



# Karusel

## X5 Retail Group

### Capital Markets Day 2014

Vardan Dashtoyan, Karusel General Director







29 October 2014

Moscow, Russian Federation

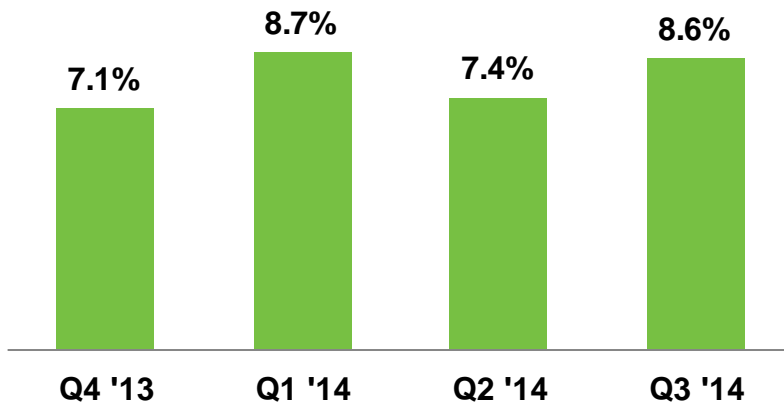
an  **X5RETAILGROUP** company

# INTRODUCTION

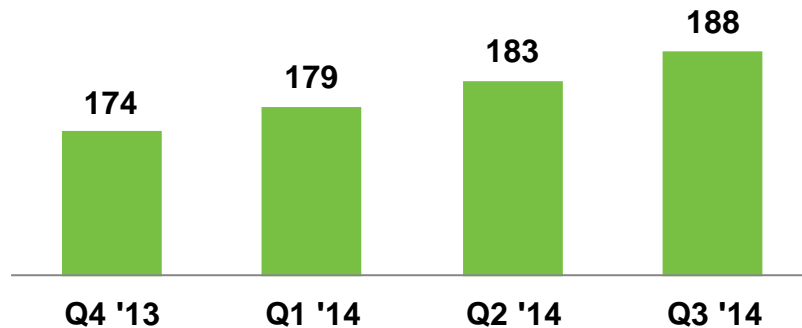
## YOUR DESTINATION STORE FOR ALL YOUR FOOD AND HOUSEHOLD CONSUMABLE NEEDS

<b>TOTAL NUMBER OF STORES, 30.09.2014</b>		<b>81</b>
<b>TOTAL SELLING SPACE, (TH. SQ. M.), 30.09.2014</b>		<b>357</b>
<b>TOTAL NET SALES FOR 9M 2014, RUB BLN</b>		<b>50</b>
<b>SHARE IN X5 TOTAL SALES</b>		<b>11%</b>
<b>ASSORTMENT SIZE, #SKU'S</b>		<b>17,000 – 25,000</b>
<b># OF EMPLOYEES, 30.09.2014</b>		<b>10,515</b>

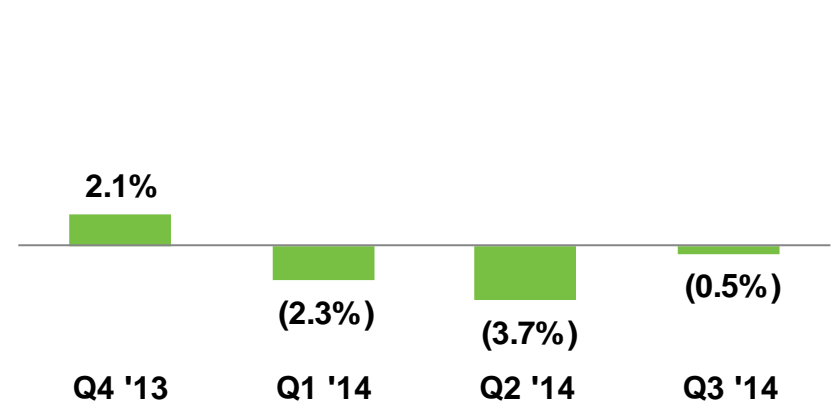
## Net Sales Growth, % y-o-y



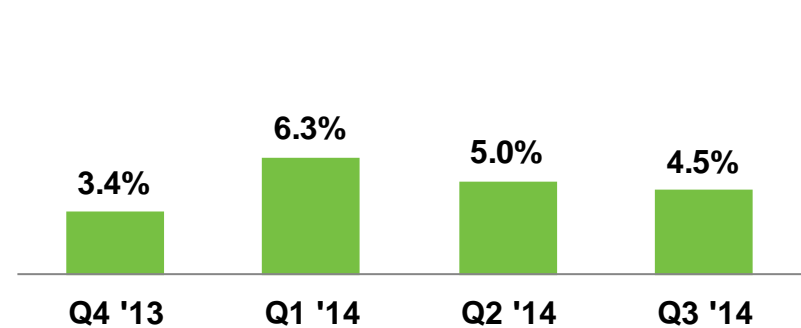
## Sales Densities, th.RUB/sq.m.<sup>(1)</sup>



## Net Selling Space Growth, % y-o-y



## Total LFL Sales Growth, % y-o-y



**4 Quarters of Improving Sales Densities**

Note 1: Total net sales from trailing four quarters divided by average selling space of trailing four quarters

Initiative	Status	Comments
Operations & Service	✓	Reduced # of employees/store by ~10% over past 12 months
Branding	✓	New IKRA loyalty program = ~30% of total sales
Personnel Development	✓	“Quality Service” & “Alfa Team” personnel programs
Develop Land-bank/pipeline	✓	Currently 64 projects at various stages
Finalize target concept	✓	Opening new stores using pilot concepts’ takeaways
Roll out plan of target concept	✓	Plan in place for 2015

✓ = completed over the last twelve months

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# ASSORTMENT & CATEGORY MANAGEMENT

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## Complementary

## Grocery Basics

## Basis for Differentiation

### Opportunistic

### Core

### Traffic

### Power

### Hero

Categories that supplement the overall offer

Staples/ basic goods that are essential to be a full-line grocer

Must stock items

Categories that differentiate the Karusel offer

Limited number of categories that we choose to be famous for

Leverage footfall & overall space

Important to execute well

Frequently purchased – basket fillers

Linked to our core brand values/heritage

Sub-set of Power categories

Often compete against non-grocers

Core source of profit...

High volume...

Important to our target costumers

...but unlikely to be the basis for differentiation

...but less profitable (and hence less valuable to Karusel)

Important to as a source of profit

Often promotionally driven

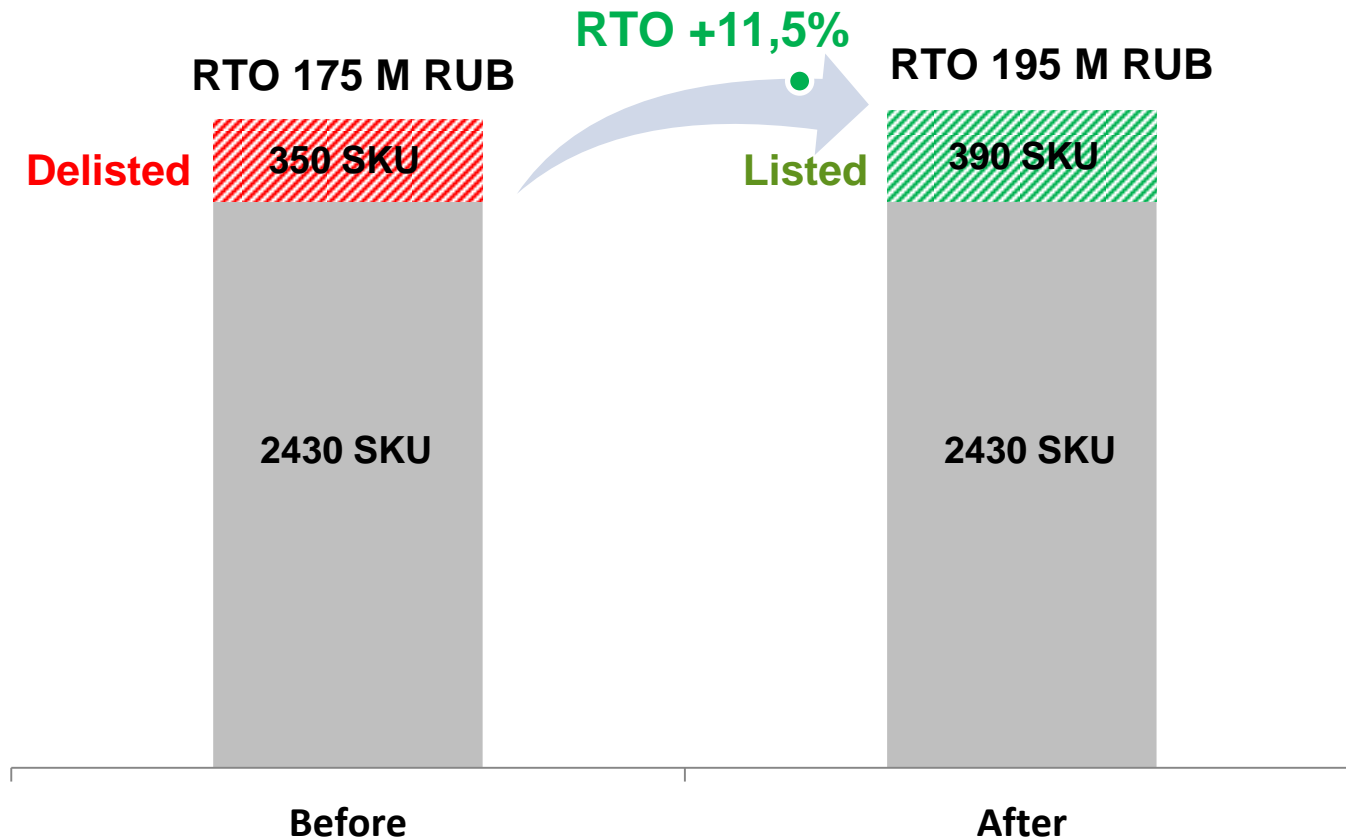
**New Assortment Targets: up to 10,000 new SKU's and 15% - 20% rotation**

"It's handy to be able to purchase it here"

"What I expect in any good hypermarket"

"Why I shop at Karusel" & "How Karusel surprises me"

## ❖ Category management increase turnover (RTO) for category



Example: **Frozen food**



# BRAND DEVELOPMENT

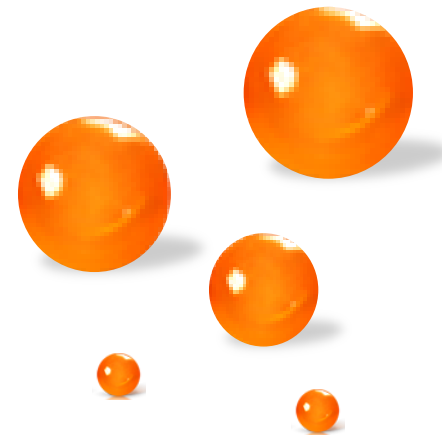
## What is it...

- ❖ Unique concept
- ❖ 1 400 000 sold cards
- ❖ 30% of turnover
- ❖ 70% of cards are active



## ...What it will be

- ❖ DATA improvements
- ❖ Personalized offers
- ❖ Social responsibility



2014

Q1

Q2

Q3



**Победить может каждый**  
Выиграй 14 авто Skoda  
**+500 000**  
призов

с 1 января по 31 марта 2014 г.

**KARUSEL'**  
рады радовать



**ТВИСТ**

**Собери все Крутики-спаси планету ТВИ!**

[www.twiplanet.ru](http://www.twiplanet.ru)

**KARUSEL'**  
рады радовать

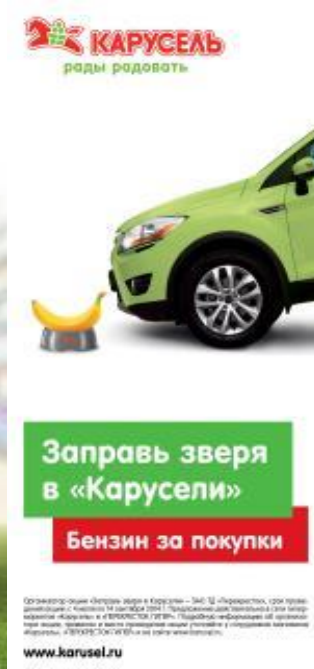


**KARUSEL'**  
рады радовать

**Бразилия ближе с каждой покупкой**

Выиграй поездку на мировые футбольные события и более 100 000 призов

[www.karusel.ru](http://www.karusel.ru)



**KARUSEL'**  
рады радовать

**Заправь зверя в «Карусели»**

**Бензин за покупки**

[www.karusel.ru](http://www.karusel.ru)



**KARUSEL'**  
рады радовать

**ИКРА**

**15%**

**С «Икрой» ваши скидки взлетают**

Дополнительные скидки для владельцев карты «Икра»

[www.ikra.karusel.ru](http://www.ikra.karusel.ru)

Traffic

+2%

+3%

+1%

+3%

+1%

Avg. ticket

+0,5%

+1%

+1%

+2%

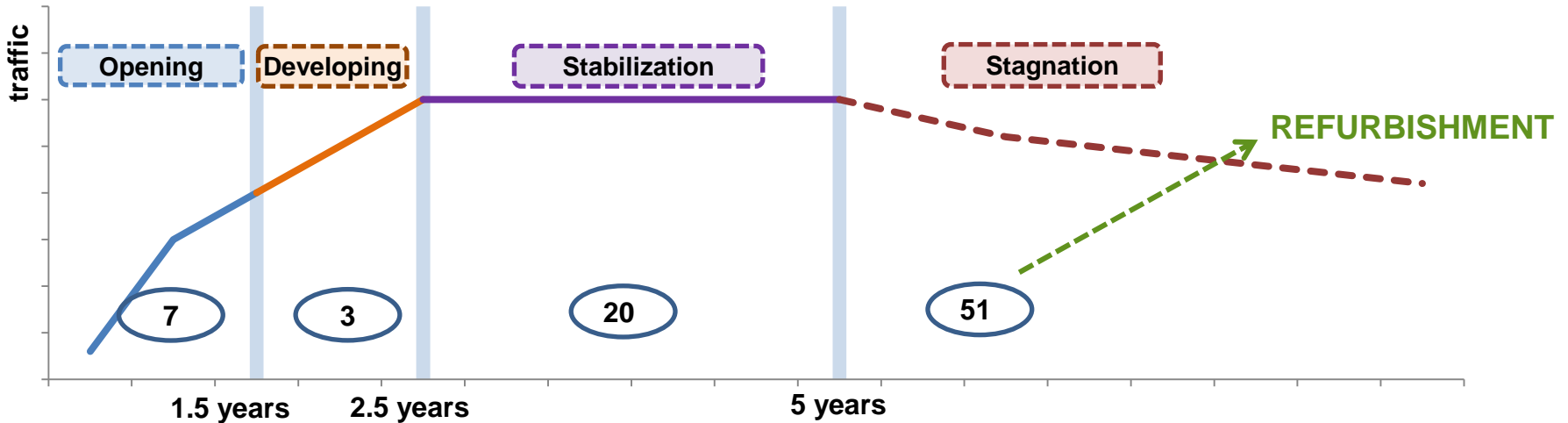
+1%

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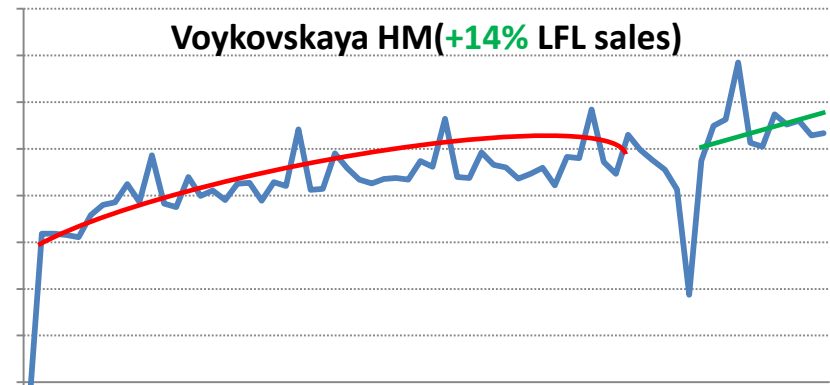
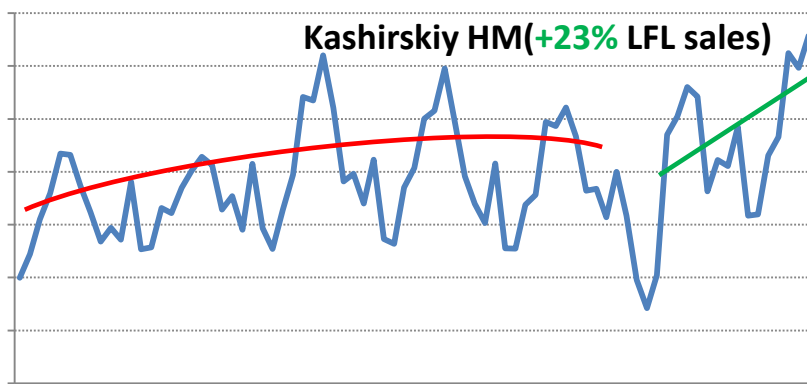
# EXPANSION & REFURBISHMENTS

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A large portion of Karusel hypermarkets are in the stagnation phase



Refurbishments represent tremendous sales growth opportunities ...



...and are driving the Central region's 23% net sales growth in 9M 2014



	9M 2014	
	Sales	Traffic
Vojkovskaja	+14%	+8%
Novomoskovsk	+74%	+47%
Smolensk	+84%	+51%

## Key Pilot Program Takeaways

- ❖ **Assortment:** Increase # of SKU's, own production and local content
- ❖ **Merchandising:** Update meat, fish and own production zones & store navigation, lighting & design
- ❖ **Personnel:** Improve customer service standards – motivation & training



# REFURBISHMENTS – BEFORE & AFTER

Before



After





Before

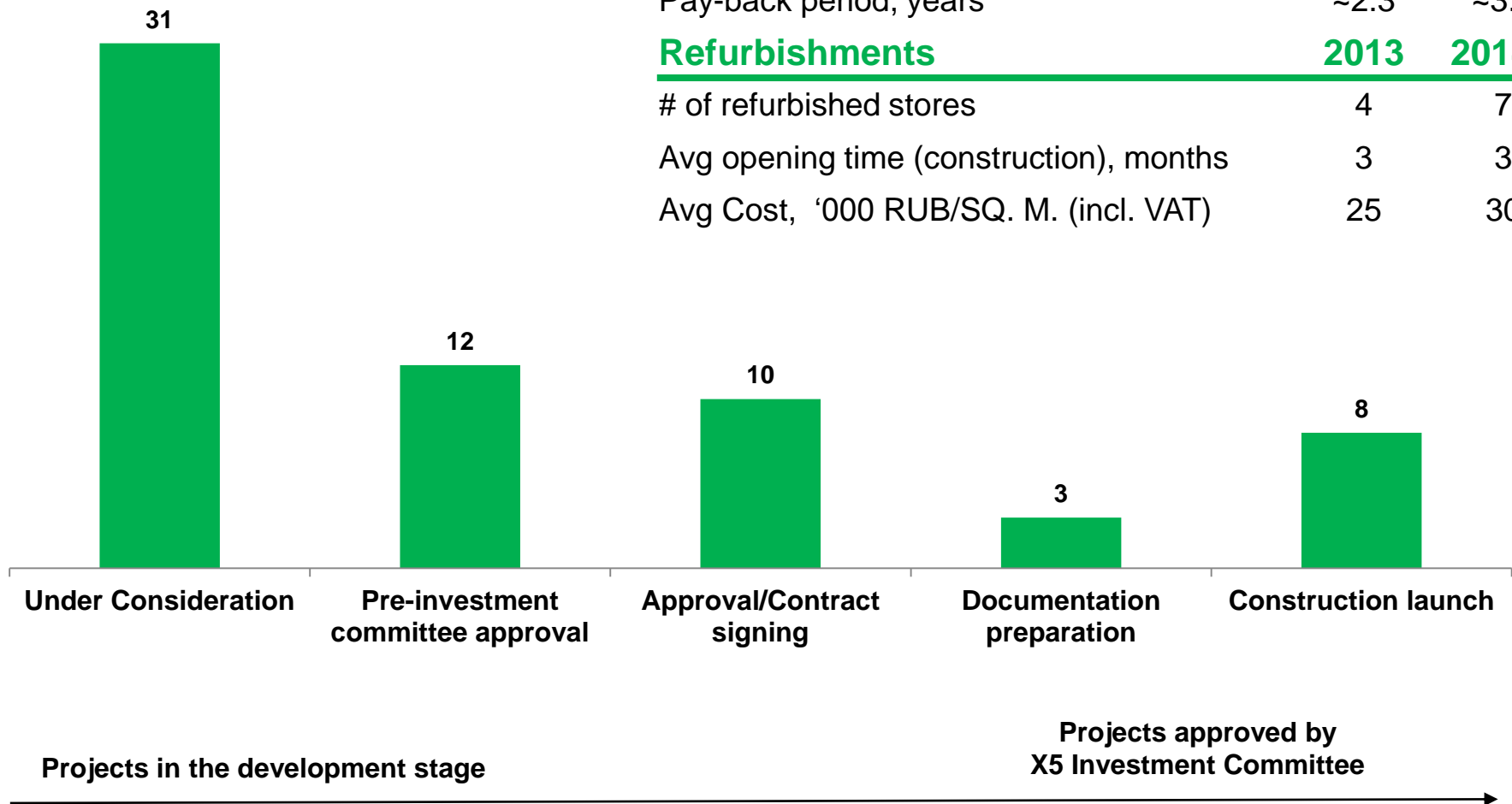


After





**64 Projects**



## New Stores (ex real estate)

	2013	2014E
# of new stores (gross)	7	2
Avg Cost, RUB mln (incl. VAT)	173	174
Pay-back period, years	~2.3	~3.0

## Refurbishments

	2013	2014E
# of refurbished stores	4	7
Avg opening time (construction), months	3	3
Avg Cost, '000 RUB/SQ. M. (incl. VAT)	25	30

- ❖ **Improve sales densities and selling space expansion**
  - ❖ **Value Proposition Niche – complete new Karusel brand-book**
  - ❖ **Finalize category management roll out and assortment review**
  - ❖ **Improve analysis and utilization of data from loyalty program**
  - ❖ **Improve service (line management) and shelf availability**
  - ❖ **Personnel development – new motivation program and organizational structure to accommodate expansion targets**
  - ❖ **Increase openings (up to 10) & refurbishments (up to 15) in 2015**
- 
- The Right  
Hypermarket  
Value  
Proposition**

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# APPENDIX: NEW VALUE PROPOSITION

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**Basics**

Location & Store Layout	Price	Assortment & Merchandising	Promo & Marketing	Service
<ul style="list-style-type: none"> <li>❖ Clean store</li> <li>❖ Parking</li> </ul>	<ul style="list-style-type: none"> <li>❖ Value for money</li> <li>❖ Honest pricing</li> </ul>	<ul style="list-style-type: none"> <li>❖ All key products</li> <li>❖ Full shelves</li> </ul>	<ul style="list-style-type: none"> <li>❖ Regular promo</li> <li>❖ Seasonal offers</li> </ul>	<ul style="list-style-type: none"> <li>❖ Short lines</li> </ul>

**Compact Hypermarket:  
Convenient, Enjoyable Shopping**

**Differentiators**

<ul style="list-style-type: none"> <li>❖ Convenient location for hypermarket shopping</li> <li>❖ Convenient layout that simplifies shopping</li> </ul>	<ul style="list-style-type: none"> <li>❖ Guaranteed competitive price (no need to comparison shop)</li> <li>❖ <b>Focus on Communication</b></li> </ul>	<ul style="list-style-type: none"> <li>❖ Bespoke assortment price structure</li> <li>❖ Own production, Private label and local assortment</li> <li>❖ CatMan principles to optimize layout</li> </ul>	<ul style="list-style-type: none"> <li>❖ Best-in-class promo offers</li> <li>❖ Going digital</li> <li>❖ Unique loyalty program</li> <li>❖ Creative federal campaigns</li> </ul>	<ul style="list-style-type: none"> <li>❖ Well trained staff/Best service</li> <li>❖ Preparing new opening teams</li> </ul>
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Thank you for your attention!



an  **X5**RETAILGROUP company

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