

The Russian Market: Opportunities for the U.S. Consumer Goods Sector

Russia Is Home to a Large Consumer Base and a Substantial Retail Market

Economic growth over the past decade has given rise to greater consumerism in Russia, and growing disposable incomes have given millions of Russians the flexibility to spend on high-quality imported consumer goods.

- Russia's **142 million consumers** saw their real disposable incomes in 1H 2010 rise nearly **5%** compared with the same period in 2009. Russians' real disposable incomes grew even during the global recession¹, after significant **jumps of 8-10%** between 2005 and 2007.²
- Russia is the **largest consumer market in Europe**.³ Retail sales in Russia in 1H 2010 grew more than **3%** over 1H 2009 levels.⁴ Prior to the recent recession, retail trade turnover in Russia had totaled \$543 billion in 2008, representing a **13%** rise over the previous year.⁵

U.S. Exporters Supply a Wide Range of Retail Segments in Russia

With economic revival now underway, the Russian market continues to present export opportunities for U.S. producers of fast-moving consumer goods and other household items for everyday use.

- Russia was the **3rd largest market in the world for U.S. coffee exports** in 1H 2010, importing nearly \$12 million worth of U.S. coffee, a total that exceeds the full-year 2009 level of \$9 million. Previously, U.S. coffee exports to Russia had risen from very low levels to reach a high of \$23 million in 2008.⁶
- Imported products comprise **53%** of Russia's \$8.4 billion market for cosmetics and toiletries.⁷ In 1H 2010, U.S. exports to Russia of make-up, skin-care and beauty preparations grew **16%** over the same period in 2009 to more than \$29 million, putting them on track to surpass their full-year 2009 total of \$53.5 million. In 2008, these U.S. exports to Russia had grown **57%** to a total of \$87.5 million.⁸
- In 1H 2010, the U.S. exported more than \$4.5 million worth of household appliances to Russia. Growing **17%** over the same period in 2009, these exports to Russia are likely to exceed their full-year 2009 total of \$7.5 million. Prior to the global recession, U.S. household appliance exports to Russia had reached a high of nearly \$13 million in 2008, representing growth of **35%** over the previous year.⁹

U.S. Companies See Long-Term Retail Opportunities in Russia

Many U.S.-based consumer goods producers have a track record of success in the Russian market.

- **Procter & Gamble** sells more than 70 of its brands in Russia and holds a leading market share in **75%** of the categories in which it operates, including detergents, shampoos and diapers.¹⁰ The company has invested nearly \$300 million in its facilities in St. Petersburg, the Tula Region and the Nizhniy Novgorod Region.¹¹
- Russia's food market retains long-term attractiveness for companies like the **Campbell Soup Company**, which entered the Russian market with the launch of its *Domashnaya Klassika* line of broths in 2007 and expanded its distribution in Russia to 100 cities across 12 regions in 2009.¹²
- With \$2 billion already invested in its Russian operations¹³, **The Coca-Cola Company** announced in 2009 that it plans to invest another \$1 billion in Russia by 2014.¹⁴ Russians' per capita annual consumption of Coca-Cola beverages rose from 12 servings in 1999 to 59 servings in 2009.¹⁵
- **PepsiCo's** beverage and snack products can be found in **98%** of retail outlets in Russia.¹⁶ The company, which has invested \$3 billion in Russia, opened its largest European bottling plant in Moscow in 2009. PepsiCo expects to invest another \$1 billion in Russia by 2012.¹⁷
- **Mars, Inc.** owns factories in Moscow and Novosibirsk that produce confectionary bars, pet food and soups¹⁸, as well as a \$47 million pet food factory in the Ulyanovsk Region. The company is planning to invest \$200 million in a new chocolate factory to be opened in Ulyanovsk in 2012.¹⁹

¹ "ОСНОВНЫЕ ЭКОНОМИЧЕСКИЕ И СОЦИАЛЬНЫЕ ПОКАЗАТЕЛИ," Federal State Statistics Service Website, http://www.gks.ru/bad/free/B10_00/IssWWW.exe/Stg/d06/1-0.htm and http://www.gks.ru/bad/real/b09_01/IssWWW.exe/Stg/d12/1-0.htm, (accessed July 27, 2010).

² Keith Bush, "Russian Economic Survey, April 2009," U.S.-Russia Business Council, <https://www.usrbc.org/pics/File/EconSurvey/2009/SurveyApril2009.pdf>, (accessed July 8, 2009).

³ "Russia Retail Loses Global Shine, Leads Europe-Study," Reuters, July 8, 2010.

⁴ "Розничная торговля," Federal State Statistics Service Website, http://www.gks.ru/bad/free/B10_00/IssWWW.exe/Stg/d06/3-1.htm, (accessed July 27, 2010).

⁵ *Doing Business in Russia: 2009 Country Commercial Guide for U.S. Companies*, U.S. Foreign Commercial Service, February 17, 2009.

⁶ U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total Exports to All Countries, (HTS-0901), 2005-2009 and 1H 2010 YTD, by FAS Value.

⁷ *Doing Business in Russia: 2010 Country Commercial Guide for U.S. Companies*, U.S. Commercial Service and U.S. Department of State, 2010.

⁸ U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total Exports to Russia, (HTS-3304), 2005-2009 and 1H 2010 YTD, by FAS Value.

⁹ U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total Exports to Russia and to All Countries, (NAIC-3352), 2005-2009 and 1H 2010 YTD, by FAS Value.

¹⁰ "Procter&Gamble/Basics Info in English," Procter & Gamble Co. Website, http://www.procterandgamble.ru/english_info/, (accessed October 19, 2009).

¹¹ "Procter&Gamble/В России," Procter & Gamble Co. Website, http://www.procterandgamble.ru/about/pa_russia/, (accessed August 27, 2009).

¹² "Campbell Soup Enters Distrib Pact with Coca-Cola Hellenic," Dow Jones Newswires, May 26, 2009; "Defining Success," Campbell Soup Company Annual Report, 2009.

¹³ Irina Filatova, "Coca-Cola Acquires Juice Maker Nidan Soki," The Moscow Times, September 2, 2010.

¹⁴ "Coke Set To Invest \$1US.2bn," *Business Monitor International Emerging Europe Food and Drinks Insights*, April 1, 2009.

¹⁵ "Eurasia & Africa Operating Group: 2009 At-a-Glance," The Coca-Cola Company, 2009.

¹⁶ "Pepsi in Russia," PepsiCo Inc. Website, <http://www.pepsico.com/Global-Sites/Russia.html>, (accessed October 29, 2009).

¹⁷ Maria Ermakova, "PepsiCo, Bottler Plan to Invest \$1 Billion in Russia," Bloomberg, July 6, 2009.

¹⁸ "Mars - Russia and CIS," Mars, Inc. Website, <http://www.mars.com/global/Who+We+Are/locations/Europe/Russia+and+CIS/Russia+and+CIS.htm?filter=Regions>, (accessed August 27, 2009).

¹⁹ "Mars to Produce Pet Food in Russia's Ulyanovsk," RIA Novosti, September 3, 2009; "Mars Looking to Longer Term Russian Sales Rebound: Interview with Richard Smyth, President of Mars Russia and the CIS," Russia Today, April 15, 2010.