The rise of "Bristol": why the alcohol chain is growing by an average of 114% per year

For the first time, the Bristol retailer was included in the RBC rating “50 fastest growing companies in Russia”. The alcohol network of the "tobacco kings" of Russia Igor Kesaev and Sergey Katsiev was immediately in the top five

Igor Kesaev (Photo: RIA Novosti)

For the first time, the Nizhny Novgorod alcohol retailer Bristol became a member of the RBC rating “50 Fast-Growing Companies of Russia”, immediately appearing in the top five of the list. This is higher than that of its main competitor and the leader of the segment of chains specializing in alcohol trade - the Chelyabinsk Krasnoe & Beloe (KiB) took the ninth place.

Bristol sells alcohol in the middle and lower price segments and, like its competitor, until recently developed in the provinces, operating in 30 regions. In 2017, the company's revenue grew by 60% and amounted to 67.4 billion rubles, and the number of stores exceeded 3,500 (Krasnoy & Bely had 210 billion rubles of revenue and 5268 outlets). The forecast for 2018 is RUB 95 billion.

"Bristol" belongs to "tobacco kings" and one of the most private Russian billionaires Igor Kesaev and Sergey Katsiev, founders of the Mercury Group. Russian Forbes in 2018 estimated their fortunes at $ 2.4 billion and $ 950 million. In the 1990s, the company was created to import alcohol and tobacco, now it is a huge diversified holding. Only one tobacco distributor "Megapolis" (part of "Mercury") with a revenue of 656 billion rubles. took the fifteenth place in the latest rating of the largest companies in Russia RBC 500.

Megapolis is the exclusive supplier of the products of transnational tobacco companies Japan Tobacco International (JTI), Philip Morris International (PMI) and Imperial Tobacco Group. According to Nielsen, in 2017 these companies occupied 66% of the Russian tobacco market. Until January 2018, control in Megapolis belonged to the structures of Kesaev and Katsiev, then, as follows from the reporting of Megapolis Distribution BV, their share decreased to 49.85%: 23% each for PMI and JTI, the owner of the remaining 4.2% is not disclosed ...

Kesaev and Katsiev also own the Diksi Group (Dixy and Victoria chains) and assets outside the consumer market. Among them are the road carrier "SovinterAvtoservice", "Mercury Development", Gorevsky GOK, the "Turboholod" plant, the Degtyarev Plant.

Diversification as salvation

The creation of the Bristol network looked like an attempt by the owners of Megapolis to compensate for the consequences of the introduction of the “anti-tobacco law”, which prohibits the sale of tobacco products in non-stationary trade objects, that is, kiosks and pavilions. By the time it was submitted to the State Duma for consideration in 2012, more than a third of the company's cigarettes were sold through this channel. According to Euromonitor International, the volume of the Russian tobacco market in physical terms has been decreasing for six years in a row: if in 2012 it was 370.8 billion cigarettes, then in 2017 it was already 258 billion.

Sergey Katsiev (Photo: ITAR-TASS)
In the same 2012, several Bristol stores were already operating; Nizhny Novgorod became the starting point of the chain. Here and in Omsk, the small format Bristol Express is also developing (it mainly sells tobacco products); it began with retail real estate purchased by Megapolis from one of its Nizhny Novgorod wholesalers, Jupiter-NN.

"Bristol" was immediately conceived as a large-scale project, says a company representative, the founders wanted an all-Russian scale. And although the network was built with an eye on the main competitor - in 2012, Katsiev, who oversees the retail direction of the holding, together with the former president of Dixy Ilya Yakubson even came to Chelyabinsk for consultations with the founder of Krasnoye & Bely Sergei Studennikov, she had good competitive advantages. A company of the scale of Megapolis, which, in addition to tobacco, is engaged in the distribution of groceries, energy drinks, etc., has great preferences in purchasing consignments of goods.

In two years, Bristol expanded to 900 stores and, according to the owners' plan, then had to merge with Dixy Group of Companies, retaining the brand and becoming a separate division. Since 2014, the networks have begun to combine some operating divisions, and in May 2015, Dixy-South for RUB 1.78 billion. bought a 31.5% stake in Albion-2002 LLC, the operating company Bristol. Thus, its stake increased to 33%, and the purchase was supposed to be the first stage of the merger. At the same time, Megapolis announced that Katsiev had left the operational management of Megapolis to focus on the development of Bristol.

But the deal to buy out the remaining 67% of Bristol's shares did not take place: at first, Dixy Group hinted that the merger might not take place because the market had changed, then the FAS banned the merger altogether. The Dixy structure returned the Bristol shares by performing a reverse sale (33% of the shares were transferred to the Cyprus offshore Kronia Limited). Katsiev returned to the post of general director of the tobacco distributor in March 2018.

“As time has shown, Bristol is successfully developing as an independent project,” says a company representative. "Cannibalization" about

the shareholders are not afraid of sales, since the chains have different product matrix and consumer profile.

Not only "alcohol"

Despite the tightening of legislation regarding the production and sale of alcoholic and tobacco products and a decrease in their consumption in Russia, alcohol stores have been the record holders in terms of revenue growth for several years. The leaders of this segment manage to eat off buyers from FMCG-chains - unpretentiousness in the choice of premises and small footage of retail outlets allow them to select sites that are not suitable for other retailers. In addition, they deliberately open stores near the outlets of the largest food retailers: Pyaterochka, Magnit, and so on.

Pricing policy and assortment help to lead away consumers. KiB and Bristol focus on inexpensive alcohol because of its high turnover, and their appetite for margins in alcoholic and tobacco products is less than that of conventional retailers, which means that the final price is lower, says Evgeny Belashchenko, partner at Bain & Company.

The tone in the niche is set by KiB and Bristol, Belashchenko further notes: the entire volume of the Russian market of specialized alcohol chains is estimated at $ 7.5 billion, about 50% is occupied by the Chelyabinsk company, about 15-20% by Bristol, the remaining share is other chains, both operating in the economy segment ("Norman", "Gorilka", etc.), and premium ("Aromatic World", etc.). The latter occupy 10% of the market.

Having accustomed consumers to come for inexpensive alcohol, alcohol stores are trying to drift into the category of “convenience stores”, gradually getting rid of the “alcohol” prefix. Already, alcohol accounts for about 65% of the assortment of "Red & White", says Belashchenko. Bristol has only 30%, says a representative of the chain. The rest is groceries, fruits and vegetables, sweets and other goods. In addition to the assortment under the private label in Bristol, the products of Katsiev's companies are also sold: the mineral water "Nizhny Karmadon" and the fruits of the "Kazachiy Khutor" company from North Ossetia.

“We cannot say that these companies are brilliant at trading in new categories, but they are gradually learning to fill the baskets of consumers with other goods,” says Belashchenko.

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