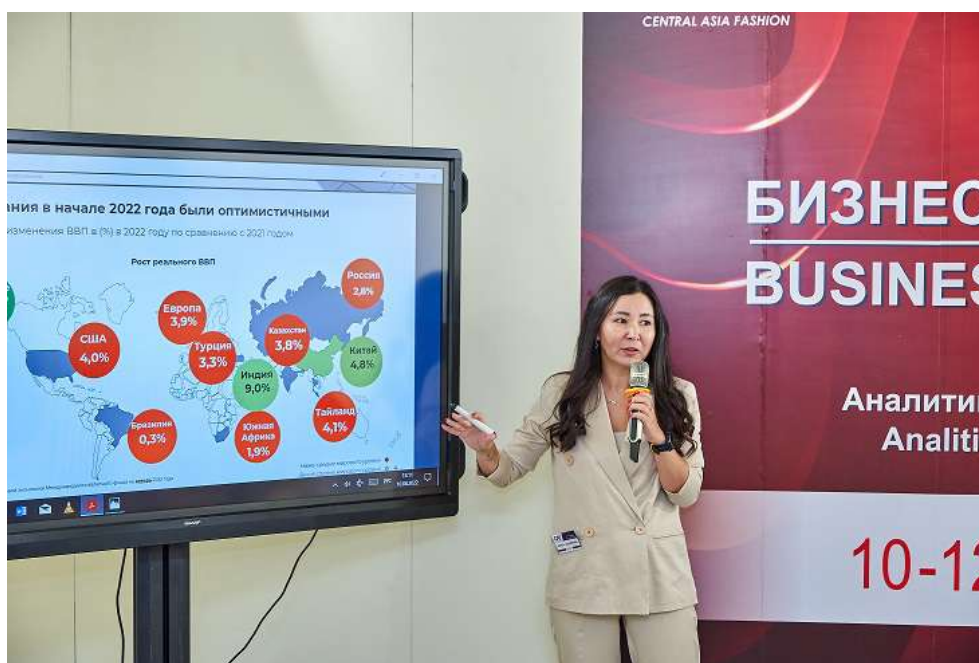




Evolution of Consumer Behaviour in Turbulence

Madina Seisengaliyeva, the speaker of the business conference of the Central Asia Fashion International Fashion Exhibition, the Commercial Director of the NielsenIQ Kazakhstan international analytical agency, shared the results of a global study – “evolution of consumer behaviour”. The subject of a detailed study of analysts, a decade long, was the buying trend. During her speech, the analyst spoke about how the trends and structure of retail trade were changing, what mega transformations in the economic behaviour of consumers took place and how the index of consumer optimism of Kazakhstanis changed. In addition, the speaker of the CAF business conference gave figures about the present of Kazakhstanis: how does the “new standard” of rising prices affect Kazakhstani consumers, what do compatriots spend their money on now and what are the main reasons for their concern?



Speech by Madina Seisengaliyeva, the Commercial Director of NielsenIQ Kazakhstan, at the Central Asia Fashion business conference

Economic forecasts: expectations vs reality

The expert of the CAF business conference believes that the whole world has entered a new “disturbing world” that consumers need to learn to cope with. *“At the beginning of the year, in January, the world thought things were going to get better. People were starting to come out of the restrictive measures associated with the coronavirus. Many analysts expected that we would be back to business as usual, the consumer would start spending money and everything would be fine. However, in April the forecast became more pessimistic. In terms of the global economy, growth has slowed down. Now our region is in the red zone, because we are directly in the vicinity of the military conflict zone. The forecast for Russia was as follows: the economy will fall by 8.5%. In Kazakhstan, an increase of 2.3% will be observed, which corresponds to the time of the crisis. However, in mid-summer, another forecast appeared, more uncertain one. According to this forecast, the clouds are piling up over us: the forecast for the growth rate of the world economy has decreased, the forecasts for a number of developed countries have been revised according to a more pessimistic scenario, Madina Seisengaliyeva says. This year, Kazakhstan is*

simultaneously experiencing several crises at once. The first crisis is the global world food crisis, since Russia and Ukraine supply up to 40 per cent of the world's food for the whole world. The second crisis is the global energy crisis: energy prices in Europe and the US are rising and inflation, even in countries such as the UK, Germany, France, the US, which was at the level of 1.5 per cent, is now breaking all records. The third crisis is associated with increased inflation. There is also the migration crisis because of the influx of refugees, and there is also the COVID-19 crisis and the global climate crisis, which in principle has a longer history.”

Мировой экономический кризис
Виды текущих глобальных кризисов

- Мировой продовольственный кризис (высокие цены из-за сбоев в цепочках поставок)
- Глобальный энергетический кризис (высокие цены на ресурсы)
- Повышенная инфляция (ожидается повышение процентных ставок)
- Миграционный кризис в Европе
- Кризис COVID-19
- Климатический кризис



© 2022 Nielsen Consumer LLC. All Rights Reserved.

Slide from the presentation of Madina Seisengaliyeva's speech. Types of current global crises

World food crisis

“If we talk about the global food crisis, we see that the prices of basic food products are rising very quickly in all parts of the world. Part of the globe is literally on the verge of starvation, Madina Seisengaliyeva, the expert at the CAF business conference, shares the results of the study. This is due to the fact that the military conflict provoked the collapse of supply chains. Retailers are forced to revise former channels, which imposes additional costs, which many companies end up passing on to the consumer. Russia and Ukraine provided a fairly large percentage of world food. For example, sunflower oil: 53% of the total world production of these crops came from Russia and Ukraine. There are countries that are completely dependent on food imports.”

Analysing the global food crisis, Madina Seisengaliyeva, the speaker of the CAF business conference, noted: “We might think that if something happens in Europe, it does not concern us. However, we have seen during the pandemic how the world is interconnected. In any case, the rise in prices for energy carriers in Europe results in a general increase in producer prices in relation to the distributor, and further along the chain, we, the consumers, receive higher prices.”

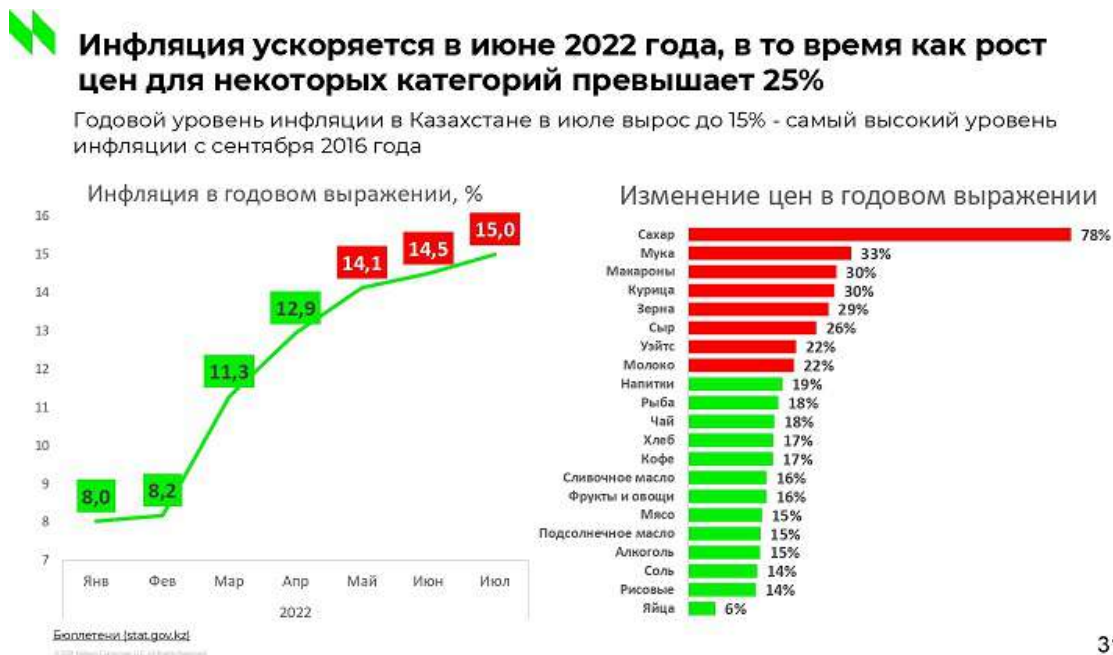


Speech by Madina Seisengaliyeva, Commercial Director of NielsenIQ Kazakhstan at the Central Asia Fashion business conference

Energy crisis and inflation

“In the 70s, people already experienced something similar, but today not only the oil sector is affected, but also the natural gas and coal crisis. For example, the cost of natural gas and coal prices in a number of countries have increased significantly,” the expert recalled.

Presenting inflation rate data, the speaker of the Central Asia Fashion business conference showed an illustration from The Economist magazine: “All previous factors, such as supply chain disruptions and rising energy prices, have contributed to higher inflation. According to forecasts by world experts, inflation in the near future will reach at least 10 percent. The rise in prices, which we are already seeing, far exceeds any forecasts. Well, and speaking of the fact that energy prices are rising, I think we will see the first sign of a change in the behaviour of consumers by mid-autumn, when they start buying energy resources, the very same coal,” Madina Seisengaliyeva shared.



31

Slide from the presentation of Madina Seisengaliyeva's speech. Annual inflation rate in Kazakhstan

Speaking about the migration and coronavirus crises also affecting consumers, the CAF business conference expert noted that according to UNICEF estimates, this year it will take \$2 million to provide refugees with essentials, and only in Europe today there are about 6 million Ukrainians.

At the same time, the world is still subject to an increase in the incidence of COVID-19. According to the expert, most of the population in developed countries has been vaccinated, and in Kazakhstan 49 per cent of citizens are fully vaccinated.

What do Kazakhstanis care about?

When compiling a list of the main causes and factors for concern influencing consumer behaviour, Madina Seisengaliyeva, the expert at the CAF business conference, emphasised that Kazakhstan, as part of the global economy, is exposed to and experiences all global challenges: “The main indicators that may show an approach to an economic recession are rising inflation and a slowdown in GDP growth. So it was in the crisis of 2008, and in the crisis of 2014. Therefore, in 2022, we see that inflation is breaking all records and GDP growth rates. Accordingly, consumers, living in this reality, understand that the situation is changing, the crisis is approaching, and this forces them to switch to costs saving mode.

In the first quarter of 2022, Kazakhstani consumers were concerned about rising prices for food, as well as rising prices for goods and services. Health, which worried compatriots during the pandemic, was already in 4th place. The top three factors for concern were debts, loans, and the escalation of the military conflict, saying it precisely, that it could come to us.”

Топ-6 основных причин для беспокойства

Уровень цен и рост для FMCG – основная причина для беспокойства в I квартале 2022 года.



Q1) Что вас сейчас больше всего беспокоит?
Q2) Что является вашей второй самой большой проблемой на данный момент?

© 2022 Nielsen Consumer LLC. All Rights Reserved

30

Slide from the presentation of Madina Seisengaliyeva's speech. Top 6 main reasons for concern

Consumer confidence index and global outlook

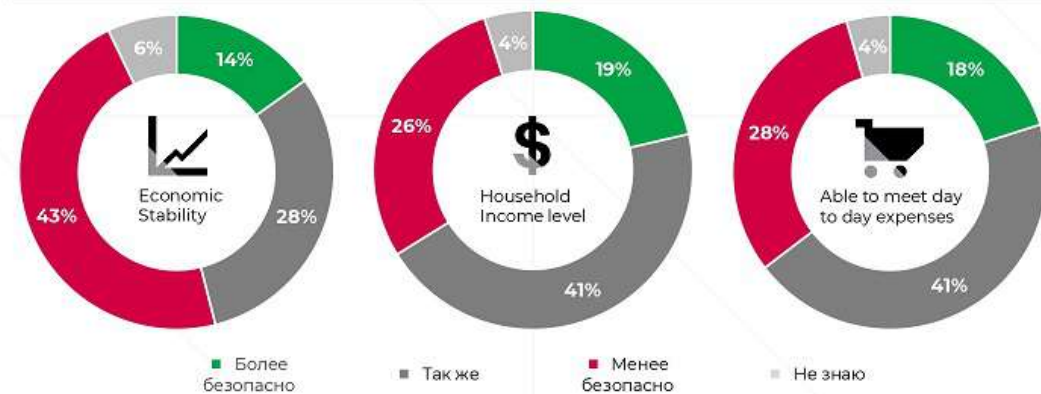
Madina Seisengaliyeva, the expert of the CAF business conference, noted that the consumer is becoming more careful in spending and is forced to make changes in the priorities in the distribution of the budget.

“The consumer confidence index in all parts of the world fell in both the first and second quarters of this year, even in some countries the pessimism of consumers is much higher than it was during the COVID-19 period. The global consumer's biggest concern is economic instability. Today, no one is sure what will happen to the economy in the near future. However, the good sign is that if we compare December 2021 and June 2022, we see that the number of more confident consumers is still growing, while the number of those who save is gradually decreasing,” Madina Seisengaliyeva, the Commercial Director of NielsenIQ Kazakhstan, shares the research data.

Снижение доверия, вызванное растущей незащищенностью

Потребители чувствуют себя менее уверенно в отношении экономики, доходов и способности покрывать ежедневные расходы

Насколько вы чувствуете себя в безопасности в ближайшие 6 месяцев по сравнению с сегодняшним днем?



Источник: Обзор потребительских перспектив Nielsen на 2022, июль 2022
© 2022 Nielsen Consumer LLC. All Rights Reserved

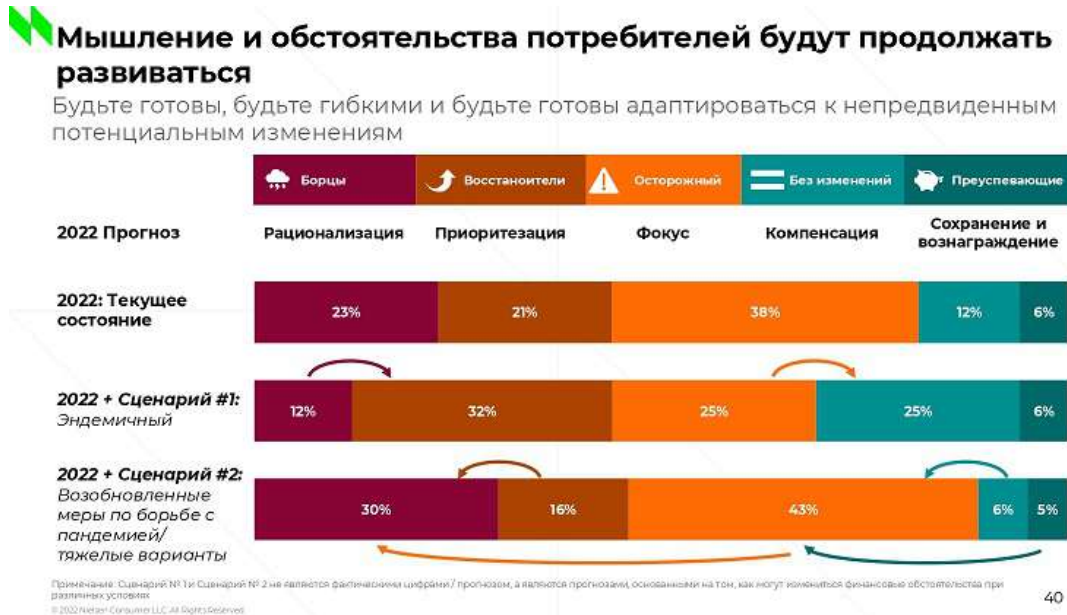
37

Slide from the presentation of Madina Seisengaliyeva's speech. Reduced trust due to growing insecurity

Kazakhstani consumer

Speaking about the changes in the life of the Kazakhstani consumer, the speaker of the CAF business conference noted several factors: “The consumer confidence index in Kazakhstan in the 1st quarter of 2022 dropped very much: by 10 per cent. This is due to the fact that there were events in January, as well as the military conflict is in the immediate vicinity of us. However, already in the second quarter, the consumer confidence index has recovered, albeit by only 2 percentage points. Consumers in Kazakhstan in every crisis begin to pay attention to prices and are more careful in spending. Thus, 64 per cent of consumers this year clearly know the price of purchased goods, and 95 per cent of consumers analyse the cost and say that food prices are rising,” Madina Seisengaliyeva, the expert, says.

Meanwhile, according to a survey by NielsenIQ Kazakhstan, consumers expect a rapid rise in prices over the next three months. More than half believe that price increases by the end of 2022 will be more than 10 to 20 percent.



Slide from the presentation of Madina Seisengaliyeva's speech. Analysts urge to be prepared for unforeseen changes

The business conference expert noted that the behaviour of consumers has changed dramatically in the dynamics over the past 10 years.

“Historically, Kazakhstan has been a country where consumers are very loyal to the brand. For example, in 2008, 80% of consumers were loyal to their brands, and today 80% of people change their brands in order to save money, Madina Seisengaliyeva, the speaker of the CAF business conference, shares analytics data. However, I think that it is fundamentally wrong to compare the situation that was 10 years ago with the current crisis situation. Therefore, we compared the current crisis with the previous one in 2016. We conducted the Crisis study literally in June 2022. We have noticed a characteristic feature for consumers in all crises, that is the creation and observance of a shopping list. This means that now more than ever people are trying to minimise impulse purchases.”



Slide from the presentation of Madina Seisengaliyeva's speech. Brand loyalty has changed dramatically. The business conference expert noted that over the past 15 years, the behaviour of buyers has changed a lot.

During her speech, the expert shared the analysis of how the consumer assessed various factors of concern in 2016 and in the current 2022?

“If we talk about job prospects, then in 2016 more people were concerned that they might not have a job tomorrow. Today it is only 29 per cent of Kazakhstanis. It is important that so far the people of Kazakhstan also assess material well-being quite well. Despite the fact that prices are rising, consumers are still confident that they will have money and the same level of income in the next 6 months.”



В 2016 году покупатели хуже оценивали свои перспективы трудоустройства, но материальное благополучие и показатель “время покупать новые вещи” остались на том же уровне



Slide from the presentation of Madina Seisengaliyeva's speech.

Material well-being and the “time to buy new things” indicator

“As for the time to buy new things: clothes, appliances, etc., most Kazakhstanis are more pessimistic, and only a third believe that now is a good time to shop. I note that in 2016, consumers were also much more concerned about what would happen to the tenge against the dollar and other currencies. Then in March 2016, the tenge was released into free float, and the shock experienced by the Kazakhstani consumer continued throughout the year. In 2022, only 23 per cent of Kazakhstanis regularly monitor course changes.

In our study, we asked buyers what the weakening of the tenge meant for them. And we see that for the majority, despite the fact that all prices in Kazakhstan are in tenge, the consumer associates the weakening of the national currency in 46 per cent of cases with a worsening standard of living. 33% are sure that the tenge is weakening, which means there will be inflation tomorrow. Another 33% think that if the tenge weakens, then the situation in the country's economy is getting worse and belts are being tightened. And only 17% think that this is a temporary phenomenon, the exchange rate fluctuates and there is nothing wrong with that,” Madina Seisengaliyeva, the expert at the Central Asia Fashion business conference, shares the results of the study.



Ожидания ослабления тенге в 2016 году были хуже – покупатели восприняли кризис 2016 года более серьезно.

Однако была и большая доля покупателей с оптимистичным настроем – кризис 2016 года носил внутренний характер, поэтому покупатели понимали, что его можно разрешить быстрее.

Последствия ослабления тенге

	Снижение/ухудшение уровня жизни	Инфляция	Экономический кризис в стране / обострение кризисной ситуации	Все наладится, это временное явление
2022	46% ↓	33% ↑	33% ↓	17% ↓
2016	61%	28%	47%	26%

Источники: Кризисное исследование Nielsen, 2016, 2022
© 2022 Nielsen Consumer LLC. All Rights Reserved

Slide from the presentation of Madina Seisengaliyeva's speech.

Consequences of tenge weakening

Saving Strategies

Speaking about trends in consumer behaviour, Madina Seisengaliyeva, the speaker of the CAF business conference noted several consumer behaviour strategies: “The first one is that shoppers are looking for shops that provide better

prices. 26 per cent in 2022 are tracking store promotions and going to stores that are further away than the usual route to save money and stay on budget. According to our study in the spring, after the start of the military conflict, 46% of consumers could not find the goods they wanted to buy in the store. Now the situation has returned to normal one, but still 27% of consumers note that the range of goods is decreasing and the consumer has less choice.



Slide from the presentation of Madina Seisengaliyeva's speech.

Changes in the range

The main factors that consumers pay attention to are price in 88% of cases, promotions in 59% of cases. High quality, country of origin, manufacturer, brand are no longer so important for the Kazakhstani consumer in the current reality. At the same time, a third of buyers note that their income has decreased for one reason or another. Most likely, these are the groups of buyers who work in the service and depend on the influx of consumers and customers. Well, if we talk about savings, 43% of Kazakhstanis do not have any savings. This is a very alarming sign," the expert shared.

Как потребители относятся к оставшейся части 2022 года?

Прогноз

- Осторожный – в настроении "ожидания"
- Еще не ощущая прямого воздействия кризиса, но понимая, что кризис все еще развивается
- Больше думает о стратегиях экономии, оценивает магазины и целенаправленно сравнивает цены

Поведение

- Электронная коммерция - остается на высоком уровне после Covid-19, но пока не удовлетворяет покупателей на высоком уровне
- Лояльность к бренду снижается – покупатели все чаще ищут промо-акции
- Потребители открыты для экспериментов и пробования новинок

Предпочтения

Выбор магазинов, предлагает:

- Высокий уровень удобства – легко добраться, все есть в одном магазине и где легко найти товары
- Приятный опыт покупателя
- Уникальный ассортимент (рестораны в Нур-Султане, готовые блюда и новинки в Алматы)
- Соотношение цены и качества

© 2022 Nielsen Consumer LLC. All Rights Reserved

Slide from the presentation of Madina Seisengaliyeva's speech. How do buyers feel about the rest of 2022?

Summing up her speech, the official analytics partner of the CAF business conference noted that the consumer is becoming even more cautious, living in anticipation of the crisis, switching to saving mode, purposefully comparing prices, picking up promotions and discounts in stores. "Brand loyalty is as low as possible. Consumers no longer pay attention to quality, the country of origin, the brand, but look more at numbers, prices and promotions. Meanwhile, the Kazakhstani consumer is open to experiments and is ready to try new things. The prevailing mind-set among consumers, as well as in business, is that any crisis is an opportunity. Life is a journey, so you just need to enjoy the ride on these slides," Madina Seisengaliyeva summed up.



Madina Seisengaliyeva, the Commercial Director of NielsenIQ Kazakhstan, and Milena Ershova, General Producer, Head of the Business Conference of the CAF International Fashion Exhibition

When using the release data, it is obligatory to indicate the source: Business conference of the Central Asia Fashion International Fashion Exhibition. When using photos, an indication is required: press service of Central Asia Fashion.

All exclusive rights to the Materials belong to the organisers of the CAF international fashion exhibition — CATEXPO LLP.

All rights to photographs are protected by Kazakhstani and international legislation on copyright and related rights.