

Economic and consumer trends

KEY TRENDS	DESCRIPTION	CONCLUSIONS	X5 RESPONSE
Changing demographics	<ul style="list-style-type: none"> • Growth of 60+ age population by 2-3% p.a. vs. reduction of 20-29 year group by 6% p.a. 	<ul style="list-style-type: none"> • Growth of price-sensitive consumer segment • Growth of proximity format popularity 	<ul style="list-style-type: none"> • Continued expansion of proximity segment (>75% of X5 revenues) • 5-10% discounts for pensioners in a first half of a day • Focus on mothers with children
Declining incomes	<ul style="list-style-type: none"> • Increased price sensitivity and rational spending • Growth of “cherry pickers” 	<ul style="list-style-type: none"> • Growth in attractiveness of proximity/discounters • Increased pressure on margins (need for opex reduction) 	<ul style="list-style-type: none"> • Constant adaptation of value proposition to customers’ needs • Best-in-class “promo engine”
Growing competition	<ul style="list-style-type: none"> • Retail space saturation • “Value” format development (e.g., hard discounters, dollar stores) 	<ul style="list-style-type: none"> • Increasing pressure on LFL • Increased pressure on margins (need for opex reduction) 	<ul style="list-style-type: none"> • Strong regional expansion with effective value proposition for small cities and towns • Development and rollout of new regional supermarket concept • Effective GIS system to help find optimal locations
Spread of new technologies	<ul style="list-style-type: none"> • Growth of online shopping and price transparency • Increase in Big Data analytics 	<ul style="list-style-type: none"> • Opportunity to improve competitiveness through service and personalisation 	<ul style="list-style-type: none"> • Online retail initiative within the supermarket segment • Successful development of loyalty programme and personalised promo in Perekrestok • Further implementation of advanced analytics
Tightening market regulation	<ul style="list-style-type: none"> • Retail trade legislation (back margin constraints) • EGAIS and other control systems • International sanctions 	<ul style="list-style-type: none"> • Additional costs due to new regulation • Growing margin pressures • Product shortages and price inflation 	<ul style="list-style-type: none"> • Self-regulation approach • Switch to net-net pricing • Strategic partnerships with suppliers