

Mars expands capacity in Russia

Contributed by Euromonitor International
Tuesday, 31 October 2006
Last Updated Monday, 08 January 2007

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Local players will feel the competitive pressure intensify as the US confectionery giant expands production capacity in Russia.

While the Russian chocolate confectionery market is booming, Mars has seen its share slip by 1.3% over the past five years after being unable to match the growth rates of its competitors. In an attempt to keep up with the strong market demand the company is now looking to expand its capacity through the construction of a second confectionery plant in 2007.

Siberia - here we come?

Mars currently owns one confectionery plant in Russia, located in Stupino, on the outskirts of Moscow. For the new plant, Novosibirsk is rumoured to be the most likely location according to Russian sources, and vice governor of the region, Vasiliy Yurchenko, has expressed his dedication to ensuring that this will be the case.

As Russia's third largest city, and the biggest city in Siberia, Novosibirsk would provide Mars with a platform from which to grow their business east of the Ural Mountains.

A cash cow for chocolate manufacturers

It is not difficult to see why Russia attracts such attention. Growing at a CAGR of 19.2% over the 1999-2006 period no other country has generated more growth in actual terms than Russia, now making it the world's fourth biggest chocolate confectionery market after the US, UK and Germany. The Russian love for chocolate is a long-established phenomenon, and with a burgeoning middle class that now extends beyond metropolitan cities such as St Petersburg and Moscow, consumption figures are on the rise.

A market ripe for consolidation

Today Russia hosts more than 100 manufacturers of chocolate confectionery, many of which are domestic companies operating on a local basis. Many of these have become acquisition targets for foreign manufacturers in recent years – the latest being St Petersburg-based Krupskaya, which came under Scandinavian conglomerate Orkla's banner in June.

Russian consumers are still very loyal to their domestic brands, making growth through acquisition of already established brands a preferred strategy for many foreign multinationals. While Mars has chosen to pursue organic growth of its business, Euromonitor International expects further consolidation of the Russian chocolate market in coming years, with an increasingly tough competitive climate in the wake of approaching market saturation.

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