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## Navigating the FMCG Landscape in Ukraine

*In the context of post-war economic recovery, the Ukrainian Fast-Moving Consumer Goods (FMCG) sector is undergoing significant transformation. This study examines the industry's strategic response to changing consumer preferences as innovation and strategic adaptation are crucial to sustaining growth and competitiveness amidst significant economic and geopolitical disruptions. This article examines the resilience and adaptation strategies in the Ukrainian FMCG market by analyzing current trends and operational adjustments. We explore how companies navigate challenges such as decreased production volumes, shifting consumer preferences, and disrupted supply chains. The potential return of Ukrainian expatriates and their evolving consumption patterns are identified as significant factors in the industry's potential recovery and growth. Additionally, we discuss the role of online market expansion, the rise in demand for eco-friendly products, and the strategic pivots companies are making to cope with the ongoing war and economic pressures. The research highlights the sector's proactive approach to domestic and international market expansion, particularly through online sales channels, which demonstrates its remarkable adaptability in the face of ongoing challenges.*

**Keywords:** FMCG, Ukraine, market trends, resilience, strategic adaptation, eco-friendly products, online retail

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### Introduction

The production and trade of fast-moving consumer goods (FMCG) have always been integral to Ukraine's business environment. This sector was attractive to investors before the outbreak of full-scale war and continues to be profitable despite facing challenges due to the war. In today's market, national retail chains

do not sell FMCG products. Also, manufacture them. The industry focuses on cutting production costs while ensuring product quality. Private-label FMCG items are becoming more common on supermarket shelves as retailers aim for cost savings amid reduced consumer spending power.

Ukrainians are saving money on things except essentials and medications, showing a preference for high-quality goods. However, a consumer base remains for product categories considered “health conscious,” such as those with low sugar content or produced in an environmentally friendly manner. The frequency and value of purchases are closely linked, with fewer impulse buys noted. Ukrainians buy often but spend more per purchase or increase their shopping frequency while reducing overall spending. Categories like cosmetics, apparel, and electronics will decline during the war. Sales of products tied to categories, like children’s items, are also forecasted to decrease. Several prominent Ukrainian companies are now focusing on producing and selling their goods in markets as a response to the decline in the market. The market recovery is anticipated to align with the comeback of Ukrainians who had moved abroad during the war, estimated to be between 5 and 7 million people. Of this group, 44.9% are women aged 18 to 65, making them a key demographic for retailers and FMCG manufacturers [1].

Despite facing obstacles, the FMCG industry in Ukraine shows resilience and adaptability. It is expected to recover once migrant populations return and preferences shift towards products.

## Literature Review

Many works of foreign and domestic scientists are devoted to the problems of the research of the FMCG industry, for instance [2-4]. We will pay attention to works that relate specifically to the Ukrainian FMCG market. A detailed study of the results of FMCG activity in Ukraine is given in [5]. Among the authors of this study are Nataliia Loshakova, Maksym Birovash, Oleksandr Tsyhanok, and other researchers. Analytical studies and statistical data are analyzed on the Internet resource *www.statista.com* [6]. Thanks to these studies, we can assess the real state of affairs in this industry and the trends of its development in general and during the wartime.

Studies on the important issue of logisticians during war time in the field of FMCG have been conducted by Tetiana Ponomarenko and Dmytro Rasshyvalov. They identify risk factors in the logistics operations of companies, such as violation of delivery times, limited available financial resources, and increased costs for warehouse

operations [7]. The research of Andrii Galkin, Iryna Yemchenko, Svitlana Lysa, Mykhailo Tarasiuk, Yuliya Chortok and Yuliia Khvesyk [8] emphasizes the special importance of logistics issues in the field of FMCG, since the share of logistics costs in the product cost is high enough.

An interesting study of Ganna Lobachevska and Claus-Heinrich Daub aims to investigate the impact of Corporate Social Responsibility of FMCG companies on consumer buying behavior in the Ukrainian market [9]. Based on expert surveys and other studies, the authors concluded that FMCG companies should pay special attention to the adaptation of their products in accordance with the concept of social responsibility. In particular, the following are important: development of ecological packaging; supporting its communication regarding environmentally friendly ingredients and packaging with reliable labels, etc. Since the collected data showed that Ukrainian consumers prefer when responsible actions of FMCG companies take place in their country. And although the war made its adjustments, and now the first place for many buyers is the price, but the trend towards “environmental” requirements for products is becoming more and more relevant every year.

Online FMCG market trends in Ukraine are evolving rapidly, especially in recent years. Ukraine’s online market for fast-moving consumer goods has developed quickly in recent years. Table 1 shows some notable trends that have emerged.

Additionally, research conducted by Deloitte in Ukraine on trends related to product promotion has revealed that the number of people buying food online has dropped dramatically compared to the year (see Figures 1 and 2). On average, shoppers spend 65% more on each food order than in stores. Younger consumers, between the ages of 18 and 27 are the spenders per purchase with their average spending being 2.1 times higher than the overall average. Individuals over 58 are the least inclined to purchase food items, with 14% making online transactions, significantly lower than the national average [1]. Internally displaced people tend to make purchases 1.6 times more frequently than average and spend twice as much each month.

Initially dominated by imports, the FMCG market in Ukraine saw the emergence of Ukrainian companies in the mid-2000s. The ongoing war

Table 1. The main trends in the field of FMCG

|                                         |                                                                                                                                                                                                                 |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Increase in Online Orders               | Each year, more individuals opt to purchase food items and a variety of FMCG products due to the convenience and wide selection retailers offer                                                                 |
| Surge in Smartphone Orders              | The growing popularity of smartphones and tablets in Ukraine has led to the emergence of apps that allow users to place orders through their devices, making the ordering process more convenient and efficient |
| Diversification of Online Product Range | Online FMCG stores are expanding their product offerings, providing customers with various choices and contributing to increased sales                                                                          |
| Rising Demand for Eco-Friendly Products | Ukrainians' awareness of eco-friendly food products and FMCG items has noticed an uptick, leading to online stores specializing in these products                                                               |
| Adoption of Interactive Technologies    | Many online FMCG retailers incorporate modern interactive technologies for product promotion, such as video reviews and virtual store tours                                                                     |

Source: created by the author based on [1]

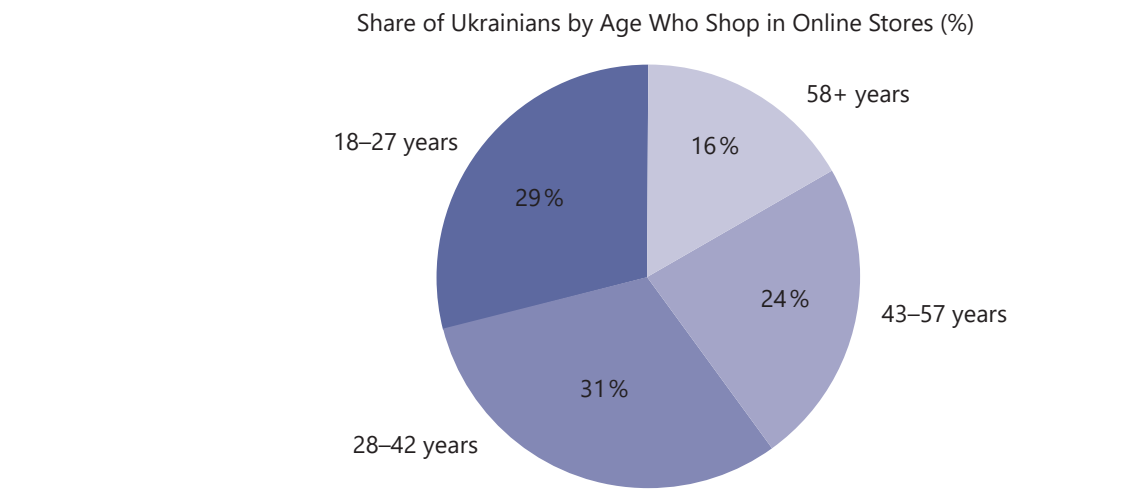


Fig. 1: Share of Ukrainians by age who shop in online stores

Source: [1]

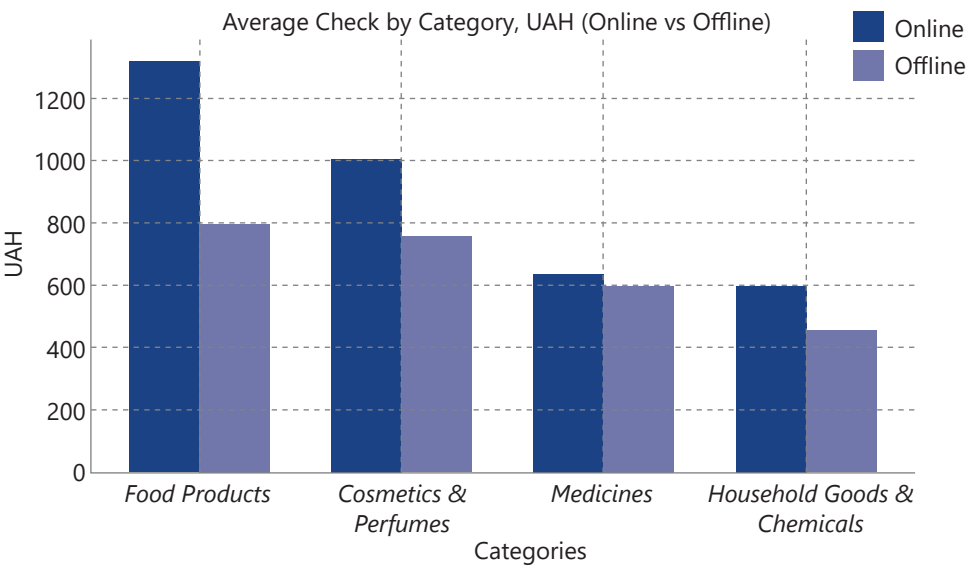


Figure 2: The average check by category (online and offline)

Source: [1]

has led to market changes, with production and distribution volumes declining by 5% to 45% (see Figure 3). War, migration, and reduced purchasing power have contributed to this decline and disrupted supply chains. However, some segments are showing signs of recovery. Despite challenges, FMCG production historically demonstrated stable growth, driven by both global and domestic manufacturers. Events like the COVID-19 pandemic in 2020 spurred shifts in consumer behavior, boosting demand for certain FMCG.

Consumer prices of fast-moving consumer goods in Ukraine increased 27 percent in the second half of 2022 compared to the corresponding period of the previous year. Higher prices increased the country's FMCG market spending by 20 percent relative to the second half of 2021 [1].

Leading FMCG companies in Ukraine include Nestlé, PepsiCo, Danone, L'Oreal, Mars, AB InBev Efes, and Obolon. These companies compete in a dynamic market alongside major retail chains such as Auchan, Novus, Silpo, and regional networks. Due to the war, Ukrainian consumers have adjusted their spending habits, with over a third reducing online and offline food purchases. Since the start of the full-scale invasion, over a third of Ukrainians have reduced offline and online spending on food. 63% are willing to cut

back on food purchases altogether. Nearly half (48%) are buying less alcohol, despite a 12% increase in impulsive online alcohol orders. The sales record in traditional stores remains household goods, with 96% of Ukrainians consistently purchasing them. Many producers in Ukraine note Ukrainians' thriftiness during the war. For instance, there has been a 25% reduction in dairy consumption. However, the impact varies among dairy product categories. Traditional products experienced a smaller drop (around 20%) due to their social significance and affordability. Conversely, modern dairy products and plant-based ones saw up to a 30% decline [1].

Additionally, non-essential items like cosmetics have seen reduced purchases, with 70% of Ukrainians trying to save on them and 23% stopping altogether since the war began. However, stable trends, such as the demand for products with natural and organic ingredients, as consumers become more health-conscious, remain.

The FMCG market is expected to grow online, with companies focusing on developing their e-commerce platforms to meet increasing demand. Despite some categories being less affected by the war, others, like children's food products, have suffered significantly and may continue to do so in the long term.

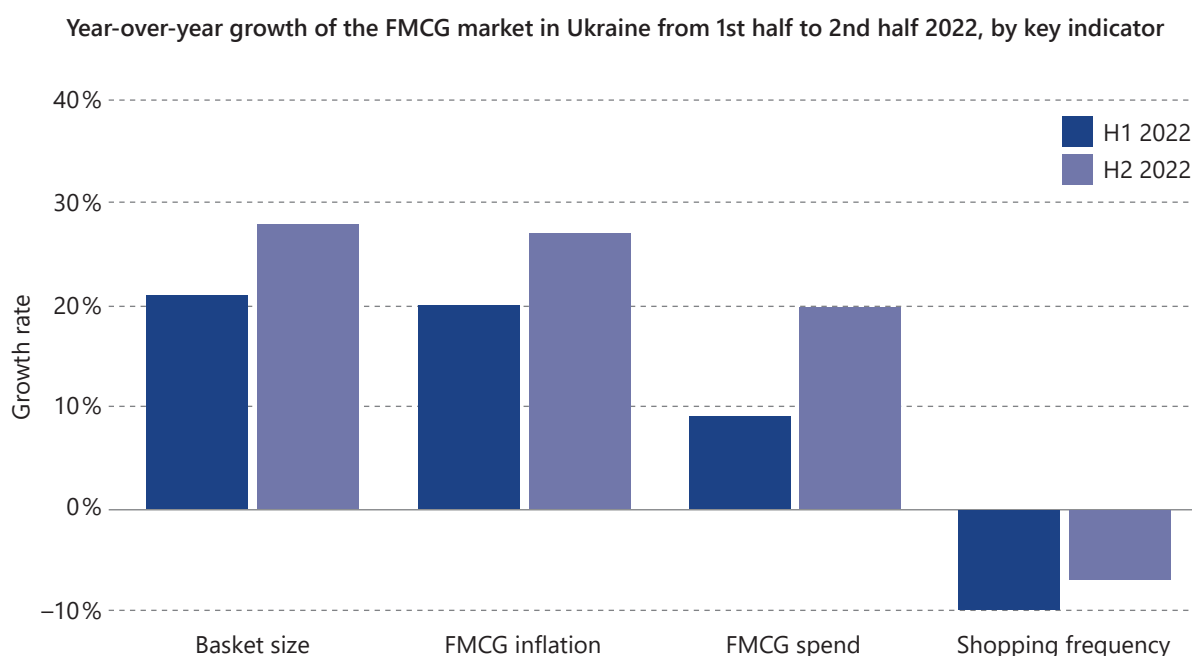


Fig. 3. FMCG market growth in Ukraine 2022, by indicator

Source: [6]

It is also worth paying attention to the changes taking place in the management of companies operating in the field of FMCG. Yes, there is a change in the software for management processes, digitalization covers more and more processes and increases the efficiency of operations. Among the main solutions for automating management, the most common ones include "WMS Управління складом," "BAS Комплексне управління підприємством," "BAS Бухгалтерія. ПРОФ," "CBT SCM Demand Forecasting," "BAS ERP," and other products [10]. Most of those software solutions are used in transportation, logistics, warehouse management, FMCG, pharmaceuticals, wholesale and distribution, and other industries.

The Ukrainian FMCG market, initially dominated by imported goods, saw the rise of companies around the mid-2000s. The impact of the war has brought about changes in the market, resulting in a decrease of 5% to 45% in production and distribution volumes. Factors like the war, migration, and decreased buying power have played a role in this decline and supply chain disruptions. Despite these challenges, specific sectors are showing signs of recovery. FMCG production has grown throughout its history due to local producers' contributions. Events such as COVID-19 in 2020 influenced shifts in consumer habits, leading to increased demand for FMCG products. Consumer prices for moving consumer goods in Ukraine rose by 27% in the half of 2022 compared to the previous year's period. The uptick in prices resulted in a 20% increase in FMCG market spending for the country to the second half of 2021.

The frugal behavior of Ukrainians during this period has not gone unnoticed by producers. For example, dairy consumption has decreased by 25% with varying impacts across dairy product types. Traditional dairy products experienced a decline of around 20% due to their importance and affordability, while modern and plant-based alternatives saw up to a 30% decrease. Moreover, nonessential items like cosmetics have witnessed sales as 70% of Ukrainians are trying to cut back on these purchases, and 23% have stopped buying them since the conflict began. Despite these changes, there is a demand for products containing organic ingredients as consumers prioritize health-conscious choices.

## Conclusion

The Fast-Moving Consumer Goods (FMCG) industry is expected to continue growing as companies prioritize improving their platforms to meet the increasing demands of consumers. Despite the ongoing war and economic disruptions, the FMCG industry in Ukraine has shown remarkable resilience and adaptability. It has demonstrated signs of recovery, driven by a shift in consumer behavior towards more sustainable and cost-effective products. Ukrainian companies have taken a proactive approach in expanding their domestic and international market presence, capitalizing on emerging opportunities in online sales and adjusting their strategies to cater to a changing demographic.

As more Ukrainians turn to online platforms for their purchases, there is a clear trend towards more convenient, sustainable, and health-conscious products. The industry's ability to innovate and adapt to these new consumer preferences will be critical for its future growth. Additionally, the expected return of millions of Ukrainians who moved abroad during the war could significantly boost the market, as their needs and preferences will further influence FMCG trends.

In conclusion, while the FMCG sector in Ukraine continues to face challenges, its capacity for innovation and adaptation suggests a robust potential for growth and recovery. The industry's focus on cost-effective production, coupled with an emphasis on quality and sustainability, positions it well to meet the changing demands of consumers in a post-war economic landscape.

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**Навігація на ринку FMCG в Україні**

У нестабільному середовищі сектора товарів швидкого споживання (FMCG) України інновації та стратегічна адаптація є життєво важливими для підтримки зростання та конкурентоспроможності. Ця стаття досліджує стратегії стійкості та адаптації на ринку FMCG України на тлі значних економічних та геополітичних збурень. Ключові аспекти дослідження включають детальний аналіз стійкості українських FMCG-компаній в умовах невизначеності, трансформацію споживчої поведінки та зростання онлайн-роздрібу, а також еволюцію стратегій виробників щодо впровадження екологічно чистих продуктів. Методологія дослідження базується на комплексному аналізі поточних ринкових тенденцій, оперативних коригувань компаній та стратегічних поворотів у відповідь на тривалу війну та економічні тиски. Особливу увагу приділено вивченню механізмів адаптації підприємств до нових ринкових умов. Через аналіз поточних тенденцій та оперативних коригувань ми вивчаємо, як компанії пристосовуються до таких викликів, як зниження обсягів виробництва, трансформація споживацьких уподобань та порушення у ланцюгах постачання, а також обговорюємо роль розширення онлайн-ринку, зростання попиту на екологічно чисті продукти та стратегічні повороти, які компанії роблять у відповідь на тривалу війну та економічні тиски. Результати демонструють, що українські компанії, які працюють у секторі товарів швидкого споживання, виявляють значну гнучкість та інноваційність, переорієнтовуючись на онлайн-канали збуту, розширюючи лінійки екологічно чистих продуктів та оптимізуючи виробничі процеси. Українські FMCG-компанії застосовують проактивний підхід у розширенні своєї присутності на внутрішньому та міжнародному ринках, використовуючи нові можливості онлайн-продажів та коригуючи свої стратегії відповідно до демографічних змін. Автори підкреслюють здатність сектору до інновацій, потенціал до стратегічної адаптації та спроможність підтримувати конкурентоспроможність в умовах постійних зовнішніх викликів.

**Ключові слова:** FMCG, Україна, ринкові тенденції, стійкість, стратегічна адаптація, екологічно чисті продукти, онлайн-роздріб