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# Retailers Up Focus on Regions, Customers

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The changing consumer and regions outside of Moscow and St. Petersburg are the keys to retail growth, a panel of experts said Tuesday at Consumer 360, the Nielsen Company's shopper behavior research conference.

"There is so much potential," said Nielsen retail researcher Olga Malinkina, who conducted the first-ever regional consumer behavior survey. "There is a thirst in the regions for modern retail."

The fast moving consumer goods sector, or FMCG, has survived the crisis and is now beginning to grow, with cities in regions outside of Moscow and St. Petersburg experiencing larger retail growth.

Last year, retail grew by 23 percent in Moscow and St. Petersburg, by 27 percent in 22 large cities besides the two capitals and by a whopping 49 percent in small cities and towns.

A quarter of all shoppers in Yekaterinburg and Krasnodar visit malls once a week, compared with 15 percent of Muscovites. In Novosibirsk, 62 percent of consumers go to supermarkets more than once a week, while 52 percent of Muscovites do. More than half of Orenburg and Yekaterinburg residents shop online.

Russians also shop in traditional specialized stores that sell bread, milk, meat and other basic foodstuffs separately. There are about 400,000 specialized stores in Russia and the number is growing, while Nielsen estimates the number of modern-format stores to be 24,000.

Specialized stores are popular because modern-format retail venues, such as supermarkets and hypermarkets, are not as readily available in the regions as in large cities.

"There is huge growth potential," Malinkina said.

Nearly a third of residents of Krasnodar and Yekaterinburg have never shopped in a supermarket, and about a third of Vladivostok and Orenburg consumers have never been in a hypermarket. Almost a quarter of Vladivostok shoppers have never bought anything in a mall.

Another reason specialty stores are growing is customer trust. Azbuka Vkusa, a high-end Moscow specialty shop, opened 11 new stores in 2010.

The Russian consumer is becoming more sophisticated, seeking value and a good price instead of "chasing la dolce vita," said Nielsen researcher Ilona Lepp.

Retailers are scrambling to keep up with the demanding and value-conscious consumer. The X5 Retail Group has stepped up quality control. Products are monitored for freshness and visited more often by inspection committees and welcome customer feedback. Nestle spends a good amount of resources on studying consumers and testing products.

More than 60 percent of Russian consumers are receptive to promotions, and 40 percent actively seek out sales.

Russia is a good testing ground for trying out different advertising techniques, McKinsey & Company partner Alexander Sukharevsky said.

"If it works in Russia, it works everywhere," Sukharevsky said.

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