

Russia: 4th Largest PC Market

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A rapid rebound from the 2008 global economic crisis, distribution of wealth across a growing middle class and more affordable prices are driving Russia to become the biggest PC market in Europe.



Russia will become the fourth-largest PC market in the world in 2012, according to IDC research director Stefania Lorenz. This means that for the first time more PCs will be sold in Russia than in Germany, Europe's decades-long epicenter of PC demand.

"Certainly Russia is a driving force in PC growth in Europe, and consumers are driving the growing volume of sales," Lorenz said in an interview for this story. "Between the first quarter of 2010 and the third quarter of 2011, consumer notebook sales in Russia grew from a staggering 241 percent [growing from a relatively small base of 273K units first quarter 2009 to 932K units first quarter 2010] to 21 percent in third quarter of 2011," she said. "And if you look at just the third quarter of 2011, of the 2.6 million PC units sold, 2.2 million of those were sold to consumers."

Improved living standards, computer literacy and Internet access across Russia, combined with a significant drop in prices, are making PCs attractive and accessible to more people, according to Lorenz.

"Russian consumers are spending more time each month on social networks, more than anyone in the world," Dmitri Konash, Intel's general manager of Russia, said in an interview for this story.

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"Technology has also become legitimate business in Russia," said Lorenz, referring to the shift away from the black market toward buying computers at large national retail chains and small stores. "The notebook market is nearly 100 percent legal now, although a few years ago 50 percent of laptops were imported into the country illegally," she said.

While developed countries in Western Europe and the United States are experiencing slight PC sales slumps, several emerging markets are growing and changing the PC marketplace. Russia dominates PC sales in a market region that includes Turkey, the Middle East and Africa, and the Russian economy "is more unified than Western Europe as a whole," said Loren Loverde, vice president of IDC research in an interview for this story.

IDC expects to see PC sales in Russia climb from 12.3 million units shipped in 2011 to 13.5 units in 2012. Konash, however, believes it's possible for Russia to ship 16 million PCs in 2012. "That would mean 20 percent growth," he said.

"Unless there is a global meltdown, the Russian economy will do fairly well for the next few years."

Quick Recovery from Global Crisis, but No More Triple-Digital Growth

Years of steady economic growth before and after the banking crisis of 2008, together with a growing middle class, have helped stabilize the Russian economy, according to Konash.

"When the economy tanked and global demand for oil dropped, we saw a 50 percent contraction of PC shipments during the second half of 2008, but the recovery was like a hockey stick," said Konash, describing how the recovery looked plotted on a graph.

Prior to the 2008 crisis, Russia experienced 9 consecutive years of growth, averaging 7 percent annually between 2000 and 2008. According to Lorenz, PC sales in the country grew steadily during that time. "By Q3 2008, PC sales growth was above 100 percent, but when Europe began suffering from the 2008 crisis, Russia suffered, too," she said. "Between the fourth quarter of 2008 and the third quarter of 2009, PC sales dropped by about 50 percent in Russia,"

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she said.

"By the fourth quarter of 2009, Russia was out of the crisis, credit was back and vendors were selling new PC models," said Lorenz. "By the third quarter of 2011, consumers were buying, the government started making technology purchases, but the corporate market was still not showing significant uptick compared to years when Russia was experiencing triple-digit growth rates."

Easier to Get a PC

"The Russian population is very educated and incomes have been going up significantly for years," said Konash.

According to some estimates, Russia's middle class grew nearly sevenfold between 2000 and 2006, and average monthly salaries climbed from the equivalent of USD\$80 in 2000 to USD\$750 by the end of 2010.

A growing middle class and declining prices is driving demand for PCs in Russia, which will become the fourth largest PC market in the world in 2012. (Flickr photo)

At the same time, the cost of buying a PC has dropped dramatically across the globe. According to data from Intel, the worldwide price for an average-priced notebook PC was equal to 47.7 working weeks in 1995, which dropped to 5 working weeks by 2010.

Eastern Europe saw prices drop from 25.7 workweeks in 1995 down to 4.2 in 2010. By 2014, the price of an average notebook PC is estimated to equal 2.2 workweeks in Eastern Europe, which will be slightly below the worldwide average of 2.3.

"Today many people are walking out of stores with a new laptop and the equivalent of a hundred or so U.S. dollars left in their pocket," said Konash. "That's money they expected to

spend but didn't have to. Laptops and smartphones are becoming symbols of productivity and fashion, and this is compelling consumers to consider new or premium products." He said that in late 2011, 20,000 Ultrabook computers shipped to the three main retail networks in Russia sold out after two weeks.

Technology Spreading Across Russia

Tech companies from Taiwan are playing a big role in the diffusion of PCs across Russia, according to Lorenz. "Companies such as Acer and Asus can ship their products to China and through Mongolia to reach Russia," she said. "Acer became very successful between 2006-2007 as they aggressively pushed down prices on their notebooks, and today they have a strong retail presence."

While consumers continue to buy new computers through indirect sales channels, or smaller local shops, momentum is shifting toward large retail chain stores such as Eldorado and Media Markt, according to Konash. He said that the top two computer brands, Acer and Asus, account for 50 percent of consumer PC sales, followed by Samsung and HP.

Inside Russia there are large concentrations of people living and working in cities, and they adopt technology differently than those in more rural locations, according to Lorenz.

"In large cities such as Moscow, St. Petersburg and Novosibirsk, one person could own three or more devices, including a work and home PC, mini notebook, smartphone, eReader and possibly a media tablet," she said. "However, in other regions of the country the situation is quite different. We typically see one PC per family in smaller cities and no additional devices."

Like many other emerging markets, Russia's large population has adopted consumer technologies later than many developed economies. But in recent years, Brazil, Russia, India and China have been moving up the ranks, leapfrogging long-time PC market leaders such as the United States, Japan and Germany.

"It will be China, U.S., Brazil and Russia as the world's top four PC markets by the end of 2012,"

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said Konash. That's a dramatic change since 2010 when the biggest PC markets were the U.S. followed by China, Germany and Japan.