



NielsenIQ Russia

# C-Suite Survey: State of FMCG Business

Plans for 2023 and emerging trends



# Annual C-Suite survey by NielsenIQ: FMCG prospects for 2023 — executive summary



**Competition intensifies** — for both retailers (whose business primarily grows due to inflation and store expansion) and manufacturers (who need to compete for shelf space and respond to new local players). Focus of the both sides — most profitable items.

**Focus on assortment management** will expectedly be the central element of strategic planning for many. Manufacturers are still planning to launch new products, and retailers are planning to activate them, develop Private Labels and increase the number of exclusively imported items. When it comes to assortment, what consumers want primarily aligns with what the industry is planning to do.

**Neutral or negative impact** caused by sanctions and special military operation is felt by the majority. In comparison to 2021, business confidence has weakened by 25 p.p. — only half of managers expect business growth this year.

**Change of promo strategy and work on supply chain effectiveness** — most popular options named by manufacturers and retailers respectively when it comes to sales-strategy adjustments and enhancement.

**Consumer income reduction** is the key threat for business development for both retailers and manufacturers. Negative effects of geopolitical instability and supply chains disruption is still among top concerns for the industry.

**Rise of hard discounters, less consumer spending and growth only due to inflation** — are the key challenges for the industry. In comparison to 2021, attention to e-commerce has weakened. But that may be due to two reasons: focus on profitability and the fact that e-commerce has achieved expected maturity already.

# FMCG-retail **competition grows**



## **Competition among shops**

FMCG market grows only because of the inflation and new store openings, at the same time sales effectiveness is much lower than 100%



## **Competition among categories**

Consumers reduce consumption or give up particular categories, and every store visit has become even more competitive for retailers and manufacturers.

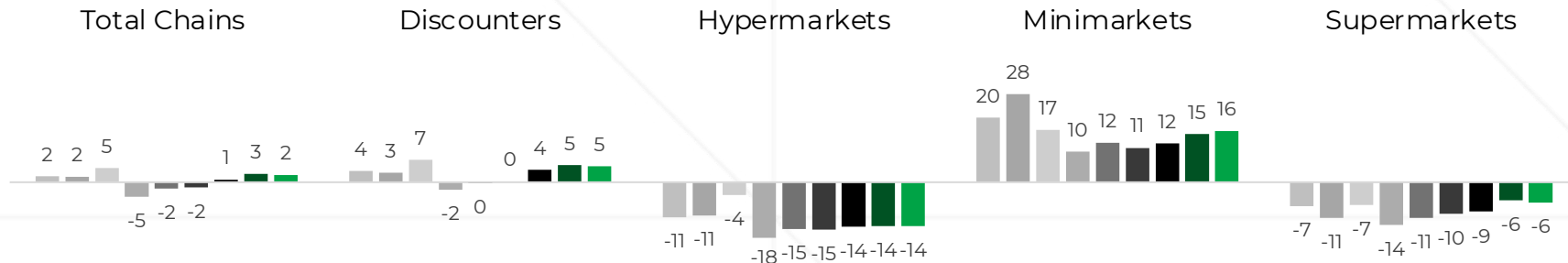


## **Competition inside categories**

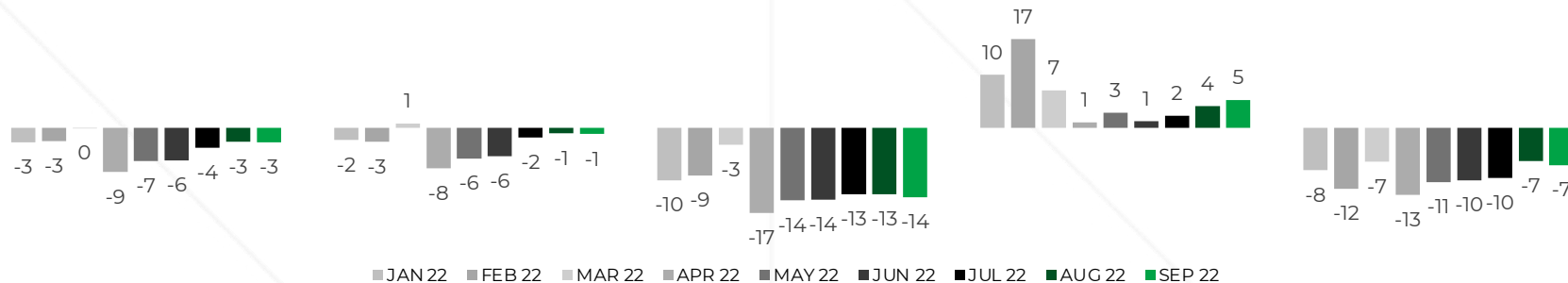
Lower consumer spending dictates new rules for the industry inside categories: product selection and switching between segments as well as sales management have become more complicated.

# Sales have stabilized in almost all channels, but **like-4-like** sales are lower than 2021 level

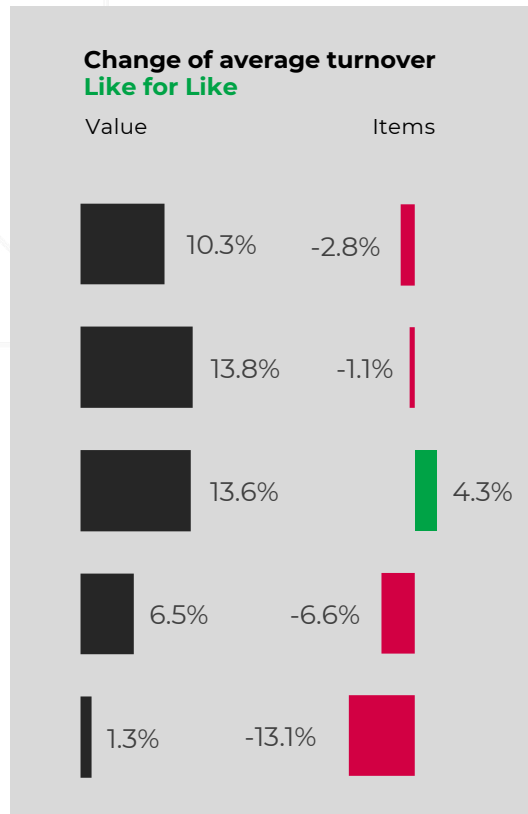
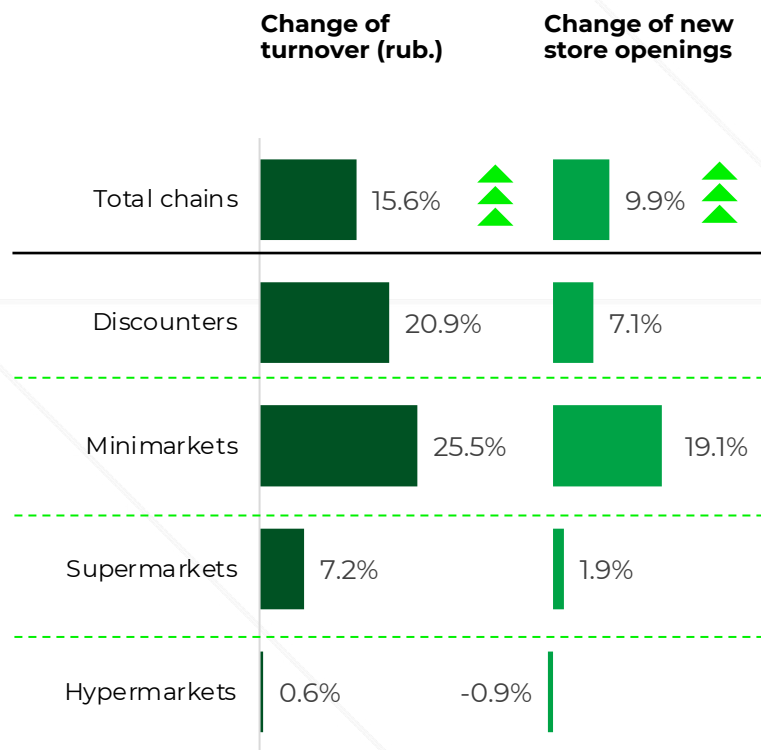
## Volume sales change, 2022/2021, %



## Volume sales change **Like for Like**, 2022/2021, %



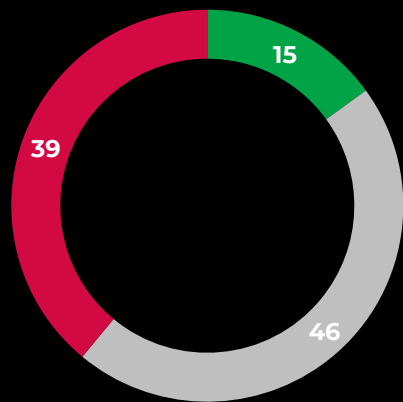
# Average turnover primarily grows due to new store openings and inflation



Effectiveness of retail business is much lower than it is possible — when it comes to like-4-like sales, only minimarkets have positive contribution to the average turnover, whereas other offline channels grow primarily due to inflation and new store openings.

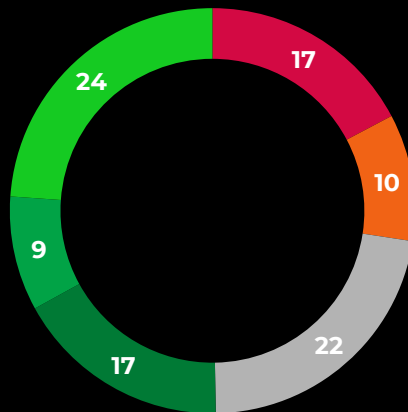
# The majority of FMCG businesses feel **neutral** or **negative** impact from sanctions

Impact of SMO and sanctions on business



■ Positive ■ Neutral ■ Negative

Expectations regarding business growth in 2022



■ Decrease by more than 5% ■ Decrease by 2-5%  
■ Stable (-1% -0- +1%) ■ Growth by 2-5%  
■ Growth by more than 10%

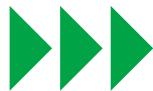


# C-suite **expect weaker business results** in comparison to 2021



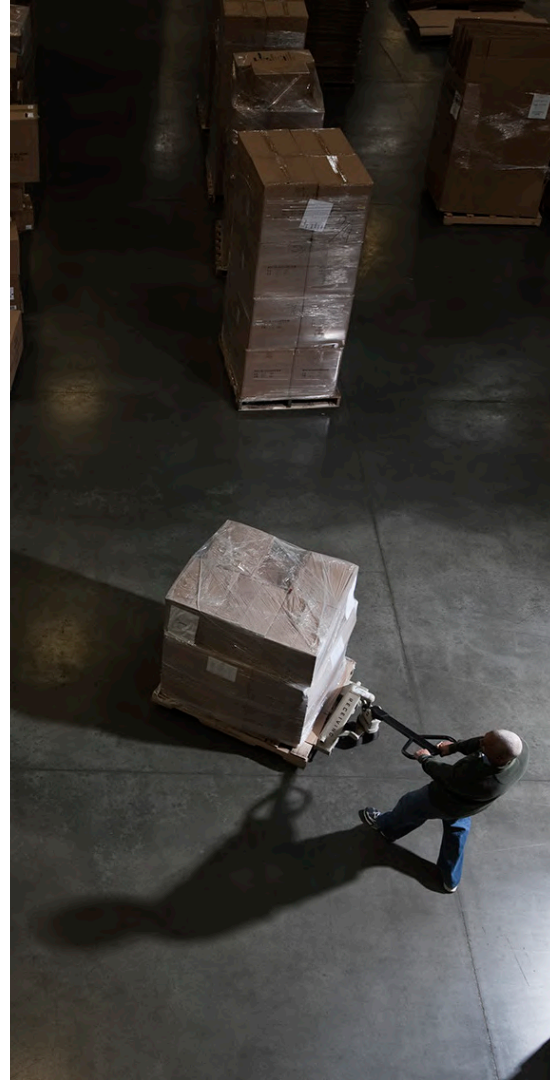
## 77%

of C-suite respondents  
**expected business growth**  
in 2021



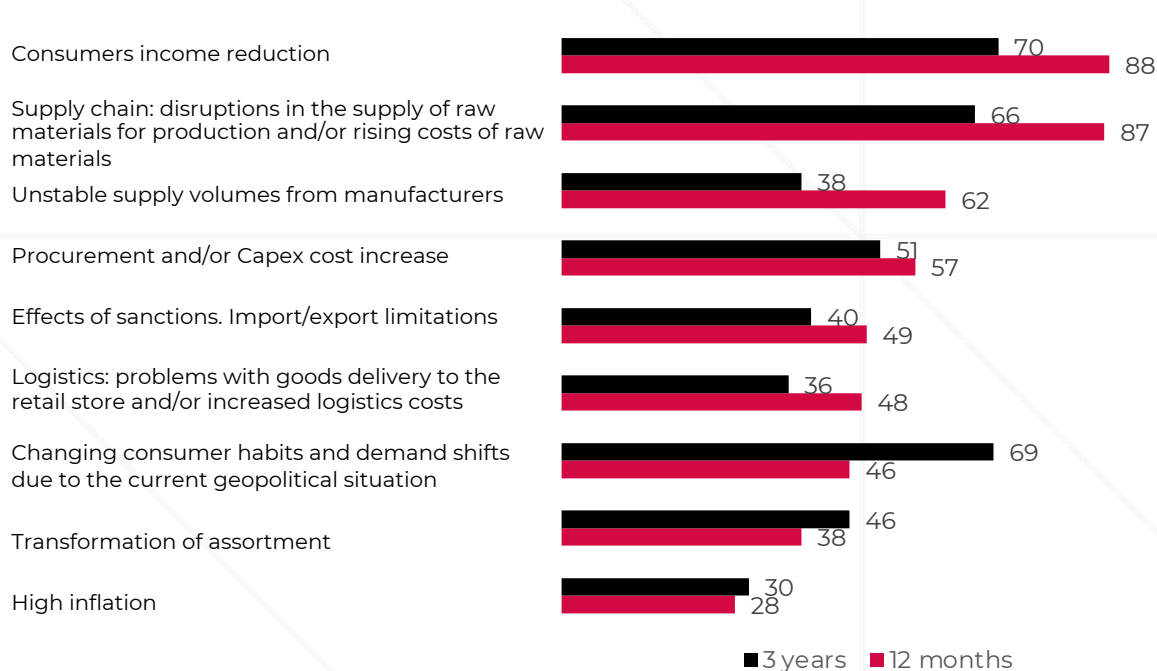
## 50%

of respondents are hoping to  
see growth now — **in 2022**



# What risks do manufacturers face?

List of middle and long-term threats is almost similar — as seen by the industry



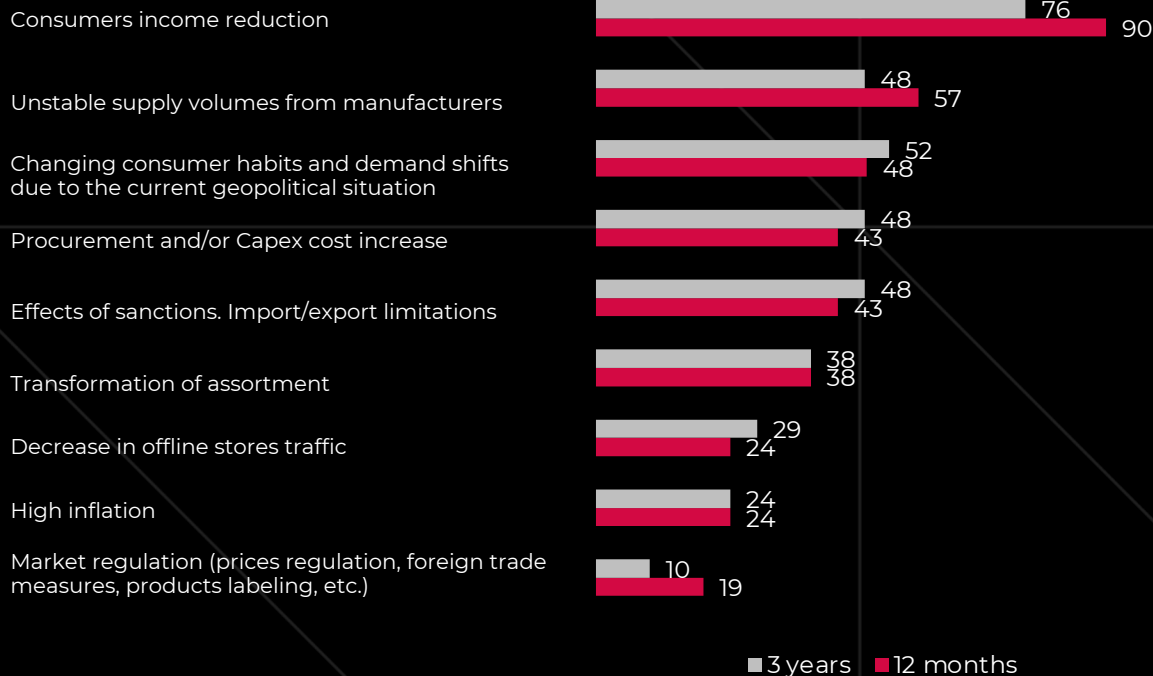
**Change of consumer habits and further income reduction are the most serious risks for FMCG manufacturers**

In 2022 perceived severity of negative effects caused by uncontrollable factors has intensified: one year ago 48% of respondents outlined the risk of "supply chain disruptions" and 38% of "consumer income reduction". This year almost two thirds of managers emphasize those threats.




# What risks do manufacturers face?

List of middle and long-term threats is almost similar — as seen by the industry



**In 2021 retailers considered decrease in offline stores traffic and unstable supplies to be the most serious threats for business, whereas consumer income reduction was problematic for a fifth of respondents. Today it's the primary threat for future growth in the long run for the majority of managers.**



**What steps **top-managers are planning to take** in order to achieve business growth and operational effectiveness?**

# Key directions to achieve business growth



## Manufacturers



## Retailers





# How will **sales strategies** change?

# How are business strategies changing?



## Manufacturers



## Retailers



# How do **business strategies** change?



## Manufacturers

**Compared to 2021, the new economic reality has rearranged business priorities. Promo is now the most popular option for manufacturers to focus on when asked about their business strategies.**

Yet, it's important to remember that these directions remain crucially important for manufacturers:

- online sales development (+3 p.p. to 60%)
- work on supply efficiency (+3 p.p. to 52%)
- launch and development of sales via marketplaces (–1 p.p. to 22%)

At the same time, focus on specialized channels has become weaker: –7 p.p. to 30% compared to 2021.



## Retailers

**Importance of supply chains efficiency has tripled for retailers — from 19% in 2021 to 57% now.**

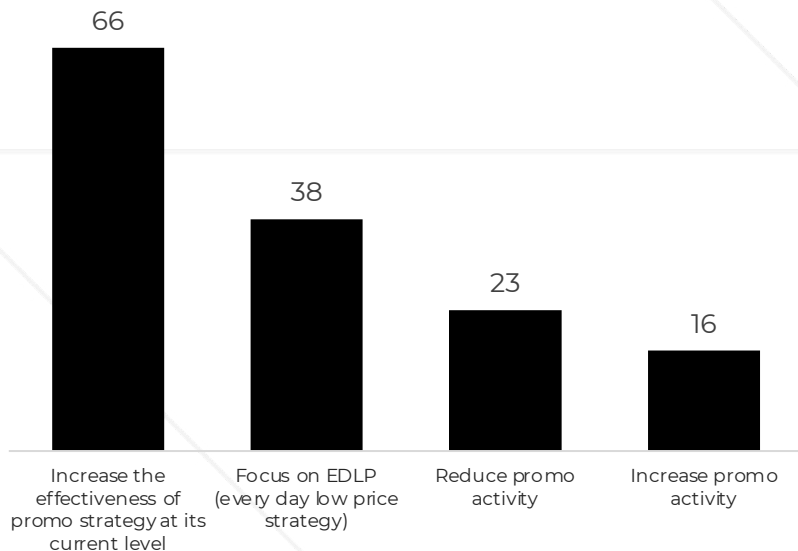
Simultaneously, focus on e-commerce has become less significant (partly because the channel has entered a new level of maturity and achieved previous targets). But retailers are now paying more attention to marketplaces:

- development of online sales via online store (–29 p.p. to 19%)
- development of online sales via marketplaces (+7 p.p. to 29%)

Improving on-shelf availability is still a focus for 4 out of 10 retailers (+2 p.p. to 43%)

## Promo: how will strategies change?

Manufacturers and retailers are planning to increase effectiveness of promo strategy at its current level



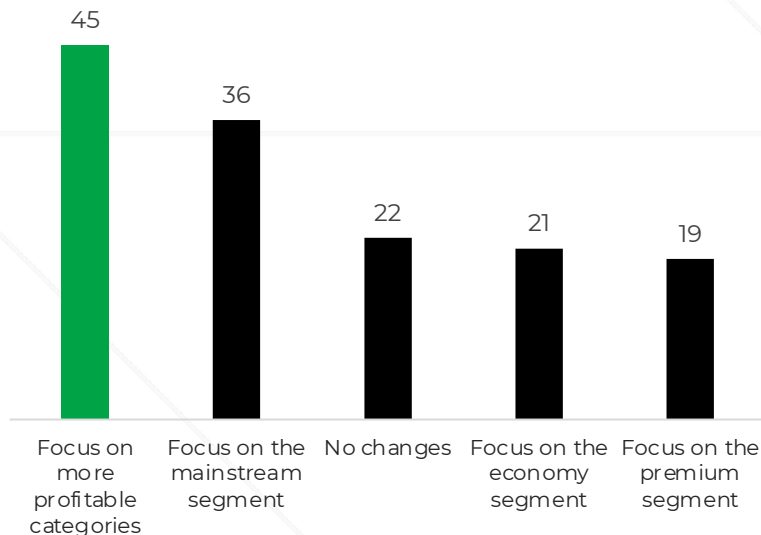
Source: Business survey NielsenIQ, october 2022

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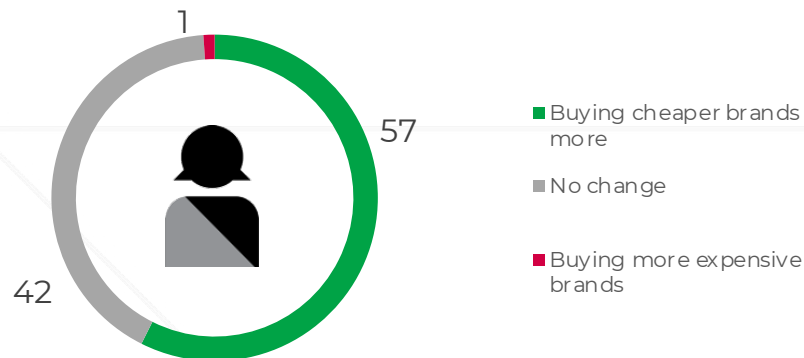


# What do manufacturers plan when it comes to product portfolio?

How did brand priorities within portfolio change over the past year **among manufacturers?**



How did consumer behavior change over the past 6 months? — **consumer survey**

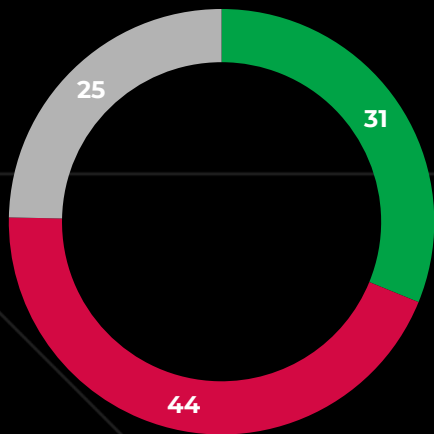


Primary focus of manufacturers is **efficiency and most profitable categories**



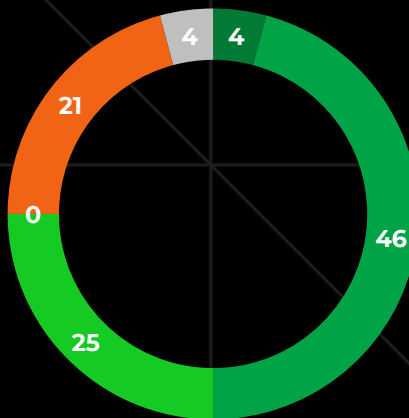
# Prices: what manufacturers plan and what consumers think?

Do you plan to increase prices for any products in your portfolio?



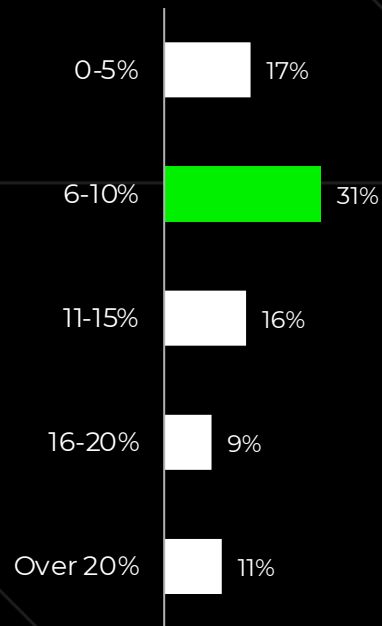
■ Yes ■ No ■ Difficult to answer

How much do you plan to increase prices?



■ 0-5% ■ 6-10% ■ 11-15% ■ 16-20% ■ 21% and more ■ Difficult to answer

How much will prices grow?  
consumer survey





# 13%

is an average price increase within a product portfolio in the current scenario.

The highest price increases can be expected in the personal care and baby care industry.

Plans of C-Suite respondents regarding price increases align with the levels expected by consumers.



**Emerging opportunities:** what do  
consumers want and what does the  
industry plan to do?

# Key saving strategies for consumers revolve around price and promotions

61%



Opt for stores with cheaper prices

41%



Look for products with lower prices

37%



Buy only necessities and cut down expensive purchases

26%



Switch to cheaper brands

16%



Shop less frequently

16%

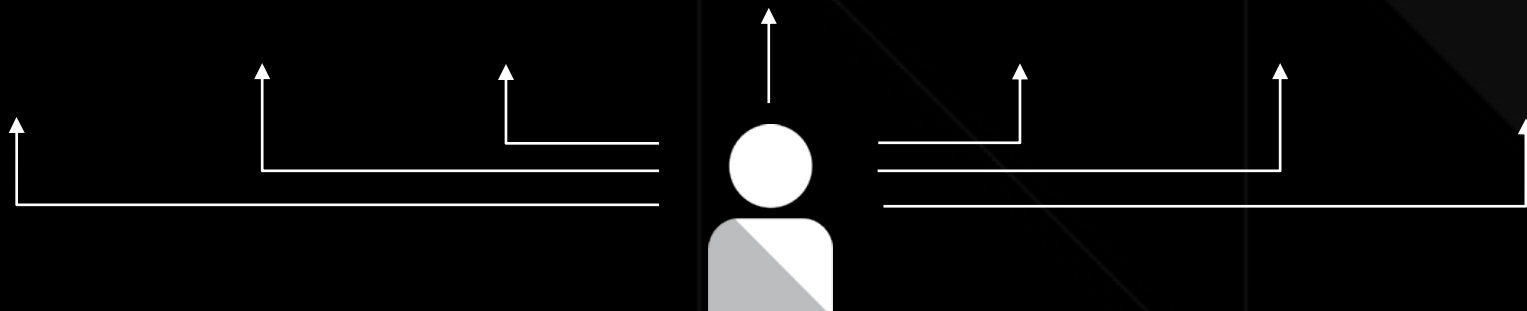


Stock up

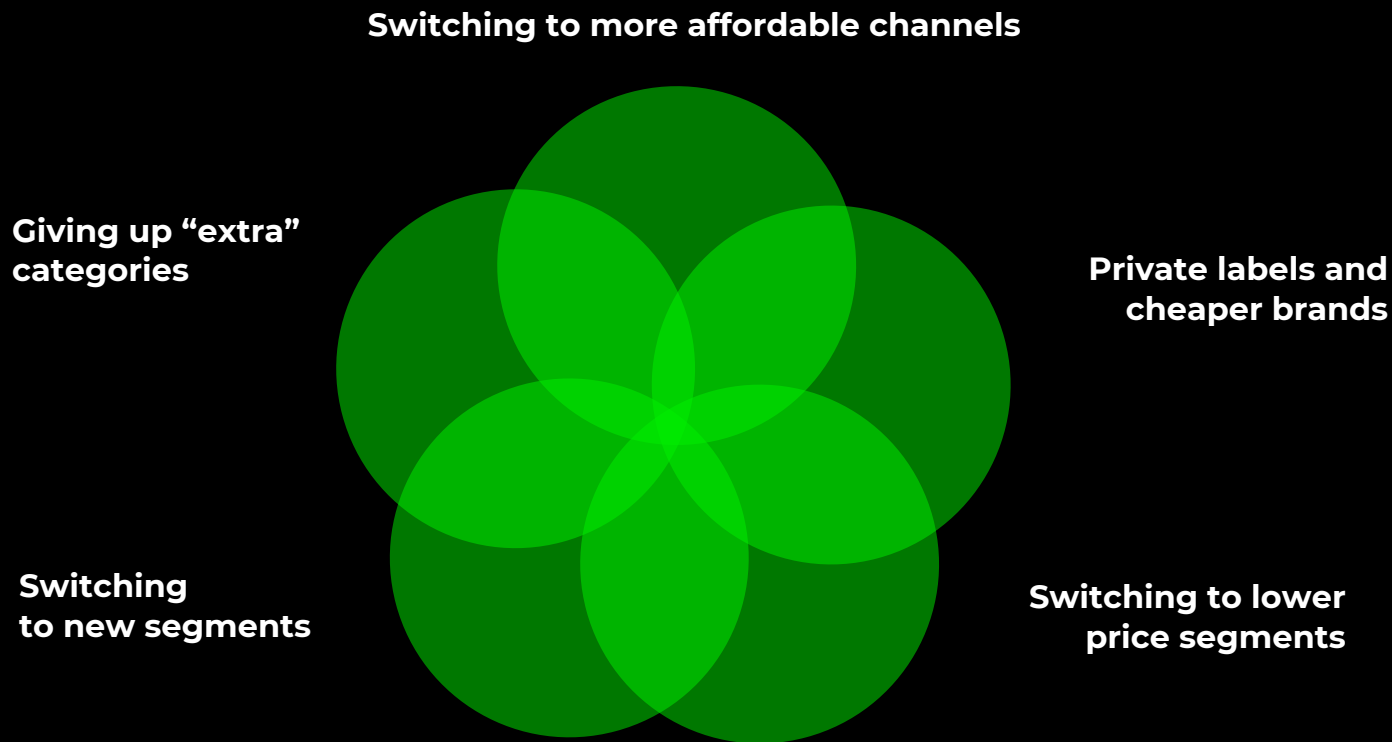
7%



Buy more often, but reduce basket size



# What trends **emerge** right now?

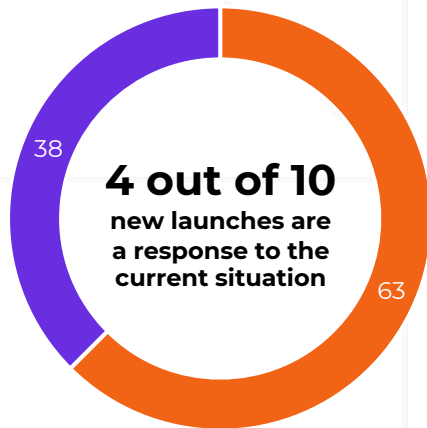




**Are business leaders aligned with  
what consumers want?**

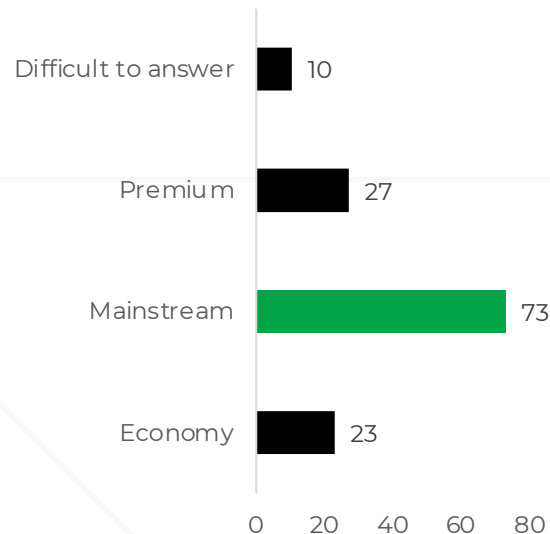
# New launches — can we expect new products on shelves?

Have you planned to launch new products?



- Most launches will be planned
- Most launches will be a response to the current geopolitical situation

What price segments do your new launches target?



62%

of manufacturers are planning to launch new products in 2022

# Approach to managing assortment

## FMCG-retailers



■ Ритейлеры

## What do consumers want?





# What are the biggest threats and opportunities?

**Hard discounters** development

Trend towards **less consumer spending** in general

Consumption continues to decline, **market grows due to inflation only**

**Local market players** influence increasing

**Mergers and acquisitions among offline players**

**Increase in the regulatory influence** over the industry

Trend to eat at home by reducing traffic to the on-trade/HoReCa channel

Business growth of small and medium local players

Focus on health and safety

Online sales slow down

FMCG consumption grows, while other consumer expenditures decline

Restoration of consumer optimism and willingness to spend money

Mergers and acquisitions among online trade players

