

# Synovate Hotspots Russia



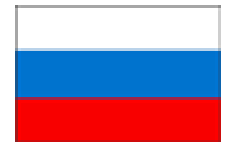
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# lifeto life



Bringing  
**Russia**  
to life





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## Bringing Russia to life

- Russia's brand-hungry consumers are a generation removed from the shortages and queues of Soviet days. Like moody pre-teens, they want the trendiest, the fastest and the latest in everything, yet they will 'ditch and switch' in an instant. Building brand loyalty in such a capricious market is a conundrum.
- To show you Synovate's insights into this fascinating country, we've produced this brief guide as a starting point for your successful journey into Russia.
- Our discussion has three main parts :
  - "Big Ideas" – important insights that will help you better understand Russia
  - Implications for research
  - Data

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# **Section I: Big Ideas**

## Big Ideas

- Outside looking in
- Dacha sweet dacha
- Eager to try – and eager to switch
- Three generations– in three rooms
- Russia or bust!

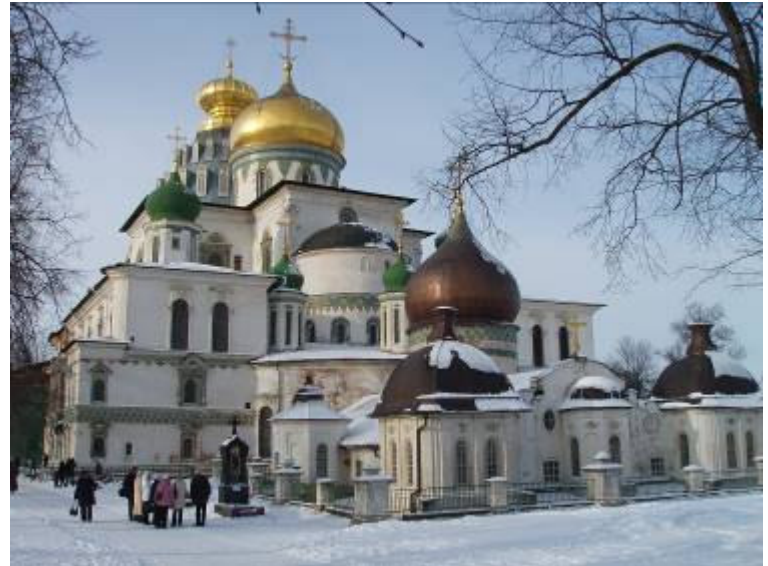
# Big Ideas

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# Outside looking in

A white Easter isn't unusual in parts of Russia – and holiday habits might also surprise and exhaust you!

Russians are divided on the true identity of their national drink. If current trends continue, then in numbers terms it's likely to be beer, not vodka. Consumption of piva per capita has more than tripled in the past decade, perhaps influenced by the fact that in Russia, beer is not considered an alcoholic beverage either by the general public or in the eyes of the law.



# Outside looking in

Images of burly Russian men gulping down shots of vodka and throwing their glasses into the fire are an increasingly outdated Western stereotype. Vodka consumption has been steadily declining over the past years, with consumption mainly restricted to dinner time.

Don't be surprised, however, to see people on the street openly drinking beer from bottles, or slaking their thirst while riding public transport from, and even to, work. It's even considered okay for people to drink beer in their car provided that they aren't driving.

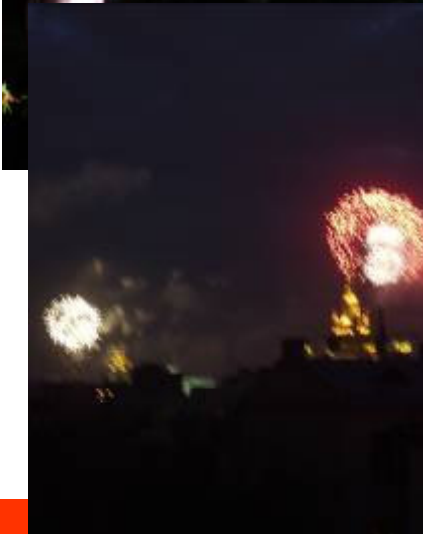




# Outside looking in

Another oddity of Russian culture is that New Year comes before Christmas. The atheist influence of Soviet times means 1 January is the most popular holiday, but the revived Russian Orthodox Church also has a say, with its calendar marking Christmas Day on 7 January! It means Russia effectively shuts down between 31 December and 8 January. Add to that mix the tendency of Russians to observe their Western neighbours' Christmas festival on 25 December, along with the Orthodox New Year on 13 January and it makes for a thoroughly confusing yuletide season.

New Year of whatever stripe is the 'main event' for most Russians, with gifts exchanged, family visited, and spectacular firework displays. Although some confectionery and other items are now being sold with special seasonal Christmas packaging, please don't hand them out on 25 December – they are meant to be given as New Year presents!



# Big Ideas

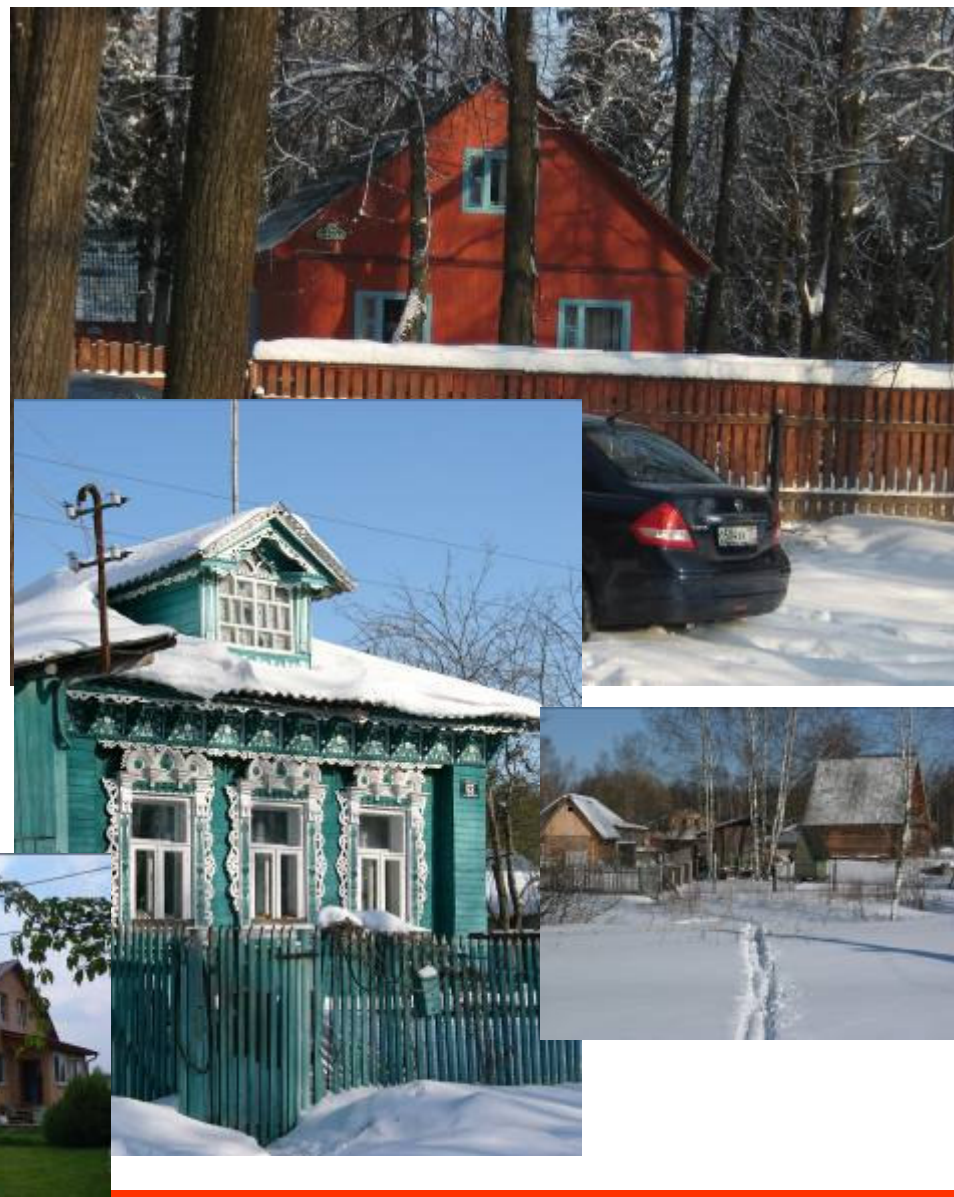
- Outside looking in
- **Dacha sweet dacha**
- Eager to try – and eager to switch
- Three generations– in three rooms
- Russia or bust!



# Dacha sweet dacha

“Raise a son, build a house and plant a tree” goes the Russian motto. Owning a country house, or dacha, represents two thirds of a successful life plan to most citizens.

After a hard day’s DIY, what could be better than a trip to the supermarket for cold beers, juice and ingredients for an evening’s al fresco dining?





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## Dacha sweet dacha

Visiting your dacha on the weekend gives the lungs enough fresh air to last the rest of the week in the city, most Russians believe. It may also provide a good supply of vegetables, as the older generation takes pride in gardening, generating a huge demand for horticultural supplies.

Meanwhile, the middle generation is kept busy improving the house and fencing, creating an equally urgent need for DIY materials. No self-respecting family would spend time in their dacha unless it was a home-from home, and many are equipped with a TV, fridge, cooker, stereo and other white goods.





## Dacha sweet dacha

A 'good' dacha might have five bedrooms and three bathrooms complete with a pool and sauna. In sought-after areas one can cost upwards of US\$300,000. But dachas are not just for the well-off.

Several generations of a family will band together to buy extremely small plots of land with structures that could only generously be called houses – but for a Russian a dacha is a dacha, no matter how humble.



# Dacha sweet dacha

About 21 million households (or two out of every three urban families) own a dacha, most of them modest in size. And if you laid all this real estate side by side, you'd have an area about half the size of the Netherlands.

A measure of the weekend break mania is that every Friday and Sunday night, the roads between the city and countryside are jammed with traffic. Moscow airport lies on a major 'dacha' route out of the city, and during peak time it can take four hours to complete what is normally a 90-minute journey.



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## Eager to try – and eager to switch

Russians were quick to adapt from the sparse days of socialism to the conspicuous consumerism of today's expanding modern cities. Like consumers in many developing economies, the population is obsessed with all forms of status – from the size of the car they drive to the brand of coffee they drink.

The Russian consumer is willing to pay for prestige and quick to follow the latest trend. It is not unusual for a young Russian to spend one month's salary on the latest model of mobile phone every three to six months. It's important to be seen talking on the latest and greatest piece of technology.







## Eager to try – and eager to switch

Food and beverage brands need to keep on top of the latest trends as customers eagerly seek out the latest drink or snack that could enhance their image. Some fads burn out: instant powdered juices, for instance, were wildly popular for a few years but have now disappeared from the market. Others may prove more lasting: Soukhariki, a sort of Russian crouton, was introduced several years ago and has become a hit nationwide. Spawning more than ten brands and a multitude of flavours, it is a fixture in people's homes and on the streets as an accompaniment to beer. Russians can be fickle about more than their food and drink.



## Eager to try – and eager to switch

Synovate's research has shown that Russians have the lowest job loyalty in the whole of Europe, with a quarter of Russians saying they have changed employer in the past 12 months. Part of Russians' openness to new ideas and products comes from the fact they have gone from a society with no consumer choice to one with a multitude of options.

In the past there were few domestic brands in any given category, and for many years Western brands were unavailable. Being a first mover in Russia can mean your brand becomes synonymous with a category – in the future that could mean a Russian mother shopping for Pampers, not diapers.

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## Three generations— in three rooms

Russians are becoming more affluent, but they are still living in cramped conditions. It's not unusual to find three generations sheltering together in a small two-room apartment. State land ownership and a nascent mortgage system mean most young Russians are forced to live with their parents, even after they have married or started a family.





## Three generations— in three rooms

Unlike other cultures, Russians do not automatically defer to the eldest family member or family patriarch for decision making. This can sometimes lead to friction and different parts of a household will try to stake out some privacy in their shared quarters. Thus one small apartment is likely to contain several TVs, DVD players and even refrigerators. Some commentators have speculated that Russians' tendency to marry young is driven by a desire to assert independence. They can't move out, so they move their partner into the family home as an ally.

## Three generations— in three rooms

Young people cannot socialise with one another at home without disturbing parents or even grandparents. Bars and restaurants are popular but not affordable on a regular basis. So a striking number of young Russians can be found outside – whether in a communal garden enjoying a beer, at the movies, prowling a shopping mall or simply hanging out on the street. For middle-aged or older Russians, entertaining at home is still the tradition, the object being to cover the table with so much food and drink you can't see the tablecloth!

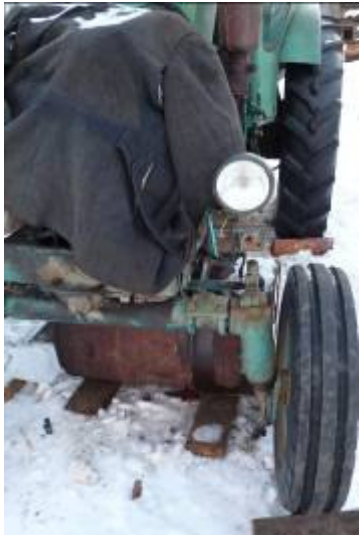


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# Russia or bust!

A popular image of Russia is a land filled with people desperate to seek a better life as political or economic refugees in the West. Think again. Many from Eastern Europe and the former Soviet states are choosing to stay in Russia, where they believe they will have a better life than in more developed parts of Europe. Russia has always been a multi-ethnic and multi-lingual state, with an estimated 120 nationalities speaking more than 100 languages. Today, a wave of immigration from former Soviet republics is adding even more diversity to the mix. It is estimated, for instance, that workers from Tajikistan – many of them undocumented and with no legal right to be in Russia – send home as much as US\$1.5 billion a year in remittances after doing seasonal jobs there. This figure represents three times Tajikistan's annual national budget. It doesn't end there – increasingly Russia is attracting workers from other countries such as China and Vietnam to work in its burgeoning service and construction industries.







**Section II:  
Implications for  
research**



## How to do research in Russia

Market research in Russia requires careful planning to take account of the country's immense size and logistical challenges.

- Interview methodologies
- Ethnic and religious groups
- Questionnaires
- Schedules



# Interview methodologies

## Telephone

Computer-aided telephone interviews (CATI) are gaining in popularity in Russia. Telephone interviews are especially common in Tier 1 and 2 cities where telephone penetration can reach up to 75 per cent. However, rural areas are still barely accessible for telephone interviewing (both consumer and business). The culturally acceptable length of a telephone interview with consumers is 15 minutes and for business, 20 minutes. Questions regarding income and ownership of household items such as electronics and white goods are not acceptable and immediately lead to a high incompleteness rate. Researchers are more likely to get this information via a face-to-face or online interview.

# Interview methodologies

## Door-to-door

This is still the most common data collection method in Russia. A number of factors, however, are making D2D gradually less viable.

The most significant is the growth in security features surrounding homes, especially in Tier 1 2 cities. Many buildings are now closed to all but invited visitors.

The cooperation rate for door to door interviewing has also declined over recent years as people have become more cautious and security obsessed in the face of high crime rates and attacks on private houses.



# Interview methodologies

## Door-to-door

Computer aided personal interviewing (CAPI) is not widely used in Russia because of the lack of trained interviewers and equipment, especially outside Moscow.

Rampant crime is also a concern interviewers carrying expensive equipment simply won't knock on doors for fear of being robbed. For D2D, one must be extremely precise in choosing the interviewing mode.

Sessions up to 40 minutes in length are achievable when interviewing face-to-face. Longer questionnaires should always be self-administered or there will be too many incomplete interviews where respondents simply refuse to answer further.

# Interview methodologies

## Central location tests (CLTs)

Currently this is the best alternative to door-to-door interviewing. Costs and timings are comparable except where there is low penetration of the target group and pre-recruitment is required. CAPI is widely available for CLTs.

## Focus groups

High profile respondents such as top managers, opinion leaders and affluent consumers are unlikely to travel to a central location and are therefore not used for focus groups. Sessions involving the general public and specific consumer groups are very effective. Please note that respondents are quite demanding when it comes to incentives.

# Interview methodologies

## In-depth interviews

In-depth interviews are a good solution when research seeks to target high-profile respondents. Interviews should be conducted at a place convenient to the respondent.

## Ethnographic studies

Ethnography is becoming more popular in Russia. In general, Russian consumers are willing to share their experiences with researchers provided adequate incentives are offered.

# Interview methodologies

## Online

Online research is expected to grow in the coming years but is currently limited owing to low internet penetration. Online surveys are possible for niche audiences such as IT professionals.

## Special audiences

Interviewing children under 14 is possible only with their parents' consent.





## Ethnic and religious groups

Although Russian society comprises a wide range of ethnic and religious groups, the majority are Russians who belong to the Russian Orthodox Church. Ethnicity is normally not a concern when conducting research.

# Questionnaires

Any market research questionnaire should take the following issues into consideration:

- Language
- Subject matter
- Length
- Timing



# Questionnaires

## Language

All interviews in Russia are conducted in Russian. Some English words or expressions do not have Russian equivalents and should be translated carefully. Words and statements such as 'performance, value for money, excellence, penetration, derive, engagement and consistency' can be translated in very different ways but with similar meanings. A translation may look more like a long sentence than a single word. Please note, interviews in Russian are around ten per cent longer than their English equivalents.

# Questionnaires

## Subject matter

There are no subjects of special concern in Russian society.

## Timing

Over 10,000 km from east to west, Russia is a vast country covering 11 time zones. This has a serious impact on timings for all kinds of research activities, including research coordination, CATI, product dispatch and questionnaire collection. Please allow an extra three to four days for project set up (materials must be delivered to the target cities) and data collection (completed questionnaires must be returned to a central agency).

# Questionnaires

## Length

Guidelines for face-to-face interviews are:

- Door-to-door up to 40 minutes
- CLT up to 45 minutes
- Street intercept up to 10 minutes
- Business up to 30 minutes
- Focus groups up to 2.5 hours
- In-depth up to 1.5 hours

Guidelines for telephone interviews are:

- Household up to 15 minutes
- Business up to 20 minutes

# Schedules

Holiday seasons have a major impact on the research calendar. Ideally, no research should be conducted in Russia between 30 December and 12 January (the New Year and Russian Orthodox Christmas holidays) or between 1 May (Labour Day) and 10 May (Victory Day) when many people take the intervening time off. Research should also be avoided in July and August, especially business interviews and research on child-related topics, as most people take their vacation during this period and send their children away from the city to the seaside. Due to the dacha phenomenon, consumption habits significantly change throughout the country and this should be considered when scheduling data collection for the summer.

# Schedules

## Russian Public Holidays

- New Year's Day
- Christmas (Russian Orthodox)
- National New Year and Christmas leave, official days off
- Day of the Defenders of the Fatherland
- International Women's Day
- Labour Day
- Victory Day
- Independence Day
- Day of People's Unity

If the holiday falls on a weekend, then the following Monday is a public holiday.

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## **Section III: Data**



# Sources

This data is assembled from a variety of sources including:

- A Synovate telephone survey of a representative sample of adults in major cities, conducted in April 2006
- Euromonitor
- Economist Intelligence Unit (EIU)
- Central Intelligence Agency World Factbook

## Basic country facts

- Population: 143.42m\*
- Urban population as a percentage of total population: 73.3%\*
- Land mass: 17,075,200 sq km†
- Rank in world by area: #1†
- Number of cities with a population over 10 million: 1
- Number of households: 53.3m\*
- Average size of a household: 2.7\*

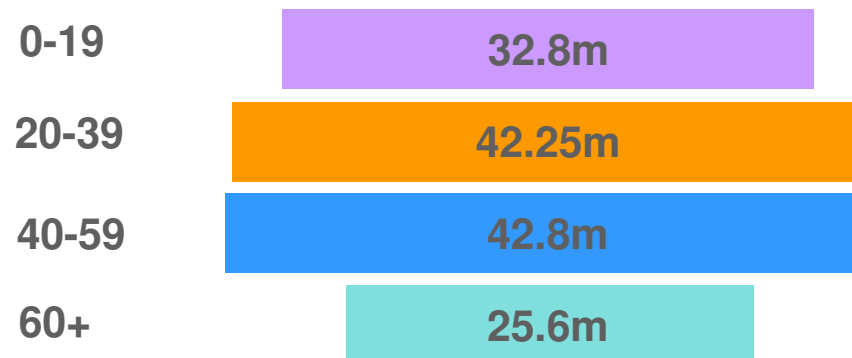
Sources: \* EIU 2005 † Central Intelligence Agency World Factbook

## Economy (2005)

- GDP: 20,943,986m (Rb)§
- GDP per capita: 5,340 (US\$)\*
- Growth in GDP, 2005 vs 2000 (CAGR): 23.4%§
- Growth in GDP per capita 2005 vs 2000 (CAGR): 24.7%\*
- Amount of foreign direct investment inward: 16,700m (US\$)\*

Sources: EIU 2005 § Euromonitor

## Population distribution by age (2005)



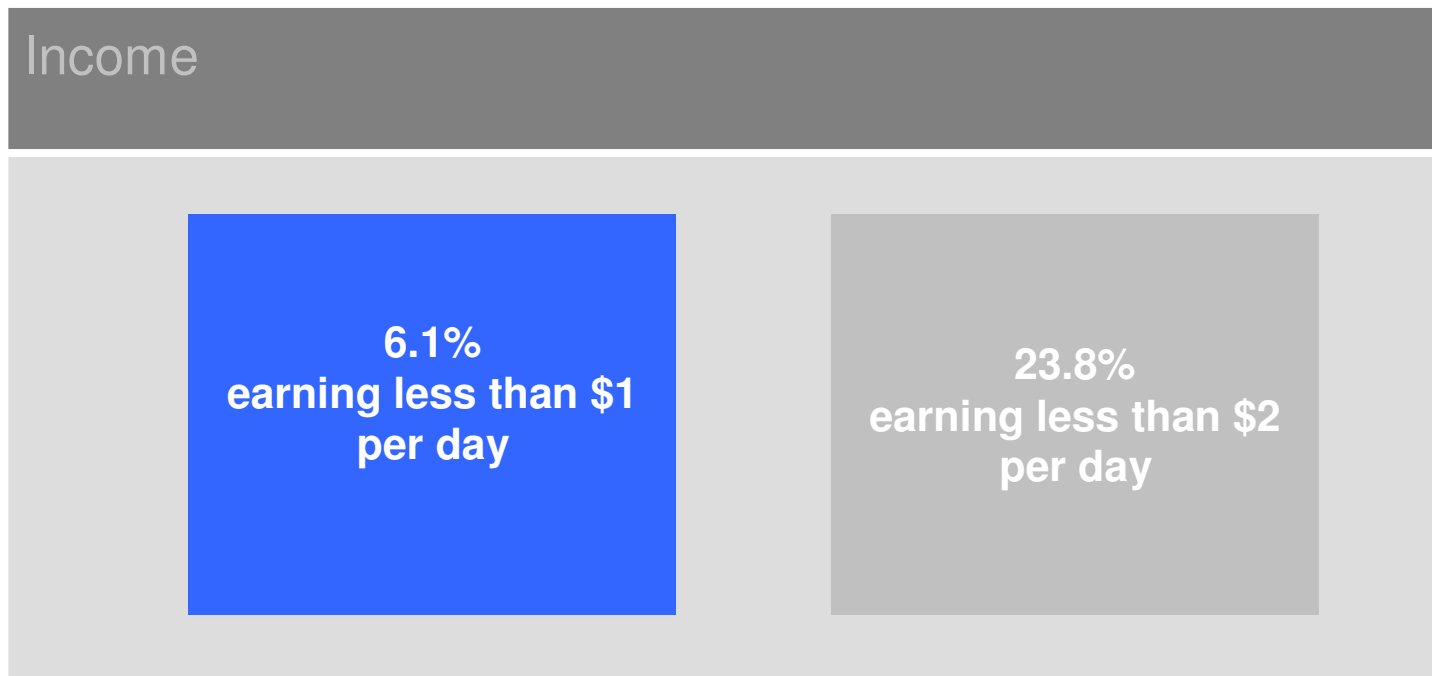
Source: EIU

## Education

	2005
Population aged 15-19 in education	16.5%
Adult literacy rate	99.6%

Source: Euromonitor

# Income



Source: Euromonitor 2000

## Household income (median household income US\$)

2000	2001	2002	2003	2004	2005	CAGR (‘00-’05)
1,970	2,440	2,860	3,740	4,780	6,000	25.0%

Source: EIU

## Savings rate (as a percentage of income)

2000	2001	2002	2003	2004	2005
36.7%	33.0%	28.5%	29.0%	30.9%	32.1%

Source: EIU



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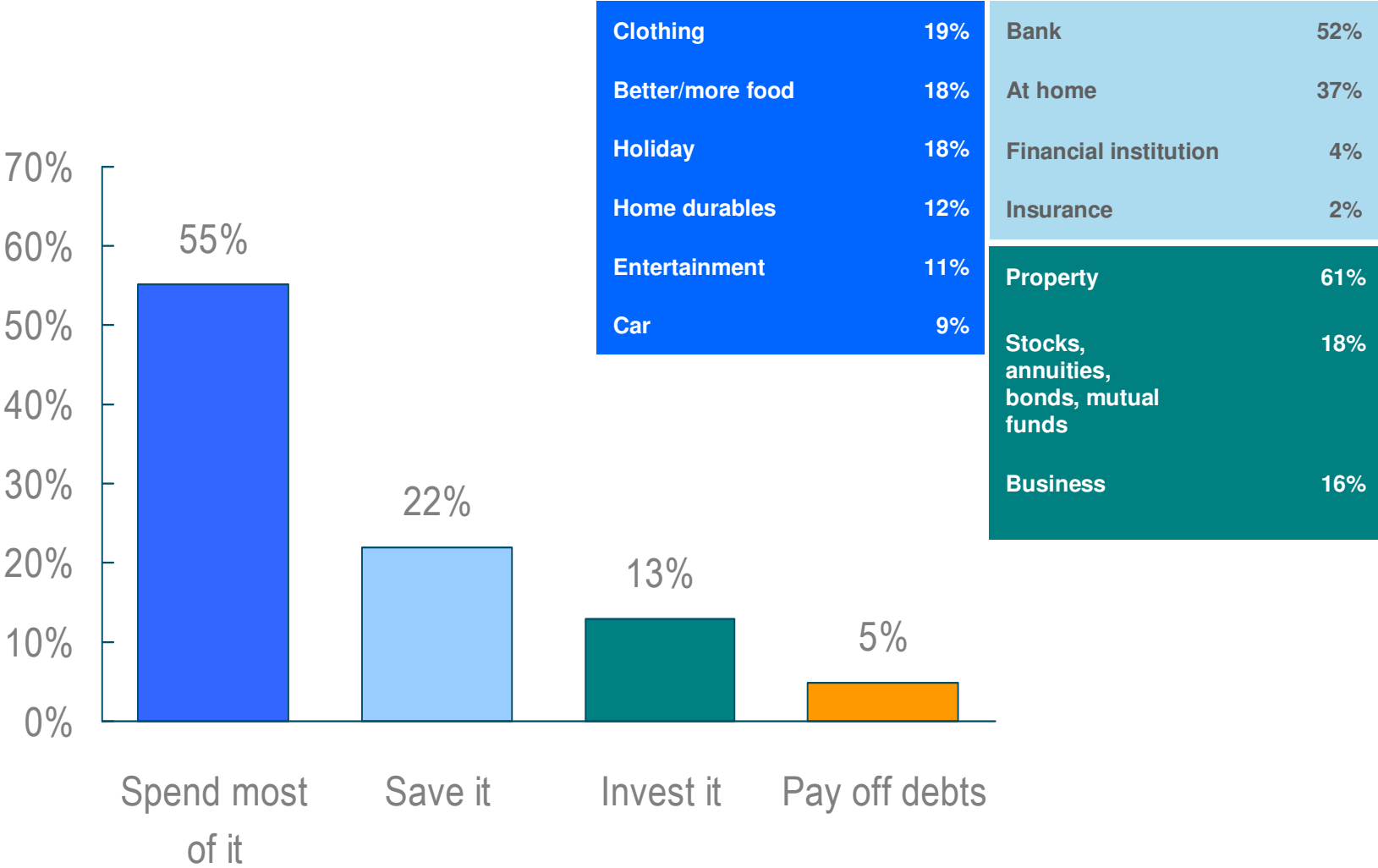
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# Consumer expenditure 2005

Source: Euromonitor

	2005
<b>Consumer expenditure</b>	<b>9,133,996.67m (Rb)</b>
<b>Food and non-alcoholic beverages</b>	<b>39.1%</b>
<b>Alcoholic beverages and tobacco</b>	<b>11.0%</b>
<b>Clothing and footwear</b>	<b>9.3%</b>
<b>Housing</b>	<b>13.8%</b>
<b>Transport</b>	<b>8.0%</b>
<b>Hotels and catering</b>	<b>2.5%</b>
<b>Household goods and services</b>	<b>5.4%</b>
<b>Health goods and medical services</b>	<b>2.3%</b>
<b>Communications</b>	<b>1.3%</b>
<b>Leisure and recreation</b>	<b>4.9%</b>
<b>Education</b>	<b>0.1%</b>
<b>Miscellaneous goods and services</b>	<b>2.4%</b>

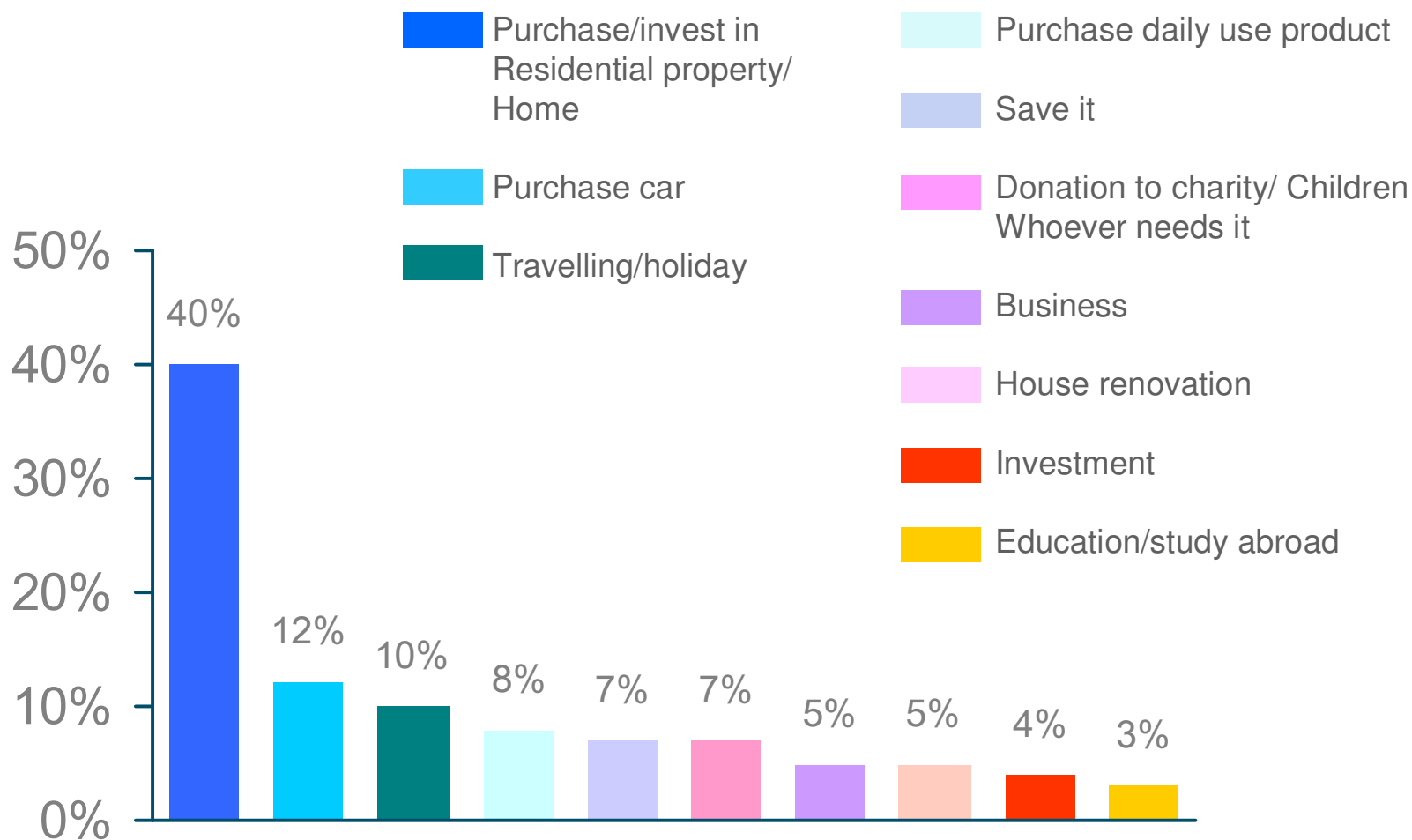
# What would you do with 20% more household income?



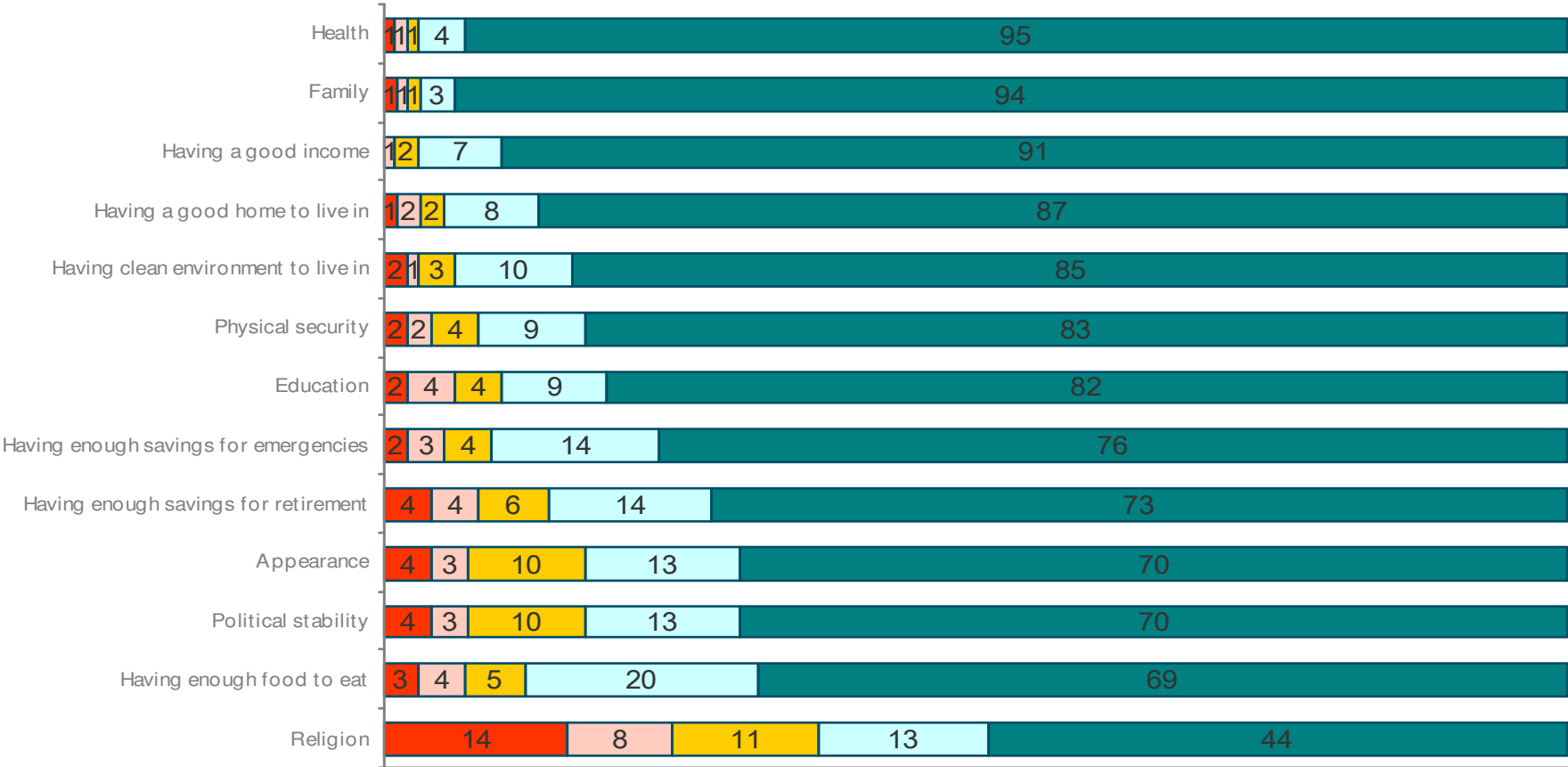




# What would you do if you won US\$100,000 in a lottery?

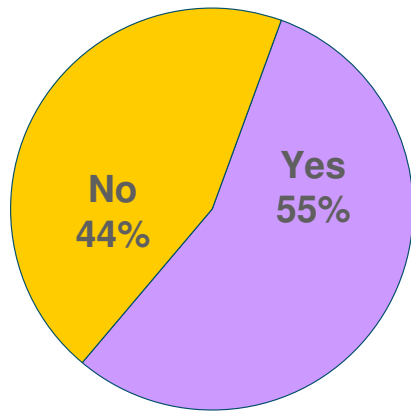


# Lifestyle personal importance (Numbers in percent)



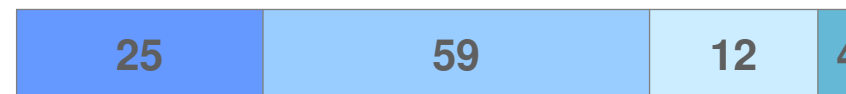
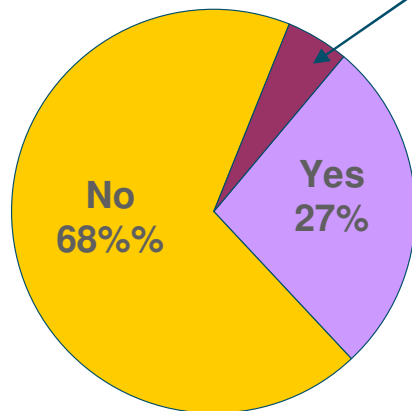
# Cyberspace

## Internet access



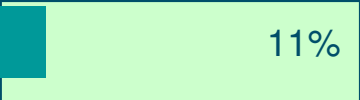


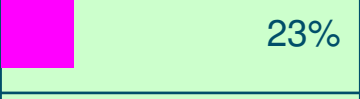

- Both home and office
- Home only
- Office only
- Others

## Personal email





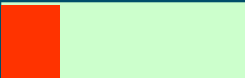
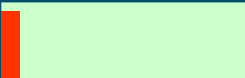

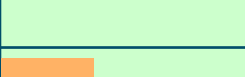



# Products and services – usage during past three months and brand image

	Used past 3 months	Best Brand	2nd Brand	3rd Brand
<b>Travel</b>				
<b>Airline</b>	 11%	Aeroflot	Sibir	Transaero
<b>Hotel Group</b>	 10%	-	-	-
<b>Alcohol</b>				
<b>Beer</b>	 47%	Baltika	Miller	Tuborg
<b>Brandy/Cognac</b>	 23%	Aremian/Ararat	Hennessy	Moskovsky
<b>Whiskey/Scotch</b>	 12%	Red Label	Johnnie Walker	Black Label








# Products and services – usage during past three months and brand image

	Used past 3 months	Best Brand	2nd Brand	3rd Brand
<b>Soft Drinks</b>				
<b>Fruit juice</b>	 84%	Ja	J-7/Dobry	Moya Semya
<b>Cola</b>	 27%	Coca-Cola	Pepsi	-
<b>RTD Tea</b>	 18%	Nestea	Lipton Ice Tea	-
<b>RTD Coffee</b>	 5%	Nescafé	-	-
<b>Auto</b>				
<b>Car/Pick-up Truck/ SUV</b>	 38%	Vaz	Toyota	BMW
<b>Fuel for your car/ motorcycle</b>	 22%	95 (any brand)	92 (any brand)	Lukoil
<b>Motorcycle</b>	 1%	Honda/Ural/Yamaha	-	-

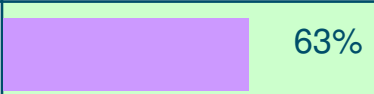
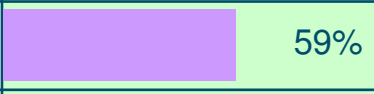

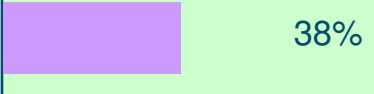
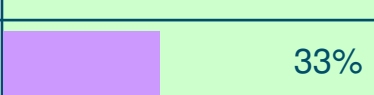
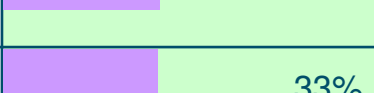

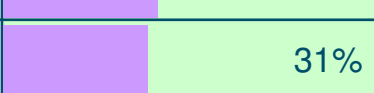
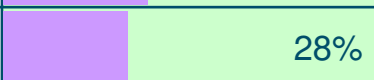


## Products and services – usage during past three months and brand image

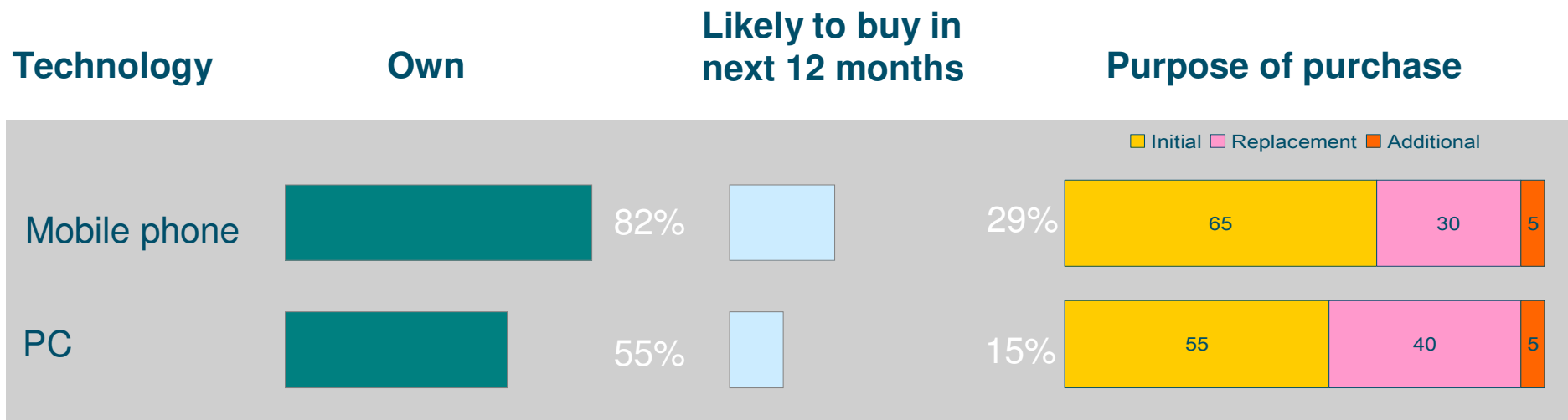
	Used past 3 months	Best Brand	2nd Brand	3rd Brand
<b>Retail</b>				
<b>Everyday clothing store</b>	 37%	Zara/Oggi	Nike/Mango/ Terranova/ Collins	-
<b>Designer clothing store</b>	 15%	Mexx/D&G	Emporio Armani	Escada/ Hugo Boss/ Roberto Cavali
<b>Fast food chain</b>	 34%	McDonald's	Rostik's/Mac Dac	Sbarro
<b>Technology</b>				
<b>Mobile phones</b>	 78%	Nokia	Samsung	Siemens/Sony/ Sony Ericsson
<b>MP3 player</b>	 23%	Samsung	Sony	Iriver



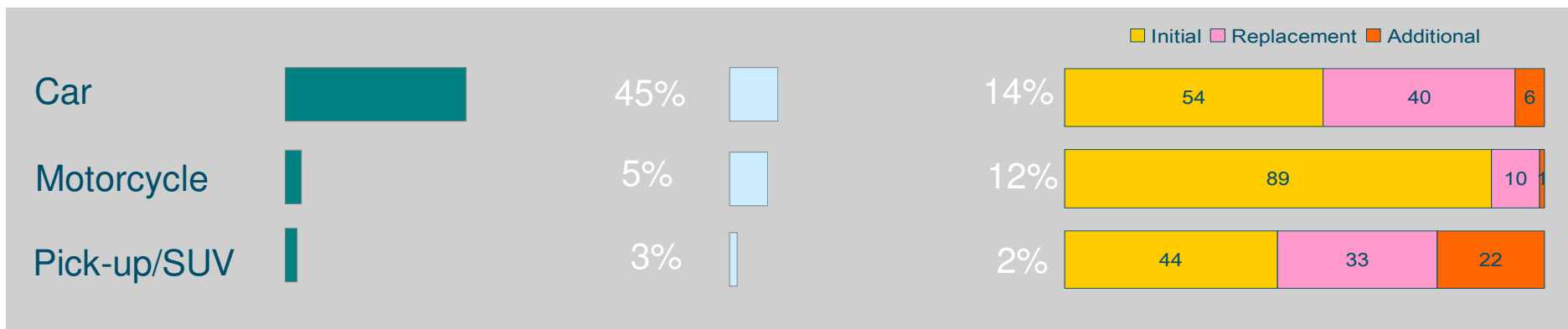
# Products and services – usage during past three months and brand image

	Used past 3 months	Best Brand	2nd Brand	3rd Brand
<b>Personal Care</b>				
<b>Shampoo</b>	 63%	Head&Shoulder /Shauma	Pantene	Avon/Nivea/Timotei
<b>Soap</b>	 59%	Dove	Palmolive	Detskoye
<b>Shower Gel</b>	 50%	Palmolive	Nivea/Garnier	Avon
<b>Lipstick</b>	 38%	Avon	Oriflame/Lumine	Lancôme/Bourgeois/ Maybelline
<b>Eye Make-up</b>	 33%	Avon	L'Oreal	Lancôme/Bourgeois/ Maybelline
<b>Face Make-up</b>	 33%	Avon	Oriflame	L'Oreal
<b>Conditioner</b>	 33%	Panetene	Avon	Elseve/Nivea
<b>Facial Moisturiser</b>	 31%	Avon	Nivea/Garnier	Chistaya Liniya
<b>Facial Cleanser</b>	 28%	-	-	-

# Product ownership

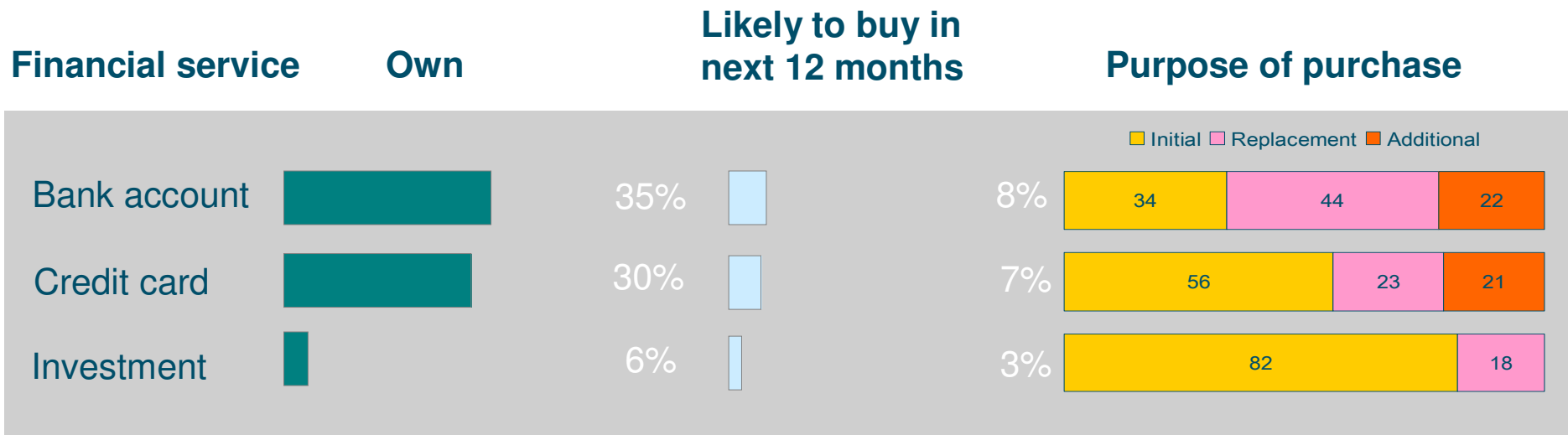


## Vehicle

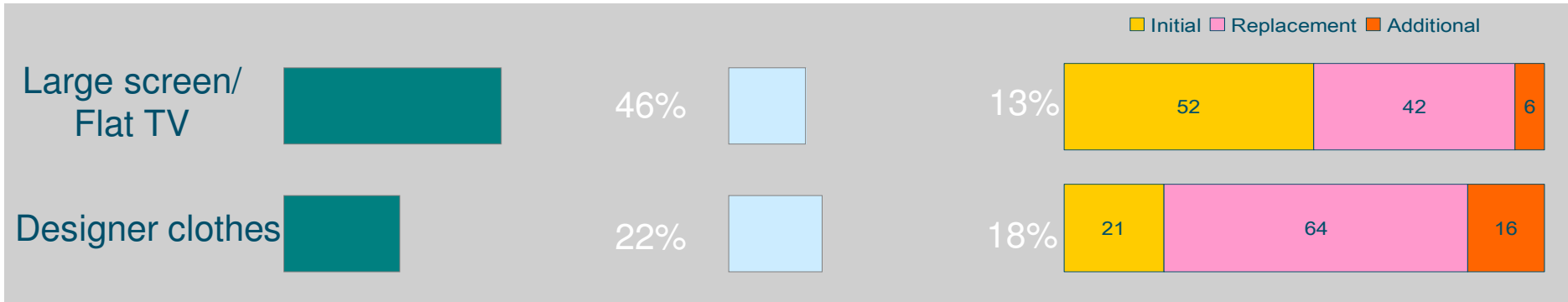




# Product ownership



## Luxury goods



# Global retailers' image

	Awareness	Very positive	Positive	Neutral	Negative	Very Negative
<b>Carrefour</b>	3	13	25	63	-	-
<b>Wal-Mart</b>	9	4	20	74	2	-
<b>Tesco</b>	5	13	10	71	6	-

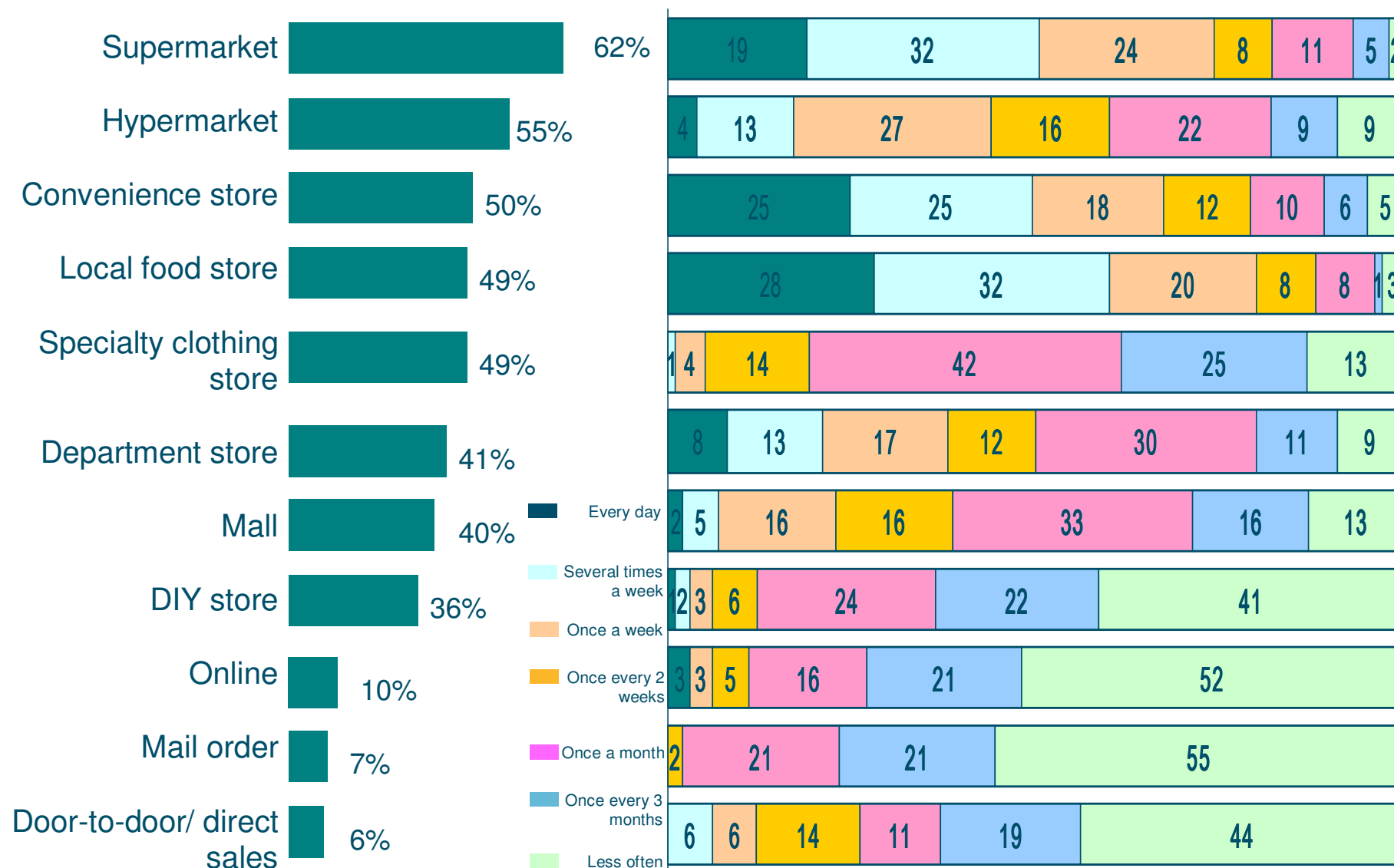
# How do I spend my weekday/weekend (Hours)

	Media/Information			Sleeping
	Reading newspapers/magazines	Surfing the Internet	Watching TV	
<b>Weekday</b>	1.19	1.07	2.68	9.7
<b>Weekend</b>	0.88	0.65	2.67	9

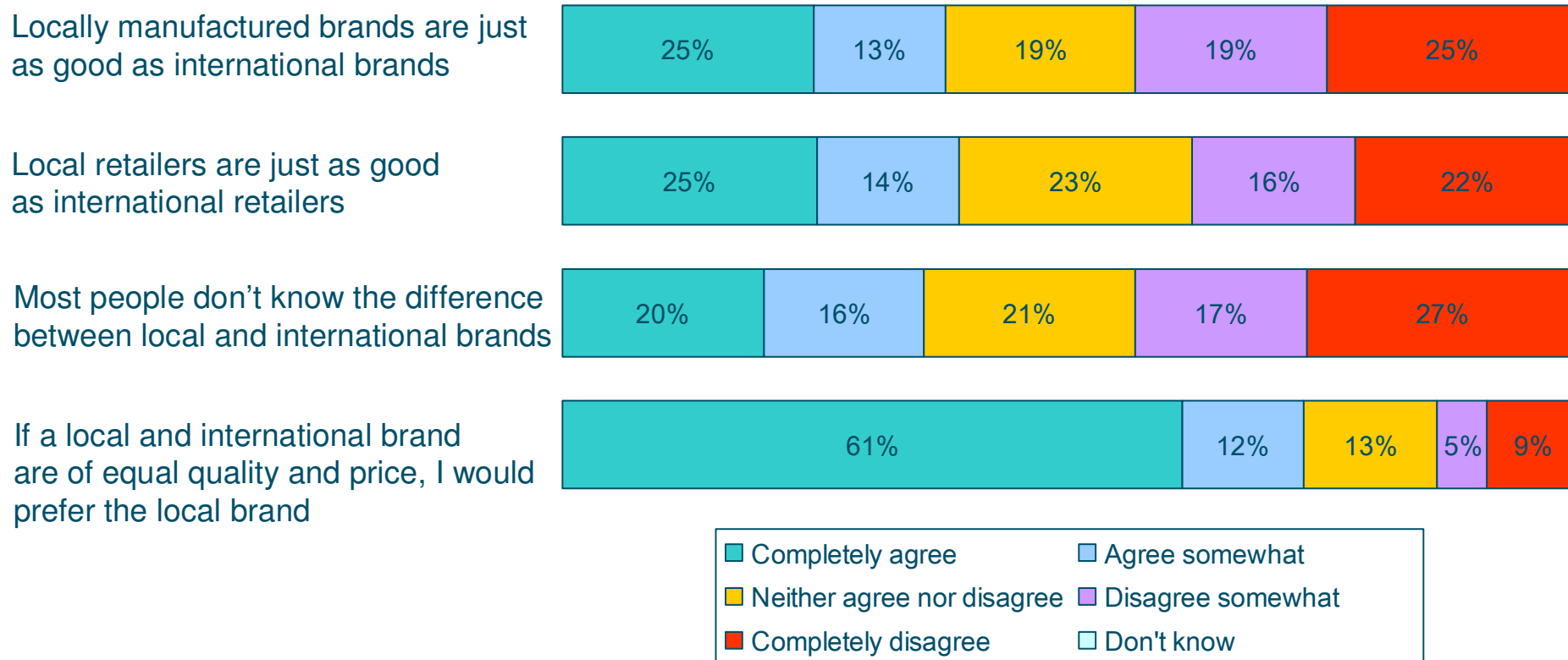
	Working/school			Exercising/ Playing sports	Staying at home
	Commuting	Housework	Work/school		
<b>Weekday</b>	1.33	1.50	8.22	0.94	9.88
<b>Weekend</b>	0.19	1.49	0.85	0.77	9.72



# Retail penetration and frequency (Past year)



# Local or international



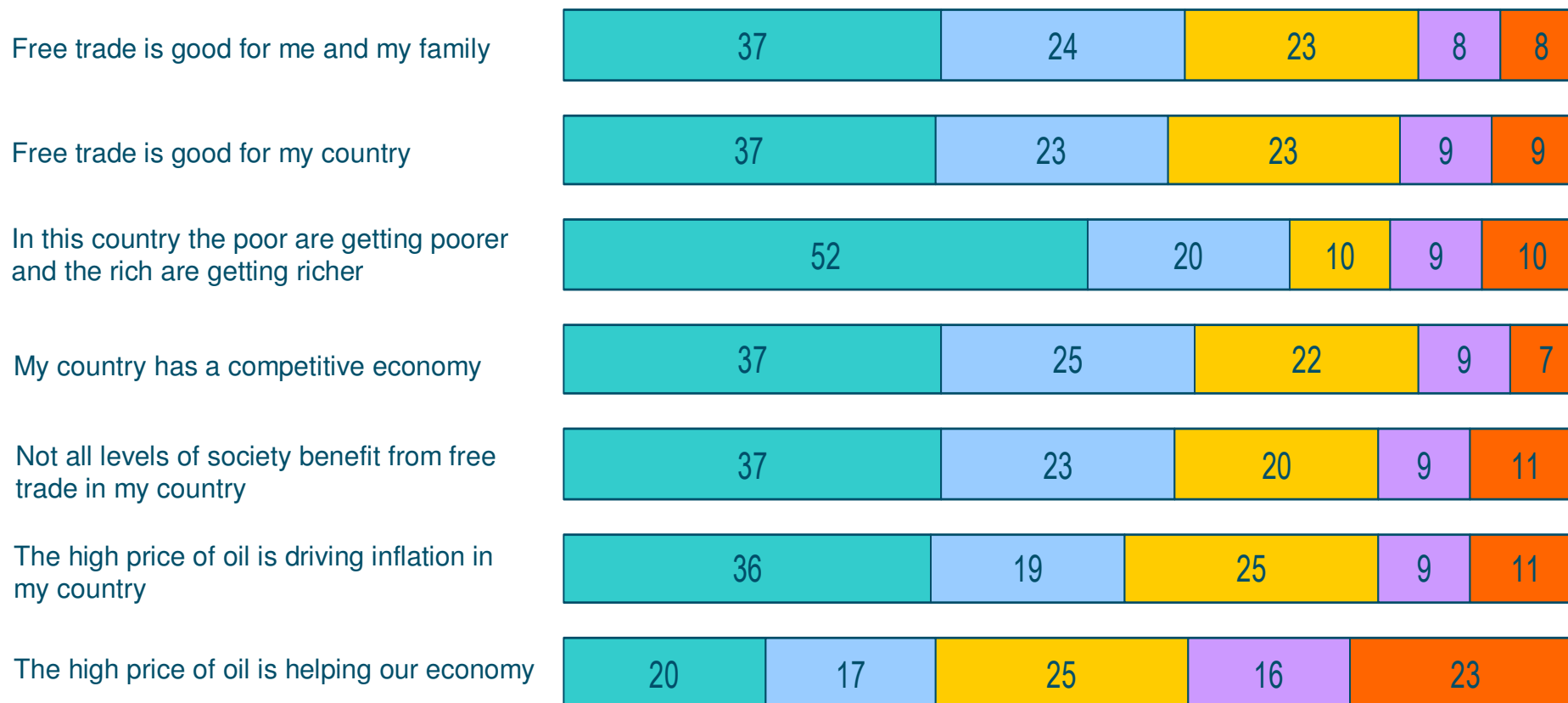
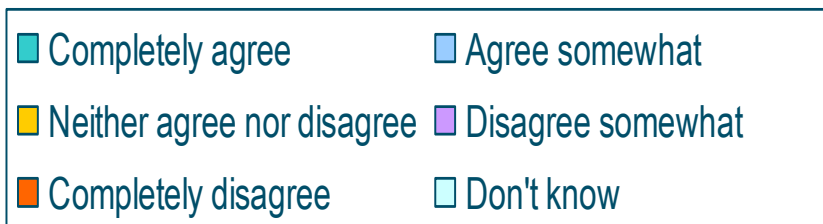
## Have you experienced any of these distressing situations in the past year? (Figures in per cent)

	Total
None	78
Been the victim of a crime	6
Been asked for bribe by a corrupt official	5
Been sick and could not afford medical attention	5
Had to accept a pay cut	5
Been sick and could not get medical attention	4
Had to skip a meal because you did not have money for food	4
Lost a primary job	4
Been the victim of discrimination	2



# Attitudes (figures in percent)

## Economy



# Attitudes

## Environment

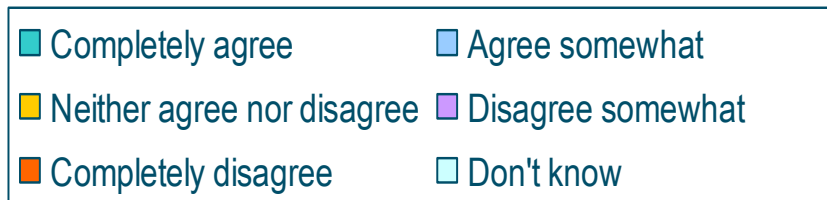
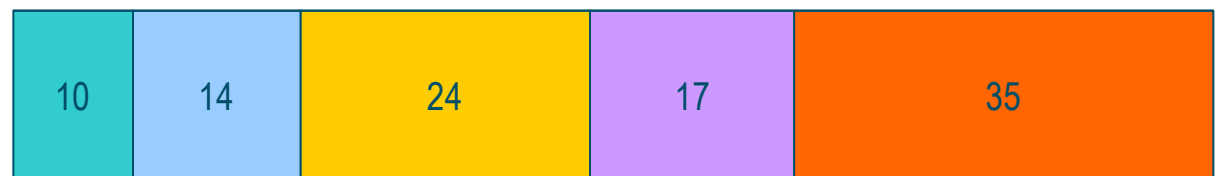
Environment degradation is a major issue in my country



The environment in my country is too polluted today



There is a good chance that my country will suffer a major natural disaster in the next 12 months

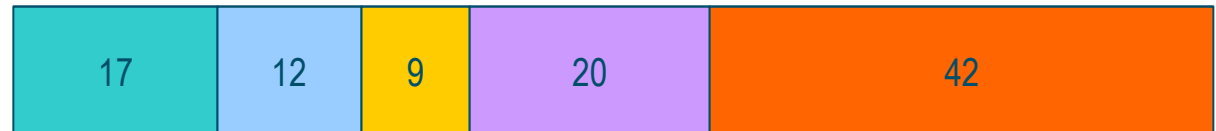




# Attitudes

## Personal

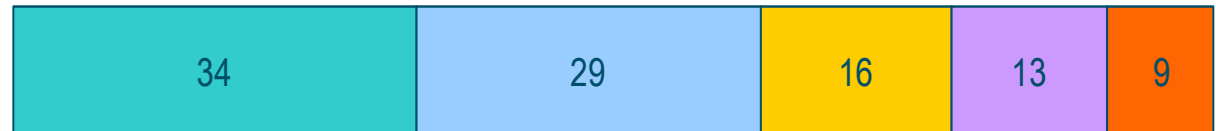
Five years ago things were better for me



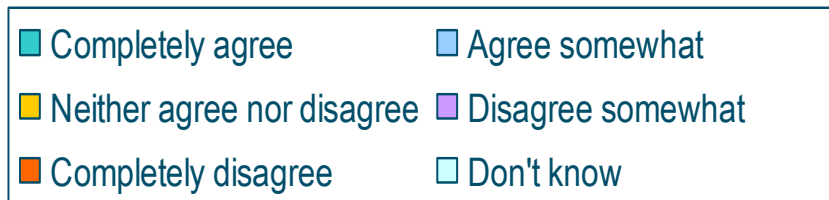
I would like to live and work In another country



In five years time things will have improved for me



Today life is good to me and my family



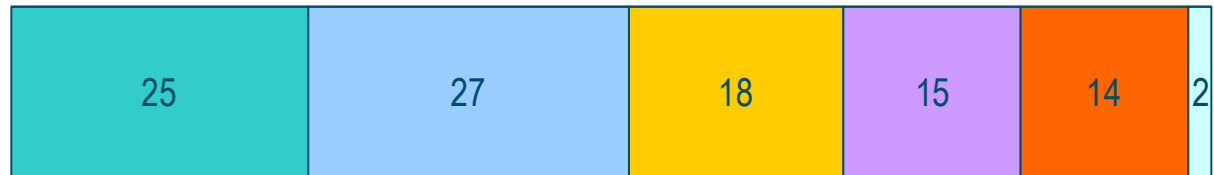
# Attitudes

## Social

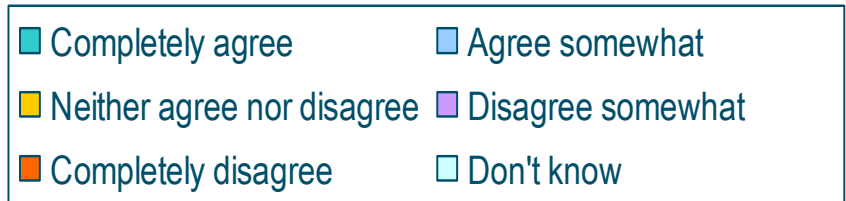
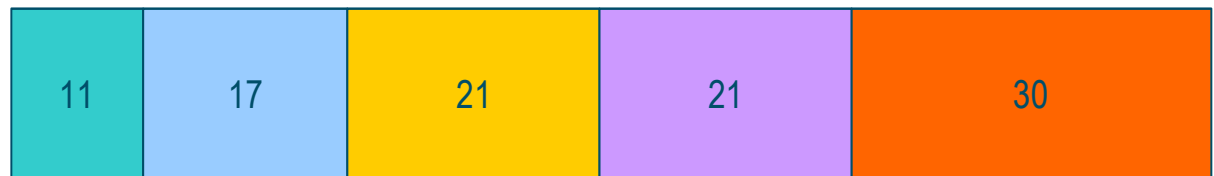
I am proud of what my country has achieved



My country has a bright future



My country is innovative



Bringing  
**lifetolife**



Thank you