RUSSIA TECHNICAL CONSUMER GOODS MARKET OVERVIEW

Q1 2015 | Russian Federation

GfK Panel market covers Russian cities with a population of over 20 thousand inhabitants, all relevant distribution channels including Internet. All subsequent figures apply only to this segment of the Russian market.

Technical Consumer Goods (TCG) market

The Technical Consumer Goods (TCG) market in Russia recorded decline of 16.4%, compared to the same period last year after abnormal sales growth in Q4 2014. Only the Telecommunication sector reported a positive performance +4.4% while all other sectors reported double digits negative YTD performances ranging from -12,6(MDA) to -37%(Photo) mainly driven by positive January aftershock demand. Nevertheless 2015 TCG market turnover is forecasted to be below 2014 by at least 22%in value and 26% below in Units.

Competition gets harder. National chains and Mobile Phone Specialists are showing moderate YTD decrease of -8% and 11% mostly at the expense of Regional chains sales which are declining by up to -40%. Pure Internet Players can't keep same pace as before. March 2015 vs 2014 Online and Offline trends are quite close to each other with -16% and -21% in value correspondingly. Nevertheless the difference in growth rates will remain and online sales will gradually continue gaining share along the year on TCG market. Consumer demand is concentrating around major cities with Moscow in lead (only -4% YTD in value) in while regional consumption in the cities with population below 1 mln inhabitants is heavily damaged by -21%.

Consumer Electronics

70% of segment value is covered by PTV with negative trend for demand (almost -50% vs. Q1 2014) after "sales boom" in December 2014. PTV average price has been increased by over 20%. Consumers are switching to more selective purchasing behavior being more price sensitive than feature oriented. In Q1 2015 Smart TV value share has declined by 5% (from 64% to 59%). Consumers are starting choosing basic devices. Just 17% PTV value in Russia are coming from "discount price" purchases (over -10% to normal price). PTV market could be supported by "targeted communication" to consumers declaring "old price", discounts and other attractive messages. For the time being estimated CE market 2015 value is -32% to year 2014.

Major Domestic Appliances

According to GfK consumer research Russian lady spends 7,7 hours a week for cooking. At least 19% consumers are really passionate about food and cooking. Good Cooling, Hobs and Ovens are needed for such passion. After demand heap up for MDA to +70% in December 2014 now it is 36% below Q1 2014. It looks like consumers are already equipped with all necessary devices but the figures say opposite: MDA value performance of -12% is the best result among declining TCG segments in Q1 2015. "Early-demand" sales and average price increase of 38% (the highest among TCG segments) are making MDA market stacked. However consumption goes either to National chains or to online both for advanced and basic products looking for attractive price. MDA market value is expected to be 23% below year 2014 remaining one of most stable sectors

Telecommunication

Telecom market is gaining value share taking it from CE, Photo and IT (29% from 25% in 2014). 50% of sold "screen devices" were covered by Smartphones. Consumption for music, movies and other entertaining goes individual and digital. On the contrary the demand for Media Tablets is already more than -37% vs. Q1 2014. B-Brands which have occupied already 37% of Media Tablets market due to competitive features and lower price do not bring the positive trend for value. Taking into account the "stable income" and price increase for all products we expect less incentive replacement for Media Tablets while consumer will prefer more advanced Smartphone instead. However Telecom market annual result is estimated as of -8% to year 2014.

For detailed forecast updated quarterly or even monthly please ask for GfK Demand Projector. GfK Demand Projector is official tool of Forecasts of true end-demand for all monitored products, updated monthly according to latest market trends by distribution channels and Russian Regions

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Technical Consumer Goods: (Consumer Electronics= CE, Photo, Telecom, IT/OE, Major Domestic Appliances=MDA, Small Domestic Appliances