



# **X5 Retail Group**

## **Capital Markets Day**

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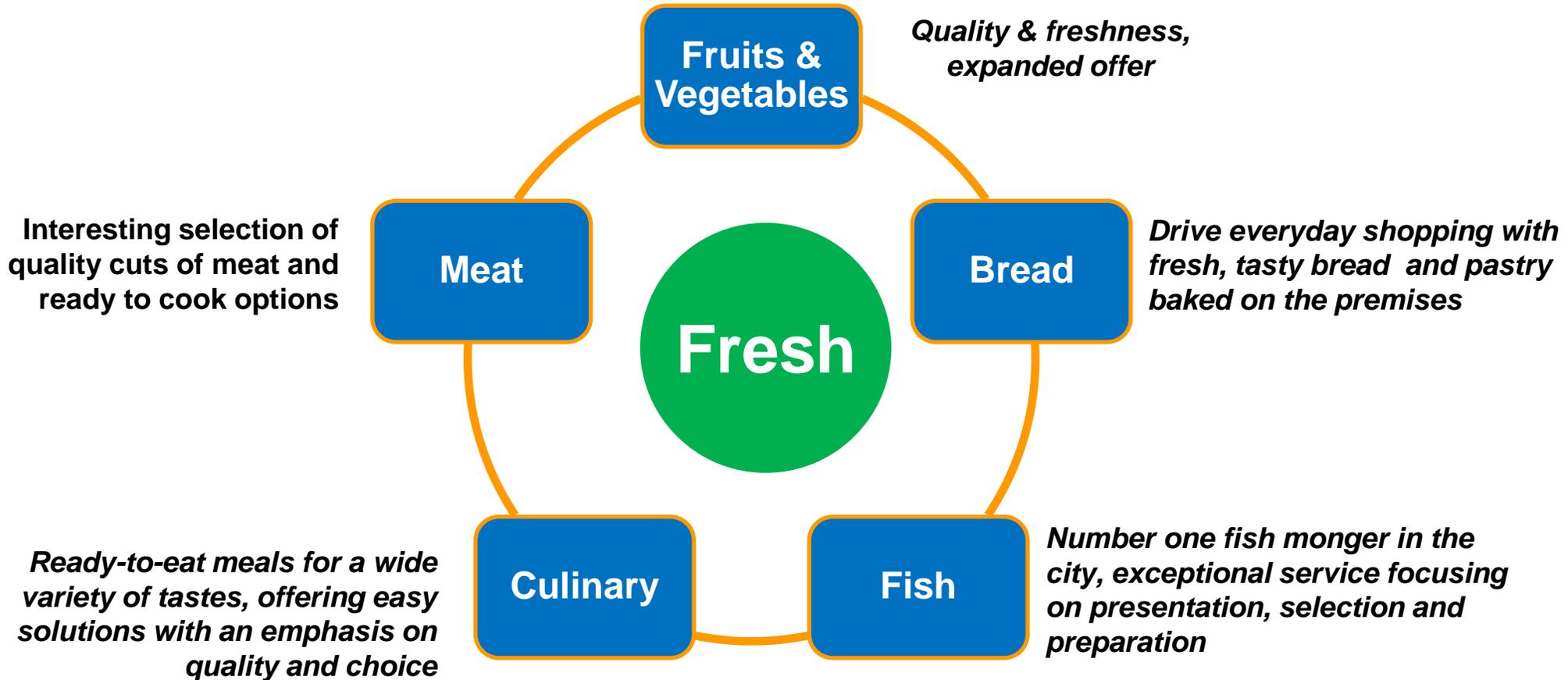
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**Perekrestok: The customer's first choice for fresh supported by the right assortment and price strategy**



### **Perekrestok customers encompass a broad consumer audience:**

- ❖ Price sensitive customers looking for a fresh food at fair prices
- ❖ Focused on quality and assortment range
- ❖ Currently, customers are choosing Perekrestok based on convenient location, attractive prices and promo.
- ❖ In the last five years Perekrestok brand awareness in Moscow is close to 100% however brand loyalty has been declining

### **Freshness and quality of goods as well as service needs to be improved**

Expand customer base by targeting more active, wealthy, young and educated shoppers that demand a higher level of service and quality and who value free time:

- ❖ Focus on family: healthy product choices
- ❖ Quality of life: spend less time on shopping,
- ❖ Open to new things: Innovative products and services

Perekrestok's value proposition compared to the competition

- 1 Need to improve fresh offer
- 2 Need to improve service and availability
- 3 Need to improve assortment
- 4 Satisfied with pricing and promotional activities



We have analyzed and incorporated our customer feedback in our new strategy

Customer research X5 and competitors, April 13. The sample size in all cities = 14 400. The survey covers 18 cities RVs, questioning - Quans Research Agency

## Focus on Sales – Increase market share, customer base and loyalty

- ❖ Positive Like-for-Likes, increase in basket & traffic
- ❖ Increase pace of expansion

## Focus on revitalizing and living up to our value proposition supported by

- ❖ The right assortment → best choice + best quality
- ❖ The right pricing strategy
- ❖ Shelf availability
- ❖ Merchandising → positive shopping experience
- ❖ Overall quality and level of service

**Satisfied Customers = Higher Sales**

## CHANGING ENVIRONMENT

## ACTION PLAN

## OBJECTIVES

Brand differentiation is main driver for success

Build clear value proposition with focus on fresh concept through improved assortment

To be customers' first choice for fresh & high quality products (Brands!)

Consumers are more & more demanding in terms of price, assortment, quality and service

Improve customer perception & store layout

Compelling and convenient shopping experience & competitive price perception. No compromise on quality!

Growing competition in all regions

Invest in expansion & reconstruction. Increase traffic

Growth in top line & customer base

Personnel is key factor for success

Develop strong, motivated team that trusts in Perekrestok

Responsive, open, responsible team-members

**Format positioning**

- *Quality & Freshness*
- *Defined by customers’ desires - Meet & Exceed expectations*
- *Reasonable balance between – International – Federal – Local products*
- *Right category mix*

**Outstanding range in selected categories (“Destination”)**

- *Fresh tasty bread and pastry aiming to drive everyday shopping with Perekrestok*
- *To be number 1 fish monger in the city*

**“Ready-to-cook/eat” food**

- *Highest quality of ready-to-cook products (fish, meat, ..)*
- *Highest quality of ready-to-eat products (for financially stronger target group)*

**Private label and non-food strategy**

- *Private label(s): good quality, good prices*
- *Small but attractive range of non-food offers in selected categories mostly complementary to food*

**In-store environment**

- *Compelling and convenient shopping perception/experience*
- *Inviting, friendly and aspirational atmosphere*
- *High level of cleanliness*

**In-store service, navigation and efficiency**

- *Convenient location with enough parking space*
- *Clear planogram/zoning/selling space allocation*
- *Right mixture between service & self-service*
- *In-store communication with clear POS-Materials*

**Quality of service**

- *Trained, active and ready-to-help staff*
- *Investment in training of front & floor personnel and management team; talent development*
- *Developing proper incentives to keep the shelves stocked*
- *Consistent in-stock*
- *Queue-Management (Check-Outs, service counters, ...)*
- *Clear price communication*
- *No expired products*

## Approach

- *Develop perception of competitive prices*
- *Right price strategy for Good/Better/Best*
- *Strong discipline in Price Monitoring and fast reaction*
- *“Give customers the feeling that they are in the best store for their wants and needs!”*
- *Low price guarantees do not compromise product quality!*

## Strong promotion support to build & support price image

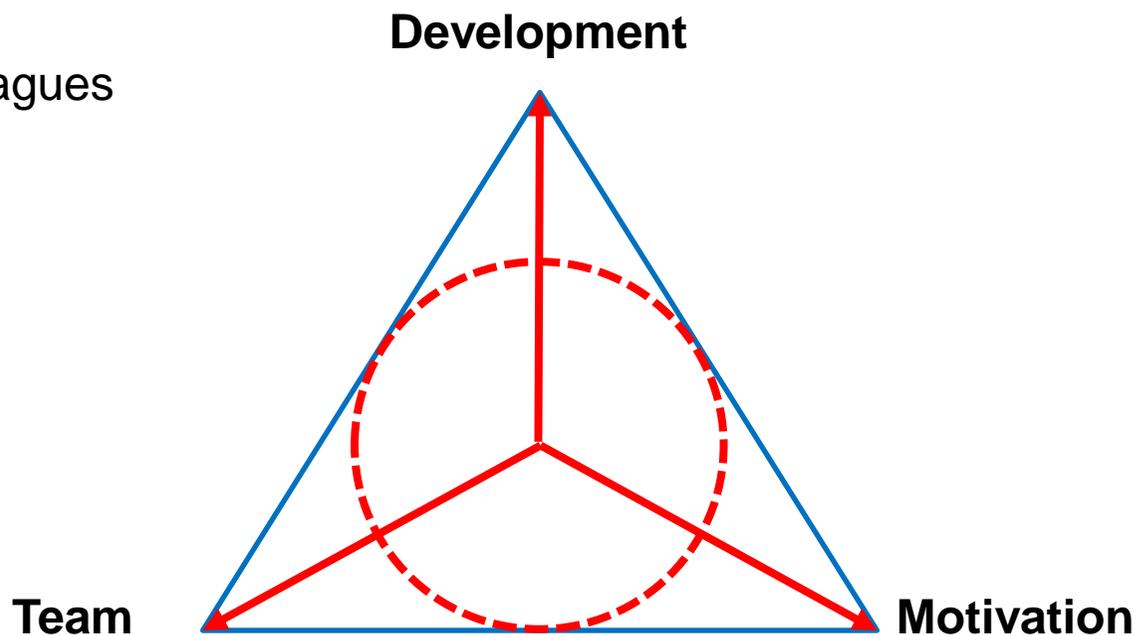
- *“Clever” and competitive Marketing- and Promotion-Plan (on a yearly basis – regularly revised)*
- *Strong and clear communication*
- *in all channels (TV, OOH, Leaflets, ...)*
- *in the stores (POS-Materials, ...)*

## Loyalty Program

- *Use Loyalty program as USP*
- *To increase traffic & sales*

## Develop strong, motivated team that believes in Perekrestok and the future

- ❖ Personal initiative
- ❖ Sincere
- ❖ Responsible
- ❖ Respect for oneself and colleagues



- ❖ Significant purchasing power and favorable purchasing conditions
- ❖ Part of a multi-format Company
- ❖ Best locations, convenient shopping
- ❖ Large number of stores (the market leader in the supermarkets segment in Moscow & Moscow Region)
- ❖ Recognizable brand, associated with reasonable prices
- ❖ High level of experience in own-production and ready-to-eat meals
- ❖ Attractive pricing, including for FRESH (fruits & vegetables, fish and meat)
- ❖ Every day promotional offers and seasonal promotions
- ❖ Modernization program (reconstruction) for stores

**ORGANISATION**



**Q1 2014**

**FINALIZE POSITIONING**



**Q1 2014**

**ASSORTMENT STRATEGY**



**Q2 2014**

**PRICE STRATEGY**



**Q2 2014**

**STORE CONCEPT**



**2014**

Thank you for your attention!