

R E S E A R C H

P R E S E N T A T I O N

MARKET OF POINT OF SALES MATERIALS IN RUSSIA

Results of 2018. Prospects for development in 2019-2020
Methodology and short results of Research

Research initiator:

POP**PAI**

PART OF THE **shop** GLOBAL NETWORK

Research contractor:

iINFO *Line*

информационное агентство

information agency

Terminology and methodology of Research

AIM OF RESEARCH:

- To study market of point of sales materials (POSM)

TASKS OF RESEARCH:

- To increase the transparency of the market of POSM for suppliers of POSM, companies that provide technical merchandising services, company-consumers (brand and retail chain owners) and for retail operators, which place POSM in their trade facilities
- Annual market analysis, the results of which should be used for benchmarking and planning (dynamics and development trends, ratings of companies operating in the market, trends, problems and innovations)

OBJECT OF RESEARCH:

- Object of research is point of sales materials (POSM)
- In this Research point of sales materials (POSM):
 - **Include:** branded point of sales materials (including pre-pack) and branded trade equipment
 - **Do not include:** printed materials, souvenirs, trade packaging, digital signage, unbranded standard trade equipment, unbranded merchandising materials, exhibition equipment

GEOGRAPHY OF RESEARCH:

- Russian Federation

METHODS OF RESEARCH:

- Quantitative research (questionnaire survey)
- Qualitative research (interview)
- Desk research (analysis of secondary sources)

THE PROCEDURE OF PREPARATION OF BASIC MATERIALS FOR RESEARCH

Research initiator:



- agreement of basic terminology and market boundaries (including the definition and classification of POSM, basic market segments);
- approval of the list of Respondent companies (manufacturers and suppliers of POSM and technical merchandising services, brand owners, retail chains);
- approval of the process of the sampling of respondents by segments and product categories;
- approval of the list of questions and layouts of questionnaires

Research contractor:



- formation of proposals for the market terminology;
- formation of lists of Respondent companies (POSM manufacturers and suppliers, brand owners, retail chains);
- preparation of questions for questioning, interviewing and formation of layouts of questionnaires;
- placement of the agreed questionnaires on the WEB-resource INFOLine, conducting the survey and analysis of results

FORMATION OF RESEARCH



- ✓ **Characterization and analysis of market capacity of POSM (production, import, issues and forecast)**
- ✓ **Market segmentation by types of POSM and product categories of customers**
- ✓ **Selection method of suppliers of POSM and the most important criteria for their evaluation**
- ✓ **Detailed evaluation of the effectiveness and popularity of various types of POSM**
- ✓ **Analysis of tendencies of development of the market of POSM**
- ✓ **Analysis and forecast of retail trade in Russia in FMCG and Non-Food segments**



METHODOLOGY OF DATA COLLECTION



Manufactures and suppliers of POSM

> 150 companies in initial sample



Brand owners

> 200 companies from 13 market segments in initial sample



Retail chains

> 500 companies from 11 market segments in initial sample



Foreign trade turnover

330 HS codes in initial sample

questioning and interviewing

analysis



Requested information:

- general information about the company;
- characteristics of the company (financial and operational performance);
- most important clients and principles of work with them;
- trends and prospects of POSM market



Requested information:

- general information about the company;
- types of used POSM;
- most significant suppliers of POSM and technical merchandising services and their evaluation;
- selection criteria of suppliers of POSM;
- POSM budgets;
- joint actions and their effectiveness;
- trends and prospects of POSM market

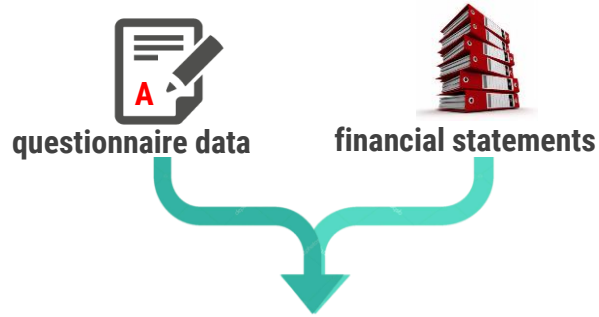


Analysed information:

- data of more than 400 thousand customs declarations;
- information about suppliers and customers;
- description of imported and exported goods;
- trade turnover in physical and value terms;
- customs duty.

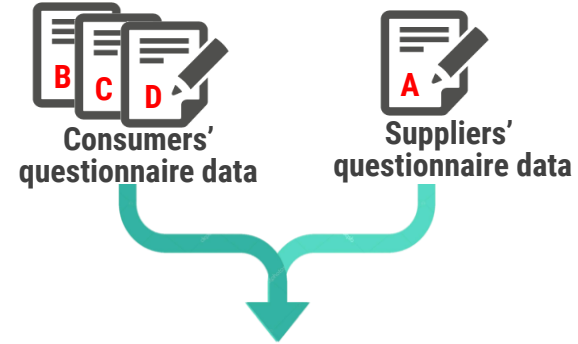
METHODOLOGY OF VERIFICATION OF INFORMATION

Operating performance of manufactures and suppliers of POSM:



1. If the company has answered the relevant questions of the questionnaire:
 - a) and while comparing its answers with financial statements, there are no contradictions: the data of the Respondent are accepted for analysis.
 - b) and while comparing its answers with financial statements, there are contradictions: INFOLine conducts additional analysis of indicators of the Respondent and its affiliated legal entities in order to mitigate contradictions; for further analysis the data of the Respondent are accepted.
2. If the company has refused to fill in the questionnaire or has not answered the relevant questions: revenue of the main legal entity (or group of affiliated legal entities) including VAT according to the financial statements is taken into account in the analysis; revenue structure by types of POSM is estimated expertly by INFOLine and then agreed with the company

Data about suppliers and consumers of POSM:



1. If the company-customer has specified a company as a POSM supplier that is **not included in the initial sample of POSM manufacturers and suppliers**, INFOLine specialists analyze the profile of the company specified by the customer and, if POSM production is the main or one of the main activities of this company, it becomes included in the corresponding sample.
2. If the company-customer has not specified POSM supplier in the questionnaire, which in turn in its answers stated company-customer as an important client: INFOLine specialists conducts an interview with the customer to clarify, whether the company work with the relevant supplier, and if there is a possibility to evaluate its work.

RESULTS OF QUESTIONNAIRE OF POSM SUPPLIERS IN 2019



In 2019,
81 forms
were received
(70% of POSM market)

- During market research of point of sales materials (POSM) in Russia, which was carried out in 2018-2019, INFOLine specialists conducted a survey of **more than 200** manufacturers and suppliers of POSM and technical merchandising services and received **81 filled forms**. Of these: **42 questionnaires** from companies that are members of the Association POPAI, and **39 questionnaires** from companies that are not members of this Association.
- The total share of manufacturers and suppliers of POSM and technical merchandising services who filled the questionnaire is about **70%** of the Russian POSM and technical merchandising services market in 2018.
- The share of surveyed companies operating in the POSM production and supply segment is **96,3%**. **56,8%** of respondents work in the segment of technical merchandising. **53,1%** of respondents are presented in both segments.

Surveyed manufacturers and suppliers of POSM and technical merchandising services which took part in the research in 2018-2019



RESULTS OF QUESTIONNAIRE OF BRAND OWNERS IN 2019



**In 2019,
157 forms
were received
(up to 60% of goods market)**

- During market research of point of sales materials (POSM) in Russia, which was carried out in 2018-2019, INFOLine specialists conducted a survey of **more than 200** largest brand owners in **13** product categories. All major advertisers in terms of budget of Out of home advertising were covered.
- During the survey, **157** questionnaires were received from **144** companies in the main segments of the consumer market, including: food and soft drinks-**61** questionnaires, consumer electronics (incl. household appliances, electronics and mobile devices) - **9** questionnaires, cosmetics, beauty and fragrance - **26** questionnaires, pet food and animal feed-**10** questionnaires, alcoholic drinks -**10** questionnaires, pharmacy - **5** questionnaires, DIY and Household (goods for repair, home and garden) - **10** questionnaires, goods for children-**7** questionnaires, household cleaning -**10** questionnaires, manufacturers, importers and suppliers of cars and tires – **4** questionnaires, other segments (tobacco products, clothing, footwear, accessories, including sports goods, services)- **5** questionnaires.
- The total share of brand owners that have completed the questionnaire covers 60% of the Russian good market in 2018.

Surveyed brand owners which took part in the research in 2018-2019

Food and soft drinks



Alcoholic Drinks



Cosmetics & Beauty



Consumer Electronics



Pet Food and Animal Feeds



DIY and Household



Household chemicals



Children goods



Pharmacy



Tobacco products



and other brand owners

RESULTS OF QUESTIONNAIRE OF RETAIL CHAINS IN 2019



In 2019,
95 forms
were received
(up to 40% of retail market)

- During market research of point of sales materials (POSM) in Russia, which was carried out in 2018-2019, INFOline specialists conducted a survey of **more than 500** largest Russian retail chains.
- As a result of survey **95 filled questionnaires** were received from **66** retail chains which account for more than **70%** of the revenue of the TOP 100 retailers and represent up to **40%** of the retail market.
- Of the 95 received questionnaires: **43** questionnaires – customers of POSM, **52** questionnaires – placement of POSM. Regarding segments, **58** questionnaires received from FMCG and alcoholic drinks segment, **20** questionnaires - DIY and Household (goods for repair, home and garden), **6** questionnaires– consumer electronics (household appliances and electronics including mobile devices), **5** questionnaires – pharmacy and medicine, **6** questionnaire–other segments (goods for children, manufacturers, importers and suppliers of cars and tires, clothing, shoes, accessories, Drogerly).

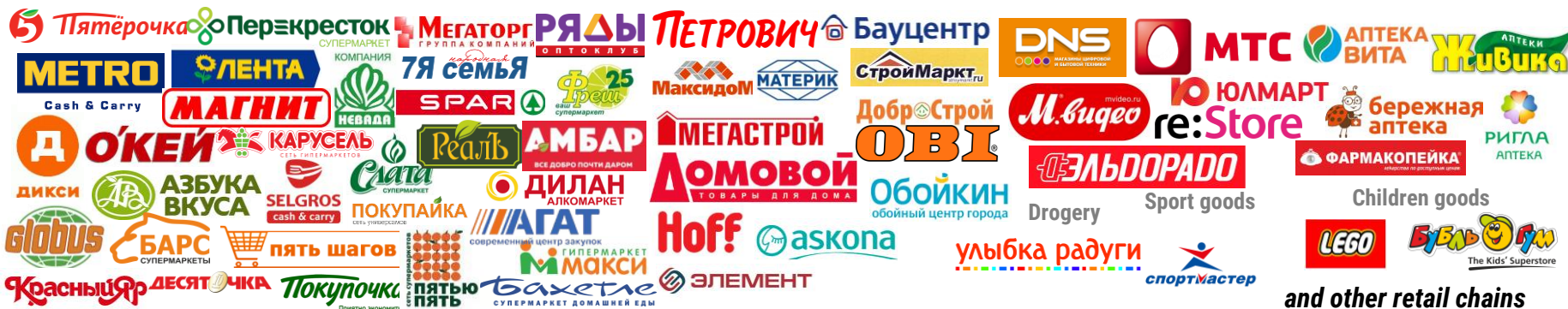
Surveyed retail chains which took part in the research in 2018-2019

FMCG and alcoholic drinks

DIY

Consumer electronics

Pharmacy retail



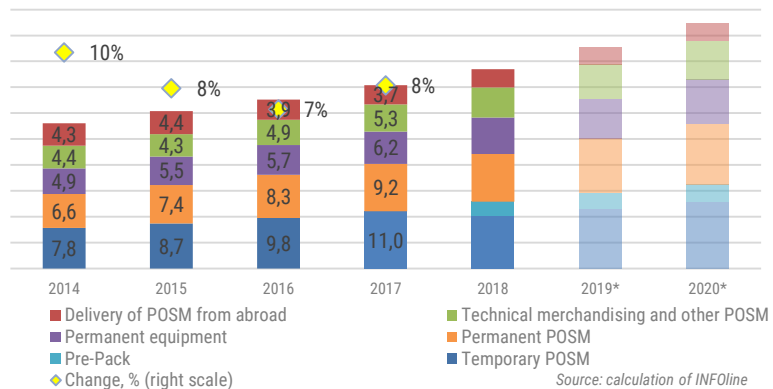
and other retail chains

Key findings

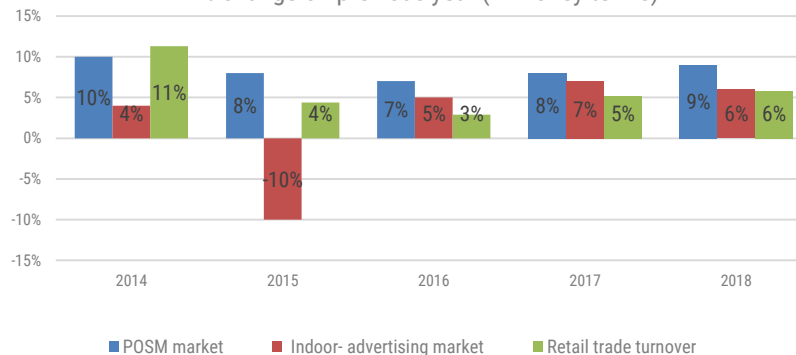
DYNAMICS AND STRUCTURE OF THE MARKET OF POSM AND TECHNICAL MERCHANDISING IN RUSSIA

- The growth of retail trade turnover in money terms accelerated to **5.8%** in 2018 compared to **5.2%** in 2017, while the growth of the indoor advertising market, on the contrary, slowed to **6%** (1 percentage point less than in 2017).
- According to preliminary estimates, in 2018 the volume of the POSM market and technical merchandising in Russia increased by... % and reached ... **billion rubles** (including VAT) in producer prices (the cost of development, production and maintenance of POSM).
- At the end of 2018 ... % of suppliers of POSM and technical merchandising recorded an increase in sales, and what is more ... % pointed out a growth of **10% or more**. At the same time, the analysis of the survey results did not reveal a significant trend of market consolidation (the stated growth rates of the leaders are slightly higher than the average companies).
- The share of suppliers that positively assess the market prospects has increased: **more than ...%** of the surveyed participants of POSM market and technical merchandising believe that the market will grow in the medium term. According to the INFOLine's forecast, the growth rate of the market of POSM and technical merchandising can speed up to ...% in 2019-2020.

Market volume of POSM and technical merchandising services in Russia, billion rubles (incl. VAT)



POSM market, advertising market and retail trade turnover, % change on previous year (in money terms)

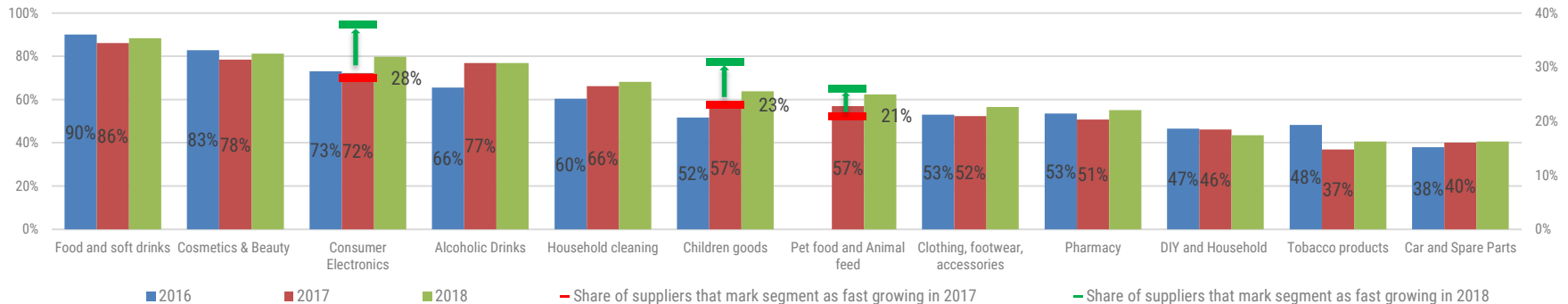


PRESENCE OF THE SUPPLIERS OF POSM AND TECHNICAL MERCHANDISING IN PRODUCT SEGMENTS

- By the end of 2018 category «Consumer electronics» returned in the TOP-3 product segments: thus, the share of suppliers that indicated cooperation with companies from this segment increased by **8 percentage points (38%** pointed out it as the fastest growing part in total POSM sales). Such dynamics is explained by the growth of household appliances and electronics' sales in Russia in 2018 by **18%** compared to the level of 2017. The increase is the result of deferred demand and the expansion of the use of high-tech POSM by manufacturers of electronics to promote brands in retail chains.
- Active development of the categories «Pet food and Animal feed» and «Children goods» by FMCG retail chains has become an additional driver of the POSM market and led to an increase in the number of suppliers cooperating with customers from these categories. What is more, **31% and 26%** of respondents noted them among the fastest growing in the POSM sales structure, respectively.
- In the category of «Pet food and Animal feed» aggressive competition between the two market leaders «Mars» and «Nestle», combined with the raised interest of FMCG retail chains to the development of this category, led to increased investment in the implementation of marketing activities and contributed to the growth of expenditures for POSM.



Market segments



Source: INFOLine analysis of the answers to question A20. What segments of the consumer market did your company work with in 2018? A33. To customers of what segments of the consumer market did your company provide services (technical merchandising) in 2018? A21. Specify fast-growing customer segments in your company's sales structure of promotional materials (POSM).

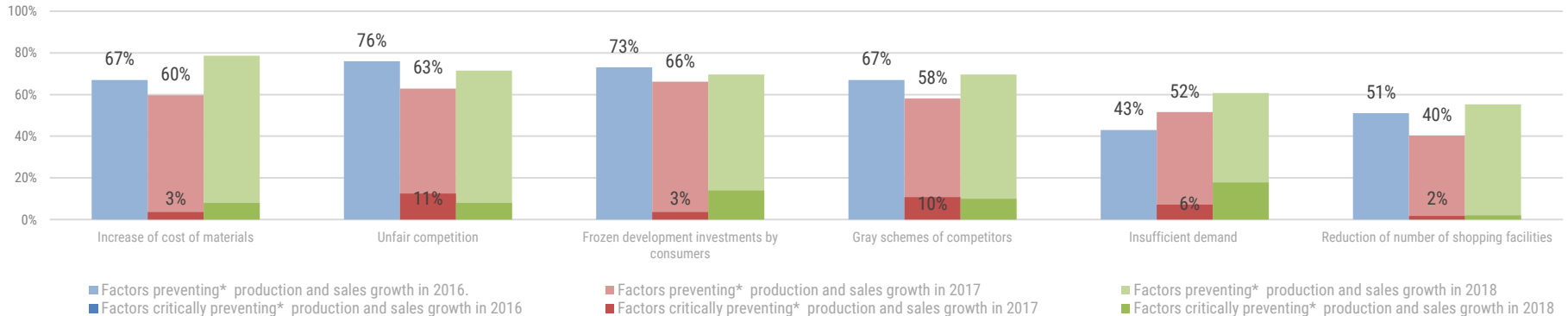
FACTORS PREVENTING SALES OF POSM AND TECHNICAL MERCHANDISING FROM GROWTH

- The negative impact of the factor – growth of the cost of materials for the production of POSM - sharply increased (**+19 percentage points** to the level of 2017). It became the most important factor overtaking the factors such as unfair competition and frozen investments by customers. The share of those who assessed this factor as a critical obstacle increased **twice**.
- The increase of the cost of materials in the conditions of frozen investments by customers (the factor was marked “critically preventing” by **13%** in 2018 compared to **3%** in 2017) and insufficient demand (the factor was marked “critically preventing” by **16%** in 2018 against **6%** in 2017) cause a raise of cost of POSM suppliers and decrease their marginality.
- In the context of increased customers’ price pressure and reduced schedule times, bad-faith suppliers oftener offer unrealistically short schedule times and low prices for POSM in order to win the fight for clients. In turn it leads to customers’ problems associated with production delays and poor quality of products. In this regard, suppliers significantly more often mentioned unfair competition (growth of **8 percentage points** to the level of 2017) and gray schemes of competitors (increase of **12 percentage points** to the level of 2017) among the factors hindering sales growth.

* Figure shows the total response rates “Critically preventing”, “Very preventing” and “Rather preventing”



Main factors preventing * POSM production and sales from growth in Russia in 2016-2018, % of respondents

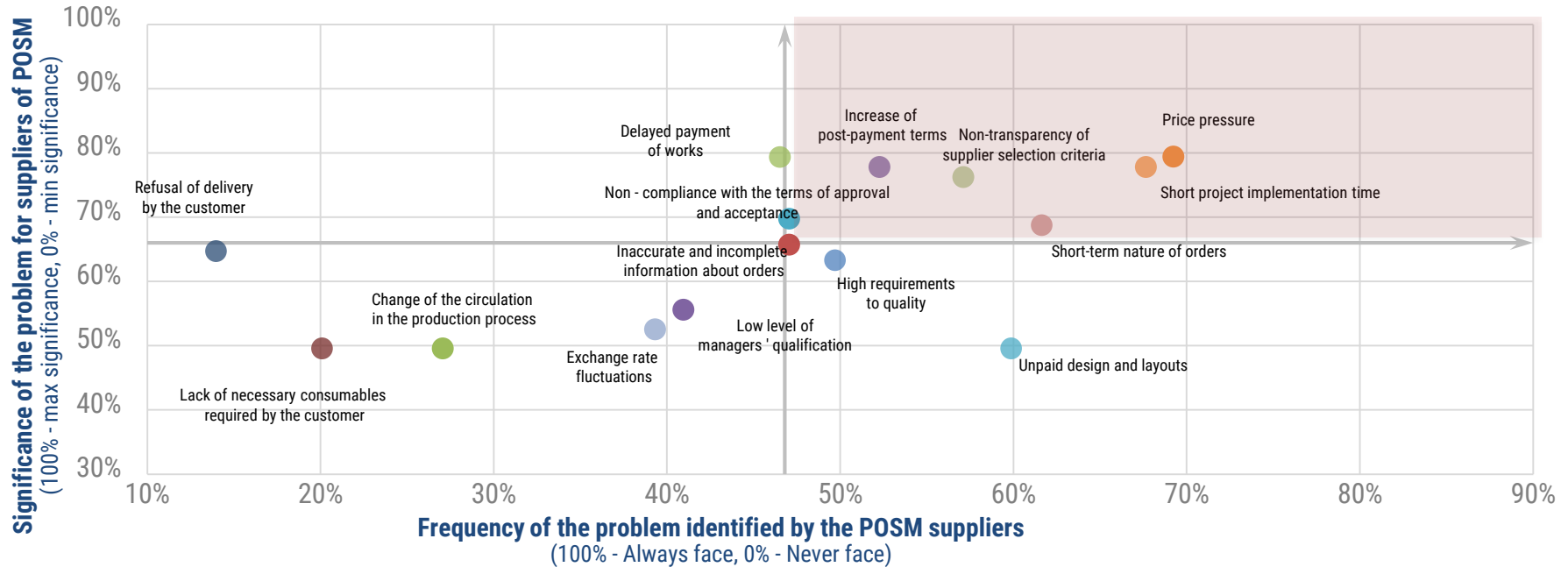


Source: INFOLine analysis of answers to question A52. Specify the factors preventing the growth of production and sales of advertising materials at points of sale (POSM) in Russia (in 2016 critical factors were not identified in the questionnaire).

DIFFICULTIES OF SUPPLIERS OF POSM WHILE INTERACTING WITH CUSTOMERS



Accounting two parameters (frequency and significance of the problem), which characterize the difficulties faced by POSM suppliers while interacting with customers, in 2018 the most important obstacles are customers' price pressure, short project implementation times, increased post-payment terms, non-transparency of supplier selection criteria and short-term orders. Problems such as delayed payment of works, non-compliance with the terms of approval and acceptance, inaccurate and incomplete information about orders are considered to be significant.



Source: INFOLine analysis of answers to questions **A 23. What difficulties did your company face in the process of interaction with customers in 2018?** **A24. Which of the following difficulties are the most significant (important) for you?**

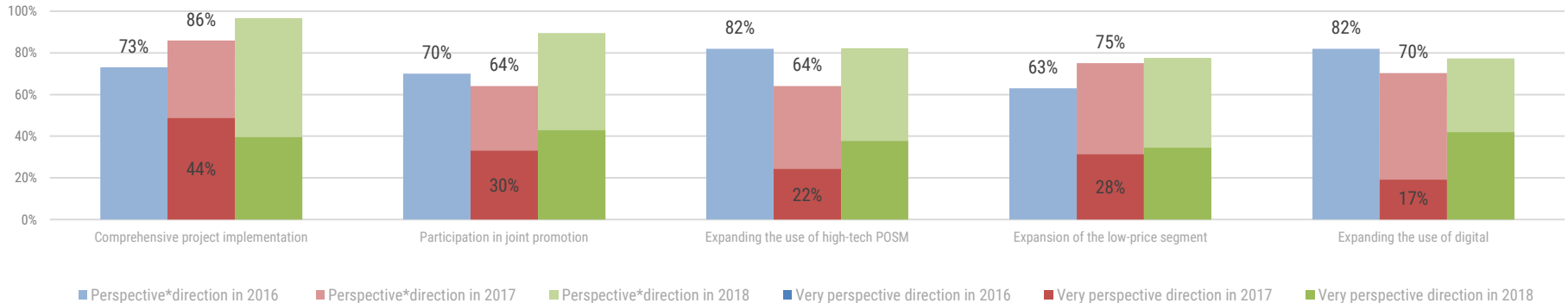
PROMISING DIRECTIONS OF THE MARKET DEVELOPMENT OF POSM

- Suppliers of POSM fully realized the economic feasibility and the need for a comprehensive project implementation (percentage of suppliers that marked the prospects of this direction increased by **11 percentage points** and reached **97%**), including creative component (design), which at the moment often implemented by advertising agencies. It reduces the profitability of the production process of POSM and turns manufactures of POSM into a "factory" in the customers' eyes.
- Clearly marked increasing trend of the involvement of brand owners and retailers in joint promotions, as well as the emerging trend of conducting joint promotions between retail chains lead to a significant increase in the percentage of manufacturers that rated participation in joint actions as perspective direction for market development of POSM (**+25 percentage point** to the level of 2017). What is more, **39%** believe that this direction is very promising (this is the highest figure among all the promising directions of development).
- The share of suppliers, noting that the development of high-tech POSM as well as using digital is very perspective, rapidly increased (+ 18 and 21 percentage point respectively)

* The diagram shows the total figures for the answers "Rather perspective" and "Very perspective"



Assessment of perspectiveness of directions of POSM market development by suppliers of POSM and technical merchandising in 2016-2018, %



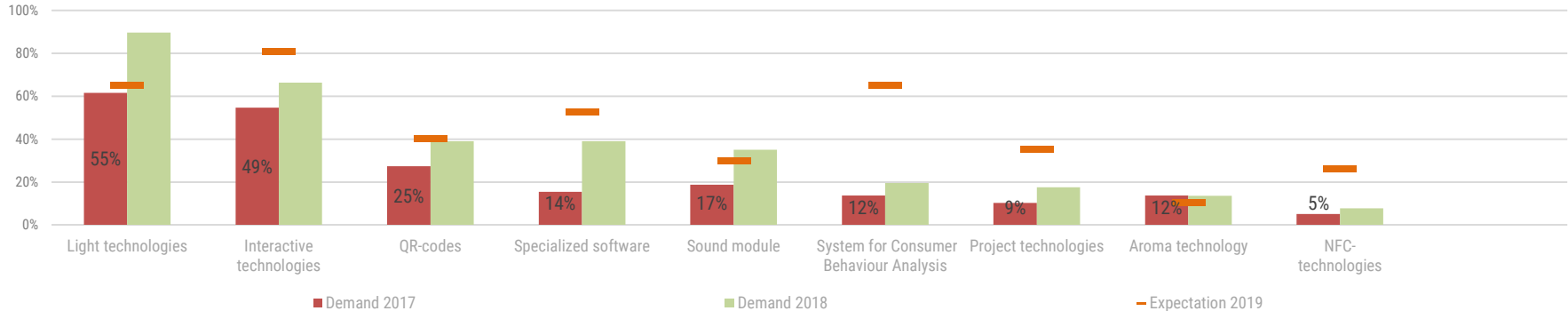
Source: INFOline analysis of answers to **A53** questions. What directions of development of the market of advertising materials in points of sale (POSM), in your opinion, are the most promising next year?

TECHNOLOGICAL TRENDS AND INNOVATIONS

- In 2017-2018, there is a trend of increasing demand for complex technologies, although it is not as fast as has been predicted by suppliers. For example, the level of demand of systems for consumer behavior analysis, which in 2017 was projected to grow more than 4 times, in reality increased only by 4 percentage points. It occurs due to high cost, the complexity of assessing economic efficiency, as well as the lack of customers' awareness of and, as a consequence, their lack of understanding of the benefits of its use.
- According to the results of 2018, specialized software was the most demanded technology and showed the greatest growth (**more than twice**). Such market segments and categories as consumer electronics and DIY (categories of power tools, electrical appliances, complex machinery and equipment) were the leaders by implementing innovative technologies.
- Suppliers of POSM retain an optimistic outlook on the prospect of complex and innovative technologies and expect significant growth in their demand in 2019, while the demand for the most common in 2017-2018 lighting technologies may be reduced.



Suppliers' use of innovative elements and technologies in POSM in 2017-2018 and expectations for 2019, %



Source: INFOLine analysis of answers to questions A51. What innovative technologies in the field of advertising materials at points of sale (POSM), in your opinion, will be most demanded in 2019? A15. What innovative technologies did your company use in the production of advertising materials at points of sale (POSM) in 2018?

The ranking of suppliers of POSM and technical merchandising services

METHODOLOGY OF RANKING: THE CALCULATION OF THE INTEGRAL RATING

Description and method of calculation:

Integral rating of manufacturers and suppliers of POSM and technical merchandising services is created to reflect the real market positions of the largest companies in the market and is formed on the basis of the companies' positions in the ratings for separate segments of the POSM market and technical merchandising services.

The integral rating represents TOP-10 companies with the indication of places and the second ten companies given without the indication of concrete places, in alphabetical order.


To form this rating, a 20-point scale is used. The calculation of the number of points for each company is made according to the following formula:

$$I_{Int.} = a \cdot M_{POSM(temp.)} + b \cdot M_{POSM(perm.)} + c \cdot M_{POSM(perm.eq.)} + d \cdot M_{tech.merch.}$$

$I_{Int.}$ – number of points of the company in the integral rating; a – the share of temporary POSM in the market structure of POSM and merchandising technical services without taking import deliveries into account (up to 2018 – 0,35); $M_{POSM(temp.)}$ – number of points of the relevant company for entering the rating of temporary POSM; b – the share of permanent POSM in the market structure of POSM and merchandising technical services (up to 2018 – 0,27); $M_{POSM(perm.)}$ – number of points of the relevant company for entering the rating of permanent POSM; c – the share of permanent equipment in the market structure of POSM and merchandising technical services (up to 2018 – 0,2); $M_{POSM(perm.eq.)}$ – number of points of the relevant company for entering the rating of permanent equipment; d – the share of technical merchandising in the market structure of POSM and merchandising technical services (up to 2018 – 0,18); $M_{tech.merch.}$ – number of points of the relevant company for entering the rating of technical merchandising.

For entering the rating for temporary and permanent POSM, companies are charged from 20 to 1 points for 1 – 20 places, respectively; for entering the rating for permanent equipment companies are charged from 20 to 11 points for 1-10 places, respectively; for entering the rating for technical merchandising companies are charged from 20 to 6 points for 1-15 places, respectively.

INTEGRAL RATING OF MANUFACTURERS AND SUPPLIERS OF POSM AND TECHNICAL MERCHANDISING SERVICES IN 2017

Company's place and name in the integral rating	 Place in the segment of temporary POSM	 Place in the segment of permanent POSM	 Place in the segment of permanent equipment	 Place in the segment of technical merchandising
1  Public Totem (Паблик Тотем)				
2  Posmoteka, PVG (ПиВиДжи)				
3  VIRTU (Вирту)				
4  3D display (3D Дисплей)			–	–
5  Inel Display (Инел Дисплей)			–	–
6  Svetofor (Светофор)			–	–
7  TTG (Ти Ти Джи)			–	
8  El Paco (Эль Пако)			–	–
9  Vitrina A (Витрина А)	–			–
10  LaserStyle (ЛазерСтиль)	–			–

Second ten companies:

(companies listed in alphabetical order)

* the company did not complete the questionnaire in 2018.



RESEARCH INITIATOR: ASSOCIATION «POPAI»



Association «POPAI» – an international Association of professional participants of retail marketing market. The association's mission is to promote the development of marketing in the points of sales, to improve the efficiency of marketing tools in retail and to mediate the formation of civilized relations between industry participants.

RESEARCH CONTRACTOR: INFORMATION AGENCY INFOLine

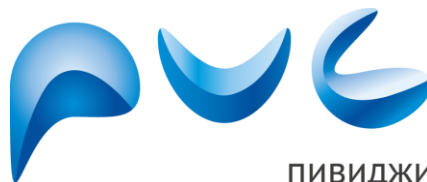


Information agency INFOLine conducts research of various markets since 2003. In the preparation of each study INFOLine specialists rely on long experience and use their own unique information bases. The results of INFOLine research are constantly used by the largest FMCG retailers, manufacturers, financial and service companies.

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