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Survey Underscores the Death of the New Russian

By Alexander Panin

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A prospective car buyer at a dealership. **Evgeny Razumny**

The era of the brash New Russian has ended.

Neither heavy gold chains nor massive Rolex watches enthrall the Russian consumer as they did at the dawn of capitalism in the 1990s, although quality is preferred and people are willing to pay for it, according to a survey released on Monday.

The survey, carried out by Landor Associates, a global brand consultancy, also found that a growing number of Russians prefer domestically produced goods over imports, that they overwhelmingly find Russian services inferior to those in Europe, and that they love to spoil their children.

"The report basically shows that the middle class has become the main focus of retail and that

the whole Novy Russki thing is now officially dead," said Ben Aris, editor of bne.eu, a business e-magazine that covers the markets of Russia and other former Soviet countries and assisted Landor in preparing the survey.

The New Russian — a person who gained quick riches, often through criminal means, in the chaotic 1990s — was known for his conspicuous consumption and questionable consumer tastes, making him the butt of a slew of popular jokes.

But the stereotypical caricature began to fade as President Vladimir Putin brought stability that helped the middle class begin to grow in the 2000s.

Landor's Russian Consumer Report 2014 underscores that the New Russian is now buried in the graveyard of post-Soviet history. Today, the Russian consumer is a far more complex proposition than he was in the 1990s, said Emma Beckmann, Landor's country director for Russia.

"Respondents have demonstrated that Russia remains a land of contrast and contradiction, where brand-building is now more important than ever," she said.

Joking About New Russians

New Russian jokes were all the craze of the 1990s, and they tended to depict the newly rich as dimwits who loved bling and showing off their wealth for no reason other than the fact that they could. Here are a few of the more popular jokes from that era:

*A New Russian sees another wearing a silk tie.
“I have the exact same tie. How much did you pay for yours?” the first asks.
“$1,000,” the other replies.
“Oh, that's nothing,” says the first. “I bought mine for $2,000.”

* A New Russian is approached by a friend as he parks his new Mercedes.
“Didn't you just buy a Mercedes last week?” the friend asks.
“I did,” replies the New Russian.
“Then why did you buy another one?”
“The ashtray was full.”

*A New Russian writes a letter to a friend while sightseeing in Italy:
“I'm sending you a photo of me standing

next to Apollo in the museum. I'm the guy in the shorts."

*A New Russian talking to a friend:
"Can you imagine that I got cheated out of a vase? I paid $50,000 at an auction for a Ming vase for the office, and it turned out, darn it, that the vase was made in China!"

*A New Russian is boasting about his collection of old weapons to his guests.
"And there's a rare find: The pistol used to shoot Julius Caesar."
"But the Romans didn't have guns!"
"That's what I'm saying — it's a rare find!"

Consumers are acutely aware of quality, price and the provenance of products and services they choose to buy.

According to the survey, consumers are no longer enthralled by luxury. Only 17.5 percent of respondents preferred premium or luxury goods. Value for money was the key purchasing driver for 70 percent of those who participated in the survey.

But despite shifting attitudes, no one expects the luxury market to crash. As the country grows richer, industry specialists are confident about the potential of further growth and the adoption of new brands, according to another recent study by consumer market research firm Euromonitor International.

Landor reviewed the prevailing trends of buyer behavior in 11 areas, ranging from customer service to online retail and brand loyalty. More than 60 questions were addressed to 2,000 consumers across the country, spanning all demographics.

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Landor found that consumers have begun to prefer Russian brands over Western rivals in many key categories. But they often feel that the level of service provided by domestic companies, although improving, is still unsatisfactory. Eighty-four percent of Russians think that service in their country is worse than in Western Europe, with 37 percent of those saying Russian service is "much worse."

A third of respondents said that they are willing to try new brands.

There is more testing, trying and switching in the fast-moving consumer goods, or FMCG, sector, with less than a third of customers feeling loyalty to a soft drink brand and only a quarter sticking with the same snacks.

Brand loyalty is higher in other categories, such as electronic goods, cosmetics, health and beauty, which are largely dominated by Western brands.

While Westerners tend to spend most of their money on rent or mortgages, the largest portion of the salary of an average Russian goes to buy food, the survey said. More than three quarters of Russians said they spent "quite a lot" or "a lot" on groceries every month.

At the same time, Russians tend to choose expensive high-quality food in supermarkets. The survey indicated that 43 percent of consumers prefer premium products, and 76 percent said they were willing to pay more for quality.

These results are confirmed by FMCG companies.

Ferrero Russia spokeswoman Marina Tatarskaya said that because of consumer loyalty to the quality behind the brand, customers were willing to pay a premium for it.

"This is the same reason sales of relatively expensive boxed chocolate produced by the company have grown more than the market average," said Tatarskaya, whose private Italian employer is perhaps best known in Russia for making Ferrero Rocher and Raffaello chocolates, Nutella spread and Kinder Surprise eggs.

Russian consumers have indeed become pickier over the past few years, said Julia Weber-Chubays, corporate and government affairs director at Orkla Brands Russia, a confectionary maker.

"According to our own research, the public is loyal to traditional brand names and their popularity is stable," Weber-Chubays said.

When shopping in general, Russians have a distaste for words like "cheap" or "budget." Consumer reaction to Landor's questions concerning how comfortable they felt buying a budget brand was overwhelmingly negative: Fewer than 20 percent of respondents gave low-cost brands a "yes."

According to the survey, which did not provide a margin of error, spending on children ranks third for Russian families, after food and rent.

And Russians do not like to save money on their kids. Almost half of respondents prefer to buy premium products for their children and only 14 percent of them turn to low-cost goods.

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