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Russian Retailer O'Key Hit Hard by Food Import Ban, Economic Downturn

By The Moscow Times

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Russian food retailer O'Key said Thursday that its fourth quarter like-for-like sales fell 5 percent because of a sharp drop in customer traffic.

The company said Russia's economic downturn and a ban on Western food imports were behind the drop. Russia banned some food imports from the West in August for one year in retaliation to Western sanctions over Moscow's role in the Ukraine crisis.

Unlike Magnit and X5, which operate large discount chains, O'Key operates supermarkets and hypermarkets — store formats that are usually more vulnerable in downturns when price-conscious consumers flock to cheaper shops.

O'Key's like-for-like sales fell 5 percent in the fourth quarter, year-on-year, as customer traffic declined by about 6 percent, while the average bill was up 1 percent.

Total sales grew 5 percent to 42.89 billion rubles in the fourth quarter, slowing from about 7 percent in the third quarter, helped mainly by new store openings while inflation failed to offset a decrease in customer spending.

O'Key said it was committed to continued expansion, albeit at a level that did not require substantial new borrowing. It opened 14 stores during 2014 and increased revenue by almost 9 percent to 149.95 billion rubles.

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