The consumer transformed

Changing behaviours are accelerating trends along a reinvented customer purchase journey

2020 Global Consumer Insights Survey: Russia
The past few months have been difficult for all of us. Businesses and consumers alike have been struggling under the pressure of the coronavirus outbreak. In response to the lockdown measures adopted by governments, changes in consumer behaviour have accelerated, impacting consumption patterns across every category, including groceries, entertainment, healthcare and even data. The digitisation of everyday life provides new opportunities for companies that cater to end consumers. But we need to understand the degree to which the current customer journey has already changed, and just how different it might still become. Organisations that fail to do so will lag behind those that win customers.

The Global Consumer Insights Survey — PwC’s 11th annual survey of global consumers — was conducted in two separate studies, one before and one after the coronavirus outbreak. The survey shows that consumer values and preferences are changing and that companies need to take an active and progressive approach to adapt to new consumer needs.

In analysing our survey results, we developed four foundational insights that align with questions you should be asking about how recent changes in consumer behaviour have affected different phases of the customer purchase journey.

1. **Market uncertainty and price sensitivity expectations**
   Consumers are becoming more uncertain in their expectations, which has impacted their behaviour. Price and value are becoming paramount in how consumers build their choices.

2. **Convenience and accessibility as a cornerstone of consumer experience**
   Consumers will need an experience that can be simplified via mobile and other types of technology.

3. **Digital engagement: between online and offline**
   The right balance between digital and traditional store formats are becoming the foundation of a successful shopping experience.

4. **Care and well-being are the priorities of new consumers**
   Consumers are becoming more attentive to their personal care and to sustainability issues. They want producers and retailers to show consideration for their well-being.

*Our team will release a broader annual customer insight report for 2020 in Q1 2021
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Care and well-being are the priorities of new consumers
Our annual survey assesses changes in consumer markets after the onset of the COVID-19 pandemic and provides powerful insights into the consumer mind.
In Russia, the COVID-19 pandemic and related government measures have already led to a significant but temporary reduction in economic activity.

**GDP growth is expected to fall dramatically to -6.3 p.p. in 2020**

Russian real GDP, Y-o-Y, % change

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<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth Y-o-Y, % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2.5</td>
</tr>
<tr>
<td>2019</td>
<td>1.3</td>
</tr>
<tr>
<td>2021F</td>
<td>3.9</td>
</tr>
<tr>
<td>2022F</td>
<td>2.4</td>
</tr>
</tbody>
</table>
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Average forecast: IHS, Oxford Economics, IMF, OECD

**The Inflation rate is expected to stay at level**

Consumer prices inflation rate, Y-o-Y, % change

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<table>
<thead>
<tr>
<th>Year</th>
<th>Inflation Rate, Y-o-Y, % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>4.3</td>
</tr>
<tr>
<td>2019</td>
<td>3.0</td>
</tr>
<tr>
<td>2020F</td>
<td>3.2</td>
</tr>
<tr>
<td>2021F</td>
<td>3.6</td>
</tr>
<tr>
<td>2022F</td>
<td>3.8</td>
</tr>
</tbody>
</table>
```

Average forecast: IHS, Oxford Economics, IMF

**Disposable income in 2020 will shrink by 3 p.p.**

**Domestic demand in 2020 will shrink by 6.5 p.p.**

**Russia’s unemployment rate will rise to 5.3%**

Unemployment rate, Y-o-Y, % change

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<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment Rate, Y-o-Y, % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>4.8</td>
</tr>
<tr>
<td>2019</td>
<td>4.6</td>
</tr>
<tr>
<td>2020F</td>
<td>5.3</td>
</tr>
<tr>
<td>2021F</td>
<td>5.3</td>
</tr>
<tr>
<td>2022F</td>
<td>5.2</td>
</tr>
</tbody>
</table>
```

Average forecast: IHS, Oxford Economics, IMF

*IMF & OECD forecasts until 2021
Sources: Statista, IHS, PwC analysis
After the restrictive measures related to the spread of COVID were lifted in Q2 2020, it was expected that the decline in trade turnover will gradually slow down. Russian retail is also under COVID-19 pressure, so it is important to understand how consumers adapt to enable faster recovery for retailers.

### Short-term

The dramatic fall in retail turnover growth in April was driven by the decrease in demand, especially for non-food categories.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall retail turnover growth, Y-o-Y, %</td>
<td>1.9</td>
<td>2.6</td>
</tr>
<tr>
<td>Food turnover growth shrank by</td>
<td>8.6%</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average receipt, RUB</td>
<td>540</td>
<td>527</td>
</tr>
<tr>
<td>Food turnover growth shrank by</td>
<td>8.3%</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

Sources: Central Bank of Russia, Russian Federal Statistics Service, PwC analysis

### Long-term

A full recovery of retail sales is expected in 2021 in line with international trends. After the restrictive measures related to the spread of COVID were lifted in Q2 2020, it was expected that the decline in trade turnover will gradually slow down.

Real Retail Sales, Y-o-Y, %

<table>
<thead>
<tr>
<th></th>
<th>2020F</th>
<th>2021F</th>
<th>2022F</th>
<th>2023F</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>4.9</td>
<td>3.3</td>
<td>4.5</td>
<td>4.5</td>
</tr>
<tr>
<td>European Union</td>
<td>3.3</td>
<td>3.3</td>
<td>4.9</td>
<td>4.9</td>
</tr>
<tr>
<td>United States</td>
<td>4.5</td>
<td>4.5</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Russia</td>
<td>2.9</td>
<td>2.9</td>
<td>2.1</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Source: IHS (September 2020)
We outlined four foundational insights highlighting how consumer behaviour has changed in response to economic uncertainty and how consumer market participants might go forward.

**Market uncertainty and price sensitivity expectations**
- Consumers are becoming more uncertain in their expectations, which impacts their behaviour.
- Price and value are becoming paramount in how consumers build their choices.

**Convenience and accessibility as a cornerstone of consumer experience**
- Consumers will need an experience that can be simplified via mobile and other types of technology.
- An experience that can be great anywhere becomes important.

**Digital engagement: between online and offline**
- Consumers are increasingly interested in online shopping, but traditional shopping still has strong roots.
- The right balance between digital and traditional store formats will be the foundation of a successful shopping experience.

**Care and well-being are the priorities of a new consumer**
- Consumers will want producers and retailers to show consideration for their well-being in the products and services.
- Sustainable, ethical choices that recognise stakeholders as much as shareholders have started to attract the attention of consumers.
Market uncertainty and price sensitivity expectations
The turbulence brought on by the COVID-19 pandemic has led to falling disposable incomes and, in turn, has negatively affected consumer confidence.

The spending outlook has dramatically shifted, as most Russian consumers experienced a drop in disposable income due to unemployment, reduced working hours or cost of living increases.

Q. Which, if any, of the following have you experienced as a result of the current COVID-19 situation?, %

- A decrease in household income due to redundancy/loss of job/reduction in hours: 64%
- An increase in household bills e.g. food, home heating, electricity: 49%
- A decrease in household income due to illness/caring for others: 8%

The percentage of consumers who say they will spend less has almost doubled.

Q. How do you expect your household spending to change over the next few months?, %

- Spend less: 36% (Global), 19% (Russia)
- Spend at the same level: 36% (Global), 32% (Russia)
- Spend more: 28% (Global), 33% (Russia)

More than half of Russian consumers pay more attention to discounts and switched to low-price products during the isolation.

Share of respondents, %

- We pay attention to discounts and try not to buy non-discounted products: 36%
- Switched to low-price brands: 18%
- Reduced the volume of purchases: 22%
- Nothing has changed: 38%

Sources: GCIS 2019 (base – 1038), GCIS 2020 COVID (base – 502), PwC analysis

The crisis has put a lot of pressure on demand and prices. Consumers have become more limited in their options and have begun to pay more attention to discounts and promotions. Meanwhile, some companies have lost sales while others have made aggressive pricing decisions.

34% have experienced a decrease in income and an increase in household bills in Russia.
As part of the overall drop in spending, Russian consumers have begun to allocate their spending in different categories, dramatically reducing their expenses on discretionary items (specifically, non-food).

The dramatic drop of retail turnover growth in April was driven by a rapid decline in demand, especially for non-food items.

Overall retail turnover growth, Y-o-Y, %

<table>
<thead>
<tr>
<th>Month</th>
<th>Food</th>
<th>Non-food</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan'20</td>
<td>2.3</td>
<td>2.9</td>
</tr>
<tr>
<td>Feb'20</td>
<td>3.7</td>
<td>5.5</td>
</tr>
<tr>
<td>Mar'20</td>
<td>4.7</td>
<td>6.4</td>
</tr>
<tr>
<td>Apr'20</td>
<td>-9.3</td>
<td>-8.6</td>
</tr>
<tr>
<td>May'20</td>
<td>-36.7</td>
<td>-29.2</td>
</tr>
</tbody>
</table>

In most cases, consumers have reduced spending on clothing and footwear, entertainment, office equipment/supplies and electronics.

Q. How has your household spending changed as a result of isolation, by categories, %

An unstable macroeconomic environment and lockdown policies have been key drivers of consumer uncertainty.

Before lockdown, shopping and travel were two of the top three ways city residents spent their disposable income, with 47% and 41% of respondents choosing those categories, respectively. Since the COVID-19 outbreak, however, people are spending more on groceries and food take-out/delivery services. For food items, they’re making fewer shopping trips: 37% say they are shopping less often for groceries, but buying more on each trip. In comparison with global markets, Russian consumers have been hit harder, as popular categories such as DIY, entertainment/media and electronics showed a net drop in spending during lockdown.
The COVID-19 situation has deeply affected consumers, specifically in Russia. Before the pandemic, consumer confidence was rather cautiously optimistic, with almost half (46%) of our survey respondents saying they expected to spend more in the next 12 months. However, when we reached out to people post-pandemic, the picture had changed significantly, as almost two-thirds reported a decrease in household income. In addition, the percentage of those who said they were going to spend less in the next few months almost doubled (from 19% in 2019 to 36% in 2020).

Consumers are becoming more uncertain and less resilient on the backbone of a weakening economy. Rising unemployment and falling disposable income has significantly impacted their behaviour. Decreased confidence in stability and an increased desire for economy, as well as limitations on travel and a widespread shift to remote working has restructured consumer values and behaviour.

As consumer behaviour changes and the economy takes a hit, market participants will have to pay more attention to price sensitivity, as an increasing number of Russians become savvier shoppers. More than a third of respondents (36%) voiced a preference for discounted products and would not buy products without a discount, while 18% switched to low-price brands altogether.

Keeping your finger on the pulse and quickly adapting to new consumers is the challenge of today.

Failure or inability to adapt to these new consumer requirements and trends will result in missing out on a significant share of consumers in the mid- to long-term. However, we see a number of ways that companies can take to address these issues:

- understand what shoppers really value to determine the minimum viable basket (anchor products or services that must be available at all times and prioritised through the supply chain) and then focus on assortments and promotions for this core basket.
- make an effort to understand how consumers’ general priorities are changing to put more weight on price and value, and use this opportunity to re-evaluate their relationship with their customers.
- consider new pricing strategies and loyalty programs in the digital ecosystem to drive and maintain customer engagement.
- pay attention to private labels and their development strategies and segmentation.
Convenience and accessibility as a cornerstone of consumer experience
Consumer expectations also changed, prompting retailers to redesign the customer experience and tailor an adaptive customer journey.

Such elements of the customer experience are also important as they can lead to stop from interacting with a brand in the future.

Q. Which of the following types of poor customer experience would stop you from interacting with a brand in the future? (Ranked top-3), %

<table>
<thead>
<tr>
<th>Poor quality</th>
<th>Bad customer service (poor knowledge, impoliteness, slowness)</th>
<th>Bad delivery experience</th>
<th>Data security breach</th>
<th>Non-sustainable practices/materials</th>
<th>Lack of available technology attributes</th>
<th>Wrong or unethical media positioning</th>
<th>Generic and impersonate experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>80</td>
<td>59</td>
<td>40</td>
<td>30</td>
<td>22</td>
<td>17</td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

The desire among consumers for a more convenient and sustainable shopping process offers opportunities for companies to try new models. Experience-seeking behaviour will increase as consumers will explore more and consumer expectations on the quality of experience will go up. It is important that Russian stores consider the experience of foreign online stores, where customers increasingly go in search of a better experience.

Value of money and ease of purchase are the most important consumer needs and will drive retailers’ future actions.

Key purchase drivers:

- **Value of money**
- ** Ease of purchase**
- **Trust in the brand**
- **Personal safety**
- **Range of products and services**
- **Delivery time**

* Share of respondents who chose “Convenient personalised offers” and/or “Loyalty program”

Sources: GCIS 2019 (base – 1038), GCIS 2020 COVID (base – 502), PwC analysis
Innovation and technology including in stores proved to be cornerstones in supporting a positive consumer experience for successful businesses during the lockdown and are here to stay.

The implementation of new technology in stores (such as automated checkout) helps retailers enhance the consumer experience.

Q. What new technologies would enhance your in-store experience?, %

- Automated checkout: 48%
- A totally employee-free shopping experience: 37%
- In-store aisle navigation app: 37%
- Virtual experience of products and services: 34%
- Personalised offers sent to my smartphone upon entry: 33%
- Scannable codes that help track the product supply chain: 32%
- Customised, real-time manufacturing of specialty goods: 18%

The COVID-19 outbreak has triggered new challenges that require technological solutions. Consumers are trying new brands to which they are exposed via various marketing channels and increased touchpoints. Companies need to improve the online and offline shopping process (convenience, contact free) and participate in channel innovation to develop, test and scale new models. Therefore, retailers must rethink their approach to innovation and turn their attention towards bringing their customer experience to the next level.

With a more active and progressive approach to the new era of consumer experience, retailers will be able to adapt more quickly to the consumers’ needs.

- **Pyaterochka** launched a digital assistant service
- **Walmart** and **Amazon** launched drone delivery
- **Lancôme** launched an online makeup fitting service
- **SberMarket** launched an electronic tip service
- **Puma** offers to test shoes and clothing on a virtual football field or motorcycle track
- **Azbuka Vkusa** opened a fully automated store without cashiers
- **M.video** launched a service that allows customers to evaluate products online
- **VkusVill** installed vending machines in the entrances of apartment buildings

Sources: GCIS 2019 (base – 1038), GCIS 2020 COVID (base – 502), PwC analysis

Source: Media
The COVID-19 outbreak has amplified the use of social media as a tool to engage with customers and has proven to be an important channel for personalised communications from retailers

During lockdown, consumers increased their use of social media to stay in contact. Going forward, social media and messaging apps are likely to be used as intensely.

Q. 1 How has your household consumption of the following media changed, if at all, since social isolation measures have been in place?, %

Q. 2 How likely are you to continue to use this media to the same extent when social isolation measures are removed?, %

Even though consumers used video chat apps significantly more often under isolation, they are unlikely to continue doing so in the long term, as it was rather a response to self-isolation measures.

Nevertheless, other media channels should maintain a high level of use among both Russian consumers and global consumers. For example, 86% and 91% of consumers globally plan to use social media and messaging applications at the same level, respectively.

This provides more opportunities to influence consumer behaviour via social media in the long term. For example, already in 2018, 52% of respondents believed that social media influenced their decisions to buy clothes or shoes.

Social media channels have become not only a form of entertainment, but also a way to communicate with consumers by generating personalised offers.

- **Instagram** has expanded its functionality so that you can order not only clothes and cosmetics, but also food.
- **Facebook** has introduced a service for creating online storefronts.
- **VKontakte** has launched a new e-commerce platform that allows consumers to pay for purchases, place orders and sign up for services.

Through social media (Twitter, Instagram, Facebook):

- **60%** discover new products/brands
- **47%** Search for inspiration

Source: GCIS 2019 (base – 1038), GCIS 2020 COVID (base – 502), GroupM, Kantar, PwC analysis
Implications and action items

In the era of COVID-19, along with changes in consumer demand, lockdown measures have also changed the way consumers approach and perceive shopping. Urban consumers have begun making fewer shopping trips, have become more skeptical of dining out and out-of-home experiences and have begun opting for more at-home entertainment.

We can see two significant shifts – how consumers approaching shopping and what the key purchase drivers are. In both cases, innovation and technology proved to be cornerstones supporting the positive consumer experience, and proved to be successful for companies that strengthened their online channels of interaction, and later adopted more technology solutions to suit better for the changing customer journey. Innovation and technology are becoming more important for both the in-store and online consumer experience. In this regard, it is essential to continually monitor and manage the usage of online channels by consumers to have room for quick adaptation in case of further behavioural changes.

As more urban consumers begin to step out into their communities and as they become ever more likely to use mobile technology and social networks, there could be room for blended physical and virtual experiences, too, that make it possible for people to stick close to home. Consumers will now be looking for the most effective and convenient ways to shop via the blended use of physical and digital channels, making omnichannel development a top priority in retailers’ channel development agenda.

In a COVID-19 world, this could create high demand for localised, contained ecosystems.

Companies that fail to adapt to these new consumer expectations and trends will miss out on a significant share of customers in the mid- to long-term. However, we see a number of ways that companies can take to address these issues:

• be in touch with customers and know their profiles and needs by collecting data on customer preferences and feedback on both products and retail infrastructure through different channels (including online).
• keep abreast of technology trends and assess their applicability to your business (including taking a broad look at global digitisation trends).
• improve the digital fitness of your employees so they are better equipped to engage with consumers where they are for now: online.
• focus on personalisation: now that you know where the customers are and what they want, it’s time to offer them your products and provide perfect service.

Implications and action items
Digital engagement: between online and offline
Digital engagement will be robust and diversified, as the COVID-19 pandemic has strengthened the growing trend in online shopping and has fueled experimentation among consumers to access products and services remotely.

**Before COVID-19, consumers preferred online shopping via mobile and PC. The outbreak increased its popularity**

<table>
<thead>
<tr>
<th>Device</th>
<th>Increased use, %</th>
<th>Likely to maintain current increased use, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>24%</td>
<td>85%</td>
</tr>
<tr>
<td>PC</td>
<td>24%</td>
<td>84%</td>
</tr>
<tr>
<td>Tablet</td>
<td>18%</td>
<td>74%</td>
</tr>
<tr>
<td>Smart assistance</td>
<td>14%</td>
<td>40%</td>
</tr>
</tbody>
</table>

**Globally:**

<table>
<thead>
<tr>
<th>Device</th>
<th>Increased use, %</th>
<th>Likely to maintain current increased use, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>30%</td>
<td>85%</td>
</tr>
<tr>
<td>PC</td>
<td>28%</td>
<td>84%</td>
</tr>
<tr>
<td>Tablet</td>
<td>20%</td>
<td>74%</td>
</tr>
<tr>
<td>Smart assistance</td>
<td>15%</td>
<td>40%</td>
</tr>
</tbody>
</table>

**After the COVID-19 outbreak these channels grew in popularity**

<table>
<thead>
<tr>
<th>Device</th>
<th>Increased use, %</th>
<th>Likely to maintain current increased use, %</th>
</tr>
</thead>
<tbody>
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<td>84%</td>
</tr>
<tr>
<td>Tablet</td>
<td>32%</td>
<td>74%</td>
</tr>
<tr>
<td>Smart assistance</td>
<td>11%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Not only has the COVID-19 outbreak reinforced the already growing trend of online shopping, it has encouraged experimentation, coaxing consumers to explore different ways to access products and services and accelerating certain behaviours that have long been simmering in the background. When we first surveyed urban consumers in late 2019, online shopping via mobile was becoming more popular. Since the outbreak of COVID-19, our consumer research again found that a significant percentage of consumers have tended to shop even more using their mobile devices.

**Q.** How often do you buy products (e.g., clothes, books, electronics) using the following shopping channels? (Showing “daily” and “weekly” replies)

**Q.** Thinking about how you’ve been shopping for nonfood items while social isolation measures have been in place, how has your use of the following shopping channels changed, if at all?

**Q.** Still thinking about how you’ve been shopping for items other than groceries/food, how likely are you to continue to use this channel to the same extent when social isolation measures are removed?

Sources: GCIS 2019 (base – 1038), GCIS 2020 COVID (base – 502), PwC analysis
This trend is especially pronounced in grocery shopping, where online/mobile purchases continued to grow in popularity even after lockdowns were lifted. Online grocery shopping activity before COVID-19 were quite modest. However, buying food via online channels is gaining popularity. This trend intensified after the COVID-19 outbreak. Globally, 18% shopped for groceries mostly or exclusively online. 64% are buying more groceries online/by phone than before social distancing. Globally, 22% are shopping for groceries mostly or exclusively online. Globally, 63% are shopping more groceries online/by phone than before.

Source: Infoline

Mobile shopping isn’t the only digital trend the pandemic has jump-started. Before the outbreak, online grocery shopping was well behind online shopping for nonfood items. It accelerated its growth, especially during the social isolation. However, the frequency of online grocery during the pandemic is difficult to estimate, as well as predict future demand, though it has a potential to become more popular. Retailers should develop a new strategy for communicating with consumers to increase their loyalty, such as personalised offers, fast delivery.

* Excluding alcohol
Q. For each of the following product categories, how many of your purchases have you made online over the last 12 months?
Q. You mentioned that you mainly do your grocery shopping online/by phone. How, if at all, is this different from before social distancing/social isolation measures were put in place?
Sources: GCIS 2019 (base – 1038), GCIS 2020 COVID (base – 502), PwC analysis
However, retailers will still have to get the balance between online and traditional shopping right, as most Russian consumers still prefer shopping in stores.

**Offline store preferences are rooted in proximity, the ability to test the product and product availability**

**Q.** What brings you into a physical store in your city, rather than researching or purchasing online?, %

<table>
<thead>
<tr>
<th>Reason</th>
<th>Russia</th>
<th>Globally</th>
</tr>
</thead>
<tbody>
<tr>
<td>Close by / in my local neighborhood</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>I can test the product in a physical store</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>They usually have the items I want in stock</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>They provide me with personalised in-store promotion</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>It is a fun pastime</td>
<td>28</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** GfK

**E-commerce channels also need to support and strengthen their existing advantages. Consumers prefer online channels due to:**

- **61%** the ability to check prices
- **48%** the ability to buy at any time/place
- **48%** the ability to check reviews

**Source:** GfK
The COVID-19 pandemic and response has greased the digital runway. As some new virtual habits become ingrained, the shift to a more digital world for those who can afford its tools and experiences will become even more pronounced. We anticipate that digital engagement will be robust and diversified, as the COVID-19 outbreak has strengthened the already growing trend towards online shopping and fueled experimentation among consumers in accessing products and services remotely during the lockdown.

This experimentation in the use of difference e-channels (mobile, PC, tablets and even smart assistants) during lockdown has led to significant growth in e-commerce sales for retailers, especially for online platforms and grocery retailers. We expect that this trend will hold and become even more pronounced after the lockdown.

However, this evolution will further divide customer segments into those who have digital resources or aptitude and those who don’t.

Digitisation and the growing popularity of social networks has placed increased attention on personalised offers and made it possible to tailor products and promotions to discerning consumers.

At the same time, many consumers are still not ready to abandon the experience of physical shopping and move completely to online shopping. Physical contact is still important for building trust in the product. Therefore, it will be vital for retailers to not only develop and focus on digital engagement and online channel sales, but also to find the right balance between physical and online shopping.

Companies should quickly adapt to changing consumer behaviour in order not to lose a significant share of customers. There are number of ways that companies can address these issues:

• decide how to offer a unique and distinct experience for those who are less digitally inclined than others.
• forge new strategic partnerships across the industry as the rise of direct-to-consumer platforms further fragments channels, and invest in data and customer relationship management technology to drive frictionless commerce and engagement.
• invest in enhanced network technology to allow for more sophisticated customer segmentation.
• reskill service staff so they can build content-rich experiences and better understand the end-to-end customer journey.

Implications and action items
Care and well-being are the priorities of a new consumer.
The pandemic has also caused a seismic shift among consumers towards self-care, hence retailers will need to show their concern for well-being and adopt innovative tools to support self-care.

Perhaps not surprisingly, the shift towards well-being is most apparent in several of the countries hardest hit by the pandemic during the spring of 2020, including Russia.

While the survey results show a seismic shift towards self-care in certain countries, 71% of Russian respondents are now paying greater attention to their physical health and fitness, with the result being more pronounced among consumers who live in Moscow and St Petersburg.

Attention to mental well-being and awareness of mental health in Russia is still not widespread and, to some, a foreign concept. However, during the isolation measures, Russians have become more concerned about and attentive to it.

The growing attention to healthy lifestyles is most prevalent among Generation Z and Young Millennials, who have begun to more closely monitor their physical activity, diet and medical needs with the many resources now available (fitness apps, online trainings and coaching).

### Physical health and fitness

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Change vs pre-COVID</th>
</tr>
</thead>
<tbody>
<tr>
<td>71%</td>
<td>+18 p.p.</td>
</tr>
<tr>
<td></td>
<td>Globally: 69%</td>
</tr>
</tbody>
</table>

**New Online fitness trainings:** Worldclass, TopStretching
**Distance coaching:** Smart Fit, Sekta
**Fitness apps:** Nike Training Club, Fitness Pro

### Mental health and well-being

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Change vs pre-COVID</th>
</tr>
</thead>
<tbody>
<tr>
<td>65%</td>
<td>New</td>
</tr>
<tr>
<td></td>
<td>Globally: 69%</td>
</tr>
</tbody>
</table>

**Psychological online coaching:** Psychologram, Alter
**Meditation apps:** Headspace, Insight Timer, Calm

### Medical needs

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Change vs pre-COVID</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Globally: 64%</td>
</tr>
</tbody>
</table>

**Virtual doctors:** Yandex.Health, MyDoc
**Online drug delivery:** Eapteka, Ozon
**Self-assessment**

### Diet

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Change vs pre-COVID</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Globally: 63%</td>
</tr>
</tbody>
</table>

**Diet online programs:** Dream Body, Bormental
**Food tracking apps:** FatSecret, Lifesum
**Healthy food delivery:** Grow Food, Smart Food

Q. 2019: We would like to understand more about your lifestyle, to what extent you agree or disagree with the following statements (showing sum of strongly agree and slightly agree)

Q. 2020: To what extent do you agree or disagree with the following: “As a result of the COVID-19 situation, I am more focused on taking care of my…” (showing sum of strongly agree and slightly agree)

Sources: GCIS 2019 (base – 1038), GCIS 2020 COVID (base – 502), PwC analysis
Consumers now also pay more attention to sustainability and customer care and will expect businesses and their CSRs to adapt

In response to the pandemic, Russian consumers have become more concerned about safety and sustainability, but they are still not ready to completely switch to environmentally friendly habits due to limited financial opportunities.

Although consumers have expressed concern about sustainability, there is a gap between recognising an issue and doing what it takes to resolve it. For example, 80% of Russian consumers expressed concerns about environmental issues while only 47% said they are willing to pay a higher price for products and services that are not harmful to the environment. People are not ready to pay more or sacrifice comfort and instead seek responsible and environmentally friendly habits that fit with their everyday lives.

### I am oriented for...

- …avoiding the use of plastic where possible: 41%
- …considering sustainability in my dietary choices: 28%
- …more sustainable ways to travel: 28%
- …buying items with less packaging: 27%
- …purchasing products with a traceable origin: 21%

### I expect businesses to...

- …be accountable for their environmental impact: 47%
- …eliminate plastic bags and plastic wrapping: 40%
- …promote sustainable practices: 19%
- …base their reputation on environmental and social efforts: 14%

### Sustainable programmes launched by FMCG companies and retailers in Russia:

- Reverse vending machines
- Use of packaging and inventory made of biodegradable materials
- Collecting used batteries
- Collecting goods of their categories for further recycling/disposal etc.

---

**Q.** Please indicate which statements best reflect your actions and expectations on sustainability.

**Q.** In your opinion, who should take the biggest responsibility for encouraging sustainable behaviours and/or lifestyle practices in your city/country?

Sources: GCIS 2019 (base – 1038), GCIS 2020 COVID (base – 502), PwC analysis
Implications and action items

In response to the COVID-19 pandemic, Russian consumers are becoming more aware of personal well-being and more concerned about their physical and mental health and fitness.

Organisations have taken a host of measures to improve customer well-being during the pandemic—and well after the peak of the crisis has passed (as part of the consumer care that consumers now desire). A growing number of fitness centres have begun offering online coaching and training sessions, while consumers increased their use of fitness tracking and coaching apps, as well as diet and mental health apps.

Consumer preferences in relation to well-being has led retailers to place greater emphasis on environmental protection and consumer safety.

Packaging contents and green initiatives (such as collecting recycling packs or replacing plastic bags with more sustainable ones) are just a few examples of what matters to consumers now.

Nevertheless, people are not ready to pay more or sacrifice comfort and instead seek responsible and environmentally friendly habits that fit their everyday lives.

How a business treats the environment and what and how it produces plays an important role in building loyalty and certainly attracts attention.

There are number of ways that companies can take to address the issues of changing consumer expectations:

• develop new, sustainable products and services.

• work together with stakeholders, such as NGOs, the media, trade associations and academia, to re-examine the values they espouse and actions they take.

• establish greater inclusivity and transparency across supply chains and find new supply chain partners that are in line with shifting consumer demands.

• increase R&D investments in the future of food, nutrition and packaging.
Respondents for the pre-COVID and post-COVID waves of the study were screened by territory, age and income

### Before COVID-19

<table>
<thead>
<tr>
<th>By territory</th>
<th>By age, %</th>
<th>By income in RUB thousand, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moscow</td>
<td>46%</td>
<td>18-24 23 45-54 6 35-44 12</td>
</tr>
<tr>
<td>Saint Petersburg</td>
<td>24%</td>
<td>40-49 10 20-29 10 30-39 11</td>
</tr>
<tr>
<td>Siberia</td>
<td>14%</td>
<td>50-69 19 70-99 18 &gt; 100 17</td>
</tr>
<tr>
<td>Ural</td>
<td>10%</td>
<td>502 5 9 45-54 5 35-44 21</td>
</tr>
<tr>
<td>South and North Caucasus</td>
<td>5%</td>
<td>25-34 40 21</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Participants</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,038</td>
<td>Male 53%</td>
</tr>
<tr>
<td></td>
<td>Female 47%</td>
</tr>
</tbody>
</table>

Globally: 19,098 participants

### After the COVID-19 outbreak

<table>
<thead>
<tr>
<th>By territory</th>
<th>By age, %</th>
<th>By income in RUB thousand, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moscow</td>
<td>49%</td>
<td>18-24 26 45-54 5 35-44 21</td>
</tr>
<tr>
<td>Saint Petersburg</td>
<td>26%</td>
<td>40-49 12 20-29 13 30-39 11</td>
</tr>
<tr>
<td>Siberia</td>
<td>15%</td>
<td>50-69 17 70-99 17 &gt; 100 13</td>
</tr>
<tr>
<td>Ural</td>
<td>10%</td>
<td>502 5 9 45-54 5 35-44 21</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Participants</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>502</td>
<td>Male 52%</td>
</tr>
<tr>
<td></td>
<td>Female 48%</td>
</tr>
</tbody>
</table>

Globally: 4,447 participants
Key contacts

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