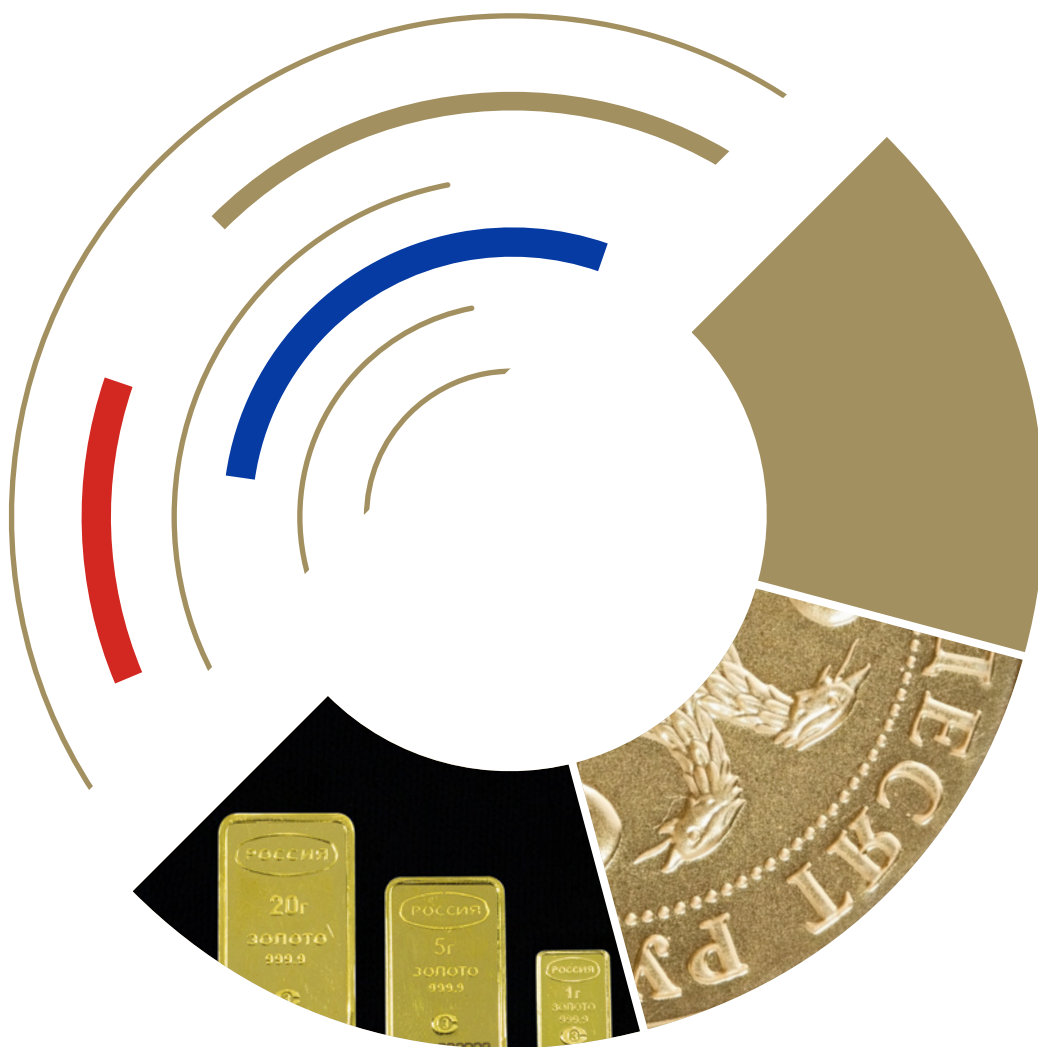


# Retail gold insights: Russia Investment



## About the World Gold Council

The World Gold Council is the market development organisation for the gold industry. Our purpose is to stimulate and sustain demand for gold, provide industry leadership, and be the global authority on the gold market.

We develop gold-backed solutions, services and products, based on authoritative market insight, and we work with a range of partners to put our ideas into action. As a result, we create structural shifts in demand for gold across key market sectors. We provide insights into the international gold markets, helping people to understand the wealth preservation qualities of gold and its role in meeting the social and environmental needs of society.

Based in the UK, with operations in India, China, Singapore and the USA, the World Gold Council is an association whose members comprise the world's leading gold mining companies.

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**For more on our global retail insights programme, visit:**

**[www.retailinsights.gold](http://www.retailinsights.gold)**

# Foreword



**Dr Tatiana Fic**

Director, Central Banks and  
Public Policy  
World Gold Council

Gold has been present in Russia since before the common era and has always been highly prized.

The development of the gold mining industry in Russia began in 1745, with the discovery of gold in the Urals by the peasant Yerofei Markov. Within 100 years, more than half of global gold production was being mined in Siberia. And Russia remains a leading gold mining nation today.

Gold has long been an important element of Russian state reserves. The Gokhran of Russia (The State Repository of Precious Metals and Gemstones of the Russian Federation - now part of the Ministry of Finance of the Russian Federation) can trace its origins back to 1719, when the Emperor Peter the Great established the country's first State Treasury, with gold coins, jewellery and

nuggets constituting an important part of the country's wealth. More recently, we have seen Russia's central bank build very substantial gold reserves, amassing almost 2,000 tonnes in the last 15 years.

As a major producer and influential purchaser of gold, Russia plays an important role in the global gold market.

But the gold investment market has been slow to develop. Demand for gold bars and coins barely registers on the global scale. And our research has found that, while there is a healthy appetite for gold investment, only 16% of Russians actually currently own it.

The 20% rate of VAT levied on gold bullion bars – the highest in the world – has doubtless held back the growth of the investment market. But there is reason to hope that this situation may improve. The expected abolition of VAT should revitalise the market and unblock the tide in investment.

Russian retail investors have a warm attitude towards gold. Our research has uncovered that more than half of Russians would consider investing into gold despite never having done so in the past. Gold holds strong perceptions of safety, durability and value. Two thirds of Russians perceive gold as a safeguard against inflation and currency fluctuations, and more than half trust gold more than currencies of other countries.

While investors are open to gold and have faith in its ability to protect their wealth, two challenges facing gold as an investment asset stand out: lack of education and trust.

Almost two thirds of consumers feel they do not have enough information about gold. They lack necessary knowledge around how to invest and are unaware of affordable investment options. Meanwhile, there is a perception that investors are at risk of being sold fake or counterfeit gold products. Linked to that is a concern over the purity of gold not being guaranteed.

Acknowledging and addressing these barriers will be essential to building confidence in gold among retail investors and unlocking potential demand.

Russia is on a drive to improve financial literacy and cultivate an expanding private investment sector, with a focus on nurturing long-term savings and pension provision. A developing gold investor market, with fair pricing, and accessible trusted products and suppliers, can play a role in supporting these policy objectives. We hope the findings here give impetus to the Russian gold industry and add to the momentum behind the government and industry initiatives already in motion to help Russia's gold investment market flourish.

# Executive summary

The gold investment market in Russia has ample headroom for growth. Investors feel strongly positive towards gold. They recognise its attributes and want a part of it. And as such, gold should be able to engage with this receptive audience.

## **The Russian investment landscape is fascinating.**

On the one hand, the popularity of savings accounts is over-riding: regarded as safe and wealth protecting, they are by far the most popular investment choice. But alongside this we see the rise of cryptocurrencies – considered by some to be a high risk investment. The punishing rate of VAT has doubtless held back the tide in gold investment, and the expected abolition of VAT is likely to revitalise the market. And any shift towards gold could be further enhanced by challenges in the domestic and global economy. Consumers are deeply concerned about how to protect their wealth in the face of macroeconomic factors and in this, gold has the potential to provide much needed security.

## **Our research found that Russians have a real warmth towards gold.**

It is deemed to be somewhat experimental – less than one-fifth currently invest in it – but the positivity surrounding gold's potential and security is strong. We found that 79% of investors would consider investing in gold in the future, and 57% of Russians would consider investing despite never having done

so before. But investors need hard facts to turn their curiosity into action. Echoing through our research is a need for information around all facets of gold investment; from how it is valued, to its accessibility, the product range and the purchase journey itself.

## **Potential investors see and hear very little about gold in the media.**

The 25 to 34 age group is most engaged with gold and these younger investors want to see relevant messages in the digital space where they are active. And it is with younger investors that we see the greatest willingness for portfolio diversification. Online channels are the perfect vehicle with which to reach and educate this audience and build an emotional connection with gold. Right now, many of gold's strengths that would resonate with this group – such as its role in protecting wealth historically – remain uncommunicated in the absence of a media buzz.

## **We highlight segments with the greatest growth potential.**

We have segmented the existing and potential audience for investment in gold in order to assess the scale of opportunity, how best to reach different segments and how messages can be tailored to capture attention. Segmentation also helps to identify where barriers exist and where product innovation could address the widely held misperception that gold is inaccessible and unaffordable.

## **Our research uncovered a lack of knowledge around investing in gold, along with concerns around trust in gold.**

Russian investors need to feel more familiar with the process of investing in gold – particularly in products with a low entry point – and would like to know more about gold storage. Counterfeiting undermines confidence in the established assaying standard and the possibility of buying counterfeit goods is a threat that plays heavily on their minds. But gold is well able to engender confidence and if it can show its lasting value in a changing world, and do so convincingly, it will be well placed to increase its market share among Russian retail investors.

## **Within Russia, we conducted:**

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# 2,023

online interviews with investors from cities across the country

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# Snapshot of investment behaviours

## Russia: vast and diverse.

In a country that covers one tenth of the world's land mass, Russia's population of 144.5 million live in geographically diverse environments. The economy is rooted in natural resources: Russia is the world's top oil producer and boasts a wealth of coal, iron ore, gold and aluminium.

## The investment landscape.

In 2007 the Russian central bank began increasing its official gold holdings, in part driven by a desire to diversify away from exposure to the US dollar. Sanctions following the Ukrainian crisis heightened the desire for 'de-dollarisation' and by the end of 2019 the central bank's gold reserves had grown to 2,271 tonnes. The sanctions imposed in 2014, along with a 50% crash in oil prices the same year, led to a sharp devaluation

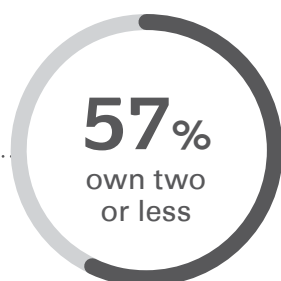
of the ruble and a contraction of GDP. Unsurprisingly, a deep concern about the country's economic situation and global influences persists.

Investors have also taken hits from losses in the cryptocurrency market. But cryptocurrencies remain popular and benefit from being an accessible investment, together with foreign currencies, which also benefit from being viewed as a store of value in the light of ruble weakness. Both rank above gold in portfolio choices.

Savings accounts are the preferred investment products in Russia, doubtless due to their accessibility across age groups, gender, segment and geographical location. Foreign currency is the second most popular investment choice; of those with a foreign currency investment, 78% have a holding in US dollars and 56% are invested in euros.

## Average number of investment products owned

2.7



## Proportion of income saved or invested

15%

## Top 6 investments

1. Savings account
2. Foreign currency
3. Real estate
4. Life insurance
5. Cryptocurrencies
6. Gold

### Warmth towards gold.

Russians are warm towards the idea of investing in gold. They hold it in high regard and believe it to be secure: 75% think it will never lose its value and 68% feel that it offers them a safeguard against currency fluctuations and inflation; in fact, 52% trust gold more than the currencies of other countries. And 66% of investors say it makes them feel secure for the long term. They also regard it as low risk – 28% of respondents cited this as the key reason that would motivate them to hypothetically invest in gold.

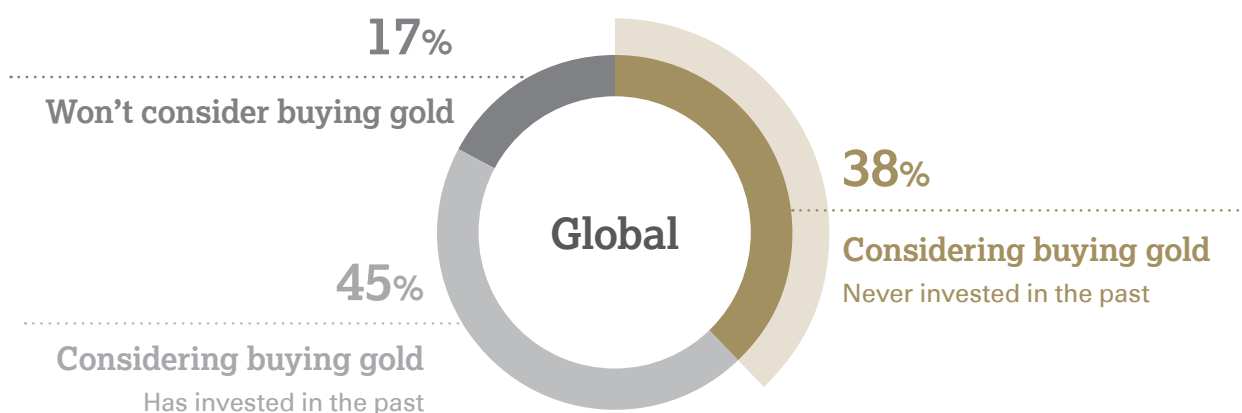
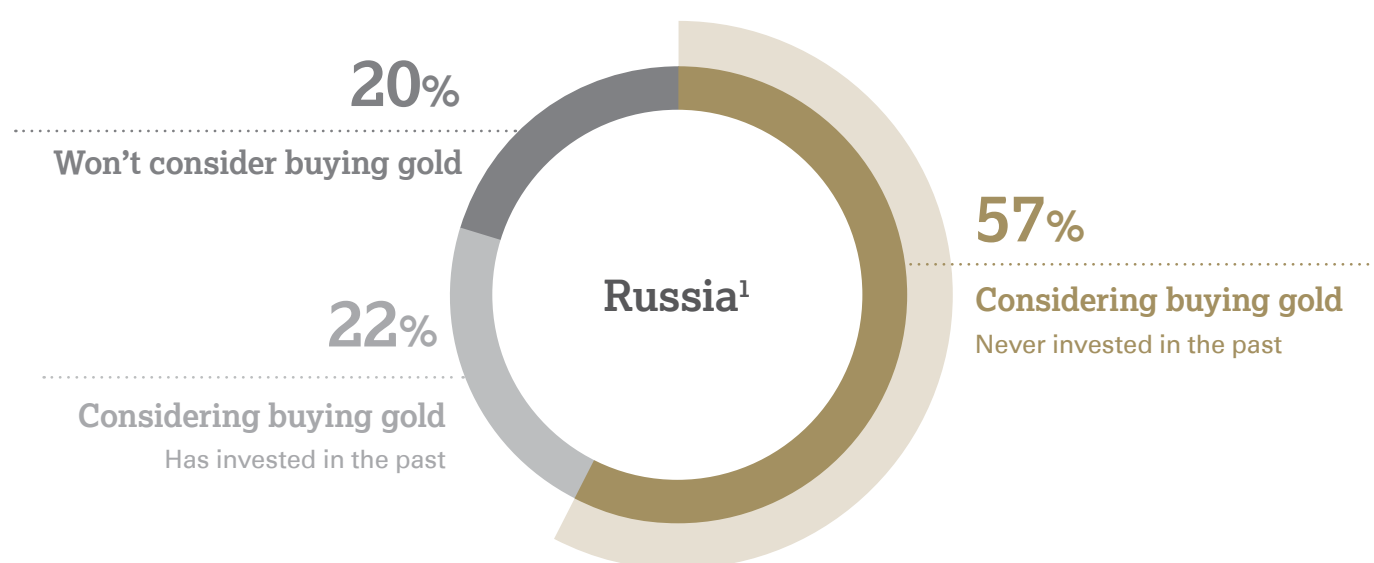
Attitudinally, Russian investors exhibit very different characteristics to those in countries such as China and India where gold is embedded in history and culture. In Russia, gold is considered more experimental and less habitual, but investors far from

rule it out: indeed, 57% say they would consider doing so, despite never having invested in it previously – an indication of the size of the conversion opportunity. We refer to investors who are warm to gold as 'considerers': those who might invest in gold or who say they are open to the idea.

But gold is not thought of as mainstream. Less than one-fifth own gold and, among these, coins – with their VAT exempt status – are the most popular choice. Russian portfolios tend to lack diversity; the average number of products is 2.7 (compared with a global average of 3.4) and only 6% of portfolios boast six or more. Short term investments like crypto and foreign currencies – usually bought and sold within a year – both feature in the top 5 products held. Investors look to gold more for the long term.

# More than half of Russian investors are considerers

## Penetration and purchase intent



<sup>1</sup> Numbers do not add to 100 due to rounding



## Russians seek reassurance and simplicity.

In order to understand more about the motivation of our respondents we asked them to consider hypothetical scenarios in which they might invest: the occasions when they might do so; the triggers that would encourage them; the factors that could influence them; how they envisage the purchase journey and the benefits they hope to gain.

Our research uncovered that, when thinking about hypothetically investing in gold, 88% said they regarded it as a safeguard against the threat of theft or fraud – attributes that are likely attractive in an uncertain Russian investment landscape.

## Regular income is important to Russian investors.

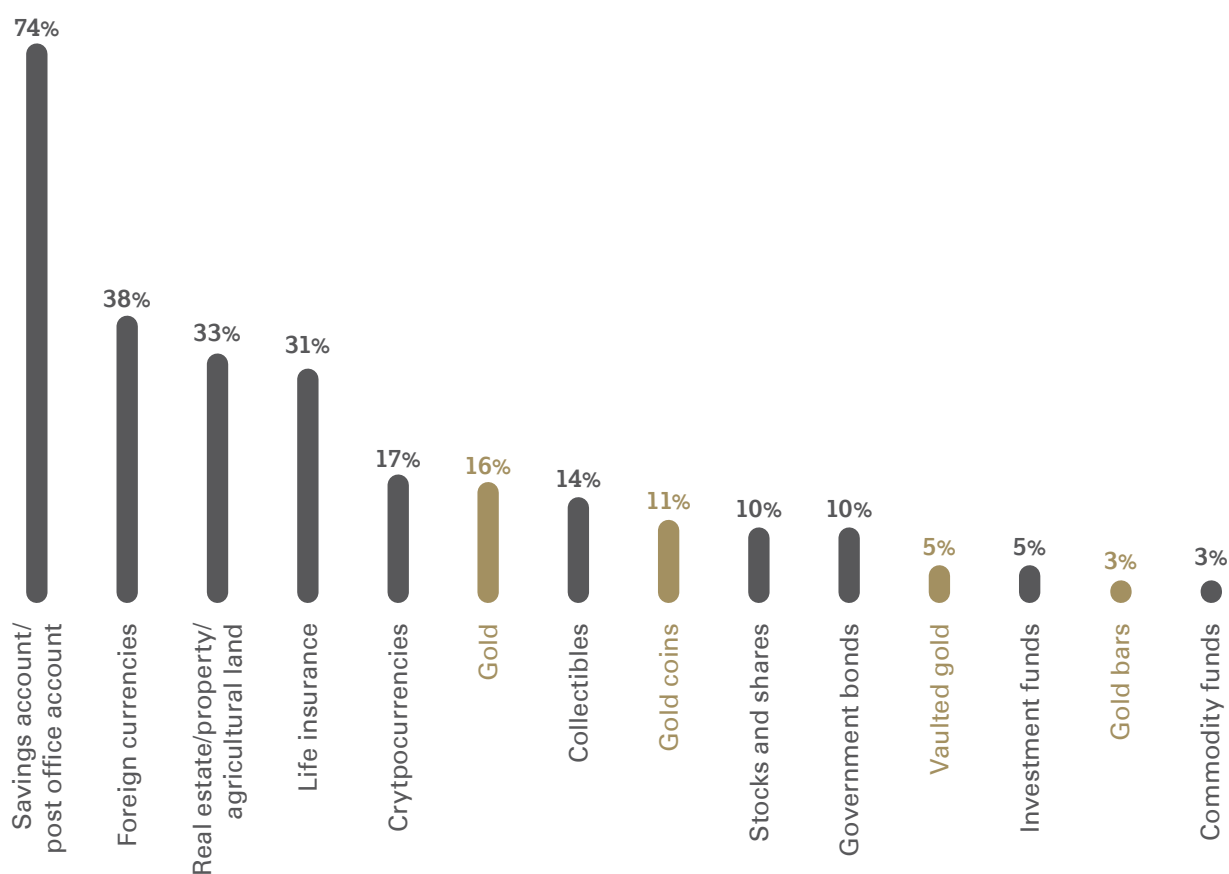
This is borne out by the popularity of savings accounts in Russia. These investors look for opportunities that are low risk and straightforward, and are likely to be attracted by products with affordable entry points that are easy to buy and sell in small amounts.

## Investors look to gold to meet wealth protection needs.

Trust in the security of gold is strong: in a hypothetical scenario, 92% felt that investing in gold would help fulfil their wealth protection needs.

But gold seems to offer a dual appeal. As well as providing a much-needed safeguard against currency and economic instability, we also found that gold-backed ETFs can attract the investor who seeks more excitement from their investments; 18% of those who bought ETFs did so because of their potential to deliver good returns in the near term or because of their speculative nature. Potential investors are likely to welcome more information about product choices, especially where they can identify a match between the products and their needs.

## Investments made in the past 12 months



# Gold's opportunities for growth

## Investors need more information.

Our research uncovered a widespread lack of knowledge around gold. Potential investors need to know more if they are to be converted to it. They are unaware of accessible products, lack knowledge around how gold is valued and don't know how to invest. More could be done to help create an emotional connection too, as well as build confidence in gold and educate around storage options. Such actions would build on the state-backed drive for greater financial literacy, which is perceived as a critical step towards wealth creation in Russia.

## Older age groups look for safeguarding opportunities.

This group invests for two main reasons: steady income and wealth protection. In the main, they are risk averse and an important goal for them is to pass on some of their wealth to the next generation. Fostering trust in gold is important here, as is education around the value of gold over the long term. We found that the 55 to 65 age group were the least likely to have invested in gold over the previous 12 months. Interestingly, it is in this age group where we find most interest in environmentally sound investments, perhaps offering a further clue to the messages that would be most relevant and well received.

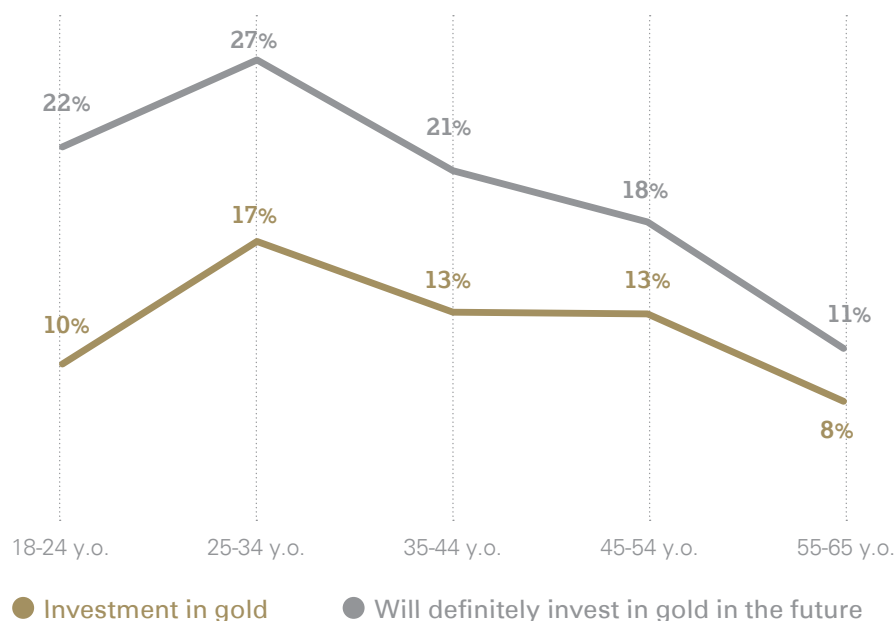
## More than:

85%

of those aged 45-65 are concerned that a financial crash or economic downturn could damage their savings.

## Current investment vs future investment

By age



### Younger people are very open to gold.

In 18- to 24-year-olds, where aversion to risk is lower, 22% say they will definitely invest and 61% are willing to consider making a first time investment in gold. This will be important as this group grows its wealth. But it is the 25 to 34 age group that is most engaged with gold: 17% invested in it during the previous 12 months and 27% say they will definitely invest in gold in the future. Our research indicates some overlap between investors in cryptocurrencies and investors in gold, perhaps indicative of opportunities here if gold can be presented as easy to access and intellectually stimulating.

### Online reach needs to improve among younger investors.

At present, one quarter of Russia's investment is carried out online. Cryptocurrencies dominate the high value digital investment market with 79% bought online, although 31% of vaulted gold and 35% of gold-backed ETFs are also purchased digitally. An online media buzz around gold could be highly effective in enhancing the emotional connection between the younger investor and gold, particularly if it is able to bring gold's aspirational and intellectual qualities to the fore.

### The gap between considerers and purchasers is indicative of the market opportunity.

Our research highlighted the extent of the divide: for example, 60% of investors would consider gold coins in the next 12 months compared with only 7% who bought them in the preceding 12 months. For ETFs, 48% claimed to be considerers but over the previous 12 month period only 5% had actually bought. Nonetheless, the message here is an encouraging one: gold is a real possibility for these investors – it is just that more needs to be done to persuade them to complete their purchase journey.

# Understanding the different retail investors

Four distinct retail investor segments were identified from our global research. Investors are grouped into these segments according to their similar characteristics, and the segments differ from one another in terms of their broad profiles of investment attitudes, behaviours and needs.



## Segmentation of retail investors

While there are specific market differences in terms of size and behaviour, as well as cultural nuances, these segments are globally relevant and thus help to establish a common language for engaging with investors.



## Agile Strategists

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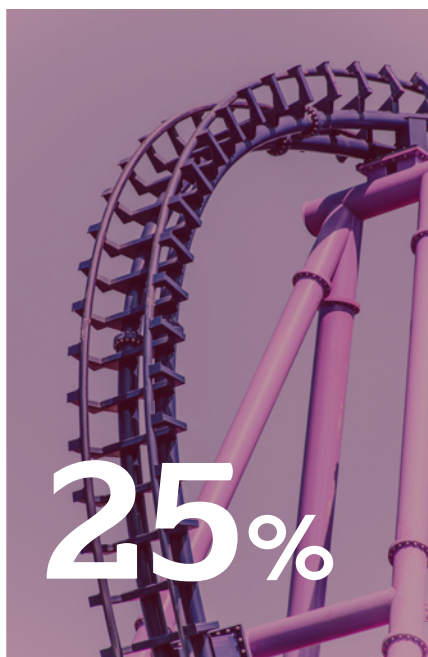
These are the most engaged investors who see investing as a hobby. They are confident investors who take a long-term view, so while they may take advantage of fluctuations in the market, they are focused on creating a diverse portfolio to protect and grow their wealth. They tend to be the first amongst their peers to consider new investment options.

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## Adventurous Traders



These investors want to live for today; they take a more short-term view on investment, seeking more immediate returns, and are happy to take advantage of fluctuations in the market to get them. Less risk averse and more experimental, they are often the ones that peers turn to for investment advice.



## Cautious Savers



These highly risk averse investors are the least engaged. They seek to protect their money from external impact. They believe in investing for the long term and look for reliable investments that minimise risk as well as give steady returns.



## Guided Risk Takers



These investors are looking for high returns in the short term rather than looking to invest for the long term. While they are open to taking risks to get exponential growth, they rely on others to help them make their investment decisions.

## Profiling the investor segments

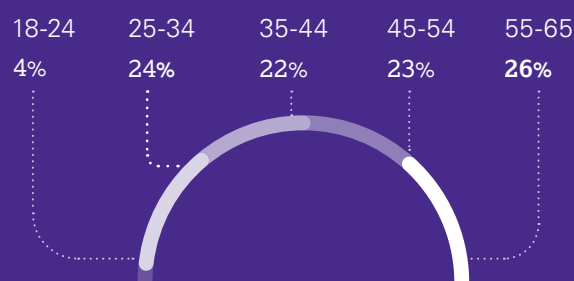


### Agile Strategists

#### Gender



#### Age



#### Top investments



#### Sources of information



#### Average number of investments owned

3.2

#### Attitudes to gold

81%

Agree gold will never lose its value over the long term

80%

Agree gold is just like any other commodity like oil or steel

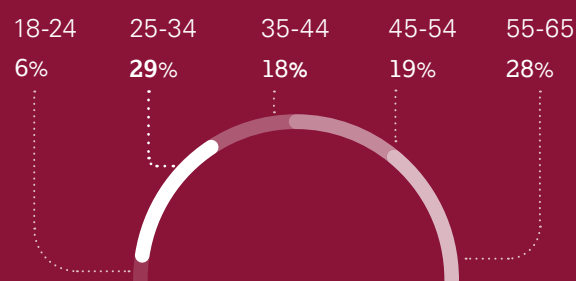


### Adventurous Traders

#### Gender



#### Age



#### Top investments



#### Sources of information



#### Average number of investments owned

2.7

#### Attitudes to gold

73%

Agree gold is just like any other commodity like oil or steel

67%

Agree gold will never lose its value over the long term





## Cautious Savers

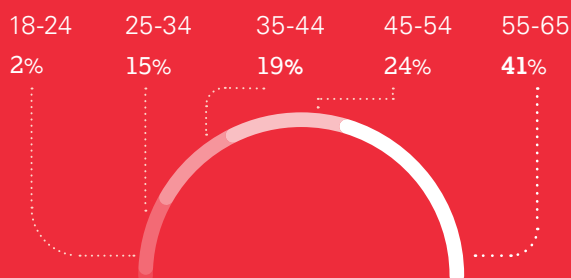
### Gender

43%  
Male

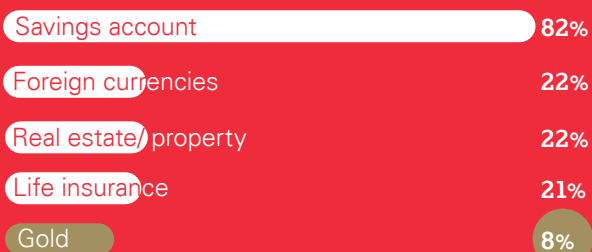


57%  
Female

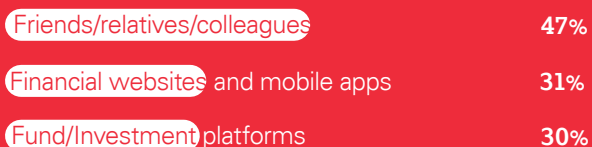
### Age



### Top investments



### Sources of information



### Average number of investments owned

2.4

### Attitudes to gold

85%

Agree gold is just like any other commodity like oil or steel

78%

Agree gold will never lose its value over the long term



## Guided Risk Takers

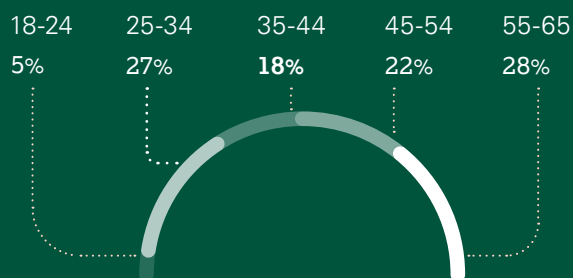
### Gender

50%  
Male

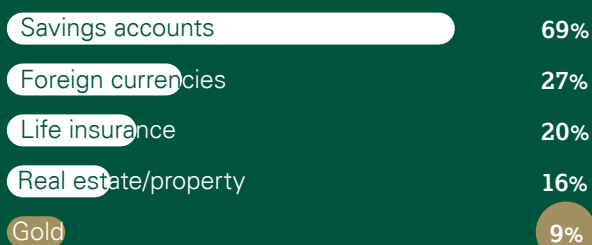


50%  
Female

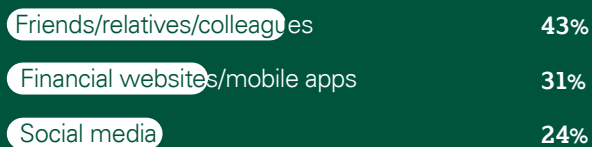
### Age



### Top investments



### Sources of information



### Average number of investments owned

2.2

### Attitudes to gold

80%

Agree gold is just like any other commodity like oil or steel

70%

Agree gold will never lose its value over the long term

**Within each of these segments there is untapped gold demand.**

A significant proportion of each A significant proportion of each investor segment are 'considerers' – i.e. investors who would be open to buying gold in the future, despite never having done so in the past. In Russia, more than half of each segment fall into this category with the most sizeable proportion coming from the Cautious Savers segment.

There is an opportunity to convert these considerers into gold investors through addressing their specific barriers in a meaningful way.

Perceived affordability is a major barrier for all segments, although in particular for considerers among the Cautious Savers and the Guider Risk Takers. A lack of understanding around how to buy gold and a desire for safer storage options are also universal barriers, and it is seen

as too long term by more than a quarter of each segment. Concern over buying fake/counterfeit gold is a key issue for all considerers except Guided Risk Takers. For Agile Strategists, the biggest barrier is the perception that the fees on gold are too high.

Both Cautious Savers and Guided Risk Takers considerers need a better understanding of what drives the gold price to be encouraged to buy.



## Agile Strategists

**55%** Gold considerers

### Barriers - Education

The buying/selling fees on gold are too high **28%**

It is not affordable for me **26%**

I don't know enough about how to buy it **25%**

The costs of vaulting/storage are too high **24%**

### Barriers - Trust

I worry about buying fake or counterfeit gold **25%**

I can't store it safely **23%**

### Barriers - Other

It is too long term **26%**



## Adventurous Traders

**52%** Gold considerers

### Barriers - Education

It is not affordable for me **25%**

I don't know enough about how to buy it **25%**

It's difficult to re-sell/cash in **23%**

The costs of vaulting/storage are too high **19%**

### Barriers - Trust

I can't store it safely **25%**

I worry about buying fake or counterfeit gold **21%**

### Barriers - Other

It is too long term **27%**

To drive growth, businesses need to target those segments that fit best with their individual strategy and product offerings. At the overall segment level, Adventurous Traders and Agile Strategists are more engaged with gold and represent the biggest value today – so it is important that current and future product and service offerings are set up to meet the needs of these particular segments as they evolve over a changing investment

landscape. At the same time there is an opportunity to increase penetration by addressing the key barriers for considerers in all segments. Cautious Savers represent the greatest opportunity for penetration growth, given the higher proportion of considerers that exist in this segment; addressing their affordability perceptions and accessibility concerns will be critical to making gold more attractive to them.





## FOCUS

### Female investors

The importance of home and the role of women in modern Russian life provide context to gender influence on investment decisions. In Russia, the majority of domestic and child rearing tasks are carried out by women and, as a result, they are often the decision makers within the home. And for many families, the authority of the babushka endures.

Most Russian families have been dual income. Men tend to earn more; in the highest income bracket we find almost twice as many men (18%) as women (10%). Even so, saving and investment patterns, as well as portfolio sizes, are similar. Active investors of both sexes save around 15% of their income; men have on average 2.8 products in their portfolio and women around 2.6.

There are clear distinctions between male and female investors' attitudes to investment in general – but the real divergence is in attitude to risk.

Men prefer to invest for the short term and take a more aggressive approach to their investment choices; in fact, many see investing as a hobby. Agile Strategists, 56% of whom are male, have a higher average number of products within their portfolio (3.2) and 31% of this segment likes to invest in foreign currencies.

Women are less comfortable with risk. Among our Cautious Savers segment, 57% are female. They seek the safer environment of savings accounts and life insurance. Within the past 12 months 78% of women surveyed said they had invested in a savings or post office account. Furthermore, more than half disagreed when asked if they took advantage of fluctuations within the financial markets. These ambitions for stability over the long-term offer gold a real penetration opportunity among female investors if it can increase trust and educate around value.



There are clear distinctions between male and female investors' attitudes to investment in general – but the real divergence is in attitude to risk.

## Attitudes to investment





## FOCUS

### Female Investors

As women show a greater desire to make investments that are ethical, have a positive social impact and do not damage the environment, there is potentially an opportunity here for gold to reassure and inform women about its social and environmental practices.

Both men and women use a variety of information sources when making investment decisions. But when asking for person-to-person advice, men and women have different priorities: 46% of women consulted friends, relatives or colleagues and 28% asked a representative from their bank. Men prefer a less personal approach: online sources of information are important to them

and only 18% said they would talk to their bank.

Men are more attuned to mentions of gold in the media, possibly because investment is more of a hobby. But when they do need information, both men and women look for it online. From the 13 information sources quoted, four of the top five were digital – websites and mobile apps, financial platforms, blogs/forums and social media. Gold can be represented in an accessible way for this online audience if marketing communications recognise that men and women may be active on different digital channels and frequently have differing investment objectives.



Both men and women use a variety of information sources when making investment decisions. But when asking for person-to-person advice, men and women have different priorities.

“ It is less risky to invest in gold, [it gives a] long-term perspective, stability ”

FEMALE CAUTIOUS SAVER, 46  
ROSTOV-ON-DON

## Source of investment information



● Female ● Male

# Identifying investment demand moments

Investor segments help us identify who to target and how best to reach them. But people do not necessarily behave consistently from one investment occasion to another; they will have different needs depending on the moment. We need to understand the occasions – these ‘demand moments’ experienced by retail investors – and the needs underlying each one, in order to develop effective products, services and communications to meet those needs.

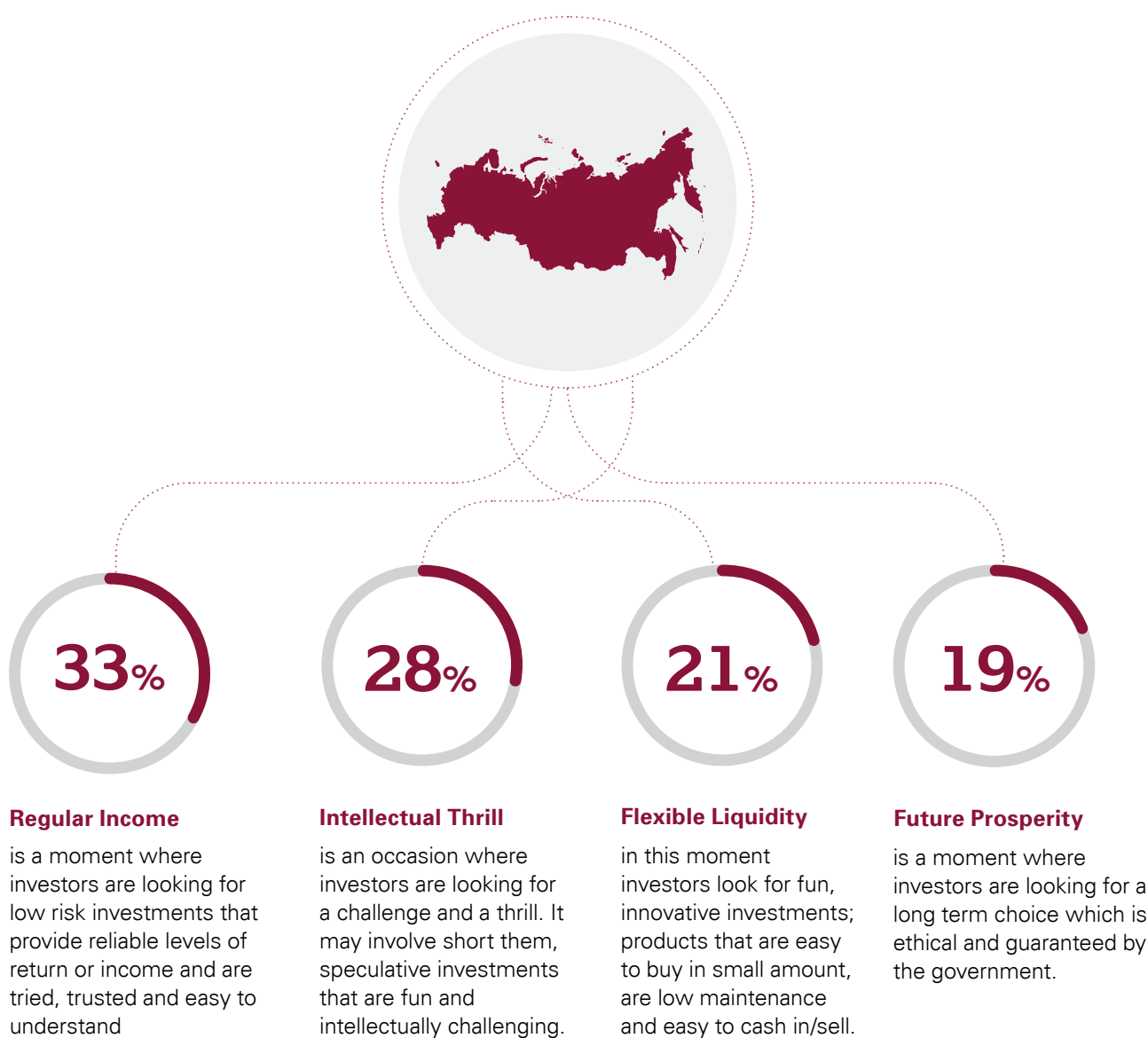




Our research identified four distinct global demand moments, based on the benefits sought by investors on each particular investment occasion.

As with the investor segments, the four demand moments are also universal across all the markets we surveyed; but there are differences in terms of size and behaviour, as well as cultural nuances.

## Demand Moments in Russia



## Demand moment comparison

### Intellectual Thrill



### Regular Income



### Flexible Liquidity



### Future Prosperity



“Gold is a stable currency, it is confidence in the future, it is a metal that will never lose its value, it is stability and reliability”

MALE ADVENTUROUS TRADER,  
47 TOLYATTI

The biggest demand moment in Russia is Regular Income and it is most commonly experienced by Cautious Savers and Guided Risk Takers. While investors feel that gold bars and vaulted gold fit this demand moment, they also compete with real estate and savings accounts. Gold mining equities also fit this demand moment. Gold is well placed to strengthen its position in this space given its security heritage, but the challenge will be to offer liquid gold-based products that can be used to deliver a regular income.

Intellectual Thrill is the second most common demand moment, and is particularly relevant to Adventurous Traders. Gold-backed ETFs fit this demand moment, but they are competing with cryptocurrencies, commodity funds, investment funds and stocks and shares. To maintain and strengthen its position in this moment, gold needs to be viewed as exciting and should be positioned as highly liquid with the potential for short-term, as well as long-term, gains.

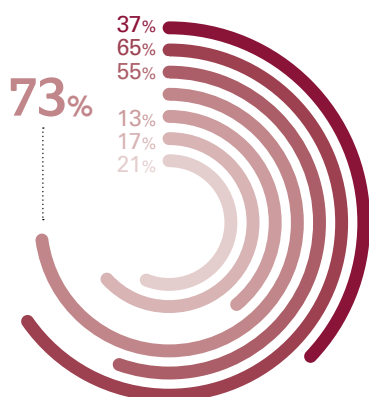


While they may rely on others to guide their investment decisions, compared to other age groups 18- to 24-year-olds are much more willing to take risks to get exponential growth, rather than take a long-term view. For example, they are the least likely to have invested in a savings account but are the most likely to have invested in collectibles – and around

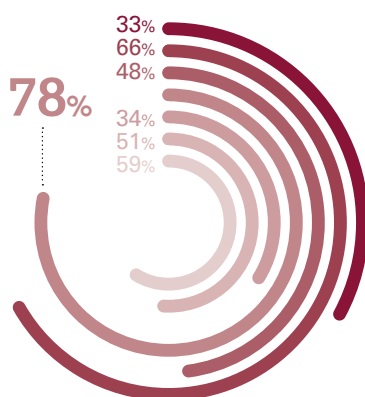
two thirds are considering investing in cryptocurrencies. With their future stretching ahead of them, they are much less focused on creating a diverse portfolio to protect their wealth for future generations. And they are looking to make investment choices that have a positive social impact.

## Attitudes to investment

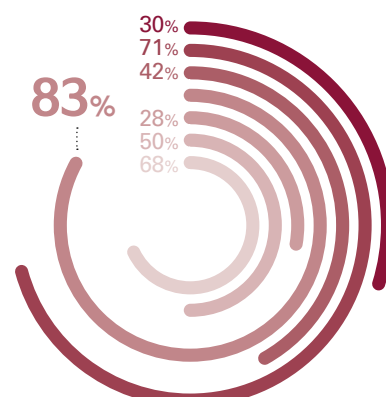
18-24 year-olds



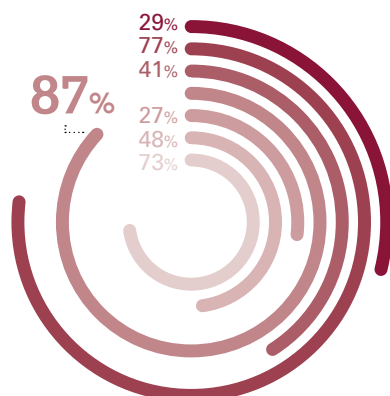
25-34 year-olds



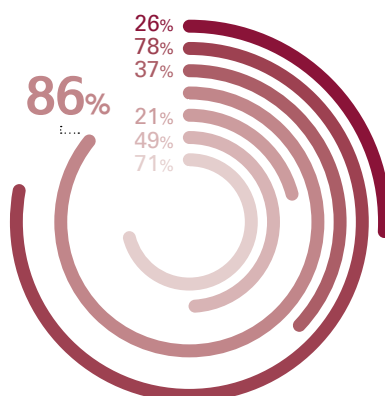
35-44 year-olds



45-54 year-olds



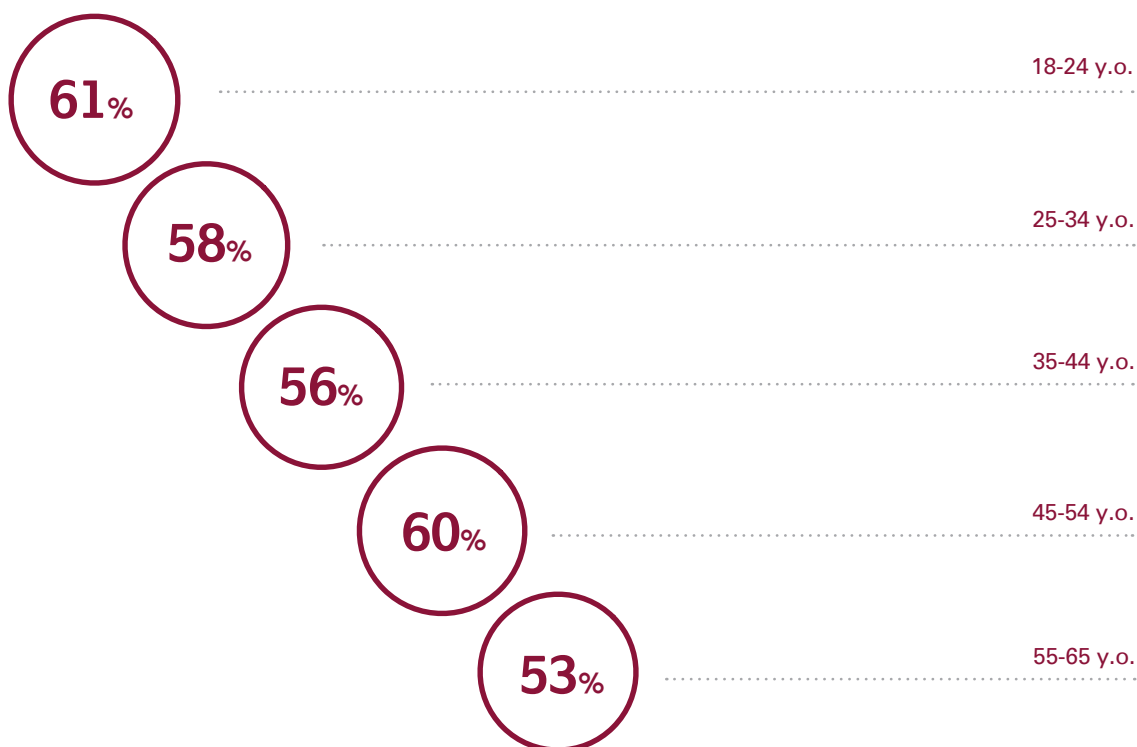
55-65 year-olds



- I take advantage of the fluctuations of financial markets
- I don't want to risk my money, steady returns are ok
- I want exponential growth and am prepared to risk money for it
- I am concerned that a market crash could damage my savings
- I rely on others to guide my investment decisions
- I choose to make investments that have a positive social impact
- A diversified investment portfolio that protects my wealth is very important

## Considers who have never bought

By age



While general investment behaviour is quite similar across age groups, 18- to 24-year-olds and 55- to 65-year-olds are the least likely to have invested in gold.

However, young Russians have the potential to develop into future gold investors: twice as many 18- to 24-year-olds say they will definitely invest in gold in the future compared with the older age group. And over 60% of them are open to gold even

though they have not invested in it yet.

Unlike other age groups, this young cohort do not view gold as a route to long term security because they are less likely to believe that it will never lose its value over the long term. A key watch-out is that this is the group that is the most likely to feel that they do not hear about gold in the media. With social media being their biggest source of investment information,

any future communication strategy must have a robust digital component to reach them.

In line with their investment attitudes, Intellectual Thrill is by far the most relevant demand moment for these younger investors – the high risk, high reward moment. Gold needs to be positioned in a way that shows it can fulfil this need while at the same time ensuring it is seen as accessible.



## FOCUS

### The rise of financial technology

The use of fintech across all touchpoints in the investor purchase journey continues to grow. A recent study by Ernst and Young has put Russia's adoption of fintech in third position globally, behind China and India, with over eight in ten Russians using some sort of fintech service.<sup>2</sup>

By integrating financial technology innovations into the investor journey, those leading the way are able to deliver a frictionless, customer-centric end-to-end experience, which – crucially – meets the key investor need for simplicity. This can also help boost financial inclusion, for example by lowering transaction costs and improving access to financial services, which can be challenging outside of urban centres.<sup>3</sup>

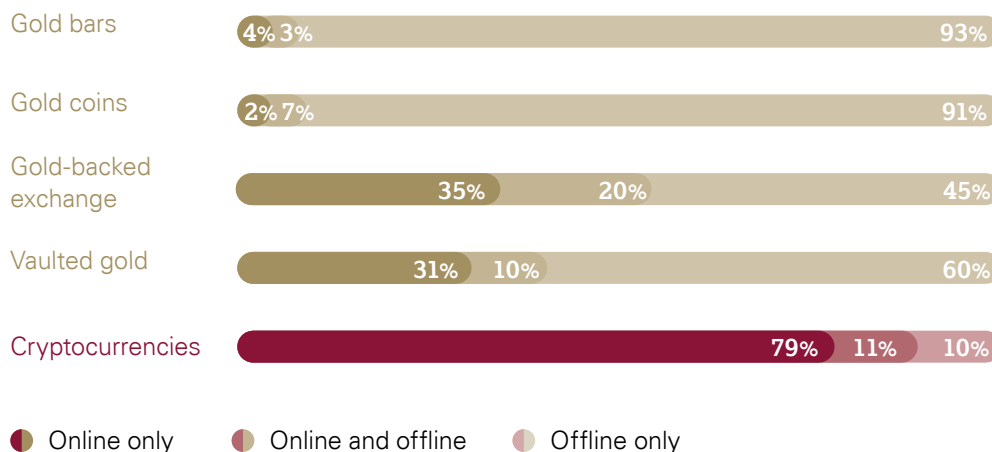
**One of the biggest uses of fintech is mobile payments.** Nearly 60% of Russians use these services compared to around 20% globally.<sup>4</sup> According to data by Sberbank, in Q4 2019 Russians made more payments digitally than with cash for the first time. This trend looks set to continue as consumers and businesses have been encouraged to use digital payments rather than cash and banks told to limit rouble notes in circulation in order to help slow the spread of the coronavirus.<sup>5,6</sup>

**But the use of roboadvisors, an innovation which has disrupted the sector in other markets, has yet to gain popularity.** Our research shows that just 10% of

Russian investors used a roboadvisor to make an investment compared to, for example, 19% in the US. Usage in Russia looks set to grow steadily, however – Statista projects an increase of around 10% in the number of users in 2020.<sup>7</sup>

There is a high adoption of online vehicles as a way to invest, with a quarter of investments taking place exclusively online. Cryptocurrencies are leading the way with nearly 80% being bought exclusively online. While physical gold is mostly purchased offline, online investment in gold-backed ETFs and vaulted gold is already quite high.

### Place of investment by product type



2 E&Y Global FinTech Adoption Index 2019

3 [knowledge.wharton.upenn.edu/article/can-fintech-make-the-world-more-inclusive/](https://knowledge.wharton.upenn.edu/article/can-fintech-make-the-world-more-inclusive/)

4 [www.forbes.com/sites/madhvimavadiya/2017/06/18/russian-fintech-geopolitics/#fe7f5cff4321](https://www.forbes.com/sites/madhvimavadiya/2017/06/18/russian-fintech-geopolitics/#fe7f5cff4321)

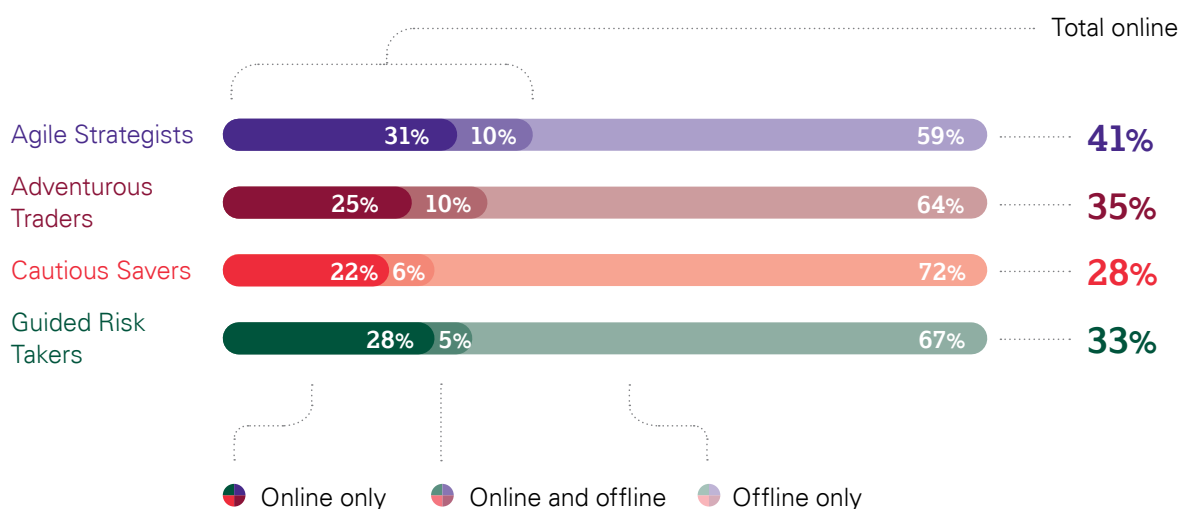
5 [www.sberbank.ru/en/press\\_center/all/article?newsID=933ec293-4da6-47a0-a876-332ffaaa1bfc&blockID=1539&regionID=77&lang=en&type=NEWS](https://www.sberbank.ru/en/press_center/all/article?newsID=933ec293-4da6-47a0-a876-332ffaaa1bfc&blockID=1539&regionID=77&lang=en&type=NEWS)

6 [uk.reuters.com/article/us-health-coronavirus-russia-banknotes/russia-in-digital-payments-push-as-it-limits-banknote-circulation-idUKKBN21B1D1](https://uk.reuters.com/article/us-health-coronavirus-russia-banknotes/russia-in-digital-payments-push-as-it-limits-banknote-circulation-idUKKBN21B1D1)

7 [www.statista.com/outlook/337/149/robo-advisors/russia](https://www.statista.com/outlook/337/149/robo-advisors/russia)

## Place of investment by investor segment

Across all products



When we look at how channel usage varies by segment, we see that Agile Strategists, one of the higher gold value segments, are the biggest users of online channels, while Cautious Savers, who represent the biggest penetration opportunity, are the lowest.

While there are challenges to the growth of fintech in Russia, such as lack of foreign investment and a lack of competition, there is still a demand for it and the expectation is that it will continue to grow steadily.<sup>8</sup> The gold industry needs to embrace fintech as a route to reaching its target audience. And as a way

to build a competitive advantage through expanding awareness and education, improving accessibility, and addressing affordability. This should drive greater penetration and frequency of gold investment and help gold compete against other mainly online products, such as cryptocurrencies.

8 [www2.deloitte.com/content/dam/Deloitte/ru/Documents/research-center/FinTech-Market-Trends%202018-en.pdf](http://www2.deloitte.com/content/dam/Deloitte/ru/Documents/research-center/FinTech-Market-Trends%202018-en.pdf)

# Barriers

Russian investors view gold in a positive light, but current investment levels are relatively low. By identifying a group of investors who have not previously bought gold but would now consider doing so, our research allowed us to investigate the factors that prevented them from buying in the past. Here we discuss the insights we uncovered into the barriers that potential gold investors face.



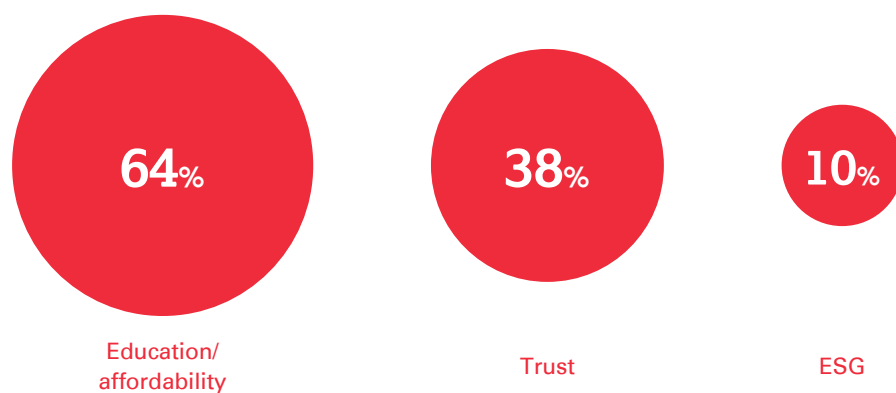


### Russians know little about gold

and see it as unaffordable. The poor visibility of gold within the Russian market place leads to a perception that it is unaffordable and unattainable. We found that 64% of potential investors cited a lack of education as a principle deterrent. They simply didn't know enough about gold to invest in it. There is a very clear need for more information. Among considerers, 32% said that gold was not affordable for them and 29% said they didn't know

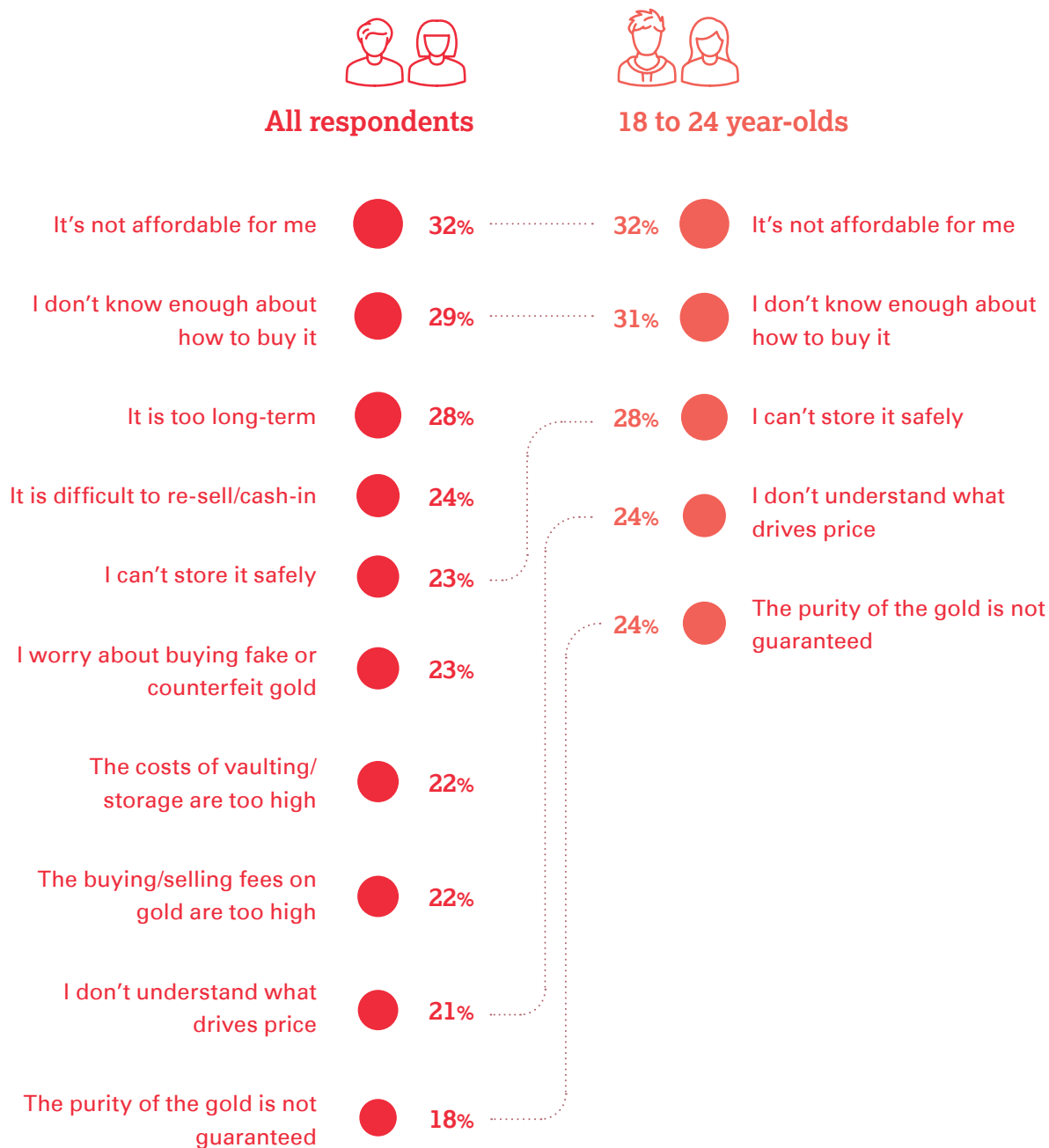
how to buy it, a feeling that is more pronounced among the youngest age group. And 21% did not understand what drives the gold price. These findings are particularly pronounced among the Cautious Savers and Guided Risk Takers, for whom gold needs a visible and accessible entry price point. Russia wants to encourage private investment and acknowledges that there is a need for greater financial literacy among its population if it is to achieve a more vibrant investment market and generate wealth.

### Lack of education and affordability, followed by trust, are key barriers to gold purchase in Russia



## Affordability concerns signal a need to raise awareness of lower entry-price products

Barriers to buying gold – considerers who have never bought





### **VAT is a key deterrent to gold retail investment.**

The punishing 20% rate of VAT applied to bullion bar purchases is the highest in the world and doubtless disheartens investors. Gold coins, although exempt from VAT, are often subject to punitive import duties and excessive trading spreads. Furthermore, the historical lack of uniformity across assaying standards and trading practices in Russia has led to a level of unease around product consistency and price transparency.

The market is hopeful that this situation may soon change for the better. Russia is considering the abolition of VAT on gold and it is expected this will take place soon. Recent legislation aimed at tracking gold transactions across the country will help to avoid VAT abuse and increase transparency, while precious metals standards and trading practices are being harmonised across local borders.<sup>9,10</sup>

These actions can only build confidence. While it will take time, the experience of China, Singapore and the European Union show that once the VAT is removed the market has the potential to grow quickly and at scale.



### **Awareness of gold is low among key segments.**

Our research has highlighted where the greatest opportunity for gold lies, and yet often these considerers are the least aware of gold. Cautious Savers are open to gold but they need a way of accessing it that is within their comfort zone. Online messages have limited reach here. This segment wants closer-to-home advice. They like to go into a bank in person and are influenced by what they see on TV. At present, they are unaware of the potential of gold and don't know that there are easy to understand investment options.

For Agile Strategists – the second highest opportunity segment – messages must be tailored to their needs for intellectual satisfaction and speculative gain. They too see little about gold in the media they use. More active online, they look to financial websites for advice and the role of intermediaries, such as brokers, is important to them.



### **Issues of trust surround gold.**

For the Agile Strategist (20%) and the Adventurous Trader (16%) the purity of gold is a worry. Younger age groups share this feeling: 24% of 18- to 24-year-olds, and 21% of 25- to 34-year-olds said that purity concerned them too. But other trust issues thread through our research. Almost a quarter of all considerers were wary of buying gold that could be counterfeit or fake. Among 25- to 34-year-olds this was even higher with 30% saying that the risk of buying counterfeit products was a barrier to them investing in gold. Historically, hallmarking has been a problem for Russian gold. Investors are wary of buying physical gold that either does not carry a hallmark or which carries one that is fake. The implementation of new trading practices, however, is likely to go some way to helping retail investors to gain confidence.

9 [rg.ru/2020/06/26/kamni-dok.html](http://rg.ru/2020/06/26/kamni-dok.html)

10 [www.eurasiancommission.org/en/nae/news/Pages/23-10-2019-5.aspx](http://www.eurasiancommission.org/en/nae/news/Pages/23-10-2019-5.aspx)



### **Potential investors worry about storage.**

Considerers have concerns around how they might keep their physical gold safe, and they are worried about the security of vaulted gold as well as storage of bars and coins. Again, this is an issue of education. More information surrounding gold storage would reassure and encourage.



### **Gold lacks a meaningful digital presence.**

Roboadvisors can be a successful way to increase visibility of gold investment opportunities but only when widely adopted. In Russia, usage among retail investors is just 10%, compared with 45% in China. But this is worth watching, as use may grow over time.

Traditional media in Russia has its limitations and its reach is less than effective among the younger investor. Digital can fill this gap, providing a pathway to a new audience for gold. As more and more Russians turn to online information sources, gold can respond with messages that educate and build confidence. The use of digital communications is growing fast as B2C enterprises in Russia recognise their potential – evidenced by the rise in online advertising spend – and gold must recognise that potential too.<sup>11</sup> Financial websites, social media, blogs and online forums were all cited by our respondents as being helpful to their decision-making processes.

The popularity of cryptocurrencies is amplified by the media, and that includes online. The cryptocurrency market has branded its products as modern, fun and exciting. And it has been successful – despite the very real risk of losing money. Gold, on the other hand, has historically been a stable investment for the long term. But there may be a lesson here: the rise of cryptocurrencies demonstrate that there is a desire for choice and appeal among retail investors. As the Russian investment market takes shape, opportunities for different investment products will emerge and gold will need to respond.

As investors look for alternative ways to protect and grow their wealth, online communications can enhance gold's visibility and convince investors that it has the potential to deliver against their needs.

<sup>11</sup> [mobilemarketingmagazine.com/global-internet-ad-spend-figures-warc-data/](http://mobilemarketingmagazine.com/global-internet-ad-spend-figures-warc-data/)





# Conclusion

Russia's retail investment market is an interesting paradox. Broadly conservative, the typical investment portfolio is relatively narrow, dominated by savings accounts and underpinned by a desire for wealth preservation. But there is nevertheless a prevalence of investment in cryptocurrencies – the fifth most popular investment product – suggesting a tolerance to risk driven by speculative and short-term investment targets. Amid this landscape, gold has yet to establish itself as a mainstream investment asset.

Only one fifth of investors have bought gold in the past. The fact that gold – in bullion bar form – is subject to VAT undoubtedly helps explain the relative lack of engagement with gold investment. It certainly doesn't seem to arise from any negativity towards gold: Russian investors consider it a financial safe haven. Investment is driven by a need for reassurance and simplicity, with gold bars and coins in particular seen as an effective way of protecting wealth.

There is reason to hope that legislation may be passed to remove VAT from gold bars. Which should help to encourage demand and help develop the private investment market.

But for gold to contribute meaningfully towards a developing and evolving private investment market, the industry needs to help clear its path. This means overcoming the challenges that gold faces

currently, which have prevented it from gaining a meaningful foothold in Russia. Challenges which are – broadly – twofold:

**1. Lack of education.** There is a large gap in investors' knowledge around gold. They don't know enough about how to invest in it or what drives the price. Educating investors on the range of gold investment products available, the simplicity of investing and on the role that gold can play in their portfolio, as well as explaining price movements, will help build confidence. Raising awareness of affordability should be a key pillar of any such programme of education. Around one third of those who have never previously bought gold but would consider investing feel that gold is not affordable. Raising gold's profile, introducing accessible price points and making investors aware of these lower-priced entry options for gold investment are key to overcoming this perception.

**2. Trust.** A lack of trust in the purity of gold, along with a fear of buying counterfeit products, is a barrier to demand. Measures already underway to address assaying standards should help to address these concerns, particularly provided they are clearly telegraphed to the market.

Provided these areas are addressed, gold investment in Russia has the potential to develop into a healthy market, capitalising on the positive underlying attitudes towards gold and the role it can play in helping investors to meet their objectives.

# Methodology

To deepen our understanding of the gold market we commissioned global research agency, Hall & Partners, to conduct a large-scale programme of market research into the global gold retail investment market. This research programme builds upon the survey we conducted in 2016, expanding the markets we surveyed to include Russia and Canada.

The study captured the opinions of more than 12,000 active retail investors across six countries. We gathered insight into retail investment via a quantitative survey of at least 2,000 men and women (aged 18 to 65) in each of the following markets: China, India, Germany, the US, Canada and Russia.

Within Russia, we achieved national coverage, conducting 2,023 online interviews with investors from cities across the country.

To understand the full range of threats and opportunities facing the gold market, we deliberately spoke not only to people who had bought gold in the past, but also to those who had not. Due to the relative lack of available gold investment products in Russia, we asked some of the respondents to answer questions relating to a hypothetical gold investment, assuming that it was equally as available to them as other investment products.

The respondents were 'active investors' – defined as people who had made at least one investment in the 12 months preceding the survey *excluding* those who had only added money to a savings account *and* had only ever invested in a defined list of non-core investment products.

Fieldwork surveys took place in Q2 and Q3 2019.

The logo for Hall & Partners is located in the bottom left corner. It consists of a green speech bubble shape pointing downwards and to the right, containing the text "Hall & Partners" in white. The ampersand is stylized.

Hall & Partners



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