

X5 Marketing Activities: Communicating with Our Customers

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X5 Russian Retail Days
20 October 2009, Moscow



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- I. X5's Marketing Activity**
- II. Positioning Our Formats**
- III. Customer Communication**
- IV. Loyalty Programs**
- V. Cross-Format Opportunities**
- VI. New Projects**





Our Goals

- Enhance Awareness of Our Brands
- Retain Existing and Attract New Customers to Drive Traffic
- Drive Average Purchase Size
- Enhance Customer Loyalty
- Optimize Our Marketing Expenses

Our Approach

- Analyze External Environment and Our Capabilities
- Define New Ways of Motivating Our Target Customers (incl. Media)
- Define Our Offers to Best Meet Our Customers' Needs and Preferences
- Define Media Strategies Balancing Cost / Benefit and Avoiding Cannibalization between Formats
- Define Optimal Execution Path

Marketing Tools

- Advertising
- Promotions
- Social Programs
- PR Campaigns
- Loyalty Programs
- Other

Soft Discounters



- Price Leadership
- Close to Your Home



Supermarkets



- Best in Fresh
 - Best in Service
- Best in fresh promotions



Hypermarkets



- Everything under One Roof
 - At Low Price
 - For the Whole Family
- Wide choice of own production offers
 - Shopping with us is fun





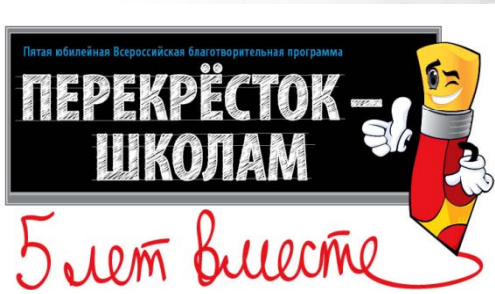
...Means of Communicating with Our Customers

- TV Advertising
- Russia's National Football Team Sponsorship
- Print Media
- In-Store Advertising
- PR Campaigns
- Loyalty Programs



...Means of Communicating with Our Customers

- TV ads, Billboards, Print Media, Catalogues, Internet, In-Store Communications
- Loyalty Program
- Social Programs (Perekrestok Goes to Schools!)
- PR Campaigns





...Means of Communicating with Our Customers

- TV ads, Highway Billboards 3x6, Supersites, Catalogues, Internet, In-Store
- Loyalty Program
- PR Campaigns





“Club Perekrestok” is a Personalized Bonus Accrual Loyalty Program



Program Description

- Customers accrue bonus points that can be used to pay for future purchases
- Additional bonus points are accumulated during special actions
- Most active clients receive gifts and additional points

Over *one million people* are now members of *Club Perekrestok*. Club members account for almost *25% of total Perekrestok sales*, while their average purchase size is typically more than *50% higher* than for regular purchases

Our Strategy

- Develop co-branded and partnership programs:
 - co-branded cards with banks
 - partnerships with airlines
 - partnerships with non-competing retailers
- Develop and issue corporate Club Perekrestok cards

Technology Upgrades

- Introduce CRM system
- Develop new communication tools





“Karusel Frequent Customer” is a Discount Loyalty Program



Program Description

- The card price varies from 29 rub to 95 rub
- Card holders get special price offers on certain goods at Karusel
- Additional discounts during special sales events to enhance customer loyalty

Over **1.7 million people** are now Karusel card holders. 27,000 cards are purchased every month. Card holders' purchases account for **80% of total Karusel check-out transactions.**

Our Strategy

Internally:

- Upgrade to personalized discount-bonus loyalty program

Externally:

- Develop co-branded and partnership programs:
 - co-branded cards with banks
 - partnerships with non-competing retailers

Technology Upgrades

- Develop and introduce CRM
- Develop new communication means (hotlines, IVR, SMS, e-mail, etc)





Perekrestok and Karusel Hold Regular Loyalty Campaigns

Toy Dogs

- Purpose:** Drive sales and support gross margin
- Description:** Large purchases rewarded with free stickers. After collecting enough stickers, customers receive cute toy dogs as a gift

Over 900,000 toy dogs given to customers during the campaign period of 4 months. Efficiency analysis indicates positive sales impact of 4.5%

Ice Age 3 Magnets

- Purpose:** Increase average check, drive sales
- Description:** Large purchases are rewarded with free Ice Age 3 magnets. After collecting 16 magnets, customers received gifts and presents

14.5 million magnets given to customers during the campaign period of 3 months. Efficiency analysis indicates positive sales impact of 3%





Key Loyalty Driver in Pyaterochka is Price Leadership!

- We support customer loyalty at Pyaterochka with regular special offers and “wholesale” deals
- Going forward, our strategy for Pyaterochka will be based on:
 - Coupon campaigns: distribution of coupons that give discounts on a defined choice of products
 - Lotteries, check size campaigns
 - Co-branded payment cards

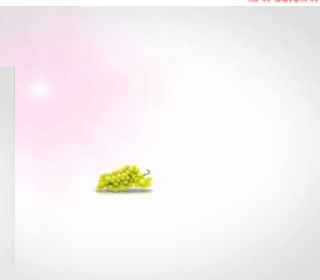


СПЕЦИАЛЬНОЕ ПРЕДЛОЖЕНИЕ!

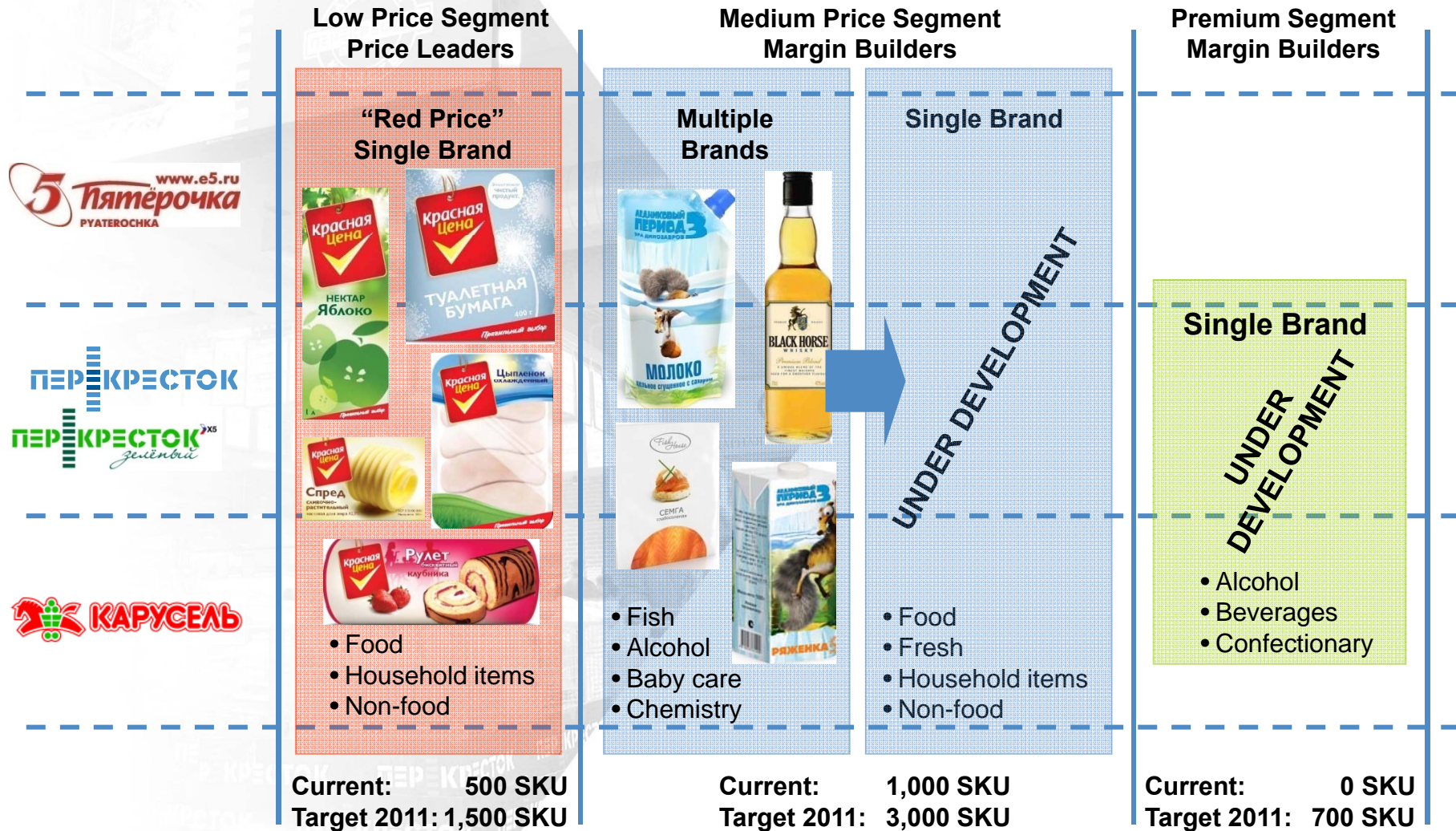
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**ПРИ ПОКУПКЕ ДВУХ ТОВАРОВ
ТРЕТИЙ - В ПОДАРОК!**

- **Cross-Format Promotions**
- **Joint Actions/Campaigns with Suppliers/Partners**
- **Actions/Campaigns Linked to Holidays, National Events**



Aligning Private Label Concept to Enhance Multi-Format Leverage



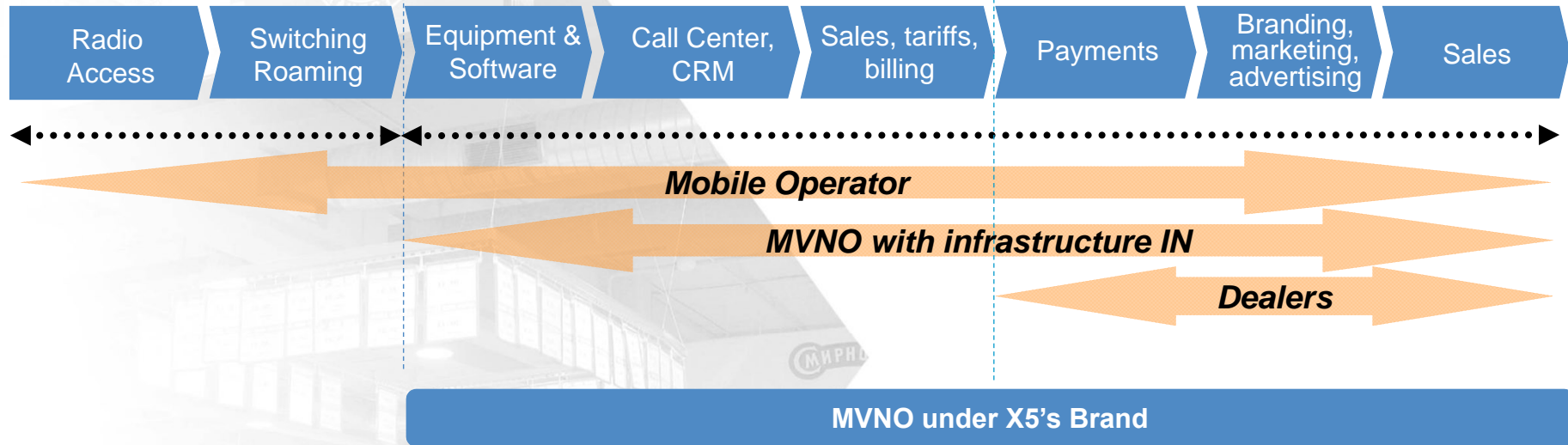


SmartMedia Brand Unifies X5 Entertainment and Electronics Offerings

- In May 2009 X5 launched *SmartMedia* as a unified brand for music, movies and electronics offerings in its *Karusel* hypermarkets, *Perekrestok* supermarkets and *Pyaterochka* discounters
- *SmartMedia* stores, departments or displays give customers a selection of electronics and entertainment offerings, including CDs, DVDs, games, books and magazines, as well as cell phones, photo and video cameras, flash-cards, other electronics, related accessories and products
- Enhanced customer convenience and support for like-for-like sales growth with a wider range of impulse purchases



X5 Plans to Launch MVNO (Mobile Virtual Network Operator) Services under Its Own Brand



Project Future:

- Integration with Loyalty Programs
 - Purchases -> Bonus Points -> Minutes
- Special Actions in X5 Stores





X5 Media Not Only Supports X5's Advertising Needs but also Offers Services to Third Parties

Competitive Strengths

- Leveraging X5's store base and regional coverage
- Ability to quickly adjust to customer needs

Goals

- Generate additional revenue
- Partnerships with producers/suppliers

2009 Results

- USD 30 mln in revenue year-to-date. 55% LFL growth in stable prices



THANK YOU!

