It’s time for a consumer-centred vision

Global Consumer Insights Survey 2019
PwC believes it’s time to emphasise the importance of customer experience.”
Executive summary

It’s now been a full decade since the economic crisis ushered in what’s often called the “new normal”, a supposed recalibration of what’s possible in terms of global economic growth. But the world’s consumers have displayed unexpected resilience, driven by technological advances that have unleashed a Golden Age of consumption, offering a worldwide bazaar of goods and services — open day and night — to anyone with a mobile phone.

Not only are consumers the strongest link in the global economic chain, but PwC’s 10th annual Global Consumer Insights Survey (GCIS) — which gathers the sentiments of more than 21,000 online consumers in 27 territories — shows that technology has put them in a position to demand a tailored, channel-agnostic, socially conscious and social media-powered experience.

Because consumers today are so discerning and powerful, it’s our perspective that most organisations need to invest far more in the customer experience. Retail evolution is driven by the need to adapt to a changing environment and respond to these challenges. Organizations that fail to do so will lag behind on the path to winning the customer.

This report is divided into two sections to help start you on the path towards understanding your customer:

• Key trends and changes of Russian consumers behavior
• How to adapt business to changing consumer preferences?
Profile

By federal districts

Moscow: 24%
North-West: 6%
St Petersburg: 8%
Central: 14%
Ural: 10%
Volga: 16%
Siberia: 9%
South and North Caucasian: 9%
Viega: 4%
North-East: 14%

By gender

Male: 47%
Female: 53%
By age

- The Greatest Generation (52+)
- Generation X (37-51)
- Generation Z (17-22)
- Young Millennials (23-26)
- Mature Millennials (32-36)
- Core Millennials (27-31)

Global consumer insights survey 2019
Key trends and changes of Russian consumers behavior

01 Rapid growth of online shopping

There is strong increase of online shopping in key categories, mostly driven by young millennials with high income living in Moscow and St Petersburg. Fast delivery becomes as important for consumer as prices and assortment when they choose a particular retailer.

Creating online channel and connecting it with in-store shopping experience become crucial for development for most of product categories. Following the migration of consumers to mobile devices, retailers should provide consumers with easy-to-use mobile facilities and expand the delivery network of lockers and pick-up points considering the traceability of deliveries.

02 Demand for both digital and human in-store experience

Russian consumers tend to do more daily microtrips to nearest stores. They enjoy new digital services in stores and indicate easy payment, customization and helpful assistants as key imperatives that improve their shopping experience.

Retailers should focus on smaller formats and create right shopping atmosphere paying attention both to technological advancement and store personnel skills and motivation.

03 Growing influence of sustainability issues

Russian consumers care about sustainability and ready to pay premium for organic and local products with eco-packaging. They actively use online channels to learn about sustainable products before purchase.

Make sustainability a core part of a brand strategy. Retailers have to support sustainable practices and projects so that customers feel engaged when buying products.

04 Strong shift to digital communication channels

Communications market indicate a strong shift to digital channels with personalized content, despite the fact that TV advertisements remains valuable. Social media highly influence customers shopping decisions in different categories and has great power on consumer trust.

TV advertising remains important for reaching out to the broad audience but retailers start investing more in social media and personalizing ads with help of different agile metrics. Retailers need to encourage feedback from customers and learn to deal with negative reviews.
How to adapt business to changing consumer preferences?

**Investing in employees experience**
Customer experience exists in a feedback loop with employee experience. An organisation trying to improve customer experience without considering employees' skills and motivation is missing an integral part of the equation.

**Understand your customers based on their behaviour**
Consumer insights enable far greater personalization than the old-school paid media approach of segmenting customers by demographics alone.

**Building communities under your brand vision**
It's important to figure out what employees and customers care about and to communicate your shared values.

**Treat consumers' data with respect and deliver value in exchange for it**
Customers want the companies they interact with to protect their personal data, and PwC research indicates that they'll shop elsewhere if they don't trust that a company is safeguarding it.

**Building on “magic moments”**
In an age of expanding digital options, consumer loyalty can vanish with the touch of a button. To minimise is, focus on “magic moments” that earn loyalty over time and create a relationship that endures beyond the next product search.

**Win the customer journey**
There are more trips, more choices. You can win customers online by understanding what they are trying to experience and then making it easier for them through easy of navigation, breadth and quality of selection, price, quality of advice or exclusivity.
Rapid growth of online shopping

Key insights

Who

How many of Russian consumers shop online? What e-commerce trends are expected in the future?

- E-commerce market in Russia is constantly growing, reaching 150 B RUB in sales volume and 75 M online users in 2018
- The number of Russian consumers shopping online on a monthly basis reached 69% in 2018
- E-commerce market is expected to double by 2023

What is the profile of the most active shopper online? How does online shopping frequency vary by generation, income level and geography?

- Central, Northwestern and Urals Federal regions provide a key contribution over 70% to online shopping
- There is a direct correlation between consumers’ income and online consumption as more that 82% of residents with income higher that 70K actively shop online
- Most frequent online shoppers are millennials: more that 80% shop online monthly

Where

Who is leading on Russian e-commerce market? What are the growth plans of top companies?

- Russian e-Commerce market is not yet consolidated, top-6 national players account for 23% of the market
- The trend for market consolidation will continue, resulting in 49% of national players’ market share to 2023, mostly driven by Yandex.Market and Beru
- Aliexpress Russia is estimated to take 14% of Russian e-commerce market to 2023

Where do shoppers make purchases online - in Russian or foreign market?

- 21% of consumers shop only in Russian stores, whereas only 15% shop in foreign stores and 19% shop in both Russian and foreign stores
- Further regulation of Russian e-Commerce market puts pressure on foreign retailers
Which categories of goods do customers buy exclusively online? Which categories indicated biggest growth in online sales?

Books and media entertainment is the leading category in Russian e-commerce market as 13% of consumers buy it exclusively online. Electronics devices sector is a runner-up with 9% of consumers buy it only in online stores.

The fastest growing goods to be bought exclusively online are books, media entertainment – 3,8% growth and clothing & accessories – both 3,0%

Russian consumers develop strong interest in adopting online grocery shopping. 54% of consumers are likely to purchase grocery online over 2019.

Two main barriers for e-grocery shopping are the desire to see and touch the products (67%) and concerns about quality (57%)

Mobile internet audience in Russia has grown up to 56% of total adult population in 2018.

79% of Russian consumers use smartphones for online shopping in 2018. Daily shopping indicate 8% growth via mobile devices

Level of smart home voice assistants ownership is not quite high in Russia - only 8%. Although 27% of Russian consumers have a stake in purchasing a voice assistant.

Currently 53% of consumers use voice assistant for searching products and 36% buy products via voice assistants

Around 70% of Russian consumers name better price, fast delivery and good assortment as three key successful online shopping factors.

Youngsters are interested in best prices, returns and social media content.

Millennials want easy website and apps, unique assortment and helpful associates. Matures seek for fast delivery, trusted brand and items in stock.

The speed of delivery is crucial for online retailer. 74% of consumers believe that the most important delivery experience is to get the product as quickly as possible.

Russia is among top-3 countries which residents want the products to be delivered in a specific time slot (12%) or in a few hours (33%)

Demand for fast delivery and specific time to borrow the purchase lead to rapid growth of pick-up and locker delivery in Russia (+392% growth since 2016).

Leading online retailers opened more than 4500 pick-up points in 2018.
Russia is currently showing one of the highest growth rates of online shopping.

Figure 1. Percentage of respondents making an online purchase at least once a month, 2018

Q: On average, how often do you buy products online?

Respondents: 21,480
Source: PwC, Global Consumer Insights Survey, 2019

Figure 2. Countries with fastest growing online shopping rates, p.p., 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>22%</td>
</tr>
<tr>
<td>Poland</td>
<td>19%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>20%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>17%</td>
</tr>
<tr>
<td>South Africa</td>
<td>18%</td>
</tr>
</tbody>
</table>
E-commerce market in Russia is constantly growing, reaching 1 150 B RUB in sales volume in and 75 M Internet users in 2018.

On average, 67% of global consumers shop online at least once a month. This is up to 5 p.p. more than in last year.

China, Germany, the UK and Vietnam are the leading countries, the leadership remains the same from the last year.

Russia has shown high growth in both online shopping audience and order frequency. The number of consumers who buy goods online at least once a month increased by 22 p.p. and reached 69% of all respondents in our 2019 survey.

In addition, 27% of respondents indicated that they made online purchases at least once a week, an increase by 17 p.p. from the previous year.

In 2018, Russia became one of the leading countries in online shopping growth in terms of both audience size and order frequency.

From 2013 to 2018, Russian e-commerce turnover doubled and, according to Euromonitor forecasts, it will double again by 2023.

This suggests that rapid growth will continue to be a trend in Russia’s online retail market.

The e-commerce consumption keeps posting double digit growth rates, this trend is set to continue across all industries.

This grants good opportunities for retailers to reach and acquire target audience and sustain growth by creating online spaces, connecting them with in-store shopping experience and turning to omnichannel business model.
The most active online shoppers are millennials with higher incomes, mostly located in Russia’s central regions.

Figure 3. Percentage of respondents who make an online purchase at least once a month in Russia, by region, 2018

Figure 4. Percentage of respondents making an online purchase at least once a month in Russia, by income, RUB, 2018
The main hubs of e-commerce growth in Russia are St. Petersburg and Moscow. More than 40% in St. Petersburg and 30% in Moscow shop online at least once a week. Other regions with a high share of active shoppers include the Central and North-West Federal Districts, where more than 70% of consumers shop online at least once a month.

The key audience for online shopping is still concentrated among consumers with above average monthly incomes. Growth in online shopping rates tends to be restricted to consumers who earn more than RUB 70,000. Further growth is directly linked with income levels. More than 90% of consumers who earn more than RUB 100,000 shop online at least once a month.

Most frequent online shoppers are Mature Millennials with more than 38% buying online at least once a week. However, in general, the core online audience is younger. More than 80% of respondents aged 23 to 31 shop online at least once per month.

Q. On average, how often do you buy products online?
Respondents: 696
Source: PwC, Global Consumer Insights Survey, 2019

Q. Do you shop at Russian online stores? (divided by age, generation, income, geography, employment status)
Respondents: 696
Source: PwC, Global Consumer Insights Survey, 2019
Russian e-commerce market will continue to consolidate by national players

According to Euromonitor data, 16% of the Russian online retailing market is taken by the third-party merchants Alibaba, Amazon and eBay. Alibaba stands out the most, as its audience expanded to 20 million active users in 2018. Alibaba wants to increase its presence in the Russian market by creating a joint venture with Mail.ru Group, Megafon and the Russian Direct Investment Fund. Russian e-Commerce market is not consolidated yet, top-6 national players account for 23% of the market. The trend for market consolidation will continue, resulting in 49% of national players’ market share to 2023, mostly driven by Yandex.Market and Beru. Aliexpress Russia is estimated to take 14% of Russian e-commerce market to 2023.

Figure 7. Companies’ value shares of the Russian Internet retail market, %, 2018-2023

Source: Morgan Stanley, 2018

Figure 8. Companies’ value shares of the Russian Internet retail market, %, 2018

Source: Euromonitor, Internet Retailing in Russia, 2019
Increased shopping at Russian retailers is driving online traffic

### Figure 9. Top 10 Russian online retailers, traffic, M visits, Q4 2018

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wildberries</td>
<td>190</td>
</tr>
<tr>
<td>DNS-Shop/Technopoint</td>
<td>159</td>
</tr>
<tr>
<td>OZON</td>
<td>146</td>
</tr>
<tr>
<td>Mvideo</td>
<td>80</td>
</tr>
<tr>
<td>Citilink</td>
<td>73</td>
</tr>
<tr>
<td>Eldorado</td>
<td>72</td>
</tr>
<tr>
<td>Lamoda</td>
<td>61</td>
</tr>
<tr>
<td>Svyaznoy</td>
<td>42</td>
</tr>
<tr>
<td>Ulmart</td>
<td>31</td>
</tr>
<tr>
<td>Bonprix</td>
<td>27</td>
</tr>
</tbody>
</table>

Source: SimilarWeb, 2019

Russian online retailers are among the world leaders in traffic. In February 2018, Wildberries was ranked first in terms of traffic among international clothing and footwear retailers, followed by H&M, Zara and Asos.

### Figure 10. Websites that Russians shopped on, %, 2018

- Only in Russian stores: 21%
- Only in foreign stores: 15%
- Both: 19%

Source: Data Insight, e-Commerce in Russia, 2018

Russians now tend to buy products in Russian rather than international online stores, which has helped to drive traffic growth.

The leading Russian online retailers registered 881 M website visits (mobile and desktop) in Q4 2018.

The top three retailers in terms of traffic are Wildberries, DNS-Shop and OZON, whose websites are visited by a total of 140-190 M consumers in Q4 2018.

Russia is the last major emerging market without a dominant e-commerce player. Huge numbers of web-traffic of Russian retailers confirm big demand for online shopping.

Russian retailers are planning aggressive campaigns in order to hold the leadership on the market. Newly created joint ventures Beru and Bringly by Yandex (with Sberbank) or Aliexpress Russia by Mail (with Alibaba) give dominant players the access to capital and ability to leverage existing platforms.
Books, media entertainment, clothing and jewellery are fastest growing categories for exclusively online purchases

Books and media entertainment is the fastest growing category of goods that people purchase exclusively online (3.8 p.p. growth). Also clothing & accessories are the fastest growing product categories to be bought exclusively online which indicate 3 p.p growth from last year. More people also purchasing groceries exclusively online (2 p.p. growth from last year).

Books and media entertainment is the leading category in on Russian e-commerce market as 13% of consumers buy books, music, media and video games exclusively online. Electronics devices sector is a runner-up as 9% of consumers buy tech & electronics only in online stores.
Customers start to actively purchase online product categories that do not require visual or kinesthetic experience. However, traditional in-store products as jewellery and watches have made successful inroads to the e-commerce market.

Retailers should take immediate actions as their customers are coming to online channels: as the time flows, pure offline players will be close to extinction.
Most Russian consumers are ready for online grocery shopping

Around 54% of Russian consumers are likely to buy groceries online, which represents 12 p.p. growth over the previous year. Russia ranks 7th in terms of people's readiness to buy groceries online. Number of those who are not likely to buy groceries online fell by 24 p.p. in 2018.

About 4% of Russian consumers indicate that they already buy groceries exclusively online and 12% indicate that they do most of their grocery purchases online.

As grocery shopping migrates online, traditional brick-and-mortar stores will have to respond, by turning shopping from a simple transaction into a lifestyle activity.

Traditional food retailers have to adapt to customer needs by developing Click&Collect technologies, entering into partnerships with food delivery services, installing in-fridge lockers.

It may be hard for a customer to orient in online grocery store without wandering by product shelves, so make navigation through online store easy and understandable, include food recipes to help choosing from wide product range.

To reassure customers, make quality a priority in transportation-to-home and storage stages.
Figure 13. Key reasons not to purchase groceries online, %, 2018

<table>
<thead>
<tr>
<th>Reason</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>I prefer to see and touch products</td>
<td>67</td>
</tr>
<tr>
<td>Concerns over quality</td>
<td>57</td>
</tr>
<tr>
<td>Easier to compare prices in-store</td>
<td>25</td>
</tr>
<tr>
<td>Food could be damaged during delivery</td>
<td>23</td>
</tr>
<tr>
<td>Delivery costs / minimum order price is too high</td>
<td>19</td>
</tr>
</tbody>
</table>

However, some key concerns are holding people back from ordering food online. Russian consumers prefer to see and touch products before buying to ensure their quality.

In addition, 19% of consumers are not likely to order food online because the delivery costs or minimum order price are too high.

Figure 14. Main concerns on purchasing delivery online, in comparison with men/women, p.p., 2018

Q. Why would you be unlikely to purchase groceries online?

Respondents: 696
Source: PwC, Global Consumer Insights Survey, 2019
Russian consumers are shopping more frequently using their PCs and smartphones.

There is a continuing growth trend in using PCs for online shopping. More than 40% of consumers made orders via PC a few times a year in 2017. In 2018, about 40% of respondents shopped on their PCs at least once a month and 19% do so on a weekly basis.

The percentage of consumers who have never shopped online or have shopped a few times a year dropped to 5%.

Growing number of Russians are using their PCs to make weekly online purchases (up to 9 p.p.). Still, most Russians (86%) shop on their digital devices once per month. However, there is a clear trend to shifting from monthly shopping to weekly shopping, especially noticeable on mobile devices.
In 2018, the number of respondents who never use their smartphone for shopping dropped by 7 p.p. At the same time, there was a significant increase in the share of respondents who shop on their phones at least once a week.

Both PCs and smartphones indicate 9 p.p. increase in weekly shopping: mobile devices are close to catch up with computers in frequency of online shopping.

Young Millennials (23-26 years) are the most active shoppers via smartphones. More than 60% make online orders on their mobiles at least once a month.

North-West federal district residents shop via smartphones more frequent than other regions’ citizens: 43% shop using smartphone at least once a month, and 22% from Saint-Petersburg shop via mobile phone on a weekly basis.

Following the migration of consumers to mobile devices, retailers should adapt their websites to mobile version, design mobile applications and luring notifications.

Pay special attention to speed and security of website to lower the cart abandonment rate.

Add convenient payment options as Apple/Google Pay, e-wallets, etc., as customers often do not remember payment card details.
There is a growing interest in smart home voice assistants in Russia

In 2018, the number of respondents who started using smart home voice assistant systems for online purchases increased by 17 p.p.

About 40% of Millennials currently use smart home voice assistants for online purchases, while 13% buy products via these devices at least once a month and 11% at least once a week.

Young Millennials representatives are leaders in smart home voice assistants ownership as 13% of them currently own such devices.

Moscow citizens are the clear leaders in Russia in the use of smart home voice assistants. More than 11% claim that they make purchases with the help of a voice assistant at least once a month, while 8% do so on a weekly basis.

Men are more likely than women to use a voice assistant to make an online purchase. More than 10% of Russian men order products via smart home voice assistants at least once a month.

Respondents: 696
Source: PwC, Global Consumer Insights Survey, 2019

Figure 17. Frequency of online shopping via smart devices, %, 2018

Q. How often do you buy products (e.g. clothes, books, electronics) using the following shopping channels?

2017 2018
Daily 1 2
Weekly 6 8
Monthly 2 3
A few times a year 3 5
Once a year 7
Never 89

-17 p.p.

8% of Russian consumers currently own home voice assistant

26% of Russian consumers plan to purchase a smart home voice assistant
More than half of smart home voice assistants owners use devices for searching products

Table: Activities Russian consumers use smart home voice assistant for, %, 2018

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Researching products</td>
<td>53</td>
</tr>
<tr>
<td>Streaming music</td>
<td>46</td>
</tr>
<tr>
<td>Entertainment (trivia and games)</td>
<td>42</td>
</tr>
<tr>
<td>Controlling other smart home devices</td>
<td>41</td>
</tr>
<tr>
<td>Accessing information (current affairs, weather)</td>
<td>39</td>
</tr>
<tr>
<td>Calendar reminders</td>
<td>39</td>
</tr>
<tr>
<td>Purchasing products</td>
<td>36</td>
</tr>
<tr>
<td>Listening to audio books/podcasts</td>
<td>32</td>
</tr>
<tr>
<td>Communications (making phone calls)</td>
<td>27</td>
</tr>
</tbody>
</table>

Q. What are the main activities you use your smart home voice assistant device for?

Respondents:696
Source: PwC, Global Consumer Insights Survey, 2019

There is a great potential for retailers on voice assistant channels, as more than half (53%) of consumers use their smart devices for searching products.

36% of smart home voice assistant users make purchases via their gadgets.

Smart tech that communicates with you is the future. Global digital retailers as Amazon and Aliexpress have already launched their own voice assistants; Yandex has developed Yandex.Station smart speaker with Alisa voice assistant.

Adapting an online store to voice assistant requires an integrated approach. Customers search products via smart device through related phrases, synonyms in natural language. Retailers need to optimise traffic-driving pages and product descriptions with proper content to become visible in voice search results.
Price, delivery speed and assortment are the key drivers of consumer decisions

**Figure 19. Ten key elements of a successful online shopping experience, %, 2018**

<table>
<thead>
<tr>
<th>Attribute</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better prices</td>
<td>75</td>
</tr>
<tr>
<td>Fast, reliable delivery</td>
<td>71</td>
</tr>
<tr>
<td>Good assortment</td>
<td>67</td>
</tr>
<tr>
<td>Convenient payment options</td>
<td>66</td>
</tr>
<tr>
<td>Easy website, mobile app</td>
<td>62</td>
</tr>
<tr>
<td>Good return policy</td>
<td>60</td>
</tr>
<tr>
<td>Unique assortment</td>
<td>44</td>
</tr>
<tr>
<td>Trusted brand</td>
<td>43</td>
</tr>
<tr>
<td>Loyalty programme</td>
<td>41</td>
</tr>
<tr>
<td>Test / try and free return options</td>
<td>41</td>
</tr>
</tbody>
</table>

Q. Which of these attributes would significantly improve your shopping experience with online retailers?

Respondents: 696
Source: PwC, Global Consumer Insights Survey, 2019

More than 70% of respondents believe that online retailers should have better prices and faster delivery
Q. Which of these attributes would significantly improve your shopping experience with online retailers?

Respondents: 696
Source: PwC, Global Consumer Insights Survey, 2019

Consumers want to be sure that all of the “must have” elements of a good online shopping experience are present before they even start to pay attention to loyalty programmes and trust the brand.

Most consumers choose retailers who offer better prices and fast delivery. These two elements are key in the competition with in-store shopping.

Convenience is key to competing successful with other online retailers. Consumers will choose easy-to-use websites and mobile apps with convenient payment options.

Assortment is another important element. It should be easy for consumers to find the item they are looking for and cannot find in-store.

Online presence and further development of ecommerce are crucial for retailer's growth. Good price is number-one priority for an online retailer excluding premium segment. To win competitive advantage online, retailer should provide customer with easy-to-use mobile shopping facilities and expand delivery network of pick-up point and lockers to ensure fast and convenient delivery options.
Fast delivery is a key determining factor for online purchases.

Figure 21. Important attributes for the delivery experience, %, 2018

<table>
<thead>
<tr>
<th>Attribute</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Getting the product as quickly as possible</td>
<td>74</td>
</tr>
<tr>
<td>Availability of free returns</td>
<td>72</td>
</tr>
<tr>
<td>Knowing the delivery date at the point of order</td>
<td>67</td>
</tr>
<tr>
<td>Being able to track the delivery driver</td>
<td>65</td>
</tr>
<tr>
<td>Option to return items to a store</td>
<td>59</td>
</tr>
</tbody>
</table>

Russian consumers like fast delivery and believe it is more important than possibility of free returns. To a greater degree than their global counterparts, Russian consumers are willing to pay more for same day delivery or for specific 1-2 hour time slot for delivery.

Q. Considering the delivery process for online orders, please rank the following statements in order of importance.

Respondents: 696
Source: PwC, Global Consumer Insights Survey, 2019
Q. For the majority of your online purchases, what is the longest delivery lead time you are willing to pay a charge for?

Respondents: 21,480
Source: PwC, Global Consumer Insights Survey, 2019

Figure 22. Longest delivery time residents are willing to pay for, %, 2018

A specific 1-2 hour time window of my choosing

Vietnam 15% Russia 12%

In a few hours or, maximum, the same day

Vietnam 36% Russia 33%

Q. For the majority of your online purchases, what is the longest delivery lead time you are willing to pay a charge for?

Respondents: 21,480
Source: PwC, Global Consumer Insights Survey, 2019

Choosing a specific delivery time is not popular globally. However, 12% of Russian consumers prefer this option. Fast delivery in a few hours or on the same day is the most popular type of delivery in Russia. Overall, 33% of Russian consumers are ready to pay a charge for express delivery.

Along with speed, Russians also prefer to have transparent delivery. Millennials are the most concerned about the delivery details. They want to have visibility of the product throughout the delivery process, including being able to track the delivery driver (76%), to return non-fitting items (76%) and to receive updates on the status of returns (65%).

Around 63% of the Greatest Generation (52+) want to be able to reserve products online for collection in-store.

Companies that also have online and brick-and-mortar stores in addition to their e-commerce stores may be able to offer in-store same-day pick-up. Organizations may also want to consider the option of opening distribution centers to fasten logistics processes.

Retailers need to consider the traceability of deliveries; besides, it reduces pressure on call center. Among prevalent practices are sending interactive SMS notifications on the status of the delivery with clickable time and date delivery options.
Pick-up and locker delivery is growing quickly in Russia

Since 2016:
+392% growth
+122% CAGR

In addition, consumers like lockers because they are more convenient and there is no need to wait for the courier. Customers can pick up the order at any convenient time.

In response to consumer demand, leading online retailers are opening new pick-up points on their own or in partnership with logistics companies.

Consumer preferences for fast delivery and specific delivery times have led to growing demand for pick-up points/lockers.

According to the latest research of e-Commerce logistics market by Data Insight, pick-up points and lockers account for 17% of total deliveries and show the highest growth rates. Delivering to lockers or pick-up points is cheaper than using a courier, which is one of key reasons for the popularity of this channel.

Source: Retailers reports, 2018
The growth of lockers and pick-up points is one of the most significant e-commerce trends of 2018.

Egor Pchelintsev
Advertising Director, Wildberries

Pick-up points and lockers delivery is a creditable alternative for in-store pick-up or distribution center. Customers create demand for locker delivery as it is close to home, easy-to-use and helps to avoid time-consuming and unnecessary interaction.
Demand for both digital and human in-store experience

Key insights

Where

Where are customers more likely to buy grocery?
How often do customers do trips to the convenience stores?

• Russia is one of Top3 countries by the share of consumers who enjoy microtrips to convenience stores
• 40% of Russian consumers buy products in nearby grocery stores on a daily basis

Why

What attributes will make in-store experience successful?
What do customers expect from digital in-store experience?

• Both traditional and technological elements are important for creating a good in-store experience for a customer
• More than 52% of Russian customers believe that quick and easy payments and knowledgable associates are key for creating a good in-store experience
Russians tend to make microtrips to nearby stores, which is driving the shift towards smaller formats

Figure 25. The share of the population who buy products at nearby stores at least once a day, %, 2018

<table>
<thead>
<tr>
<th>Location</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle East</td>
<td>43%</td>
</tr>
<tr>
<td>Russia</td>
<td>40%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>39%</td>
</tr>
<tr>
<td>Brazil</td>
<td>36%</td>
</tr>
<tr>
<td>Poland</td>
<td>35%</td>
</tr>
<tr>
<td>China</td>
<td>32%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>32%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>28%</td>
</tr>
<tr>
<td>Hungary</td>
<td>28%</td>
</tr>
<tr>
<td>Thailand</td>
<td>28%</td>
</tr>
<tr>
<td>Spain</td>
<td>28%</td>
</tr>
<tr>
<td>Ireland</td>
<td>23%</td>
</tr>
<tr>
<td>Japan</td>
<td>23%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>23%</td>
</tr>
<tr>
<td>South Africa</td>
<td>21%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>20%</td>
</tr>
<tr>
<td>France</td>
<td>20%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>20%</td>
</tr>
<tr>
<td>Denmark</td>
<td>19%</td>
</tr>
<tr>
<td>Germany</td>
<td>19%</td>
</tr>
<tr>
<td>UK</td>
<td>18%</td>
</tr>
<tr>
<td>Philippines</td>
<td>18%</td>
</tr>
<tr>
<td>Belgium</td>
<td>16%</td>
</tr>
<tr>
<td>USA</td>
<td>16%</td>
</tr>
<tr>
<td>Australia</td>
<td>15%</td>
</tr>
<tr>
<td>Singapore</td>
<td>13%</td>
</tr>
<tr>
<td>Canada</td>
<td>10%</td>
</tr>
</tbody>
</table>

Q. How often do you make microtrips (less than five minutes) to grocery stores?
Respondents: 21,480
Source: PwC, Global Consumer Insights Survey, 2019
Russia is one of the top three countries in terms of the share of consumers who take daily microtrips to nearby grocery stores.

More than half of consumers in the Siberian Federal District and Southern and North Caucasian Federal Districts take regular microtrips to nearby stores.

The most active generation is Core Millennials (27-31), 4% of whom take such microtrips more than once per day.

These consumer preferences are driving the shifts towards smaller formats in Russia. Most retailers report positive traffic growth at these formats.

O’KEY is developing a new compact city hypermarket format (3,000-7,000 sq m). They find such stores up to 10% more effective than their traditional hypermarkets. In addition, they are actively developing the DA! discount chain and planning about 170 new openings of this format.

Magnit has decided against the further development of its network of hypermarkets and has reformatted some large-area stores into large supermarkets.

Lenta plans to increase the number of supermarkets and expand their retail space up to eight times by 2020. Supermarkets will take 15-20% of total Lenta’s commercial space.

Most hypermarkets are now experiencing negative LfL traffic. Retailers that traditionally relied on hypermarket format are now tending to shift their focus to smaller formats in response to changing consumer behavior. Russian retailers experiment with new smaller formats as mini- and micro-markets, vending machines, kiosks.
Easy payment, customisation and knowledgeable associates are key for creating a good in-store experience

Figure 27. Attributes that improve the in-store shopping experience for Russian consumers, %, 2018

<table>
<thead>
<tr>
<th>Digital experience</th>
<th>Traditional experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quick and easy payment methods (including mobile, contactless payment)</td>
<td>Sales associates with a deep knowledge of the product range</td>
</tr>
<tr>
<td>Ability to quickly and conveniently navigate the store</td>
<td>Ability to quickly and conveniently navigate the store</td>
</tr>
<tr>
<td>A fun experience via the store design or atmosphere</td>
<td>A fun experience via the store design or atmosphere</td>
</tr>
<tr>
<td>In-store Wi-Fi with fast, simple login</td>
<td>Child-friendly area</td>
</tr>
<tr>
<td>Personalized offers sent to mobile device when in-store</td>
<td>Availability of food &amp; beverage services in-store</td>
</tr>
<tr>
<td>Technology to assist the shopping experience (mobile checkout, self-service scanners)</td>
<td>Exclusive services i.e. personal shoppers and stylists</td>
</tr>
<tr>
<td>Virtual experience of products and services through AR technology</td>
<td>Inviting lounge/rest area</td>
</tr>
</tbody>
</table>

Q. Which of these attributes would significantly improve your in-store shopping experience?

Respondents: 696
Source: PwC, Global Consumer Insights Survey, 2019

In digital era, retailers have to meet technological demands of customers, but quality service from assistants cannot be overlooked. Consumers interact with your brands through your frontline employees, who embody your brand and the culture that shapes it.

In-store retail is no longer about simply selling products, it is about experience and atmosphere. Retailers should look onto creating a retail-tainment atmosphere by merging experiences with shopping. This could be achieved by adding cafeterias, music experiences or complimentary services inside the store as well as blending digital and physical experience to satisfy the needs of a modern customer.
Q. Which of the following payment activities have you undertaken using your mobile, smartphone or wearable device when shopping in-store?

- 57% I want payments to be quick and easy
- 57% I want to customise products in-store
- 26% I’d like the use of technology to assist the shopping experience
- 24% It’s good to have food and beverage services in-store
- 36% I like personalized offers sent to my mobile device when in-store
- 38% I want a fun experience via the store design or atmosphere
- 23% I want the store to have child-friendly area
- 53% It’s good to have sales associates with a deep knowledge of the product range

Respondents: 696
Source: PwC, Global Consumer Insights Survey, 2019

Figure 28. Non-cash payments for goods and services, T RUB, 2016-2018

- 2016: 11,2
- 2017: 14,6
- 2018: 19,5

Source: Central Bank of Russia statistics, 2018

Figure 29. Mobile payment use when shopping in-store, %, 2017-2018

- 2017: 27
- 2018: 45

+18 p.p.
Growing influence of sustainability

Key insights

How

How do consumers purchase in a sustainable way? How do they learn about sustainable products?

- Global trend for sustainability highly influences Russian consumers as 83% of Russian consumers claim to make purchases in a sustainable way.
- Most common eco-shopping practices of Russian customers are to avoid the use of plastic where possible (32%) and to protect the environment by choosing sustainable products (31%).
- The majority of respondents use online channels to gain information about sustainable product.
- One of the most successful case of business model around sustainability is VkusVill.

Why

Who is interested in food sustainability? What for are consumers willing to pay a premium when purchasing food items?

- Majority of Russian consumers are concerned about food sustainability as 86% of consumers are ready to pay extra amount for sustainable food products.
- The most pro-active generation is Millennials: 20% are willing to pay extra for food sustainability.
- Locally produced products attract customers the most (68%); more than 40% of Russian consumers are ready to pay premium for sustainable packaging, organic and eco-friendly food products.

Who is interested in non-food sustainability? What for are consumers willing to pay a premium when purchasing non-food items? How to attract pro-sustainability customers?

- 79% of Russian consumers are ready to pay premium for sustainable non-food products.
- The main attractive practices of non-food sustainability is connected with methods of production: over 77% of Russian customers will pay premium for sustainable or ethical production of goods.
- Customers tend to pay premium for production of brands well-known for sustainable practices (42%) and retailers who make donations to charity (35%).
There is growing interest for sustainable products in Russia

Russian residents are increasingly concerned with the irresponsible use of plastic and other unsustainable packaging.

Around 32% of Russian consumers actively avoid plastic where possible and 29% either look for eco-friendly packaging or try to find less-packaged products. In addition, Russians are more likely to care about the traceable origin of products than their global counterparts (29%).

There is a growing interest in sustainable products in Russia. Only 3% of consumers buy eco-friendly products impulsively, whereas more than 40% do some web research about eco-friendly products and stores.

Most consumers use the Internet to find information about sustainable products. Around 40% directly search for specific products, read and watch reviews, and join healthy-lifestyle communities.

Figure 30. Most common practices of sustainable purchasing in Russia, %, 2018

- I avoid the use of plastic where possible: 32%
- I choose sustainable product to help protect the environment: 31%
- I choose products with a traceable and transparent origin: 29%
- I look for products with environmentally friendly packaging: 29%
- I buy brands that promote sustainable practices: 27%
Sustainability needs to become a **core component of a strategy**. Sustainable practices are best to affect a whole value chain from producing and manufacturing, to logistics and beyond. With the use of technologies organizations can upgrade majority of business processes to sustainable network: AI can help changing product development, blockchain can provide traceability, robotics and 3D modelling can personalize unique models on-demand.

Businesses managing sustainability will not only build consumer loyalty but can also command a price premium as consumers **will pay a premium for a good experience**.
Making sustainable products a cornerstone of a successful business model

Figure 32. VkusVill sales profit, M RUB, 2013-2017

Source: Spark-Interfax, 2018

VkusVill grew out of Izbenka to fill a niche: Russia had few convenience stores selling fresh eco-friendly products. The company became profitable after two years and has performed very well (CAGR of 74%) since 2015. VkusVill’s key to success was picking the right time to offer Russians fresh and farmer-quality food, combined with a distinctively progressive approach to business.

In March 2018, VkusVill began working with online grocery services and started to deliver their products via SaveTime and Instamart. Moreover, VkusVill decided to experiment with the micromarket format. This initiative covers customers who live and work in remote or suburban areas.

Classical formats such as supermarkets and minimarkets do not work in such areas, because it is not cost effective. The concept of micromarkets helps reduce costs & expenses and increase operational efficiency. VkusVill Micro has a smaller product range depending on the location. The company is planning to open micromarkets and vending machines not only in traditional urban locations, but also in offices, business centers and even metro stations.

Coffee House filled a significant niche in this market by placing coffee machines at Moscow Central Circle (MCC) metro stations. By the end of 2018, Vkusvill and Coffee House plan to install their vending machines at every MCC station.
There are top two brands that respondents call the most recognisable on the market for their sustainable products: 4fresh (20% of respondents) and VkusVill (also 20% of respondents).

While 4fresh is a pure online retailer, VkusVill is the leading eco-friendly in-store. It promotes sustainable practices as:

- collection and recycling of batteries (10 tonnes per month);
- separated waste collection from customers (800 kg of waste);
- paid plastic bags (57,000 customers bought reusable bags, 15,000 stopped buying bags);
- installation of machines for PET bottles and aluminium cans.

Source: VkusVill: Ecology summary, 2018

We are growing although our main idea has not yet been fully realised by us or our competitors. We want to give customers the opportunity to buy fresh products near their home, and there are many regions where this opportunity is not yet available.

Business needs to be started in areas where the situation is deplorable. So we originally started with dairy products. This is why people are waiting for us in the regions. Many people in smaller towns do not have a single Dixy or Pyaterochka store with fresh products near their home.”

Andrey Krivenko, owner and CEO of VkusVill
Consumers are ready to pay extra for organic, locally produced food with eco-friendly packaging

Russian consumers are most likely to pay extra for locally-produced food, organic food and eco-friendly packaging. Around 68% of Russians are willing to pay extra for locally grown products. This is partly a consequence of Russia’s continued urbanisation. Around 33% of Russian consumers will pay a premium if retailers have a strong reputation for sustainable practices.

Young Millennials care about food sustainability the most: they are interested in sustainably packaged products (60%) and organic food (57%). Young and Mature Millennials (44% and 41%) are more likely to trust brands well known for their sustainable practices.

Generation Z, more than others, is inspired (38%) by retailers and brands that make donations to charity. Generation X and the Greatest Generation are the least interested in food sustainability.

Russian customers are willing to invest in sustainable retailers. Transform sustainability efforts into a part of a brand identity. To meet customer needs, retailers have to support sustainable practices as switching to sustainable packaging, developing environmental or charitable initiatives.

Many people want to engage with businesses that align themselves with social values, such as sustainability and local production.
Russians tend to trust non-food brands with strong reputations for sustainable practices

Russians are more willing to pay extra for sustainability when it comes to food products. However, for non-food items, Russians tend to trust brands well-known for sustainable practices (42%) more than for food items (33%).

Likewise, Russians are interested in whether their non-food retailers make a donations to charity (35% against 28% for food products). Russian consumers tend to base their opinions on the retailer’s mission and values when buying non-food items, as it’s more difficult for them to track the sustainability of non-food goods.

Generation Z is the one of most attentive generations to sustainability issues for non-food products. Most of all, they deeply trust brand manufacturers who are well-known for their sustainable practices (47%).

Consumers trust brands with third-party certifications and eco-labeled products. They can check sustainability of a product using brand new Russian mobile app EcoGuide.

79% of Russian consumers are ready to pay extra for sustainable non-food products
Strong shift to digital communication channels

Key insights: advertising

Where
What types of advertisements have an impact on the consumers?

What
What types of personalized advertisement do Russian consumers find the most influential?

How
How does personalization influence retailer’s operating performance?

- Russian consumers find both traditional and innovative advertising influential: 39% indicate the impact of TV, whereas 27% are attracted by interactive social media advertisement.

- Among personalized adverts Russian consumers mostly like interactive social media ads (27%).
- 26% of respondents are influenced by personalized advertisements they get via e-mail.
- 19% of respondents appreciate personalized direct ads of their favorite brands or products.

- Personalization leads retailers to increased conversion, average check and revenue.
- By 2020, 15% increase of digital business profits will be caused by smart personalization engines.
Key insights: social media

Who

How do customers use social media channels?
How does social media change consumer behavior?

How many consumers use social media?
Who is easy-to-influence in social media?

What

In which categories of goods social media influence purchase decisions the most?
Which categories are better perceived by different generations in social media?

What online entertainment services do Russian users prefer?
How often customers use entertainment platforms?

- Russian consumers are "silent viewers" - they read reviews more often than share comments
- More than 30% of Russian customers were influenced to buy a product after reading positive reviews, finding shared offers/promotions, seeking for inspiration
- 94% of Russian customers use social media
- Reviews have a great impact on customers: 50% of Young Millennials aged 23-26 have been influenced to buy a product after reading positive reviews on social media
- **Men write reviews**, but reach to them less often, while **women** rarely write reviews but **more influenced by them**

- 52% of Russian customers are sure that social media influenced their purchase decisions in clothing and footwear category
- **Matures feel the impact of social media** on purchase decisions in **majority of categories**: travel, food, recipes and dining-out, technology and beauty and cosmetics

- 80% of Russian consumers are active users of online entertainment. Most popular services are movies and music streaming platforms
- The frequency of entertaining platforms usage in high in Russia: more than 32% of consumers use them on a daily basis
Digital advertising market is growing rapidly but Russian consumers find traditional channels also influential.

Both traditional and innovative ad channels are important for Russian consumers. They are highly influenced by both TV ads (39%) and social media ads (27%).

Innovative ads are better perceived by younger generations. Around 47% of Young Millennials are influenced by interactive social media ads. Generation Z enjoy being able to buy products with a phone by hovering over an ad.

Generation Z also has a very sensitive relationship with brand names. They often make product choices based on the company's reputation and slogan. They are also highly influenced by product placements in movies, television and other media.

According to the Russian Association of Communication Agencies, 2018 was the first year when companies spent more on Internet advertising than TV advertising. As CAGR data show, the Internet advertising market has increased by 21% since 2013.

PwC Media Outlook predicted that the Russian TV and Internet advertising markets would be the same market size in 2018. However, the decline of the TV market proceeded faster than expected. Internet will continue to be the most attractive ad channel.

For this year TV advertising remains important channel for reaching our to the broad audience, but clear digital shift makes retailers invest more in social media interactive advertising with instruments of personalization.
Figure 38. Advertising market distributed by media channels, %, 2018

Source: Russian Association of Communication Agencies, 2018

Figure 39. Media channel market size forecast in Russia, B USD, 2018-2022

Source: PwC Media Outlook Russia, 2019

Figure 40. Internet advertising market growth in Russia, B RUB, 2013-2018

Source: Russian Association of Communication Agencies, 2018
Personalization is one of drivers for creating customer experience

Modern consumers prefer not to use one-size-fits-all products. Personalization is the key traffic driver for online retailers as it helps customers to quickly navigate through the website and find what they need. For online retailers, personalization is not an option. It is an imperative for successfully converting traffic to sales. Personalization can be achieved with the help of data, analysing customer behaviour and purchase histories, search queries, personal information, geolocation data, etc. Big Data and machine learning can generate important market insights to help outperform competitors. Apart from optimising business processes, technology can help to keep consumers on the site and monetise content.

Among personalized adverts, Russian consumers tend to prefer social media ads that allow them to ask questions or access further information (27%). Around 26% of respondents are influenced by personalized ads they get via email, while 19% appreciate highly personalized direct ads from their favourite brands.

Figure 41. Personalization formats and types used by marketers, %, 2018

<table>
<thead>
<tr>
<th>Format</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banners</td>
<td>45</td>
</tr>
<tr>
<td>Call-out messages</td>
<td>40</td>
</tr>
<tr>
<td>Inline content</td>
<td>38</td>
</tr>
<tr>
<td>Survey questions</td>
<td>36</td>
</tr>
<tr>
<td>In-page edits</td>
<td>30</td>
</tr>
<tr>
<td>Pop-ups</td>
<td>29</td>
</tr>
<tr>
<td>Information bars</td>
<td>25</td>
</tr>
<tr>
<td>Modals</td>
<td>16</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Evergage, Researchscape International. Trends in personalization, 2018

Segmentation of target audience is vital for effective e-commerce personalization. Personalization is no longer about static customers’ profiles, it combines different agile metrics as: location, weather, current and past browsing and searches, purchase behavior, cart contents, age and gender, time habits, likes in social media etc.

Figure 42. Personalized advertising types Russian consumers find the most influential, %, 2018

<table>
<thead>
<tr>
<th>Type of Ad</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social media ads that allow me to interact</td>
<td>27</td>
</tr>
<tr>
<td>Personalised advertisements via email</td>
<td>26</td>
</tr>
<tr>
<td>Direct ad about my favourite brand or product</td>
<td>19</td>
</tr>
<tr>
<td>Location-based display ads</td>
<td>11</td>
</tr>
<tr>
<td>Virtual personal shoppers</td>
<td>9</td>
</tr>
</tbody>
</table>

Q. Which types of advertisements do you find most influential? - Ranked top 3

Respondents: 696
Source: PwC, Global Consumer Insights Survey, 2019

According to the latest Evergage study, 98% of marketers strongly agree that personalization helps to advance customer relationships, with 74% reporting it has a “strong” or “extreme” impact. Nearly 9 out of 10 state that their current and prospective customers expect a personalized experience. The most popular format for personalized ads is the banner ad (see Fig. 40). Around 40% of marketers use call-out messages. In addition, more than 30% use inline content, survey questions and in-page edits.
Personalization leads retailers to increased conversion, higher average checks and greater revenue

Create ‘magic moments’ for consumers. Companies can delight people by delivering ‘magic moments’ in their shopping experiences when what they want or need is available at just the time they want or need it. Big Data and machine learning technologies help organizations to identify the consumer, determine his behavior and potential interests.

15% growth in digital business profits by 2020 will be driven by smart personalization engines that can recognise customer intent - Gartner

Table 1. Selected cases of using personalization in Russian online stores, 2018

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Instrument of personalization</th>
<th>Conversion rate change</th>
<th>Average check change</th>
<th>Estimated revenue change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aizel</td>
<td>Personalized best sellers</td>
<td>+10%</td>
<td>-6%</td>
<td>+4%</td>
</tr>
<tr>
<td></td>
<td>Similar products based on previously viewed items</td>
<td>+10%</td>
<td>+1%</td>
<td>+11%</td>
</tr>
<tr>
<td>Zarina</td>
<td>Personalized cart webpage</td>
<td>+12%</td>
<td>+4%</td>
<td>+16%</td>
</tr>
<tr>
<td></td>
<td>Similar products on selected product webpage</td>
<td>+16%</td>
<td>-1%</td>
<td>+15%</td>
</tr>
<tr>
<td>Petrovich</td>
<td>Personalized related products</td>
<td>+2%</td>
<td>+4%</td>
<td>+6%</td>
</tr>
<tr>
<td>Mamsy</td>
<td>Personalized related products excluding bestsellers</td>
<td>+2%</td>
<td>+3%</td>
<td>+6%</td>
</tr>
<tr>
<td>MaksiDom</td>
<td>Popular products from categories of customer’s interest</td>
<td>+6%</td>
<td>+2%</td>
<td>+8%</td>
</tr>
<tr>
<td></td>
<td>Personalized related products excluding bestsellers</td>
<td>+4%</td>
<td>+0.2%</td>
<td>+4%</td>
</tr>
<tr>
<td>Bosco-Online and Bosco-Outlet</td>
<td>Personal mailing via email with brand recommendations</td>
<td>CTR change</td>
<td>Conversion rate change</td>
<td>RPE change</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+187%</td>
<td>+213%</td>
<td>+1,939%</td>
</tr>
</tbody>
</table>

Source: Retail Rocket personalization cases, 2018
Russian users are “silent viewers” – they read reviews more often than they share their own comments.

Around 65% of consumers believe that their behaviour is influenced by social media while reading and posting reviews, following promotions and influencer endorsements, and sharing opinions through different channels.

Russian users tend to be “silent viewers”. They read reviews more than their counterparts (by 6.6 p.p.), follow endorsements from an influencer (by 2.9 p.p.), browse media to seek inspiration (by 0.3 p.p.) or use social media to keep up with friends (by 3.5 p.p.).

Russians are less likely to share their thoughts and recommendations about products via social media using tags, comments or links (by 2.3 p.p. below the global average).

It is uncommon for Russians to make purchases directly through a shoppable Internet posts. Only 16% of Russian consumers buy items through posts, compared with 21% of global consumers.

Social media has great power as consumer trust reviews more than descriptions that come from organizations themselves. Businesses need to encourage feedback from customers and learn to deal with negative reviews.

What is more, replying to customers' opinions and taking their complaints into consideration make them feel like company is adapting business to consumers' desires - which helps to build loyalty.
Young Millennials are highly influenced by social media content

50% of Young Millennials (23-26) have been influenced to buy a product or service following positive reviews they have read on social media.

Men tend to write online reviews more often (by 3 p.p.) and post recommendations and comments about products (by 8 p.p.) than women. As mentioned earlier, men are also more sensitive to products advertised by celebrities or influencers.

Women tend to be “silent users”. They are more likely than men to browse media to get ideas and inspiration (by 7 p.p.), take advantage of offers and promotions made by other users (by 4 p.p.) and make purchases based on positive reviews (by 6 p.p.). Men tend to write more reviews but are less influenced by other reviews, while women rarely write reviews but are more influenced by them.

Young Millennials are highly influenced by social media content. Half of them look for shopping inspiration and buy products based on positive reviews. Generation Y actively uses social media channels to complain about products and service (24%).

Generation Z and Generation X are more likely to use social media to keep up with friends and family (32% and 54%, respectively).

Social media are among the most frequently visited websites (SimilarWeb 2018: YouTube (2nd), Facebook (3rd), Instagram (6th), Vkontakte (9th)). More retailers are using social media platforms as sales channels.

As social media becomes a marketplace, organizations should cultivate socially active communities.

Some companies are taking notice of the potential for using social channels to build communities and eventually translate those relationships into sales. For example, Instagram now is a full-value Internet store with the possibility to make direct purchases. This service is now available in the US in pilot form, but Russian retailers should be ready to present their products on such platforms in order to be competitive.

Partnership with blogger or influencer helps promoting the product as 17% of Russian customers have been influenced to buy a product, following an endorsement from an influencer.
Social media mostly influenced consumers’ purchase decisions in fashion category

### Figure 44. Categories of goods in which consumers are influenced the most by social media, %, 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fashion (clothing and footwear)</td>
<td>52%</td>
</tr>
<tr>
<td>Technology</td>
<td>39%</td>
</tr>
<tr>
<td>Travel</td>
<td>35%</td>
</tr>
<tr>
<td>Food (recipes, dining out)</td>
<td>29%</td>
</tr>
<tr>
<td>Health &amp; wellness</td>
<td>28%</td>
</tr>
<tr>
<td>Sports and leisure</td>
<td>24%</td>
</tr>
<tr>
<td>Beauty and cosmetics</td>
<td>21%</td>
</tr>
<tr>
<td>Do-it-yourself/ home improvement</td>
<td>14%</td>
</tr>
</tbody>
</table>

Q. In which of the following categories do you feel social media has influenced your purchase decisions most?
Respondents: 696
Source: PwC, Global Consumer Insights Survey, 2019

52% of respondents believe that social media has influenced their decisions to buy clothing or shoes
Russian consumers are influenced by social media the most in three shopping categories: clothing and footwear (52%), technology (39%) and travel (35%).

Older generations feel the impact of social media in most shopping categories: travel (55%), food (43%), technology (32%) and beauty and cosmetics (18%).

Generation Y are the most affected by social media in clothing and footwear (55%) and health and wellness (29%).

Generation Z is mostly driven by social media in sports and leisure (34%) and DIY/home improvement goods (26%).

Figure 45. Categories of goods in which consumers were influenced the most by social media, by generation, %, 2018

Millennials purchasing decisions are following the trend of a "healthy lifestyle": they often look for cosmetics, health, fashion looks. It is an element of image in their social media accounts. Matures are easily impacted by social media due to novelty of social media information channel.

Organizations should segment audience by their interests, deeply analyse clients’ profiles and offer them unique products based on their choice.
Most of Russian residents consume online entertainment content on a daily basis

Entertainment platforms usage develop a clear habit: either customer use them every day or don’t use them at all. Russians stream movies and music with less frequency than global consumers. Still, 35% of consumers in Russia stream some kind of media entertainment every day. In addition, 32% tend to play videogames once a day or more.

The most active users are men. They watch movies on streaming services stream music and play online games more than women (by 5 p.p., 8 p.p. and 18 p.p., respectively).

Russia ranks 8th in online entertainment engagement rating 80% are active users
Figure 46. Top 10 countries which residents are active online entertainment users, 2018

- China 95%
- Vietnam 92%
- Indonesia 87%
- Philippines 87%
- Hong Kong 87%
- Brazil 87%
- Middle East 86%
- Russia 80%
- Malaysia 79%
- Spain 74%

To engage multichannel consumers, retailers need to develop multichannel marketing. Online entertainment platforms could be the right channel for reaching out to the broad audience. Businesses may consider entering into partnerships with big entertainment platforms to attract customers with pleasant offers.

Case study:
- MVideo offered customers a one-year subscription to ivi.ru with Smart TV install;
- Yandex offers free delivery from Beru for Yandex.Plus users (if the order total sum is more than 500 RUB).

Figure 47. Frequency in using online entertainment services, %, 2018

- I stream movies using movie and TV streaming services:
  - Daily: 31%
  - Weekly: 17%
  - Monthly: 17%
  - Never

- I play multi-player, online games:
  - Daily: 32%
  - Weekly: 25%
  - Monthly: 19%
  - Never: 24%

- I stream music via music streaming services:
  - Daily: 34%
  - Weekly: 16%
  - Monthly: 19%
  - Never: 34%

- I obtain online entertainment content through pirate sites:
  - Daily: 14%
  - Weekly: 19%
  - Monthly: 18%
  - Never: 50%

Q. How often do you use the following online entertainment/streaming services?

Respondents: 696
Source: PwC, Global Consumer Insights Survey, 2019
How to adapt business to changing consumer preferences?
Six imperatives to improve customer experience

PwC recommends taking six concrete actions to start improving customer experience. If you can take action in these six ways, PwC believes you can begin to shift your focus to consumer-centric vision, which better recognises and reflects the central role of today's digitally empowered consumer.

**Investing in employees can yield a better customer experience**

Customer experience exists in a feedback loop with employee experience. An organisation trying to improve customer experience without considering the crucial role of employees is missing an integral part of the equation. By mapping out the connections among culture, critical few behaviours and business outcomes, company can easily identify where employee experience has the biggest impact on customer experience: 52% of respondents believe sales associates with a deep knowledge of the product range highly improves the in-store shopping experience.

**Building communities under your brand vision**

Fusing the customer experience and employee experience is a lot easier when both groups are highly motivated to be associated with the brand or organisation. It's important to figure out what employees and customers care about and to communicate your shared values: 42% of respondents are willing to pay a premium for non-food products made by brands well-known for their sustainable practices.

**Build on magic moments along the customer journey**

In an age of ever-expanding digital options, consumer loyalty can and does vanish with the touch of a button. To minimise that possibility, focus on magic moments that earn loyalty over time and create a relationship that endures beyond the next product search. Almost 20% of respondents appreciate when ads linked to their interest directly send them to a favourite brand and 11% like to see shopping opportunities depending on their location. PwC has developed systems to track, measure and display the key components of customer experience so you can gain insights that will help you know where to focus your resources in order to get the best results.
Understand your customers based on their behaviours

Consumer insights enable far greater personalization than the old-school paid media approach of segmenting customers by demographics alone. Demographics can’t tell marketers how, when, where and why consumers shop. Behavioural and attitudinal attributes can. Armed with that information, you can bring together all of your commercial investments—including promotions, content, e-commerce and advertising—to deliver seamless, end-to-end experiences tailored to a specific shopping context. Around 39% of Russian consumers believe personalized advertising is the most influential: they like to interact with a single click and receive personal compilations and product suggestions.

Treat consumers’ data with respect and deliver value in exchange for it

Customers want the companies they interact with to protect their personal data, and PwC research indicates that they’ll take their business elsewhere if they don’t trust that a company is safeguarding it. Anticipate this demand and rethink how you use consumer data, how much control you give consumers, how you value data and how you’ll deliver value by using it. Consumers are making it imperative for companies to be transparent about their data policies and proactive about publicising the value they offer in exchange for it. Yet even as companies encourage consumers to entrust them with their data, only 30% include proactive management of cyber and privacy risks in their digital transformation plans “fully from the start,” according to PwC’s 2018 Digital Trust Insights.

Win the customer journey

Today there are more trips, more choices, more of everything. You can win over customers on-site or via e-commerce by understanding what they are trying to experience and then making it easier for them to accomplish that goal through things such as ease of navigation, breadth and quality of selection, price, quality of advice or exclusivity. For instance, by connecting consumers’ online research with their in-person visits, you can win the trip and deepen loyalty. And winning the trip isn’t just about stores and retail; it applies to every company in hospitality, financial services and healthcare.
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