



UNIVERSITÀ POLITECNICA DELLE MARCHE
FACOLTÀ DI ECONOMIA "GIORGIO FUÀ"

Corso di Laurea triennale in

ECONOMIA E COMMERCIO

**ESPRESSO MISSION IN
RUSSIA**

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Anno Accademico 2018/2019

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INTRODUCTION

The basis of this study is the market analysis for the introduction of espresso coffee in the Russian market. The analysis takes into account geographical, environmental, political, economic and cultural features of the chosen country, a very varied framework which offers many ideas for analysis.

The reasons that promoted me to explore this issue have a twofold nature. The interest regarding Russia in general comes from my passion regarding Eastern countries in general due to their huge difference with the Italian culture so I thought it would have been challenging to introduce an Italian product within that market.

The thesis is divided into 3 chapters: in the first chapter is provided an introduction on the Russian environment in general with some data about the country's geographical and demographic features, characteristics of its market and the Russian habits and costumes and major channels of advertising and retail.

In the second chapter the analysis is more focused on the country's cultural aspects that can influence the entry of the product within Russia.

In the third chapter the study uses the 4P (Price, Product, Place, Promotion) of Kotler to define properly the strategy to be adopted for the Espresso in Russia and tried to forecasts the costs and the growth of the project during the next years.

Thanks to this research work it has been possible to analyze some important factors that are fundamental for the development of an idea of export to a foreign country in general, focusing on aspects that are characteristic of Russia.

At 1 January 2019, Russian population is estimated at 143,909,713 inhabitants, not taking into consideration Crimea and Sevastopol, making it the 9th most populous country in the world. The two most important cities are Moscow and Saint Petersburg with respectively 12,081,377 and ,4555,704 inhabitants. Russia has a negative growth rate of -0,5%, lower than the previous year (-0,2%) and has to be considered an urban country (more than 72% of population lives in cities) and with an age groups distribution slightly different from the European Average (younger population in Russia):

- 0-14 years: 17.21%;
- 15-24 years: 9.41%;
- 25-54 years: 44.21%;
- 55-64 years: 14.51%;
- 65 years and over: 14.66%.

Russia has a quite low GDP per capita level (despite a slightly increase from previous year) equal to 11,099 dollars that change in 29,032 when is considered the GDP per capita PPP (From 62 to 56 in global ranking passing from the former to the latter index).

Regarding wealth and richness distribution Russia is one of the worst countries in terms of inequality, with two clear indicators such as net income Gini ratio (“it is a measure of statistical dispersion intended to represent the income or wealth distribution of a nation's residents, and is the most commonly used measurement of inequality”) equal to 43,90 and an even worse (in relative terms) wealth Gini index of 82,60. A clear example consists in the fact that 89% of financial assets is held by the 3% of the population.

Its most important exports are composed by crude petroleum (\$96.6B), refined petroleum (\$58.4B), petroleum gas (\$19.8B), Coal briquettes (\$16.1B) and wheat (\$7.93B). Regarding the trading partners, the most relevant ones are China (more than \$80B traded), Germany (more than \$ 47B), Belarus (\$30B) and US (\$26B).

FDI flow have been fallen since the beginning of international disputes due to annexation of Crimea and following embargo (from almost 70 bln \$ in 2013 to 7 bln \$ in 2015), FDI inflows to Russia decreased by 14% in 2018 (in 2017 were 28,557 bln \$) and merger and acquisitions sales dropped by 82%. Russia's main investing partners are, in order of importance, Cyprus (31,2% of total flows), Luxembourg, the Netherlands, the Bahamas, Bermuda, Ireland and the UK. The main sectors where flows are concentrated are mining, manufacturing, trade and adjust vehicles (cars and moto), financial, insurance and real estate activities, public administration, defence and country security.

Despite these numbers, Russia is improving its ranking in the ease of doing business (from 35th in 2018 to 31st in 2019) thanks to a simplification and modernization of the economic framework: a brief example is given by the SPIC (special investments contracts) between privates and State that lead to very important tax incentives and procedures simplification for the foreigner investor. But Russia is still a closed country to FDI, despite its intents.

Regarding trade regulations, trade with Russia with a simple export could be really costly and expensive facing up duties, taxes, licenses and requirements that constitute an important obstacle. Indeed, Motta could set up a subsidiary and close partnership with Russian companies to deal better with.

The inflation is rising almost daily and in March 2019 peaked until 5.3%. The exchange rate is mostly stable with 1 rouble for 0,014 euro (in 10 years its value has been halved). Geopolitical issues and tensions with Western countries contribute in the increase of uncertainty for the already weak currency exchange, but it seems that the hardest time has gone.

Russia is one of the best countries in terms of adults that had achieved a tertiary education (67% against 36% of OECD average). However, is one of the worst in terms of education participation (underlining a great inequality gap).

Due to this reason, Russia has a quite good quality skilled labour force, with a low unemployment rate (4,9%) and with an average salary equal to 43030.00 roubles (less than 600 euros comparing to 2400 euros in Italy) comporting an advantage from the point of view of cost of labour.

Russia is member of some regional trade blocs such as BSEC, CIS, Eurasian Economic Union and The Shanghai Cooperation Organisation (the last is the only with a great economy, China).

About Legal Protection in Russia, in theory its framework is really similar to European countries and the country joined all the major global agreements and conventions regarding IP, in practice federal and public bodies are in charge of the decisions and there were many cases of corruption and leaded judgements, especially when private investors and entrepreneurs can damage somehow public companies (or controlled by State).

The enforcement of contracts is brilliant in Russian Federation, ranked 18th in the Doing Business Report 2019, due to a fast and quality judicial system that, on the other hand, as we have already mentioned it could be affected by cases of corruption.

Russia is one of the most corrupt country of the world, with a Corruption Index of 28 is, with Mexico, the worst country in G20 by far. It is considered one of the most systemic corruption that affects every kind of business, being the government involved in every sector.

It is a Federal semi-presidential constitutional republic and it is unlikely that tensions between Russia and the West will diminish in 2019, especially when the re-election of President Putin in March 2018 augurs the continuation of his foreign policy stance. The geopolitical risks will continue to be considerable, as Russia will continue to support the rebels of eastern Ukraine and the regime of President Bashar al-Assad in Syria. This background also increases the possibility of new harder and tougher US sanctions in Russia. Despite this and other reforms against the Russian people, Putin seems to be untouchable and the government stable.

The long-term risks are a low-level Islamist insurgency in the North Caucasus, uncertainty over Putin's possible succession, the absence of long-term economic reforms, a perspective of weak growth and aging and demographic decline.

1. MARKET OPPORTUNITY ANALYSIS FOR ESPRESSO IN RUSSIA

In order to make this work more detailed I decided personally to take a real brand as an example considering its products' range and adapting its value proposition to the country I am going to analyse. The brand I have chosen is "Caffè Motta".

Motta proposes high quality coffee offered with a large range of tastes. Motta's catalogue includes products suitable for people at home and for the owners of bars or restaurants. The quality of Motta's coffee has been certified by the first place obtained in the Quality Award Prize in 2019. The brand has already a strong presence in the international market especially in countries as Canada, Mexico, United States, Australia, South Korea, Chile, Peru, Albania, Bulgaria, Czech Republic, Denmark, France, United Kingdom, Sweden, Germany, Greece, Spain, Ireland, Netherlands and Italy.

1.1 MARKET PROSPECTS

Coffee in Russia since 2011 increased around 0,3% its quote on the turnover of the total retail commerce. Considering the same amount of time, coffee consumption grew 6 times more than the tea one due to the diffusion of its trend within the restaurants' businesses which influenced positively also the consumption at home. The trend described in the chart below focuses on the comparison between coffee and tea also taking in consideration that Russians were mainly tea drinkers thus these statistics are describing that the coffee got an important popularity in Russia during the last 8 years (until 2016). The variables that are analysed are respectively: amount of the retail sector measured in billions of roubles, coffee quote in the retail sector measured in

percentage, coffee retail measured in billions of roubles, coffee and tea retail amount (in billions of roubles) with their increases (%).

Anno	Il commercio al minuto (miliardi di rubli)	Quota del caffè nel commercio al minuto (%)	Le vendite al minuto del caffè (miliardi di rubli)	L'aumento delle vendite al minuto del caffè (%)	Le vendite al minuto del tè (miliardi di rubli)	L'aumento delle vendite al minuto del tè (%)
2011	19104,3	0,53	101,3	--	85,9	--
2012	21394,5	0,61	130,5	28,89	95,1	10,71
2013	23685,9	0,61	144,5	10,71	110,7	16,40
2014	26356,2	0,65	171,3	18,57	125,4	13,28
2015	27526,8	0,77	212,1	23,72	149,7	19,38
2016	28317,3	0,82	232,2	9,55	162,1	8,22

Fonte: Rosstat

Table n. 1.1 Increase coffee sales for years Fonte Rosstat.

In the next years natural coffee is going to be the main driver for the growth in the Russian coffee market and has been forecasted an achievement of the 43% of the total market share by this particular segment. The main factors that will influence the growth are: the major education in terms of coffee consumption among Russians and the widespread curiosity in the Western culture. The CAGR (Compound annual growth rate) for the period between 2019-2021 expects a positive increase of 5,7% on this sector.

1.2 CURRENT PRODUCT USAGE HABITS

Coffee is highly consumed in the instant version that takes for now around the 75% of the total market share but every year the number of fresh coffee drinkers increases meanwhile the instant coffee ones are always less. Regarding the first type of coffee the market is dominated by the bigger players as Nestle that covers around the 30% of market, Kraft which has 19,4% of the total market share and other big companies as Orimi and Strauss that are putting pressure on smaller brands with inviting price reductions. On the other hand, roasted and grounded coffee is considered superior in terms of quality to instant by the majority of consumers: as a matter of fact its growth tendency is around 10-12% per year and it is expected to raise also in the coming years meanwhile the yearly increase regarding instant coffee is 1%. It is noticed that Russians have a tendency to eat something as a snack together with the coffee and in the recent years coffee culture

is growing significantly as the popularity to consume coffee away from home creating also among the population a curiosity for different tastes and proveniences of the coffee itself.

1.3 COMPETITIVE PRODUCTS ON THE MARKET IN THAT COUNTRY

Motta's main competitors in Russia are:

- Illy: Italian firm specialized in coffee production. Their offer includes one variety of espresso package (250 grams) at the cost of 998 roubles and different coffee pods and capsules. It is a brand expanded in 149 countries and in Russia is one of the most expensive espresso within the Russian supermarkets.

- Danesi: ancient Italian firm that produces coffee since 1905. Their offer in Russia includes two varieties of espresso packages (both 250 grams) regarding the taste, one type (double grain version) is the most expensive (1139 roubles) of the espresso packages sold within all the retailer distributors chains, meanwhile another version is slightly less expensive but still above the average price for the same good (829 roubles).

- Lavazza: Italian firm that produces coffee. Their offer is composed by: two espresso packages ("Qualità Oro" and "Italian Espresso") with a medium-high cost (around 600 roubles), several types of machines with more than 15 options regarding the choice of pods and capsules.

- Hausbrandt: Italian firm that produces coffee. Their offer includes one type of espresso package (250 grams) offered in the supermarkets with a price of 625 roubles. They also produce bigger packages (500 grams) that they sell more than its doubled price (around 1490 roubles).

- L'Or: comes from a French firm named "Carte noire" now under the control of Lavazza. They offer one type of espresso package with a price of 352 roubles but their main market is on the field of capsules and coffee pods.

- Origo: produced by a Brazilian firm. They offer one type of Espresso with a big package (1 kg) for 2000 roubles.

Moreover, the increasing success of coffee during the last years has been noticed by the quick expansion of cafes chains or independent ones in the biggest cities as Moscow and Saint Petersburg where is present the largest concentration of shopping, business and trade centres. Opening a café chain is our goal for the coming years and Motta forecasts to reach it once has been permanently established in the country. The main competitors on this field are:

- Shokoladnitsa: it is one of the most ancient companies operating on this field in Russia. Its offer includes hot drinks in general such as tea, three varieties cappuccino, Americano, hot milk, filtered coffee and just one type of espresso.

- Coffee House: it is a chain under the same company of the previous one but it still maintains a different branding. The chain has success due to the good location of the coffee shops that attracts many tourists even if the quality of the coffee is considered between medium and low thus during the last years the company is losing some market share due to the evolution of the tastes regarding coffee that is actually affecting Russia where customers are switching to higher quality options. Their offer is more similar to the American coffee style instead of the Italian one which is going to be the core part of Motta's offer.

- Coffee Shop Company: Austrian company that entered in Russia around 2008. Its menu includes cappuccino, Americano, milk, Vienna Melange, Lungo coffee and Viennese coffee.

- Coffee Bean: one of the pioneers of café culture in Russia. Its barman invented the "Raf" made of Espresso, sugar and cream which is really popular in Russia and it is also the main product of the chain's menu.

- Coffee Mania: considered one of the most expensive chains, its menu is quite various but contains just one type of Espresso.

- Other companies as Starbucks, McCafè and Traveller's coffee have quite standardized menu in which they all offer just one type of espresso.

- Costa Coffee: it was the second international chain to enter in Russia. It is particularly famous to be open until the late evening and the possibility to add several types of alcohol to the coffee thus Costa Coffee's value proposition is particularly different from Motta's one.

Russian retail sector is growing significantly during the last years particularly in major centres as Saint Petersburg and Moscow. Considering the discounter segment the biggest chain present on the market are:

- Piaterochka: present in the country with 12000 stores managed by X5 Retail Group.
- Dixy: third largest retail food company in Russia. Present with almost 1500 stores within the country.

Other supermarkets in Russia are:

- Auchan: French international retail group present in 15 countries.
- Billa: Austrian supermarket chain that operates in many countries in Europe.
- Azbuka Vkusa: Russian high quality retailer.
- Lenta: second largest supermarket chain within Russia
- Magnit: Russia's largest food retailer.
- Metro: international self-service wholesaler operating in Europe, Asia and Northern Africa.
- SPAR: Dutch group that manages food retailer stores.

Other chains diffused in Russia are: Sed'moy Kontinent, Pyaterochka, O'key Group, Perekryostok and Globus Gourmet.

1.4 MAJOR ADVERTISING MEDIA USED IN THE COUNTRY

Russia internet audience counts more than 150 millions of users (7th largest in the world) and for the first year in 2018 expenditures for advertising on internet were higher than the ones for television increasing around 23% up rather than the previous year. Although Google raised significantly the number of users in the last 2 years Yandex remained the preferred one within the population and it is used by the larger part of the international brands present in Russia as a gateway to the market. Another option can be the creation of events in Moscow and Saint Petersburg where people are allowed to try coffee with different tastes or holding other kind of events and parties; photos of these events might probably appear on the local magazines. One more possibility is represented by the generation of hype through the exploitation of Russian influencers specialized in food and beverage within the Instagram community such as Olesya Kuprin, Diana Nagornaya, Darya Boronina, Valentina Zhukova and others. On the other hand Facebook is not the most common social media used within the population but sites as Vkontakte and Odnoklassniki are more popular and more user friendly for the Russian people of old generation who do not know English properly. Factors as the language and the currency in the advertising are considered crucial during a social media campaign.

Coffee market in Russia is estimated to worth over than 2,5 billions \$ according to the Rusteacoffee. Around 61% of the market is covered by instant coffee. The remained 39% represents fresh coffee where Motta is part of it.

The total addressable market worth 950 millions \$.

2. CULTURAL DIMENSIONS OF DOING BUSINESS IN THE COUNTRY

Due to their importance, cultural difference should never been ignored or underestimated in every field, from begin a friendship to make a business.

Russians have some features that have to be kept in mind before even talk to them as for example their patriotic spirit that make them proud of their history and culture. They are usually diffident with strangers and take time to have confidence with. Their core values are: trying not to simplify a huge and different population, generosity, strength and resilience.

The role of family is significant in the Russian culture, family means every relative from grandparents to cousins and uncles and if someone of them is in need, it is a moral obligation to help him/her immediately. There is a great degree of interdependence, amplified also by the fact that many families live in the same house (often really small) for economic reasons.

Regarding making business and negotiations in Russia, communication styles to keep and other cultural aspects to take in consideration, we will develop a list of synthetic key points that in our opinion are the most important ones, but it is not our aim to draw up an essay on the Russian culture so it will not be completely exhaustive.

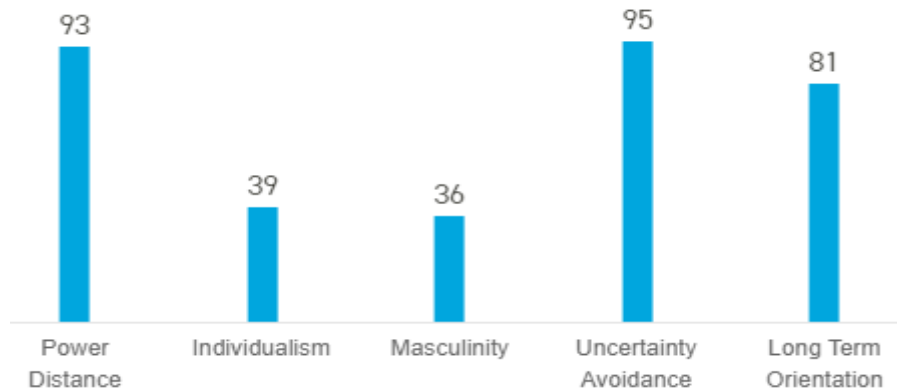
We list some important insights and indications to give a basic framework for negotiate:

- It is hard to conduct or start a business without the help from a local connection. To better build this connection, a good idea in Russia to begin a business is give small gifts showing the stature of your company and the importance of the impending business deal, preferably a sort of typical souvenir” of your country or something displaying the firm logo on it;

- The best way to build a good relationship is to drink something (typically vodka) with them;
- Patience is an important virtue in Russia, negotiations are used to be very slow;
- Forget about aggressive selling techniques and anything that could bring to conflict or discussion;
- Russians rarely reach a decision in a reunion; deliberations are normally established in private later on;
- They appreciate an interest from foreigners in the Russian language, so a try to learn or speak some words with them is a good plus;
- They do not speak too noisily when are in public;
- Arguments of conversation can be the changes taking place in Russia – express your ideas is better than stay in silence. Knowing, even a little of, their history and culture will be appreciated;
- Do not start conversations on complaints and negative aspects about Russia, the Holocaust, conflicts and wars with ethnic minorities and never compare the country to other developing countries;
- They dress formal in business meetings;
- Russians hate people in late;
- Business cards (completely in Russian or at least with a translation in their language) are still very common;
- Counterparts have to be treated as equals, they never play the role of the “boss”, it can humiliate them.
- Regarding body language, it is extremely important to maintain eye contact. Other habits are close or identical to Western ones.

2.1 HOFSTEDE'S MODEL ANALYSIS

Analyzing the country with Hofstede's model will give a general view on the most important and unique key drivers of Russian culture compared with other.



Graphic 2.1 Size relations of the Russian population with the Hofstede model (Fonte Hofstede)

Regarding the first dimension, Power Distance, in Russia power holders are very distant and there is a big inequality among individuals highlighted by the division between the European and Asiatic Russia both from the population and economic point of view (the centralization of power to the big cities Moscow and St Petersburg brings human and financial flows towards the European part). This leads to a huge and significant importance given to the status symbol and your behaviour has to represent perfectly it in every occasion or location, with a top-down approach from the handshake.

Despite an incredible high score in power distance, Russia is a quite interdependent (collectivist) society, where people help each other in exchange of loyalty and family and friends are considered extremely important in daily life.

Relationships are the key of success to obtain access to information or to be introduced to someone or deal positively with a business. They must be authentic and truthful.

Another surprise given the mentioned image of status symbol, is a low score in Masculinity (society driven by competition and where success means to be the best at any cost), bringing on the other hand towards an high score in Femininity. In the Russian society individual cares more for others than for himself and quality of life is more important than personal achievements and success. This is explained also by the modesty of Russians: every achievement is often understated and usually it is not celebrated with others.

Regarding the dimension of Uncertainty Avoidance in which the score gives an indication of how much people feel threatened by unknown future situations and in which measure their institutions try to avoid this insecurity widespread among Russians.

Russia has an incredibly high score of 95, meaning that Russians feel particularly threatened by unknown and they want to control and manage the future in every possible way they can.

This leads to a predisposition for formal approach, structure and procedures (Russia has one of the most complex bureaucracies of the world).

The fifth dimension is the Long Term Orientation that is aligned with the measure in which society has to be linked to the past to challenge better present and future situations.

With an high score of 81, Russian society thinks that is more useful a modern education and approach than a traditional one, showing a pragmatic mentality, a strong adaptation ability and an inclination to save and invest. Russians in business prefer to make and keep long-term personal relations.

2.2 INTERNATIONAL TRADE RELATED COSTS

Importers in Russia have to fill a Russian Customs freight declaration for every item they bring inside the country. Custom declaration can be made by a manager of a Russian registered company or by any other firm, even foreign ones established under Russian Law. The declaration is presented to local customs office in the same city where the company is registered. Normally,

when a company exports to Russia calls a customs broker who operates to solve and carry on all the formality under its name.

The required documents have to be completed and uploaded electronically and the list of the necessary ones includes: “contracts, commercial documents such as commercial invoices and packing lists, transport documents, import licenses, TR TS (technical regulation of technical safety) certificates, certificates of origin, sanitary certificates, import permission and licenses (e.g. for products containing encryption technology), and documents confirming the legitimacy of declarants/brokers/importers”.

The items imported in Russia are controlled at the custom boarder and after this phase, they are free to circulate within the EAEU “Eurasian Economic Union” (includes also Armenia, Belarus, Kazakhstan and Kyrgyzstan).

The EAEU maintains a list of goods for which are provided some restrictions (for example mineral ores and semi-precious stones, perishable goods, liqueur, caviar and arms) and others that requires a special authorization as stones and metals. In any case coffee is not included in any of these lists.

Custom payments normally include: import/export custom duties, custom processing fees and taxes. It is also established a currency control that requires an emission of a transaction passport valid both for imports and exports to avoid any large currency earnings; sometimes entities have to repatriate money in Russia.

For several products as electric material, jewellery, pesticides etc.. there is a licensing system. These licenses are issued by the Ministry of Economic Development and supervised by the State Customs Committee.

Import samples are discharged of customs duties and import TVA (Value Added Tax) for a period up to two years if they are used only for promotional proposes. Anyways it is necessary to be

registered as a taxpayer in Russia. If the period of business activities performance is over 30 days it is compulsory to register as a taxpayer in Russia. A foreign company does not have to form a local company mandatorily but it can register under its own name.

Some products like foodstuff (20%), agricultural products and finished products (15%) have an higher Custom Tariff. The exact tariff line of the product the company wants to import can be found on the the Harmonised Customs System site. Coffee is part of the group 21 and the taxation over it is at 15%. Duties and taxes are collected by the State Customs Committee that gathers fees to operate on Custom formalities. The payment has to be in cash when the Custom declaration is signed.

In terms of transportation costs, being coffee on average a low value good, it is important to minimize the amount of money invested on this field and try to move large quantities with a relative little price. Considering also that the characteristics of the coffee transported will be intact due to the special packaging, the best solution in this sense is going to be the sea container which allows to move large volumes with lesser cost than any other solution. International transportation can be delayed due to several reasons as inflexible routes and weather shifts thus it is more convenient to leave the responsibility of the transportation to our supplier (FOB in terms of incoterms). Motta production is based in Salerno, the delivery of the coffee can start directly from the port of the city to the Saint Petersburg's one that is one of the cities where the business is going to start and have the major source of revenues. From Saint Petersburg coffee can be send to other cities as Moscow by train. The cost of this type of transportation can vary between 2 and 6 dollarcents per ton per kilometre. The cost of a sea container of 40 ft can vary between 1300 and 1500 \$.

Generally, it has also to be considered that in emerging post-communist economies the transaction costs are particularly high due to the bribe attitude that was particularly common during Soviet Union times. Type of transaction costs in Russia can be several:

- Bureaucracy is a big issue and includes many processes that cost time and money. Many firms help others to solve problems about licensing and registration in Russia and they can charge between 300\$ and 700\$ for each registration.
- Licensing can involve other costs as fees for the state, commissions for agents and sometimes also bribes for public officials.
- Exit costs can also be high about 1000\$ for small firms' closure.
- Auditing services due to the lack of clearness within Russian legislation that make accounting a sophisticated issue.
- Contract infringement are diffused so Motta should create a trustful network of partnership for the entry in Russia.

2.3 TARGETING AND POSITIONING



Picture 2.3 Positions map coffee market in Russia

In the positioning map Motta wants to define not only an overview of the market with the most important direct and indirect competitors both in retail and in coffee shops and restaurants sector

but also show its positioning strategy: Motta wants to position its brand with a concept of exclusivity and selectivity with a quite high price compared to other competitors but not the highest. Indeed, as it will be explained better in the next chapter, Motta wants to enter in the market with a premium price that let the brand catch market share even from the market leaders.

From the packaging to the retail Motta wants that the final consumer perceives the quality and the luxury of the brand, with a strong retention given by the great extent of adaptation and differentiation they will create in the Russian market.

3. MARKETING MIX

Starting from the creation of the personas explained previously, it is possible to identify the typical client of Motta in Russia: the wealthier part of the society, focusing more on young open mind people and mid age looking for high quality products, particular and trendy. In general, Motta aims to reach a niche segment offering itself as premium brand without any particular age range.

3.1 PRODUCT

In this case the products offered are different types of espresso available under different shapes but keeping an high quality as Motta value proposition predicts. Being a niche product it is crucial for the implementation of Motta in Russia, moreover, it is important to obtain a continuative relationship with the consumer based on customers' trust in order to be recognized by them as an high quality product.

A good customer relationship is crucial too, it is going to be acquired through a constant evolution on the products that Motta will make available in targeted supermarkets and restaurants: this is going to be characterized by the continuous monitoring of the Russian trends regarding the coffee tastes through the different seasons, occasional vacations and events typical of their culture.

Moreover, the packaging of Motta will be slightly modified particularly regarding the language due to the low English proficiency that is present in Russia. The languages included are going to be Russian, English (in order to catch the international people that are living in Russia) and Italian due to the high reputation that Italian brands have especially on the food and beverage sector thus it is not going to be extremely effective from the communication point of view but it might be useful for a marketing purpose. The goal of Motta is to have an offer that combines an adaptation to Russian tastes in the tastes' evolution and the packaging in order to avoid Russian insecurities about a Western brand and at the same time to keep and exploit the Italian brand reputation in the sector of the espresso coffee. More details regarding the packaging will be explained in the chapter 6.3.

3.2 PRICE

Motta in Russia aims to reach a niche segment thus its price is going to be slightly higher than the average. Its pricing strategy is going to follow a skimming approach in order to charge a premium price exploiting the image and the perception that Motta wants to spread throughout its potential clients. In general Russian customers are not expert about the quality of the espresso so Motta's goal is to create the perception that they are in front a special and unique product therefore the price is an important variable to build this idea of exclusivity among Russians. This approach leads Motta also in the choice of Azbuka Vkusa and Globus Gourmet as partnerships on the retailer sectors: both chains are considered supermarkets that offer high quality and expensive brands. Within the product list is calculated that the average price for a package of 250 grams (the one that Motta is going to offer) of espresso is around 600 roubles. It is possible to find brands with prices of 998 roubles (Illy) and brands with prices of 400-500 for the same quantity. Motta is going to sell its classic version for 700 roubles and the premium ones for 750-780 depending on which is the most special for the current period. Regarding the price for an espresso in a coffee shop or a bar the price is going to be around 200-220 roubles depending on the versions of the espresso offered to the customers. In this case the average price is around 150 roubles for a cup.

All the prices used in this chapter were collected from the supermarket catalogues and the most famous coffee shops' menu.

3.3 PLACE

Motta's distribution channel is going to be a selective distribution intensity in order to maintain the idea of exclusivity that the brand wants to create through its marketing campaign. The distribution channels are going to be retailers and restaurants, bakeries and coffee shops aligned with the image Motta wants to project of itself in the Russian market. Firstly, as said previously, the targeted partner for Motta's entry in Russia are the supermarket chains Azbuka Vkusa and Globus Gourmet recognized as distributors of particular and costly brands, category where Motta wants to catch a market share.

Azbuka Vkusa operates 90 stores in Moscow, Petersburg and its suburbs that are the cities where the coffee culture is more widespread and Motta aims to exploit this location especially at the beginning. It is one of Russia's 50 largest retailers, already collaborating with more than 900 suppliers from all over the world, its annual sales growth is about 30% and it is located in the main areas of Moscow that is the Europe's 3rd wealthiest and most populous city. In Saint Petersburg also the retailer is located in the most important areas. All these characteristics are considered an added value for Motta's entry in Russian market.

Globus Gourmet is a gastronome with a wide range of everyday goods, as well as gourmet foods from all over the world that can satisfy the needs of the most sophisticated foodies. There are 5 Globus Gourmet stores operating in Moscow and 1 in Saint Petersburg. It is a premium chain that offers only fresh and high quality food from all over the world and it represents a good opportunity for Motta to reach the position targeted for the Russian market.

Motta products have to be all in the same area of the supermarket in order to exploit the diversity in the packaging colour based on the intensity of the espresso. Furthermore the packaging has to

maintain the quality of the coffee thus the material is going to be versatile, hermetic and able to avoid the entrance of light, humidity, gas and other external factors. The shape has to be elegant, precise and clean to the eyes of the customers, the peel-of-top is going to be the product's opening system characterized by lightness and sustainability in order to transmit the idea of the naturalness of the espresso to the clients.

Motta's second distribution channel has the goal to align the brand with the Russian habit to consume normally coffee together with a snack or a meal. Coffee shops segment is growing significantly because it connects people and even though Motta cannot start its entry in Russia with a Foreign Direct Investment (FDI) it remains important to cover also this aspect of its clients life.

In order to achieve this goal certain types of restaurants and bakery shops will be involved in a partnership with the brand.

The partners on the restaurants' field are going to be high quality ones located in Moscow and Saint Petersburg. Many types of cuisines are possible to find in these cities but the idea of Motta is to be adapted to all of them as a beverage product consumed after the meal. The characteristics of the selected restaurants are: expensive price, high quality food and extremely positive rates. Examples of restaurants that can be targeted are White Rabbit, Mari Vanna, Chestnaya Kuchnya, in Moscow and Repa, Bellavue Brasserie and Ryba in Saint Petersburg.

The introduction of espresso within bakery shops aims to two purposes:

- Proposing something new in the Russian market considering also the fact that a partnership with coffee shop selling their same product might not be accepted.
- Exploiting the Russian way to drink coffee with a snack.

The bakery shops selection will follow the same criteria used for the restaurants' one.

Examples of possible targets are Rogalik, Café Pushkin in Moscow and Pryshechka, F.Volcheka and Bushe in Saint Petersburg.

All Motta's partners will be supplied with special cups containing the logo in order to spread and accustom the clients to see the logo.

3.4 PROMOTION

Brand awareness is extremely significant when launching a new product or service within a different market especially in a traditional country as Russia, its aim is to drive clients' decisions and start making them familiar with the taste and the quality of Motta.

Our promotion is going to be diffused with several tools:

1) Promotional events in which it is possible to taste the varieties of espresso proposed by Motta. The goal of this campaign is to widespread Motta's value proposition within business environments in order to target and let people with high income try and find the different options that Motta offers for the Russian market. All these events will be placed in Moscow or Saint Petersburg.

Within the stands it will be possible to know all the characteristics, the geographic origin and history of any version of the coffee offered.

The type of stand will be provided of bakeries' products obtained from the partnership established in order to adapt the promotion to Russian habits (coffee accompanied by a snack).

The type of events that Motta is going to target are:

- Business conferences or meetings such as International Conference On Integrated Navigation Systems (ICINS), International Network of Analytical Sociology Conference (INAS), International Conference Digital Transformation and Global Society (DTGS) and others. The aim is to target conferences or meeting with the most affluence and drive

the choice in order to catch different customer segments taking into account their interests.

One event in which Motta aims to advertise its espresso during the Mercedes Benz Fashion Week in Moscow that will involve wealthy personalities and people from all over Russia.

- Food and beverage fairs are considered another important strategic point to create brand awareness. Russian should perceive the values Motta wants to transmit: high quality, elegance and exclusivity. It is important to target just certain types of fairs that are specific about the type of product or at least related (e.g fairs on bakeries or snacks). In 2019 are planned around 20 food and beverage fairs in Moscow and Saint Petersburg and the targeted ones will be:
 - Fairs related on coffee and beverages in general (e.g. Sat, 24 - Sun, 25 Aug 2019, Coffee And Tea In Russia, Park Sokolniki, Moscow).
 - Fairs on the exploration of tastes (e.g. Thu, 27 - Sun, 30 Jun 2019, Taste of Moscow, Luzhniki Stadium, Moscow; Wed, 02 - Sun, 06 Oct 2019 Food Pleasure Winter Season, SIVEL vystavochnoye obyedineniye, Saint Petersburg).
 - International food fairs (e.g. Thu, 16 - Fri, 17 Apr 2020, InterFood St. Petersburg, Expoforum, Saint Petersburg).

In these events the main colour of Motta's stands will be red and white. The first is associated with patriotism, bravery and valor of Russian meanwhile white is connected with cleanliness and purity and it can attract both males and females. The espresso will be offered in red, white and blue cups in order to leverage on their patriotism to attract their attention during the events.

2) Opinion leaders on social media: this type of figure is actually having a significant role especially in food and beverages category and Motta will use one or two of them in order to increase brand's fidelity within customers but also to stimulate the curiosity of non-customers and the willingness to share their opinion on it of loyal ones.

The share of opinion leaders in the category “food and beverage” in Russia was around 7,8% in 2016 and the trend increased due to the continuous growth in media penetration in Russia during the last years.

Motta’s idea is to leverage on this fact and create an espresso culture through the opinion leader within Russian population.

Motta decided to adopt this tool also considering that “food and beverage” is nowadays one of the most actively discussed category by Russians and it aims to create a positive image of espresso and stimulate discussions and interest among them through this channel.

The opinion leaders Motta is going to engage are:

- Valentina Zhukova is a well-known food blogger in Moscow region with a good engagement estimated on 1,3%.

Her field of action will be Instagram, the second most visited site in Russia (39 millions of users) where she has around 30000 followers. Motta’s aim is to exploit her image to share stories once a week for the launch period of the product in order to show and introduce an espresso daily habit.

- Tasha Veselova is a famous food blogger within the Saint Petersburg region with an high engagement of 7,4% per post.

She is popular in the social network “Vkontakte” that is the most popular in Russia (90 millions of visitors per month) with 16200 followers and Motta’s idea is to make her sharing contents during festivities in order to advertise premium editions of Motta packages.

3) Billboards: it is going to be another option to create awareness especially at the beginning.

Motta’s idea is to divide the types of advertising according to the period in different areas:

- First type of billboard will be located in Moscow and Saint Petersburg business areas during the working periods.

These targeted areas will be: Presnenskij in Moscow and Moskovsky Prospekt in Saint Petersburg that are considered the main business district with a significant affluence of wealthy people.

- Second type will be located in the central areas of the cities but just during the days of Russian typical festivities in order to attract their attention. The billboard will be coloured with red, white and blue in order to move Russian patriotism.

The dates are going to be: 4th of November (day of the national unity); 9th of May (day of the victory in the second World War); 23rd of February (day of Russian defenders) and during the days of the orthodox Easter (between April and May).

4) Television: it is an important channel as 74% of Russians are watching national channels routinely and 59% regional channels thus in order to exploit this tool, Motta's idea is to use well-known ambassadors of the food and beverage sector that certify the high quality of the product among Russian potential customers.

Our ambassadors are going to be Sergey and Ivan Berezutskiy, famous and young chefs trusted among the population.

The advertisements will be especially at the beginning diffused through the most important national channels mainly before news bulletins because Russians perceive the television as the main source of news. The period and the duration of the advertisements is going to be explained in the media plan part.



Picture 3.5 Customer Journey

The customer journey will start with the first touch point between Motta and the consumer: the advertising. With a social and traditional media and promotional events campaign Motta will be able to attract and create hype for its products, delivering immediately its values and its image generating awareness.

Regarding the social media campaign, as we have already mentioned before we will aim our customer with Russian Motta ambassadors, social media pages and website.

On the other hand, we will market our brand more traditionally with short and appealing TV advertisements in the most important channels.

Speaking about the promotional events, the consumer will come across Motta in the best locations and in luxury occasions linking immediately our brand to luxury and exclusivity within his/her head.

After that, the second step consists in the discovery of Motta and its products through the first experience either in the restaurant/bakery shop or in the retailer, as we said just in few selected ones.

The final stage, the advocacy and loyalty, will be reached thanks to the word of mouth as “food and beverage” are of the most actively categories in Russia and by the continuous and regular marketing strategy to increase customer engagement.

3.5 MEDIA PLAN

Motta Coffee in Russia (Moscow and Saint Petersburg)																
Media plan for 2020																
Channel	Frequency	Currency	Rate/insertion	Spend/publication	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Tv	25	€	35.000,00	875.000,00		4			4	4				4	4	5
Social Media	240	€	350,00	84.000,00	20	20	20	20	20	20	20	20	20	20	20	20
Fairs and events	10	€	3.500,00	35.000,00									1			
Billboards	4	€	20.000,00	80.000,00		1			1						1	1
Total spend €				1.074.000,00												
Key objectives: Establish Brand Awareness																

Motta Coffee in Russia (Moscow and Saint Petersburg)																
Media plan for 2021																
Channel	Frequency	Currency	Rate/insertion	Spend/publication	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Tv	20	€	35.000,00	700.000,00					4	4				4	4	4
Social Media	240	€	350,00	84.000,00	20	20	20	20	20	20	20	20	20	20	20	20
Fairs and events	15	€	3.500,00	52.500,00	1	1	1	1	1	1	1	1	1	1	1	4
Billboards	4	€	20.000,00	80.000,00		1			1						1	1
Total spend €				916.500,00												
Key objectives: Consolidate Brand Reputation																

Motta Coffee in Russia (Moscow, Saint Petersburg, Rostov, Kazan and Volgov)																
Media plan for 2022																
Channel	Frequency	Currency	Rate/insertion	Spend/publication	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Tv	30	€	35.000,00	1.050.000,00		4	2		4	4		2	2	4	4	4
Social Media	300	€	350,00	105.000,00	30	20	20	20	30	30	20	30	20	20	30	30
Fairs and events	20	€	3.500,00	70.000,00	1	2	1	1	2	2	1	1	1	2	2	4
Billboards	0	€	20.000,00	0,00												
Total spend €				1.225.000,00												
Key objectives: Better awareness and reputation in the two cities, expand the business in other important locations																

Attiva Windows

Table 3.6 In the table “Media plan Motta Coffee Russia” attached are described in details all the costs and frequencies.

Regarding our media plan strategy, we will concentrate our money allocation and expenditure in mainly four different channels: television, social media, outdoor billboards and trade fairs and events that, as already explained before, will be spread mostly during their national holidays.

We took into consideration our market before developing our strategy: in Russia television is the media with the highest penetration by far, with more than 74% of people watching tv daily. Then we choose social media and internet in general: despite the low rate of internet penetration (49%), we are targeting the luxury niche part of the society in the most important cities of the country, assuming an internet usage rate around 100%.

For the first, we will advert Motta in the most popular tv channels for share in Moscow and Saint Petersburg: Russia 1 (13,8%), Channel One Russia (13%) and NTV (9,2%) with short advertisements (15 seconds) with an average cost of € 35.000 per ad. Frequency and timing of ads will follow the rational already used before for billboards: pushing during national holidays and sometimes along the year in order to keep awareness and curiosity among customers.

Then, we will be active in the social media with a social media campaign driven by our Russian ambassadors engage in a deeper way our customers and to make us more reliable to their eyes.

Moreover, we want to spread within the two cities some billboards in key locations such as the centre, financial districts and rich neighbourhoods.

Lastly, we will participate to several trade fairs and luxury events with our stands as explained before.

The costs are really variables, from a minimum of € 1500 for InterFood Fair to € 10000 for Mercedes Benz Fashion Week in Moscow. We assumed an average amount of € 3500 per event.

This strategy will comport huge costs but in order to enter immediately in the consumers minds with our clear message of luxury, taste and “italianity” Motta believes that a massive social media campaign with a correct timing will create and position correctly our brand.

The media buying will be executed with the mediation of a federal sales agency strictly linked to the government: the National Advertising Alliance. Through them we aim to establish or at least

start a good relation with the government, considering relations with federal and state bodies really important in order to continue to run our business in Russia.

In the second year we will reduce our presence in the Russian television to decrease costs but we will increase our commitment in luxury events to consolidate our reputation hypnotizing a successful brand awareness campaign in the previous year. Instead the last year considered (the third) we will not use billboards: we use those to clearly position our brand and our logo in the eyes of the consumer, the same kind of visual marketing will be run by our partners in the HoReCa (Hotellerie-Restaurants-Cafè) sector that will show our logo in their showcases, windows and menus.

On the other hand, we will increase our expenditure on the other voices due to the possibility to expand our business targeting in other important Russian cities such as Kazan, Volgov and Rostov.

4. CONCLUSION

This market study on coffee in Russia served to lay the foundations for the introduction of espresso coffee in the Russian market.

The first and second chapter the analysis is more focused on the country's cultural aspects that can influence the entry of the product within Russia and an introduction on the Russian environment in general with some data about the country's geographical and demographic features, characteristics of its market and the Russian habits and costumes and major channels of advertising and retail.

They laid the foundation of this work by giving a general analysis of the Russian market then the next part served to focus on the strengths and weaknesses of the coffee market by analyzing in depth the third chapter the study uses the 4P (Price, Product, Place, Promotion) of Kotler to

define properly the strategy to be adopted for the Espresso in Russia and tried to forecasts the costs and the growth of the project during the next years.

The coffee export market is a strong point of the Italian economy and exporting companies can take advantage of this advantage and expand more and more with a precise advertising campaign well targeted to the objectives

However, it is important to bear in mind that this research focused exclusively on the social and economic factors that influence the behaviour of the target group. Once geopolitical and psychological factors that may come into play have also been identified.

A recommendation for further research in the future could be to carry out a similar study to determine any differences related to the geographical origin of products, focusing in detail on this specific element.

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