (use 3+ services) Cities with population over 100,000
Source: Ipsos Comcon. OnLife
***Note:** The share of visitors is not equal to the share of registered users. Especially the difference is noticeable for more open video sharing and blogs (Twitter and LiveJournal).

The current situation opens up wide opportunities for businesses to use social media in their communication and marketing activities, but it requires a balanced understanding of possible risks.

Direct targeted advertising in social media is the simplest and most common way of delivering an advertising message. It is necessary to understand the specifics of the audience of each site in order to deliver the message in the most effective manner. In addition, targeting mechanisms make it possible to address as narrow as possible, but more targeted segments of the audience, not only by social parameters, but also by patterns of consumption.

Nevertheless, social media is more valuable for the possibility of **native brand/product communication** with the consumer, which is not perceived by the user as advertising. If properly configured, native advertising should be perceived as natural and interesting content (publications, stickers, applications, games, activations with hashtags), which, at the same time, is unobtrusively associated with an interesting brand. As tools for native communication, you can use:

- official brand/product channels in social media;
- interaction with major thematic public groups;
- work with popular bloggers and opinion leaders;
- responding to negative feedback and questions from users.

One of the key tasks of native communication is to become viral; involve as many users as possible to the natural spread of the advertising message. On the one hand, this requires the right content, interesting for the target audience, on the other - the correct primary seeding of content on those sites, in those communities, or those leaders of opinions that are popular with the desired target audience.

Social media is not only a platform for users to interact with each other and with brands, it is also a huge amount of data about real and potential consumers, their needs and the attitudes of certain products, brands, etc. Users naturally regularly discuss and mention brands in open publications in social media – be it a product review, or a contextual mention of the use situation, or a negative outburst due to an unpleasant user experience.

The analysis of the public information field about the brand, its competitors or about the whole category makes it possible to conduct full-fledged marketing research, to identify new trends or to evaluate developed ones, to assess the level of loyalty to products, to find out which product characteristics are perceived better or worse in comparison with competitors, the importance of various situations of consumption of products, and so on.

#Ads. Rapid integration into global processes

By **Tatyana Nemudrova,** *Expert in Ad Effectiveness Research*

The Russian advertising market is relatively young, but it is fully developed by world standards, contrary to stereotypes about "bears with balalaikas". Although, of course, we have special path of development. The Russian consumer went quickly from being unaware to a master in such things as normal Ph-balance of the skin, that after eating, you need to restore the acid-base balance, that dogs and cats need to be fed with special food from the pack, and the skin around the eyes is different from the rest of the body skin and therefore requires special care.

Yes, of course, both the Russian consumer and the advertising market could adopt many things abroad, but Russian offices of the world's largest companies are increasingly becoming centers for marketing expertise for entire regions.

After rapid integration into global processes, Russia remains in the stream of global trends: innovative media, constant connection due to the Internet, new technologies and uneven economic development accompanying modern society, urbanization and migration, "black swans" in different spheres of life, role changes, etc. All these trends are recorded in the monitoring of consumer sentiment that Ipsos conducts in a large number of countries around the world, including Russia, and together with the expert vision of leading specialists forms the background for strategic plans for the development of brands.

Many creatives ideas for ads born in the Russian market can serve as an example of excellent work and illustrate how you can consciously react to these trends:

- Emotionally charged Nike commercials (Award-winning at Cannes Lions festival) and Raffaello (Ferrero) illustrate life in a world of changing gender roles.
- Patriotically moving brand of the Siberian Crown brand about the return to the sources, in the modern world of noisy cities, fits in one more important consumer trend.
- The Unexpectedly romantic Ikea movie, which supports a pragmatic informational reason to inform consumers (price cut), is an excellent response to the "black swan" of crisis prices in Russia, which does not negate the need for emotional intimacy and change.

Ipsos strives to be a worthy partner and offers its customers not only to assess the overall effectiveness of the commercials, but also to track the emotional reactions, which we can find in the facial expression in order to better understand the consumer and to approach not only his expectations from the functional characteristics of the product, but also to the "mysterious Russian soul".

Well, in the Internet space, we have something to boast about: the leader among social networks is not Facebook, but local Vkontakte and Odnoklassniki, the competition of Russian Yandex with Google is worthy of respect, the campaign #IWhatToBeWhere of S7 airlines in 2015, marked by the awards of the "Cannes Lions" festival touchingly tells the dreams of Russian children that come true. In response to the desire of brands to conquer the Internet space, Ipsos offers solutions for increasing the effectiveness of advertising on the Internet: from choosing the material that will be most effective to identifying the minimum viewing time that is necessary to have an impact on the consumer.

Of course, even adapted commercials that are produced outside of Russia for other markets, rarely show good results here. But it also happens that cultural differences, the stage of development of the category, the history of the brand in the market, as well as the advertising context in which the video is placed, prevent them from being as effective as in the market for which it was created initially. Probably, because Coca-Cola is the Coca-Cola in every part of the world, though Santa Claus in Russia is a Father Frost. Experts of Ipsos tested more than 100 thousand videos and in close cooperation with brand teams, we are working to ensure that both adaptations and locally developed advertising materials make the brand closer to the consumer.

#Celebrities in advertising. Searching for an ideal match

Celebrities are actively used in advertising around the world. Russia is no exception; in about one in ten advertising campaigns we see a celebrity.

Different tools are used in advertising to interest and engage the consumer. But, nothing lasts forever under the moon. The environment in which the creative ideas are applied is not inert.

At different times and within different situational contexts, the same tools can have a different effect on consumers.

By **Timur Shatsky**, *Expert in Brand Health Tracking*

Using celebrities in advertising– as expected – affect the seemingly same advertising in different ways. Moreover, celebrities can affect in different ways both in the intention to consume or remember a brand, as well as a tendency to love one or another brand.

How to choose the right celebrity

The choice of a star for an advertising creative scenario is akin to hovering in front of a shelf with juices in a store: you stand, scan with a look, look for something relevant, and buy... whatever is well promoted. In Russia there is no shortage of celebrities, many of which are often overpriced. Therefore, advertisers need a competent assessment, which can be based on the choice of "stars" for their campaigns. If you understand, you can always find something really effective for advertising. If you decide to include celebrities in your promotional campaign in the Russian market, here are some tips on how not to be get it wrong.

Choosing a celebrity, keep in mind the brand development strategy

Having the purpose of brand equity building (long-term goal), it is necessary to carefully analyse the relevance of the celebrity to the strategy of brand development and market positioning, as well as the brand value offered to the consumer.

By the start of the bright AlfaDud campaign, Alfa-Bank made popular journalist and video blogger Yuri Dudy their ambassador for a year. For the purpose of increasing the brand's capital in the audience of young entrepreneurs under 35, attracting one of the most famous media people in the Runet with a core audience of the same age is the right step and one can expect that, if other things being equal, this will give an increase in the loyalty of small businesses to the bank.

To increase sales through attracting celebrities, the main factor of choice is not its media weight, but it perception as an expert in one or another topic

In the classical case, celebrities should be recognised in the country and should not conflict with the category. However, there are exceptions when brands dare to experiment. An example of such a vivid and interesting experiment is the campaign "Tantum Verde Forte" with the participation of rapper Timati, which differs markedly from the classical reception of drug advertising through experts – moms and doctors. The promotional song "Tantum Verde Forte" with Timati became viral enough that the rapper even performed it at his solo concert at the Olimpiisky Sports Complex, jokingly calling it a major hit in his career.

The break between the participation of one celebrity in campaigns of different brands of the same category should be at least six months or a year

The break between the participation of one celebrity in campaigns of different brands of the same category should be at least six months or a year, otherwise their effectiveness as an element of motivation to purchase a product/service or to fall in love with the brand will be reduced.

It is also important to consider reputational risks. Outrageousness and eccentricity are the hallmarks of many celebrities, which often provide them with high popularity. But the more opportunities for shocking, the greater the risk of unsuccessful cooperation with the brand. For example, modern pop culture is often associated with the use of foul language and profanity. In addition to the ethical issues associated with this, there are also legislative limitations – in particular, the Russian media law prohibits the dissemination of materials containing obscene language.

If the choice of celebrity contradicts the positioning of the brand, then the result of testing the creative will be rather unsatisfactory. If the celebrity becomes the face of the brand, it must also correspond to brand identity, in order to have the maximum effect on consumers.

It is important not to customise the star for a brand or a creative, but to find the person who naturally corresponds to the brand. "Fitting" a big star to the brand will always be noticed, which won't positively affect both the image of the celebrity (as well as its capability of influencing the consumer) and on the reputation of the brand. Especially if the values of the brand are "freedom and individuality."

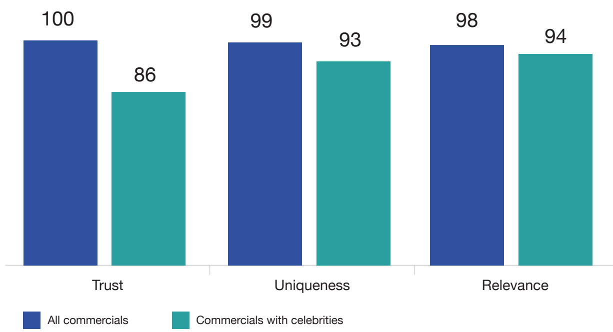
How participation of celebrity affects the effect of advertising

Ipsos, as a global research agency, has a huge accumulated regulatory framework that allows us to evaluate the various elements of creative execution. By gathering and evaluating our data regarding the use of celebrity, we know that celebrities have very different effects on the effect of advertising, depending on the category.

A star that does not match the positioning of the brand negatively affects the relevance and trust of the video. Below in the diagram we give our generalised conclusions about how the presence of celebrity affects the advertising effectiveness in Central and Eastern Europe, including Russia.

The influence of celebrity to the performance of ad creativity

Indicator: Average Score (Index to Norms)



Source: Ipsos Connect CEE Learnings, 2015

The diagram shows the average score of the indexed indicator relative to the norm. In general, celebrities negatively affect the credibility, uniqueness and relevance of ad creativity.

Celebrities influence differently not only the overall effect of advertising, but also the individual components of the effect on the creativity. For example, in the food category, the “Visibility Index” (a simulated indicator that shows the ability of creativity to be seen in the media environment) gives a significant increase of 23% compared to creatives without celebrity, which is of great importance for the purpose of delivering the required message.

In the beauty products category, there are no changes, which can happen due to the frequent use of celebrities in this segment.

In both categories, the “Motivation Index” shows a significant drop of 25% and 84%, respectively. This in combination shows that the use of celebrities in these categories is justified for building brand awareness. This can be successfully used to prepare the consumer for a larger campaign, where the further goal is to increase the market share or capital of the brand.

Caveats

Too bright a star can outshine your brand. Choosing a mega-star you can get into a situation where the brand does not have a place in the associations with the video, and only the connection between the commercial and the celebrity remains. The result of this will be wasted money for the entire creativity development cycle, a celebrity fee and related costs.

The main hero in the content must be the brand/product. The main goal of advertising is to increase interest in the brand/product, rather than to increase the awareness and attractiveness of the celebrity. As part of the creative, the star is as important an element as the music, wording, etc. – all these should serve the brand. The danger for the brand can come from the stars who look for cooperation with the brand as an additional self promotion.

The growth of brand equity with the help of advertising with celebrity is directly related to the relevance of positioning of the star and the brand, and with the popularity of the media person. The love and affection to the consumer can be conveyed only by those people who are loved and tied to it.

For example, if we talk about attracting music stars, on average a quarter of people who know this or that musical star say they like the corresponding performer. Brands are actively sorting out top stars for their campaigns. In the following top five for awareness and love among teenage audiences, only the IOWA group, which has 39% recognition among adolescents, at the time of writing the article, was not cooperating with the largest brands in the Russian market.

Aware (TOP 5), %	
Dima Bilan	67
Nusha	62
Timati	61
Yolka	59
Sergei Lazarev	59

Like (TOP 5), %*	
Egor Krid	43
Vremya i Steklo	41
Oxxxymiron	38
IOWA	35
Mot	33

Base: Teens 13-15 y.o., Russia cities 1mln+
Source: Ipsos Comcon. New Generation, 1H/2017
***Note:** The share of those like a celebrity is taken from those aware of it

As already mentioned, the choice of celebrity is not an easy task. It is important to understand that any star is also a brand, so it makes sense to talk not so much about "using celebrity" by commercial companies, but about partnership with the celebrity, about cooperation of essences close in strength and in transmitted values.

In Russia, the choice of celebrity is great, and therefore, with a professional, thoughtful and analytical approach, each brand will be able to find an ideal match.

#Made in Russia. Known abroad

Russian business is actively conquering foreign markets. Many brands have become popular and loved. In 2017, the export of food products from Russia increased by 21%. Studying the interaction of brands and consumers, it is nice to note the positive changes in the development of mass brands born in Russia and emerging in foreign markets. In this article we have collected some of the most successful examples.

Beauty from Siberia

One of the brightest traces on foreign markets is made by Russian organic cosmetics under the Natura Siberica brand created by the company "The First Solution". Today, Natura Siberica brand stores are open in Hong Kong, Japan, Denmark and Barcelona. In the Netherlands, Spain, Canada, the Czech Republic and in even more than 30 countries, the cosmetics of this brand is sold through distributors. For example, in France, Natura Siberica products can be found in Carrefour and Monoprix networks, and in England at Harrods and Tesco retailers.

The three best-selling Natura Siberica products abroad are Daurian body oil, sea-buckthorn scrub for the scalp and black soap detox. The foreigners associate the brand with Siberia – the territory, "where the human foot has not trod", where medicinal herbs abound. The positioning of Natura Siberica meets modern trends of naturalness in the production of cosmetic and personal care goods. In 2017, the British edition of The Times included Natura Siberica shampoo in the top five best natural products in this category .

The success of SPLAT

Since 2008, Russian toothpaste under the SPLAT brand has been exported abroad. In 2011, SPLAT entered the top 30 fastest growing brands in the world, according to Stanford University. Today SPLAT mouthcare products are exported to 60 countries. The success is due to the well thought out tactics of the brand's entry into foreign markets. The company did not try to immediately conquer large retail chains, but first studied the behaviour of consumers in order to gain their trust and adjust to the local market. About 10% of the company's profits go to charity and social projects, which also attracts foreign customers.

Chocolate rivers

In 2017, exports of sweets from Russia approached $1billion. More than half of this amount is from chocolate and chocolate sweets. In 2017, a tenth of the total supply of Russian chocolate for export is accounted for by China . For example, in China chocolate "Alenka" is very popular – Chinese people like the quality of the product, and they trust Russian GOSTs (state standard). Consumers in China also like Russian candy "Crocant".

People in Spain like jelly candies, as well as candies with praline and waffle crumbs. In Spain, the brands "ECO Botanica" and "Bon Roll" are especially popular among the brands of the "Babaevsky" concern. Currently, the chocolate factory of "Babaevsky" is being built in the island of Tenerife.

Cartoons without borders

In 2016, the short Russian animated film by Konstantin Brozita "We Can't Live Without Cosmos" was nominated for an Oscar in the category "Best Animated Short Film." According to the plot, two hard-working friends, numbered 1203 and 1204, study at the cosmonaut training centre. The long-awaited opportunity to go into space falls just to 1203, while 1204 remains on stand-by. The launch of the rocket turned into a catastrophe, and the life of 1204 is changed forever. The tragic story captivated audiences around the world.

Abroad, the other work of this director is widely known: The Adventure of Luntik and His Friends. This is the story of an unusual creature that was born on the Moon, but in the first minutes of its life fell to Earth. The animated series called "Moonzy" is broadcast in Finland, Hungary, Serbia and Thailand .

The animated cartoon with the original name "Smeshariki" by Alexei Lebedev about the adventures of ball-shaped animals has gained popularity in America. For the first time "Kikoriki" - that's the name for the series in the US - appeared on American TV channels in 2008, and in 2016 the record company Shout!Factory bought out the rights to show "Kikoriki" in the US .

Oleg Kuzovkov's cartoon "Masha and the Bear" was translated into 25 languages of the world, shown on Netflix and was particularly popular in Italy and Indonesia. The "Masha + porridge" series collected three billion views on YouTube. In total, the episodes together with spin-offs "Fairy Tales by Masha" and "Mashka's

Horrors" reached more than 20billion views on YouTube. In 2017, the animated series entered the top five of children's content on popular TV channels - SBT in Brazil, Televisa in Mexico, Cartoonito in the UK, Teletoon in Canada and Rai Yo-Yo in Italy.

The animated series "Fixiki" has the biggest popularity in Asia, especially in Singapore and South Korea. The educational animated series is based on the tale of Eduard Uspensky's "The Guarantee Little Men", telling about creatures who live inside different household appliances in order to make it work properly. They make repairs and tell us how to use modern technology.

The beloved heroes of Russian cartoons began to appear on different children's goods. Licensed products featuring the heroes of our cartoons continue to gain popularity throughout the world.

The 10 Bets

Place your bets

Our experts singled out ten bright trends, some of which show signs of making it bigger, while others are riding off into the sunset. Which ones will flash and go out, and what will become stronger and hit the mainstream? Place your bets!

UP

Social:

- Ageing population. Retired people are becoming more and more socially active with increasing purchasing power. Work longer, silver age re-education, travelling, enjoying life longer.
- Children are pushing to succeed in learning and get new skills – from foreign languages to programming and robotics. The educational services market and edutainment are becoming hot and profitable sectors.
- Grass-roots interest to sustainable development – as plastic pollution threatens neighborhoods, citizens might turn their back on retailers and FMCG brands.

Sectors:

- FMCG. The reduction in sugar trend is forcing brands to revise their products to make them more acceptable to consumers' changing tastes.
- Automotive. Car ownership will gradually move from private customers to large operators of car sharing projects. Russians welcome self-driving cars, with the number of driving licenses acquired by younger generation inevitably decreasing.
- Retail. Customization and personalization of purchases, DIY. Smaller convenience stores closer to customer. Application of technologies and A.I. everywhere.

- Technology. Consumers are tired of costly upgrades and want repairable and serviceable goods.

SLOWDOWN

- The shift to car-sharing will demand for auto loans fall – a major source of revenue for the financial services industry – and will reshape the used car market.
- Viewing figures forInterest in watching the “big sports” is on decline, as cybersport is coming into spotlight instead.
- The loss of interest in protest subcultures like Punk, Emo.

#Song

The Time of The First

Every morning you tiredly drag your feet to the breakfast table.
Every morning you check your bank balance
to hope your salary has been paid.

Hey!
Every new morning you don’t want to be alone.
No chance not to laugh. You go down some strange roads.

All lower and lower, it looks like the bottom, but it is not rockbottom.
You’re looking for examples of people who fell and got up.
They fell, yes, but they did not give up. Small dark catharsis
In cold inhabited places here, but one day will come
The Spring here – perhaps today is that day!

Lyrics: *L’ONE ™*

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