

Contemporary marketing climate in Russia

Getting closer to some local business insights

Vasiliy Starostin

Institute of marketing, State University of Management, Moscow, Russia

Abstract—To build a successful business, it has to be willing to leverage every asset and pursue every opportunity- whether the idea is to create a large-scale enterprise or a successful solo venture. The process of developing and implementing strategy enables managers to understand their customers. Global marketing therefore reflects the trend of firms selling and distributing products in many countries around the globe. Importance of local business environment is profound especially in terms of adaptation of marketing programs for particular regions. In this article we consider the current marketing climate in Russia from different perspectives: sociocultural issues, business-friendly environment and business-education realities. Russian business practices require high degree of responsiveness to local specifics while introducing new products and services fulfilled with extent of strong Russian identity. Changing consumer attitudes influence companies that strive to succeed in emerging Russian market. But what are the indicators that demonstrate a rising attractiveness of Russian perspective market?

I. SHIFTING TO A NEW ENVIRONMENT

BRIC countries have demonstrated a slowdown in economic growth in a past two years. There are some reasons for that indeed some factors were country specific. Governments are taking responsibility to refresh the economic environment and stimulate companies to accelerate their performance indicators. While some countries try to provide their businesses with easier access to credit and tax incentives others are focusing on interest rate reductions and assign national protectionism activities. Growth potential still exists besides that economic expansion has paused. Therefore emerging markets such as Russia continue to be an interesting marketing arena for brand building especially in a period of growing competition.

«Copy-paste» strategy is no longer enough to expand business to Russian market. Having learned about best marketing practices from USA, Europe and Asia, blind business-model simulating is not sufficient. Russian business practices require high degree of responsiveness to local specifics while introducing new products and services fulfilled with extent of strong Russian identity. Changing consumer attitudes influence companies that strive to succeed in emerging Russian market. Some of them do that quite well, while others demonstrate lack of country's understanding. Russian consumers are becoming practical and sophisticated shoppers, less impressed with a brand simply because it's Western and more determined to find the right price/quality balance [REF BrandZ]. But not only the price/quality factor is a key ingredient of brand-building program. The confusion arises from the stereotypical ways in

which Russia is often perceived by the foreigners. Long after those days when Russian consumers had the first opportunity to buy L'Oreal, Mercedes, Adidas and Coca-cola, today there is another story. The euphoria for standard foreign brands has gone away and nowadays we see them as something normal and ordinary. Several years ago Russia even passed through a period of nostalgia-based brands that reflect post-soviet symbols, beliefs and meanings. Russian consumers tend to demonstrate more up-to-date brand sensitivity such as perceived added-values and strong personality. At the end of 90's, reacting to the explosion of Western goods and services available in Russia, national business society was challenged to overcome stagnation by reconfiguring their marketing processes. Taking into account emerging «customer professionalism» and changing attitudes Russian companies strive to develop strong brands that are well enough to compete globally.

Although it is popular to say that the Russian culture has changed, the modern history of the country is still quite short and diverse which nevertheless doesn't necessarily demonstrate the lack of successful marketing practices. At the same time, Russia has a strong self-identification and wide range of local values and visual languages. In a post-soviet period the fundamental basis of new customer identity combines brand-loyalty, willingness to try new products and increasing customer professionalism. Russia's approaches to branding mimic the culture's disparate values and outlooks for the future. The «new» Russian brands are commendable for breaking new ground. By combining all elements of Russian culture and experimenting and attempting to convey the nations' new ambitions and unique temper, these brands have the potential to reach not just the Russian population, but also the world [7]

The greater impact arises from a new generation of young and talented managers and entrepreneurs that have different marketing vision for modern business environment. They start to enter major decision-making levels with a clear understanding of new business models with no bureaucracy and static command structures.

II. BRANDS ARE DEALING WITH LOCAL AUTHENTICITY

For many years Russia has been associated with a command economy which can not succeed in business practices simply because there were no business. That situation has totally changed. Rethinking major business approaches enables companies to develop strong national brands that pretend for international success. Russian telecommunications brands – MegaFon, Beeline and MTS still struggle to distance from each other in terms of positioning. Besides that these are

market leaders that still have to defend their positions especially when new players Yota and Tele2 are coming to stage. To increase consumer appeal Beeline and MTS recently conducted a massive rebranding campaign, provided by international branding agencies such as Wolff Olins.

According to state officials and BRANDZ' annual report large mergers and acquisitions reflect confidence in the Russian market. Thus PepsiCo acquired Wimm-Bill-Dann, one of the biggest FMCG producers in Russia. Danone now forms a joint venture with the other dairy brand Unimilk and Unilever bought a majority stake in Russia's leader personal care product, Kalina.

Nevertheless, some Russian brands as Sberbank and Gazprom (acquired companies in Central and Western Europe) start to enter the world's rankings becoming top risers. Along with a state's giants, modern and ambitious companies such as Internet brand Yandex, computer-security Kaspersky-Lab and premium alcohol Russian Standard demonstrate a strong international performance coupled with aggressive marketing.

Modern Russian consumers tend to demonstrate relatively high brand loyalty. According to TGI research 72% of respondents tend to stick with a brand they find matching their requirements. This fact could appear from relatively high extent of conservatism among users. Word of mouth advertising is significantly more important in Russia. 52% of respondents agree with a statement "I ask people's advice before buying new things"

Marketing practices in Russia however have some fundamental features that have to be admitted by the foreign brands. Modern emphasis needs to be on localization of marketing programs. The core idea is to reach individual communities with adopted marketing instruments. Moreover the brand philosophy has to be reconsidered from the local specific. Global mass marketing is being replaced by what we call "nation sensitive marketing". For example: some consumer preferences, business priorities and decision-making processes could be so much different than in Western or Asian countries. The next thing is that Russia is huge not only in terms of the size, but also from the multicultural specific. So one of the major requirements for brand building is to be flexible and do the research. Marketing programs adaptation often takes long time until they work properly. Russians take great pride in their cultural heritage and expect the rest of the world to admire it as well. When it gets down to business, they tend to be more direct in their response and open criticism is socially accepted, so feedback often starts with "No" [8].

You'll find plenty of buyers, especially in metropolitan areas such as Moscow and St. Petersburg. Despite that Russian market is not enough homogenous. Well-known statement argues, "Moscow is not quite Russia" which means that Moscow and St. Petersburg samples are not representative in terms of extrapolating their features on entire Russian market. New massive research, provided by Forbes, ranks TOP10 Russian cities for making a business in. Surprisingly, you would not find Moscow and St. Petersburg. Assessment criteria include such variables as: population, tax system, access to capital and resources, level of bureaucracy,

infrastructure, staff. The city of Sochi, the ultimate leader gets their position mostly because of massive investment caused by Olympic program. Nevertheless the list of Russian cities, that potentially could be interesting for making a business in is following:

TABLE I. TOP RUSSIAN CITIES FOR BUSINESS (SOURCE: FORBES RUSSIA RANKING 2012)

No	City	Staff	Access to financial resources	Infrastructure	Administrative barriers	Taxes	Population	Total
1	Sochi	0,23	1,06	0,77	0,87	0,83	349 000	0,77
2	Ufa	0,9	0,57	0,79	0,73	0,79	1 062 000	0,76
3	Chelyabinsk	1,03	0,34	0,77	0,78	0,84	1 130 000	0,76
4	Tyumen	0,89	0,55	0,78	0,83	0,69	582 000	0,75
5	Nizhniy Novgorod	0,87	0,48	0,79	0,74	0,77	1 264 000	0,74

III. THE RISE OF BUSINESS EDUCATION

The entire shift towards rethinking of business and economic climate in Russia is also associated with economic education system. It starts from the high-school, when 15-years old students take the part in a game of business and economic courses. But the major picture arises in a sphere of higher and professional

Russian business schools take the part in a global challenge of management education. Emerging industries require highly trained managers with a global business understanding that reflects vital needs of the country. There is an increasing demand for highly qualified top-managers and operational specialists that would be in charge of designing and implementing smart business and marketing models. At the beginning of 90's major structural economic and social changes determined a strong need for new specialists in business and management. Long after those days when Russian entrepreneurs were dealing with lack of relevant studies, experience and knowledge. Today the picture

is completely different. Business education in Russia passed through a few important steps. It is determined to move away from the objective factors towards new market realities. There is an evidence that modern Russia has to enhance its economic potential by developing small and medium-size businesses that will support the entire competitive environment of the country. It makes even more sense in a light of being the part of World Trade Organization.

International business is looking at the Russian market as a potential investment sphere and an important area for the development of their business interests [9]. Giving the impetus to emerging development of the market of business education lots of companies in Russia tend to recruit staff with approved diploma. Range of business schools provide perspective students with wide choices of offerings starting with a Bachelors and Masters programs and going towards MBA and DBA degrees. Despite the fact that according to Graduate Management admission Council business education faces a difficult time in 2012-2013 and full-time MBA programs enroll 51% less students comparing with a previous year, business programs in Russia are mostly demanded. It has to be said that the trstructure of demand has shifted towards more specialized and well-organized programs. Russian business students become more conscious and practically-oriented especially in the reality of range of choices and rise in the overall level of professionalism in the business communities. Some authors and eduactional agencies in Russia mention different set of professional MBA programs that operate on the market:

TABLE II. TOP RUSSIAN MBA PROGRAMS (SOURCE: SECRET FIRMI JOURNAL RANKING 2012)

No	School	Score
1	Institute of marketing, State University of Management	59,92
2	Moscow school of social and economic science, Russian-British (Kingston University) program	57,10
3	Institute of business and economics feat. California State University	56,61
4	Institute of business administration, Financial University	55,86
5	High school of business, Moscow State University	55,25

- MBA abroad – less that 1000 Russians every year go abroad for full-tme MBA program
- A local Russian MBA. A few years ago, during the crisis of 2008 MBA market depreiciated quite a lot. But nowadays the situation is getting better, the number of graduates is expected to increase by 50% within few years.
- A partnership of anf international and a Russian business school running an MBA
- A Western MBA in Russia – there are only a very small number of Western schools that operate on this field

The serious change in this field is associated with the fact that starting from 2012 Business schools are not permitted to award a state-format diploma, which means we face real competitionin terms of quality, program management and brand name of the school.

According to the ranking of TOP20 Best Russian MBA programs, provided by Secret Firmi and approved by

Ernst&Young, Institute of Marketing by State University of Management scores the highest grade in a list.

Institute of marketing, one of the leading marketing business schools in Russia, offers a range of marketing and corporate management programs such as Bachelor, Masters, MBA and Russian-Dutch marketing programs. Annual enrollment procedure assigns more than 200 students with an entire studying community of more than 1000 people. Institute of marketing has had some major succeses, including massive government-funding research in marketing analysis of nano-products market. Professors' intelligence and programs' structurehave become a key driver for the group, especially since the University's management decided to add a new Advertising and PR program to a courses portfolio.

IV. CONCLUSION

Russian business environment is developing very quickly being accelerated by the membership in a World Trade Organization. There is evidence that it is almost impossible to build a successful companies and brands with a post-soviet union way of business thinking. The current Russian economic system dictates that consumer society is mostly changing in terms of their preferences, customer professionalism and product-sophistication. Wester-type of brand is not fully enough criteria for being popular in a local reality. Russian market requires confidence, cultural recognition and deep understanding of customer and organization behavior for international and local brands. Russian society is also not so homogeneous. New generation of young business leaders are coming on stage. They pretend to demonstrate their professional knowledge, skills and marketing way of thinking in order to develop strong brands and compete on a global basis.

REFERENCES

- [1] S. Hollensen «Global marketing», Prentice Hall, 2004
- [2] C.Kaputa «Breakthrough branding», Nicolas Brealey Publishing, 2012
- [3] J. Kourdi, «Business strategy», The Economist, 2009
- [4] State russian statistics commitee www.gks.ru
- [5] Secret Firmi Journal№9, September 2012, www.kommersant.ru/sf/
- [6] Forbes Russia, “Top Russian cities for doing the business”, May 2012
- [7] Interbrand Annual Top100 Most Valuable brands, Report, 2012
- [8] Millward Brown, BrandZ, Annual Top100 Valuable brands report, 2012
- [9] S. Savin, E. Zoubkova, “Developing a new generation of Russian leaders – perspectives and strategies”, Business leadership review, January 2007
- [10] V.Starostin, “Product personalization: ideas, development and implementation. Corporate challenges and opportunities. /Modernization of economy and management development”, IX Conference of international federation of East Asian management association - 2008 – Thesis book