



Customer experience and marketing communications

Customer experience

At Magnit, our strategy is centred around catering to our customers' needs. We pride ourselves on providing superior-quality products at competitive prices, complemented by unparalleled service. Our aim is to remain a reliable cornerstone in the lives of millions of customers, ensuring they have access to an extensive selection of food and non-food items under any circumstances.

Our approach to ensuring excellent customer experience at every store

Transparency and communication with consumers at all levels



We develop our social media pages, offer delivery services, improve day-to-day operations, provide honest information on customer reviews and complaints and efficiently handle feedback.

Focus on working conditions



Experience begins with working conditions, personnel training and engagement. To ensure the comfort of our customers, we create a positive work environment for our employees.

Manager competencies in customer experience



We expect managers at all levels to be customer experience ambassadors, continuously enhancing relevant expertise and creating a safe and open environment for sharing their knowledge and insights with employees. Regional managers for customer experience supervise customer service improvement.

One of the top priorities for Magnit is becoming simpler, faster, more accessible and loyal to its customers and employees. All our internal and external transformations are strategically aimed at achieving market leadership in service quality.

In 2023, we put a lot of effort into making purchases at Magnit even more convenient for our customers. The Company made significant investments across multiple areas to enhance its service and product quality. These included independent supplier audits, product lab testing, maintaining required temperature conditions in stores and distribution centres, obtaining certification for our own products, and other related initiatives.

Recognised as a market leader, Magnit is celebrated for its high-quality products and commitment to customer experience

As part of the annual Service Quality and Consumer Rights award ceremony held in late October 2023, Magnit was distinguished in the Retail Chain of the Year and Consumer Choice categories, standing out among over 300 contenders.

These outstanding results reaffirm our staff's professionalism and shared collective dedication to elevating customer satisfaction through product and service quality as well as creating a welcoming store atmosphere that customers will love.

Evaluating customer experience

At Magnit stores, we conduct regular reviews to evaluate customer service performance across various parameters, including causes of queues, cash register issues, customer complaints, and mystery shopper scores. This helps us identify shortcomings and weaknesses in how our stores and technologies perform. Based on the data so received, we developed a service quality rating as a comprehensive assessment of customer experience across all formats. The mechanism helped deliver considerable improvements in our service quality compared to 2022. Furthermore, the Company has introduced the Best in Customer Service 2023 competition in the Magnit Extra, Magnit Family, and Magnit Cosmetic formats, using the rating as a benchmark.

In 2023, we engaged mystery shoppers to evaluate customer experience at Magnit stores. The final score was 96.3%, surpassing our target of 95%. In 2023, the Company received more than 8 million customer inquiries, up 62% compared to 2022. The number of positive reviews went up by 284%. This change was driven by new feedback channels, increased traffic, and opening of new stores. The average response time to customer feedback was reduced by 1.3%.

Reduction in customer complaints in 2023

Metric	YoY change, %
Mobile app performance	-42
Inaccurate/lacking advertising and information materials	-38
Marketing and promo	-23
Checkout performance	-22
Unfriendly service	-12
Quality of goods	-3

In 2023, the Company embarked on developing a single tool for handling feedback. It will aggregate customer inquiries collected from various channels to have them redirected to relevant units for processing. The tool will also help us look into the root causes of feedback to make sure we take the right action. As part of our retail integration efforts, we plan to enable inquiry processing through the MDrive mobile app, ensuring faster responses to inquiries and effective follow-up actions.

In 2023, the Company also launched customer inquiry dashboards for detailed complaint analytics across key metrics by format, region, branch, and group. In 2024, we will continue to refine these solutions to meet evolving business requirements.

Assessing service quality

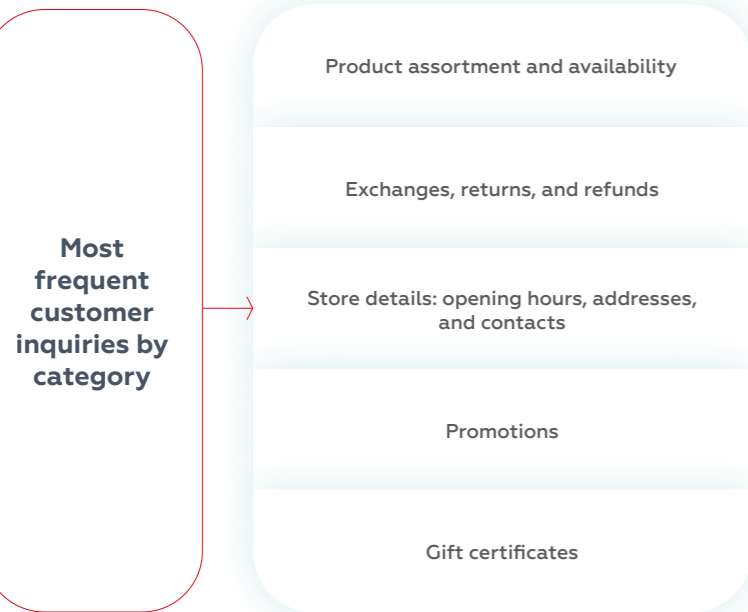
The service quality rating is based on the following assessments:

- assessment of customer complaint handling, unresolved customer inquiries;
- mystery shopper assessment (quality of customer assistance, efficiency of cashier service, etc.);
- checkout performance assessment (speed of service, queue management, etc.);
- review of store ratings in map applications;
- loyalty programme assessment (share of loyal customers).

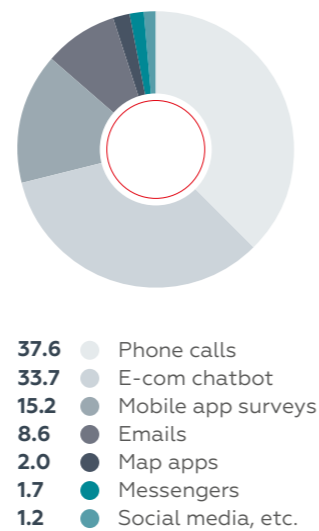
11%

improvement in the customer service level in 2023 compared to 2022





Customer feedback by channel, %



We actively gather feedback from our customers through diverse channels to continuously gauge their perception of our stores. Customers can reach us through all channels, including contact centres handling phone calls and emails alike. Customer inquiries can also be registered through Magnit’s official website and messenger platforms, which utilise bots to provide prompt assistance with frequently asked questions. Our mobile application is another popular communication channel, with a growing number of daily reviews and ratings. We collect feedback through our official social media accounts and employ sophisticated information technology tools to track and analyse it across a diverse range of online platforms.

For the second year running, Magnit progressed with its Geoservices project. It is designed to ensure collection and consolidation, via in-house contact centre operators, of all customer feedback received through various map applications (Google, Yandex, 2GIS, and Flamp). Feedback is then handled by relevant employees. In 2023, the Geoservices project not only continued but was also recognised as one of the main channels of customer interaction.

In 2023, the number of Magnit store reviews increased by 43% YoY, with positive reviews adding a total of 51%. The project shows that customers are willing to share their customer experience, and more positive reviews mean we have chosen the right focus in customer service improvement.

While digital channels are evolving, customers can always rely on traditional ways of reaching out to Magnit – customer feedback book or mail. Magnit is committed to handling 100% of all customer inquiries.

Additionally, we actively seek out customer opinions through initiatives such as Store Manager’s Direct Line, Cherished Customer, and Best Employee. We also use QR code surveys at checkout counters and throughout our stores, gathering customer feedback and leveraging it to enhance our employee training.

In 2023, we also fully migrated our loyalty programme to the domestically-designed Manzana platform.

For more details on this project, see the Innovation and Digital Services section on [p. 46](#)

Service excellence marathons

In the spring of 2023, the Company’s customer service team joined forces with Magnit Cosmetic and the Corporate Academy to launch the Great Service Starts with You marathon. One of our most significant endeavours of the year, it engaged the entire workforce of Magnit Cosmetic, encompassing 40,000 employees across 7,400 stores, ranging from sales staff to regional operations directors. The marathon was designed with several key objectives: to instil a culture of service excellence, develop new service practices and behavioural models, foster a positive work environment, and empower employees to deliver exceptional service autonomously, without rigid instructions.

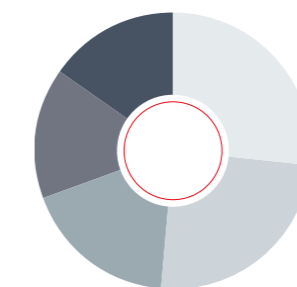
Service excellence marathon outcomes

37% reduction in employee complaints¹

7.3% reduction in customer complaints¹

0.8% mystery shopper score improvement²

Marathon participant survey responses, %



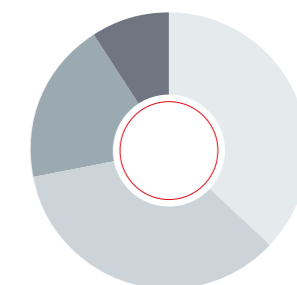
Efforts to enhance service quality

The Company places great emphasis on standardising customer interaction practices, including those for specific employee categories. In 2022, Magnit collaborated with Labour Evolution (WorldSkills Russia) to develop a cashier competencies matrix based on industry best practices. The matrix outlines benchmark skills and knowledge expected from a cashier and provides detailed guidelines for organising excellence championships in line with international WorldSkills standards.

Throughout the marathon, participants undertook various tasks and were encouraged to participate in group chats, fostering a shared understanding of the Company’s values among employees. Additionally, Magnit benefited from an external audit, gaining valuable insights into its service operations.

Our further plans include scaling customercentric approaches and similar marathons to the convenience store, Magnit Family and Magnit Extra formats.

Manager survey responses, %



In 2023, the Company’s employees successfully presented a gold standard for cashiers as part of Magnit’s service excellence competition. The competition’s qualifying stages relied on the cashier rating system, which was tested back in 2022 and scaled up across the entire store network in 2023.

¹ Complaints potentially influenced by the marathon.

² Note: maintained within the target (>95%) despite more stringent mystery shopper survey criteria.

The rating system offers a comprehensive evaluation of cashier performance across our convenience stores and larger formats. In 2023, the performance of cashiers in the comprehensive assessment added an average of 6.7% across all Magnit stores compared to 2022.

In the reporting year, concise customer communication guides were rolled out across all our stores. They consolidate customer interaction standards, values of customer-centric service, and guidelines for handling customer inquiries.

Magnit maintains stringent service quality standards in all its regions of operation. In 2023, our regional customer service managers provided over 400 training sessions and webinars for more than 5,000 employees across all store formats and an additional 1,700 people covered by the Fresh leadership workshops and schools.

Faster Payment System (SBP)

In 2022, all Magnit and DIXY store formats enabled payments using Faster Payment System (SBP) at checkout, which customers can use by scanning a QR code on their receipts.

As a result, customers can choose their preferred payment method at both regular cash registers and self-checkouts. They can opt for NFC tag payments (by tapping their mobile device to the NFC tag or scanning the QR code), or use the Magnit and DIXY Friends Club mobile applications. The Magnit mobile app streamlines the payment process by allowing customers to link their bank accounts for swift

Self-checkouts

Since 2022, we have been actively expanding the range of payment options available at Magnit stores. By the end of 2023, we had installed around 10,000 self-checkout terminals across our network. Stores involved in the pilot project saw improved efficiency during peak hours, reducing the need for staff at cash registers. Currently, self-checkout counters are used by 30% of customers at Magnit convenience stores and 23% at Magnit Cosmetic drogeries. In larger store formats, an average of 50% of customers prefer the ease of self-service checkout. We expect these numbers to grow considerably as we continue to deploy more self-checkout terminals and enhance their functionality.

Following the departure of major suppliers, the Russian market for cash registers has been going through significant changes, with a rising number of companies engaged in assembling cash registers locally or directly importing equipment of major Asian producers. In response, Magnit has successfully identified alternative suppliers and initiated collaboration with several of them, evaluating various solutions to select the best ones. With a strong emphasis on service quality, we seek new cash registers that match



To drive service excellence, Magnit incorporates and scales cutting-edge technologies such as the Faster Payment System (SBP), self-checkouts, and other innovative solutions.

SBP transactions. All they need to do is scan their loyalty card at the checkout and confirm the transaction in the app.

This contactless payment method is rapidly gaining popularity, contributing to Magnit's reduced transaction costs associated with purchases.

the capabilities of our previous systems. For example, in all stores featuring cash registers with immediate payment functionality, customers can verify the shelf life of dairy products using the Chestny Znak labelling and traceability system. The new cash registers offer a considerable cost advantage while maintaining functionality. Additionally, they feature optimised user scenarios with minimal shop assistant involvement, aligning with the primary benefit of self-checkouts for quick purchases.

Previously, Magnit developed proprietary self-checkout software, which is currently installed on approximately 30% of our new self-service terminals.

Self-checkout implementation outcomes

In 2023, the number of self-checkouts across all our store formats increased to a total of 10,000 units. Approximately 7,500 of them are located in major cities and areas with high seasonal tourist influx. These are primarily situated in Magnit convenience stores and My Price soft discounters. Additionally, around 2,000 self-checkout units were installed in our supermarkets, hypermarkets, and small-format stores with in-house bakeries. Over 200 self-checkouts were implemented in Magnit Cosmetic drogeries.

In May 2022, we introduced a payment option via SBP using a QR code. In DIXY stores, customers can pay via SBP using the DIXY Friends Club mobile app. All they need to do is scan their loyalty card at the checkout and confirm the transaction in the app.



Marketing communications

To improve customer engagement, loyalty, satisfaction, and drive sales while maintaining a strong brand image, Magnit implements a comprehensive marketing communications programme using diverse channels and tools.

A notable highlight of 2023 was the integration of the ESG agenda into the Company's marketing communications. For the first time, charitable programmes were incorporated into cross-format campaigns in collaboration with four major non-profits: Enjoyable Ageing Foundation, Arithmetic of Goodness Foundation, Louis Quarter, and VK Goodness. As part of the campaign, over RUB 4 mln was raised. We also hosted a delightful picnic event, complete with prizes and gifts, for large multi-child families. Furthermore, the ESG agenda was woven into the Magnit of Habits communication platform, engaging 225,000 participants.

Cross-format campaigns

In 2023, the Company successfully executed seven cross-format campaigns, involving brands and products from various categories. These initiatives yielded substantial increases in customer engagement and retail sales.

185
suppliers

partnered in cross-format campaigns

>65 mln
discount coupons

for featured products offered in 2023 giveaways

1,476 SKUs

featured in 2023 giveaways

RUB 440 mln

distributed among customers as prize coupons

Among the most impactful were:

- Happy New Home with Magnit, a vibrant seasonal campaign featuring a large prize pool and a RUB 10 mln grand prize towards purchasing a home;
- Magnit's Birthday Bonanza, a monthly campaign where all loyalty cardholders received scratch-off cards offering guaranteed surprises;
- Prize Territory, a collaborative campaign between Magnit and DIXY.



BTL¹ campaigns and partner integrations

159

exclusive partner programmes run at Magnit in 2023

10 mln

loyal customers participated in partner programmes

47 giveaways

run in Magnit's mobile app

RUB 430 mln

distributed in programmes' prize pools

In 2023, Magnit saw a notable increase in the number of partner advertising campaigns, including exclusive partner programmes run in Magnit's mobile app.

With appealing prize pools, user-friendly mechanics, and active promotion across multiple communication channels, they helped strongly enhance our customer engagement levels.

In 2023, Magnit joined a nationwide campaign to encourage the adoption of the Faster Payment System (SBP), in collaboration with partners of Russia's National Card Payment System. Titled "Earn 5% Back with SBP Payments", the campaign engaged over 2.9 mln customers, who embraced this advanced payment technology and earned rewards on their Magnit loyalty cards.

Participation in fairs and festivals

In 2023, Magnit once again proudly joined and sponsored the Flavours of Russia festival held at Manezhnaya Square in Moscow from 7 July to 16 July. The festival celebrates local regional recipes, offering visitors to explore Russia's diverse traditional cuisine. At the Magnit pavilion, guests enjoyed unique photo zones, purchased goods made by local producers from across Russia, received branded souvenirs, and engaged in exciting workshops.

Furthermore, Magnit actively engaged in Christmas fairs held at prominent squares in major cities across the North Caucasian, Northwestern and Volga federal districts as well as the Moscow region, offering a selection of our own products and holiday-themed goods in our branded market stalls.

Digital marketing

In 2023, Magnit achieved significant milestones in digital marketing.

The Magnit community on Vkontakte (VK) ranked among the Top 50 in audience engagement.

The Magnit Cosmetics community secured a Top 3 position in the Brand of the Year category at the VK Clips awards. During the year, it published over 100 music videos, garnering a total of over 10 million views.

In addition, Magnit won a bronze medal in the Social Media – Social Media Activations category at the MIX Russia 2023 interactive advertising competition, for its Stickers loyalty campaign. On top of that, we were honoured with a silver medal in the AdTech & MarTech category for a cross-format game-based campaign called "Play and Extend Summer", run in our mobile app.

Regional marketing

In 2023, Magnit actively developed its regional marketing programme to drive store traffic, enhance customer satisfaction, and strengthen the Magnit brand's positioning as a retailer with a significant share of locally sourced products. Key highlights from the reporting year include:

- more than 3,100 festive store openings, including redesigns;
- four stages of nationwide local product fairs featuring over 2,000 locally sourced SKUs across Magnit's convenience stores, supermarkets and superstores;
- free guided tours of local suppliers' major production facilities in Kazan, Samara, Pyatigorsk, and Vladikavkaz, offering insights into dairy, cheese, deli meat, and beverage production.

Loyalty programme

Our unique cross-format loyalty programme covers 76.4 million loyalty card holders and spans all our retail stores. Customers who have a plastic loyalty card or a virtual card in their mobile app get bonuses on each purchase to use as payment later. Magnit's loyalty programme also provides more exciting offers and benefits to its participants. As one example, each Magnit store has over 100 products that loyalty card holders can buy at hefty discounts.

For the Company, the loyalty programme is above all a tool to explore the preferences and shopping habits of its customers to offer products that suit them best.

During the year, the number of loyalty card holders was up by 12%. The share of tickets using the loyalty card reached 50% with sales penetration of 66%. The loyalty programme continues to deliver positive cross-format gains, as the share of Magnit customers visiting two and more store formats reached 42%. For an active loyalty card holder, the average ticket at convenience stores is 1.9x higher compared to transactions without loyalty cards; for large formats, the difference is 2x.

In 2023, Magnit was named a finalist in the E+ Awards (previously Effie Awards Russia), a major accolade recognising effectiveness in marketing communications. Magnit's project called Skrepyshi-NEW won two awards in the categories of Loyalty Programmes and Children's Marketing.

The campaign extended to all brick-and-mortar stores across 67 regions of the Company's footprint, as well as Magnit's own and partner-facilitated online delivery services. The Skrepyshi-NEW collection features 27 unique characters. Customers received the toys at the store's checkout by presenting their loyalty card after making a qualifying purchase or buying sponsored products. Online customers had Skrepyshi toys delivered to them by courier alongside their orders. To boost communication of the campaign, Magnit collaborated with over 30 popular bloggers.

100%

of stores across ALL formats connected to the loyalty programme

76 mln

loyalty programme customers

66%

purchases made by loyalty card holders as a share of sales

¹ BTL (below-the-line) promotion refers to non-media advertising and sales strategies.



Magnit is the winner in two categories of Loyalty Awards Russia

In 2023, Magnit's efforts to develop its loyalty programme won praise from the professional community as the Company took two nominations of Loyalty Awards Russia, a national award recognising best performers in loyalty marketing, CRM and customer experience management.

With its successful Stickers campaign, Magnit won the Best Loyalty Programme in FMCG Retailing category. Stickers, featuring famous meme characters and phrases, were given to loyalty card holders making purchases above a specific threshold, customers who purchased sponsored products, and everyone taking part in a dedicated game in Magnit's mobile app. The campaign ran in spring 2023.

Also, Magnit won the Best Mobile Loyalty Programme category for its project to improve the value of virtual loyalty cards for customers via its mobile app. The updated app version provides customers with additional privileges, such as choosing three favourite product categories to get an increased cashback, as well as exchange of bonuses for higher cashback.

Transfer of loyalty programme to Russian-developed solutions

The transition of our loyalty programme to the Russian-developed Manzana platform in 2023 was a major milestone for Magnit. The new solution is powered by a cloud-based technology tailored to the Company's needs.

The transition unfolded over several months: the Company started to migrate users in March, gradually connecting more cardholders to the new system. Throughout this period, customers retained access to bonus accruals and spending, card discounts and other features, including the ability to register new cards. We preserved all historical data on accumulated points and bonuses, as well as analytical data. Concurrently, the Company continued enhancing its loyalty programme, introducing new mechanics. For example, the number of product categories available for customers to choose from was expanded and segmentation was refined, resulting in a 30% increase in effective communications without compromising customer response.



In the reporting year, we launched a new campaign: titled Gold of the Magnit Sea, it has a gaming component and is available for all loyalty card holders. As part of campaign, customers had an opportunity to collect 22 unique "magnets", or gaming tokens showing symbols of ancient civilisations, sponsors, and Magnit. The tokens were issued depending on the ticket size and store format. Campaign terms and conditions were the same for offline and online customers.

During the year, Magnit also held other successful campaigns as part of its loyalty programme, such as Magnitopolis-2, a savings campaign offering construction toys and targeting families with children, as well as rational loyalty programmes covering some of the popular products.

In 2023, Magnit continued developing and scaling up its subscription service. It has subscription plans for different product categories and store formats, which enable users to accumulate more bonuses, use personal discounts and individual promos. Subscriptions are bought using the option to pay with bonuses. The service covers around 500,000 active users per year.

Additionally, customer can facilitate bonus collection by paying with cobranding cards or making purchases at our partners. Today, 22 partners offer additional bonuses to our customers.

Private labels and own production

Private labels

Magnit strives to continuously develop its private labels to offer unique products with excellent value for money. Having in-house production contributes to business stability and gives an opportunity to fully control the process of creating the final product. The development of a diverse range of private labels is central to our customer value proposition. Magnit's private labels offer an excellent price-quality ratio, which makes them more attractive to customers than similar goods of well-known brands. Thanks to our in-house production, we can offer products in a wide price range to suit different consumer preferences. The trend in demand for these products confirms their popularity: the number of customers choosing Magnit's private labels is steadily growing, including those who prefer products of medium and high price category.

Magnit's private label portfolio includes 51 brands and around 5,500 SKUs. The Company's key private labels are the mid-price umbrella brand Magnit, which offers customers an opportunity to save money while maintaining the same quality as well-known brands, and its subbrands M Freshness, M Kitchen, M Health and M Lifestyle, as well as the umbrella brand My Price, which covers basic needs in the lower price segment while maintaining a stable level of quality.

The portfolio boasts over 45 exclusive brands from various product groups and price segments. The goods offered exclusively by Magnit stores are produced predominantly by Russian companies, as well as at the retailer's own 20 food production facilities. For example, M Freshness sells vegetables, mushrooms and herbs grown at the retailer's own greenhouse facility in Krasnodar, while the brand's chilled ready-to-cook meat products and brined cheeses are made by local producers.

It is not an easy task to attract the attention of customers and encourage them to try new brands, but we do a lot of preparatory work and offer products that are really demanded by customers and are of high quality.

The efficiency of Magnit's private labels is largely driven by a thorough approach to the way they are developed and launched, including:

- preliminary analysis of the market and competition;
- search for market niches that are still available;
- deep dive into best international practices and the offering of manufacturers, including as part of own production;
- engagement of cutting-edge in-house R&D labs and test studios to develop products and upgrade their quality.



51 brands

in Magnit's private label portfolio

20

in-house food production facilities