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Deep Motivators & Consumer Roles in Russia

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Introduction

The research period: late August – September 2014.

Survey objectives:

- Collect from public sources and structure information about motivators and role models of the Russian consumers.
- Describe cases of the companies actively applying psychographic consumer segmentation through structured interviews.
- Describe opportunities and trends securing operation of Russian consumer motivators.

The research targeted companies (Russian and international) registered as legal entities in the Russian Federation. Total 19 companies, including three international companies (Knauf, PepsiCo, Bacardi).

To analyze consumer roles leveraged by the companies, the following elements were used:

- Motivators;
- Inclusion of motivators in the companies' public communications;
- Focus on marketing elements of communication tools to confirm impact on launching the companies' motivators.

The description of the companies' marketing elements and tools also covers:

- International companies (PepsiCo, Bacardi) leveraging the whole set of multiple consumer marketing tools to support customer motivation. Promotion events or launched communication campaigns were used as an example.
- Russian companies (Setun, Gracia and others), who apply multiple marketing tools to support sales (sales marketing model) and focus products characteristics or make offers, thus motivating their customers.

Marketing models and tools applied by companies in Russia

Before August 2008, the Russian market was growing fast, and the companies were focused on product/service characteristics. Marketing was leveraged to support sales. For sales the social and demographic segmentation was enough.

From 2009, the company turned to intensive Internet marketing as an advertising channel backed up by traditional segmentation. Some companies noted the purchase drivers and decision-making models, thus turning to behavioral segmentation.

It should be noted that international companies and best Russian players, for example telecommunication companies, covered by the research, have been applying psychographic segmentation (based on values and life style) for many years. This segmentation serves as a basis for consumer marketing and value marketing. The are two drivers for the companies to focus the psychographic segmentation and spend expensive budgets to support it. The first one is a flexible telecommunications market with a short development cycle. High-tech products are upgraded every 1.5-2 years. The second one is strong competition involving global players. Application of the psychographic segmentation requires systematic management, expensive marketing budget, but provides for a great market share performance in the mid- and long-term perspective.

Most Russian companies however fail to understand that knowledge of consumers' drivers and values is required, and keep on treating marketing as a function to support sales. Such marketing model is also used by the companies operating in highly competitive markets. We believe that such approach is traditional for medium businesses and driven by several reasons:

- Development based on the business management model;
- Cash flows from commercial operations (procurement abroad and sales in Russia);
- Top managers and an owners (coming from business), who supervise marketing in their belief that marketing means expenses. In a business model income directly relates to cost reduction;
- Owners, whose individual experience of sales in the growing markets of 1990s and early 2000s make them believe that "good" sales underpin everything;
- This is also supported by the companies' strive for organic growth, balance, business development.

Based on the above, it may be outlined that application of the psychographic segmentation by medium businesses is driven by the necessity to change governance model and remove business owners from operating management, which is unlikely against the background of the market stagnation requiring precise control and cost reduction.

The large Russian companies, like Cordiant, understand the complexity of customer management within the sales marketing models and therefore approach the psychographic segmentation development.

As noted above, the psychographic segmentation in the end consumer markets enables application of the market driven and market driving strategy through the customer development thus promoting business competitiveness. The best Russian players operating in the high-tech and services markets turn to market management, which will bring them to Top 3 of the Russian industry markets in the next 3-5 years.

During the next 3-5 years, the customer roles outlined in the research may be used by businesses since they are driven by customer motives. This is stipulated by the fact that the three customer groups defined based on the market experience will remain the same, while each group size will change. New consumer roles will emerge as part of the new consumer generation, and this will be driven by technological development.

We have to admit that public sources lack information about consumer segmentation, companies do not disclose it for various reasons. The companies' representatives also rejected discussion of this topic in the interviews, which demonstrates the companies' information sensitivity.

The lack of public data on consumer segmentation was compensated with diploma works of the HSE graduates (www.marketing.hse.ru), where these works were not treated as confidential by authors. This information was used in the final research document.

Russian market today

In the competitive environment in many industry consumer markets, the companies have to attract consumers to their goods and services. This leads to an 'advertising noise' in the media, and as a result consumers fail to keep the information in mind.

During the last decade, the Russian consumer faced several development stages:

2004-2008 – a new option to pay for desired goods and services with consumer cards. Before this, to buy something consumers used to save money for years. The stage of testing and buying desired long-lasting products (household appliances, cars, etc.)

2008-2010 – purchasing power reduction and income saving. The consumers become rational, and price always matters.

2011- early 2013 – purchase of long-lasting products driven by deferred demand. Creation of a reasonable buyer model.

2013-2014 – growing concern driven by economic decline, political cataclysms, paying capacity reduction and controlled expenses. This results in lack of emotions and desire to compensate it by visiting shopping malls, parks and entertainment sites. A consumer looks for entertainment and feels like being happy.

Today, Russian consumers may be conditionally divided into three groups (www.romir.ru):

- qualified consumers (10%),
- new market experience chasers (40%),
- conservative consumers following patterns of 1980-1990s (50%).

(Video collection "Trends in the Russian consumer behavior, psychology era has come" <http://www.youtube.com/watch?v=sqyfqXQEv1s>)

It is important that the outlined groups are within the scope of traditional marketing classification of consumers: trend setters, trend followers and those who go against trends.

The consumer models are highlighted by the **consumer roles** outlined in the research. The consumer roles may be analyzed against several criteria:

1. Russian consumer groups. It should be noted that three roles are leveraged by representatives of two consumer groups, accounting for 90% in total.

Consumer	Role
qualified consumers	Experiential engagers Live wire (modern active person)
New market experience chasers	Curious buyer Value chasers Trend follower Impulse followers Careful mother and wife Brand lover
Conservative consumers following patterns of 1980-1990s	Brand lover Careful mother and wife Impulse followers

2. Pyramid of needs

Need	Role
Self- Actualization	Experiential engagers
Aesthetic	Live wire (modern active person)
Cognition	Curious buyer Value chasers
Esteem	Trend follower Impulse followers

Love\ belonging	Brand lover
Safety	Careful mother and wife
Physiological	

3. Consumer motive:

Motive	Role
Safety	Careful mother and wife
Social	Brand lover Trend follower Impulse followers
Superiority	Live wire (modern active person) Value chasers
Discover	Experiential engagers Curious buyer

Values used by companies in the Russian market

When approaching consumers, the companies are focused on values:

- Rational – 10 companies;
- Emotional – 7 companies;
- Mix: rational and emotional – 2 companies

It should be noted that international companies, Knauf, PepsiCo turn to rational values based on the health, safety and protection trends, Bacardi follows the emotional trend to enjoy. This shows that international companies follow stable trends based on the eternal human values. At the same time, Russian companies are present at every level of hierarchy of needs and leverage the whole range of drivers and trends.

Trends used by companies in the Russian market:

Healthy Living

Health is 50–55 % driven by life style. The relevance of healthy living is driven by the aggravated and modified environment people face as a result of more complicated social life and psychological types provoking negative health movements. Aspiration for health and keeping a family healthy motivates consumers to search for suitable food and activity solutions.

Health & Safety

Health is 20 % driven by environment. Against the background of increased industrial and environmental risks, people are willing to protect themselves and their families. Every person has the right for healthcare benefits, safe labor conditions and living in an eco-friendly environment. The consumers' desire to independently control and establish healthy environment for their families and procure healthcare provokes active search for products and services in the market.

Natural Products

Safety of consumed products is a long-lasting concern for consumers. This covers ingredients and GM products. This concern made consumers prefer the farm products, where animals are bred in natural environment and plants are free from chemical treatment. Being natural became vital not only for food, but for everything around people (construction and furnishing materials, appliances). In fact, this is a new established product segment with higher value.

Traditions

Keeping a warm family environment is essential for women. A good family tradition to maintain mutual interest in efforts and success of every family member is underpinned by continuous sharing of professional matters, gained experience and important events. Today, the family hearth function is supported information and communication technologies.

Expert position

Comparable products available in the market motivate consumers to thoroughly study offers. In many cases, buyers thoroughly study products prior to visiting shops. The customer experience in mature countries defines consumers' requirements to quality services. With the customer satisfaction index companies can drive their product preference.

Enjoy

A desire to enjoy life is essential. Customers are keen on enjoying not only use and consumption of products, but services and communication as well. It would be fair for customers to believe that producers are focused on making them happy and satisfied.

Digital: Experience building & Freedom

An advanced Russian consumer has run a path from mobile phones in the early 1990s to the ecosystem of gadgets with a unified standard. Some consumers replace their push-button phones with smartphones only now, others live in a digital ecosystem, while experience and independent choice are crucial for everybody. Omni-channel for communication and retail is being actively developed in Russia. The companies approach consumers using any media from mobile Internet devices, PCs, television and radio to direct mail and catalog deliveries.

Consumers roles	Thesis	Motivators	Opportunities	Company	Trends
<p>Careful mother and wife</p> 	Aspiration for a solution to express feelings towards family	Safety & Recognition	<p>Ways for a woman to show the care for her family and get recognition / What can a woman do to show the care for her family and get recognition?</p> <p>Ways to make her family safe and healthy / What can she do to make her family safe and safety?</p>	<p>Mother and Child Setun Wimm-Bill-Dann Domashniy TV channel</p>	<p>Health & Safety Natural Products Health living Traditions</p>
<p>Curious buyer</p> 	Need for product quality awareness	Quality & Education	<p>Change of values and priorities The company's responses to these changes in the consumer behavior / How does the company respond to these changes in the consumer behavior?</p> <p>Accelerated release of new products. The company's approach to educate consumers on the product and service quality standards / How does the company educate its consumers on the product and service quality standards?</p>	<p>Knauf Avangard Professional and Outdoor Equipment Cordiant</p>	<p>Health & Safety Expert position</p>
<p>Brand lovers</p> 	Brand as a source of self-awareness	Fashion & Confidence	<p>Focus on positive emotions and images demonstrated by consumers drives loyalty to brand</p> <p>How can changes in behavior of brand consumers be used in a digital environment?</p>	<p>Sela Bacardi Dikaya Orkhideya</p>	<p>Enjoy Digital: freedom & experience building</p>

Consumers roles	Thesis	Motivators	Opportunities	Company	Trends
<p>Trend follower</p> 	Aspiration for feeling comfortable	Communication & Best choice	<p>Approaches to using consumer aspiration for comprehensive services / How is consumer aspiration for comprehensive services used?</p> <p>What is a value proposition for those who choose time-saving online shopping?</p>	MTS- retail KupiVip	Digital: freedom & experience building
<p>Experiential engagers</p> 	Life is about 'doing' rather than 'having'	Appeal & Self-expression	<p>Approaches to using consumer interest in innovative, unrivaled products / How can consumer interest in innovative unrivaled products be used?</p> <p>What values can be proposed to modern consumers?</p>	'Krasny Kub' (Red Cube) Splat	Enjoy Natural Products
<p>Modern active person (live wire)</p> 	Looking for advanced solutions for active life	Activity & Health	<p>How can consumer aspiration for active living be used?</p> <p>What is a value proposition for consumers ready to use modern fitness gadgets?</p>	Sportmaster	Health living

Consumers roles	Thesis	Motivators	Opportunities	Company	Trends
Impulse followers 	It's all about the path of least resistance	Convenience & Time	How can you make your offering the easiest to find, fastest to purchase, and quickest to get? How can you save the customer the most time throughout their entire experience with your product or service?	Rive Gauche 36.6 Pharmacy Chain	Enjoy Expert position
Value chasers 	Give me the best value at the best price	Value & Rewards	What can you deliver that's the best value (benefits versus cost) compared to the competition?	EDMINS Gracia	Enjoy Traditions