

## 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 recession<sup>1</sup>, after significant **jumps of 8-10%** between 2005 and 2007.<sup>2</sup>
- Russia is the **largest consumer market in Europe**.<sup>3</sup> Retail sales in Russia in 1H 2010 grew more than **3%** over 1H 2009 levels.<sup>4</sup> Prior to the recent recession, retail trade turnover in Russia had totaled \$543 billion in 2008, representing a **13%** rise over the previous year.<sup>5</sup>

### *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 **3<sup>rd</sup> 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.<sup>6</sup>
- Imported products comprise 53% of Russia's \$8.4 billion market for cosmetics and toiletries.<sup>7</sup> 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.<sup>8</sup>
- 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.<sup>9</sup>

### *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.<sup>10</sup> The company has invested nearly \$300 million in its facilities in St. Petersburg, the Tula Region and the Nizhniy Novgorod Region.<sup>11</sup>
- 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.<sup>12</sup>
- With \$2 billion already invested in its Russian operations<sup>13</sup>, **The Coca-Cola Company** announced in 2009 that it plans to invest another \$1 billion in Russia by 2014.<sup>14</sup> Russians' per capita annual consumption of Coca-Cola beverages rose from 12 servings in 1999 to 59 servings in 2009.<sup>15</sup>
- **PepsiCo's** beverage and snack products can be found in 98% of retail outlets in Russia.<sup>16</sup> 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.<sup>17</sup>
- **Mars, Inc.** owns factories in Moscow and Novosibirsk that produce confectionary bars, pet food and soups<sup>18</sup>, 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.<sup>19</sup>

<sup>1</sup> "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](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](http://www.gks.ru/bad/real/b09_01/IssWWW.exe/Stg/d12/1-0.htm), (accessed July 27, 2010).

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

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

<sup>4</sup> "Розничная торговля," Federal State Statistics Service Website, [http://www.gks.ru/bad/free/B10\\_00/IssWWW.exe/Stg/d06/3-1.htm](http://www.gks.ru/bad/free/B10_00/IssWWW.exe/Stg/d06/3-1.htm), (accessed July 27, 2010).

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

<sup>6</sup> 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.

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

<sup>8</sup> 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.

<sup>9</sup> 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.

<sup>10</sup> "Procter&Gamble/Basics Info in English," Procter & Gamble Co. Website, [http://www.procterandgamble.ru/english\\_info/](http://www.procterandgamble.ru/english_info/), (accessed October 19, 2009).

<sup>11</sup> "Procter&Gamble/В России," Procter & Gamble Co. Website, [http://www.procterandgamble.ru/about/pa\\_russia/](http://www.procterandgamble.ru/about/pa_russia/), (accessed August 27, 2009).

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

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

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

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

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

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

<sup>18</sup> "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).

<sup>19</sup> "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.