



# **International Market Research of Local and Organic Food Market in Russia**

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<p>The Finnish company Makumaku sells local and organic food products online. Currently they are interested in getting information concerning the Russian local and organic food market, as well as Russian organic and local food online shops. A general analysis of the Russian organic food industry has been done by using PEST analysis. A competitor analysis was also carried out, including owners, target groups, logistics, pricing and marketing tools used.</p> <p>In this exploratory research the main method was secondary data analysis. Secondary data included published interviews and articles, as well as available statistical data from the Russian Internet about the Russian organic food industry (including online food shops). Another method was a structured observation approach of Russian local and organic food online shops, based on certain criteria.</p> <p>The research has shown that despite the quite high demand for organic food products in Russia, the market is not that large and is somewhat unstable. The main obstacle is the absence of a clearly-defined legal certification system indicating which products are considered to be organic in Russia. The amount of e-commercialization of the Russian organic market is quite limited. As a rule the owners of Russian online shops are farmers themselves, individual entrepreneurs and small limited liability companies. They do not promote their businesses much by online or offline tools, except by using social media and social networking. Successful logistics is crucial in order to succeed in this business area.</p> <p>Makumaku has good chance to enter the Russian market successfully if they concentrate on a specific area (e.g. Moscow) and find the right Russian partners, who could take care of logistics. Proper branding of Makumaku's products for the Russian customer is also seen as very important.</p>	
<p><b>Key words</b> PEST analysis, e-commerce, online shopping</p>	



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<b>Название тезиса</b> Исследование продовольственного рынка органических продуктов в России	<b>Количество страниц и приложений</b> 43
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<p>Финская компания «Макумаку» занимается продажей органических продуктов питания в Интернете. В настоящее время ее интересует информация о российском продовольственном рынке органических продуктов и российских Интернет-магазинах по продаже органических и фермерских продуктов. Для общего анализа российского рынка использовался ПЭСТ-анализ, а также был сделан анализ работы конкурентов по следующим критериям: владельцы, целевые группы, логистика, ценообразование и используемые маркетинговые инструменты.</p> <p>В данном маркетинговом исследовании основным методом анализа был вторичный анализ данных (опубликованные статьи и интервью, статистические данные). Вторым методом послужил метод структурированного наблюдения и анализа веб-страниц российских Интернет-магазинов по определенным критериям.</p> <p>Исследование показало, что несмотря на довольно высокий спрос на органические продукты питания в России данный рынок небольшой и весьма неустойчивый. Главным препятствием для развития рынка является отсутствие на законодательном уровне четкой системы сертификации органических продуктов питания в России. Темп роста электронной коммерции данного рынка довольно ограничен. Как правило владельцами российских Интернет-магазинов являются сами фермеры, индивидуальные предприниматели и небольшие компании (ООО). Они не очень активно рекламируют свой Интернет-бизнес. Кроме того успешная логистика имеет решающее значение для достижения успеха в этой сфере бизнеса.</p> <p>Компания «Макумаку» сможет успешно выйти на российский продовольственный рынок органических продуктов в Интернете, если сконцентрируется на определенном регионе России (например, Москва и Московская область), найдут наиболее подходящих партнеров для сотрудничества в России, способных позаботиться о логистике совместного бизнеса. Очень важно также выбрать правильные методы рекламирования /брендинга продукции компании «Макумаку» для российского потребителя.</p>	
<b>Ключевые слова</b> PEST анализ, электронная коммерция, Интернет-магазины	

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# 1 Introduction

For recent years organic foods has become more and more popular trend among consumers. People in general are interested to consume healthy food products and be healthy – demand for organic food products has been increasing heavily and constantly. Comparing to “normal” industrially produced food organic foods are supposed to have such advantages as:

- they do not processed using industrial solvents, or chemical food additives, and irradiation;
- they do not contain genetically modified organisms;
- organic foods methods of production do not involve synthetic pesticides and chemical fertilizers.

Nowadays organic food industry is considered to be one of the most dynamically developing worldwide. By the close of 2011 the organic global market turnover was more than \$60 billion. According to experts’ predictions this market will exceed \$88 billion by 2015.

The leading segment of the market is fruits and vegetables, over 30% of the overall market. The second largest category is organic dairy products. There is also increase in organic meat and organic beverages shares.

The US organic food market grew up to 9% and by \$2.5 billion during 2011. Totally in 2011 the US organic food and beverage sector was valued at \$29.22 billion.

In 2010 Europe had leading position in the global organic food market with revenue of \$27.8 billion.

As to Asian organic food market it is continuing to grow – the leading countries in this region are Japan, Singapore and Taiwan as well as China.

This industry – organic food production – has also been recognized one of the most heavily regulated industries. In many countries including Canada, Japan, and the United States as well as in the European Union it is required from producers to obtain special certification in order to market food as organic within their borders. It means that the

organic food is the food that made in accordance with the organic standards set by national governments and international organizations (e. g. International Federation of Organic Agriculture Movements, [www.ifoam.org](http://www.ifoam.org); Organic Trade Association, [www.ota.com](http://www.ota.com)).

The term “local food” is usually understood as locally / regionally produced agricultural food product. It has become quite common worldwide, that farmers are interested in selling directly to consumers at local/ regional farmers’ markets and/ or to local communities (e. g. schools, etc.). As a rule farmers take care of such marketing functions as storage, packaging, transportation, distribution, and advertising.

According to USDA’s Agricultural Marketing Service (Unites States Department of Agriculture) the number of farmers’ markets in US rose to 5,274 in 2009. Recently the new trend of local markets development has been appeared – in the US, Canada, Europe and in the UK local food producers and farmers start market their agricultural products online for their customers. It means that nowadays more customers can buy locally online if they cannot attend local / regional farmers markets.

Finnish company Makumaku sells local and organic food products online. Currently they are interested in getting information concerning the Russian local and organic food market and Russian local and organic food online shops.

## **1.1 Research objectives**

The purpose of this research is to make a market research for Makumaku so that they can define their market entry strategy if they would like to expand their e-commerce business to Russia.

Before enter any market company should consider such factors as competitors and customers (target groups). After the information on the mentioned above factors have been analysed the entry market strategy can be chosen. Moreover there is a necessity to make a general local and organic food industry analysis as well.

In this connection the research objectives are:

1. Observing of the Russian local and organic food industry (PEST analysis).
2. Russian local and organic food online shops analysis (criteria – the owners, target groups, food circle concept's consideration, logistics, pricing and marketing tools used, including the use of social media and social networking).

The approach of the research is qualitative (see more in 1.4).

## **1.2 Thesis structure**

Thus, **thesis structure** looks this way:

In the Introduction part there are discussed research objectives, thesis structure, main concepts as well as research methods and design. Secondly Company presentation chapter – in this thesis part there is given a brief description of company history, general business operations (business area, specific features, number of customers, etc.). The next chapter analyses the PEST concept as a theoretical background of the empirical study (for the objective 1). The following part is the analysis of e-business related concepts and food circle concept as a theoretical background of the empirical study (for the objective 2). The fifth chapter is devoted to results of the empirical study – firstly there is made a general analysis of the Russian local and organic food market and additionally there is carried out a competitor analysis, based on certain criteria (Russian local and organic food online shops analysis). The recommendations and conclusions are given in the sixth chapter. In the last chapter – References – there is provided a list of all sources (articles, interviews, reports, etc.) used for the research making.

## **1.3 Concepts**

The main concepts of the study are marketing research, organic food, local food, PEST analysis, e-business and online shopping.

Marketing research is beneficial to company research, since it is a systematic, deep investigation of any marketing problem. Problems can be related to sales, customers, competitors, specific market industry dimensions, etc. The final results of marketing

research should also include suggestions and recommendations (sometimes solutions) of solving the examined marketing problems.

Organic food is opposed to industrially produced “normal” food. The methods of production of organic food do not involve synthetic pesticides and chemical fertilizers, industrial solvents or chemical additives are not used. Organic food is also safe and healthy because it does not contain genetically modified organisms.

Local food is food produced and by local farmers directly to consumers.

PEST analysis in general means the analysis of the environment in which companies operate. Specifically by PEST usually there are understood political and legal dimensions – P, social, demographic and cultural aspects – S, technological barriers and factors – T, as well as economic issues – E. As a rule it is considered to be a personal choice of researcher what categories and / or questions should be analysed under each part of PEST (e. g. is a government tax law political / legal or economic?).

E-business involves information and communication technology (ICT). Basically if ICT is used in the process of buying, transferring, or exchanging products, services, and / or information via Internet, it is e-commerce and / or e-business.

Another related to e-business term is online shopping. Online shopping means opportunities for consumers to buy products and / or services directly from sellers and producers via Internet. The most challenging issue in online shopping process is successful logistics organizing. Very often failure in logistics leads to loss and or even bankruptcy of online shopping oriented businesses.

#### **1.4 Research Design and Methods**

The defined above objectives of the study have been mostly examined by an exploratory qualitative research. The exploratory research is used to gain background information – when very less is known about the issue / problem. This research is also considered as a desk research because it involves mainly collecting data from the existing resources.

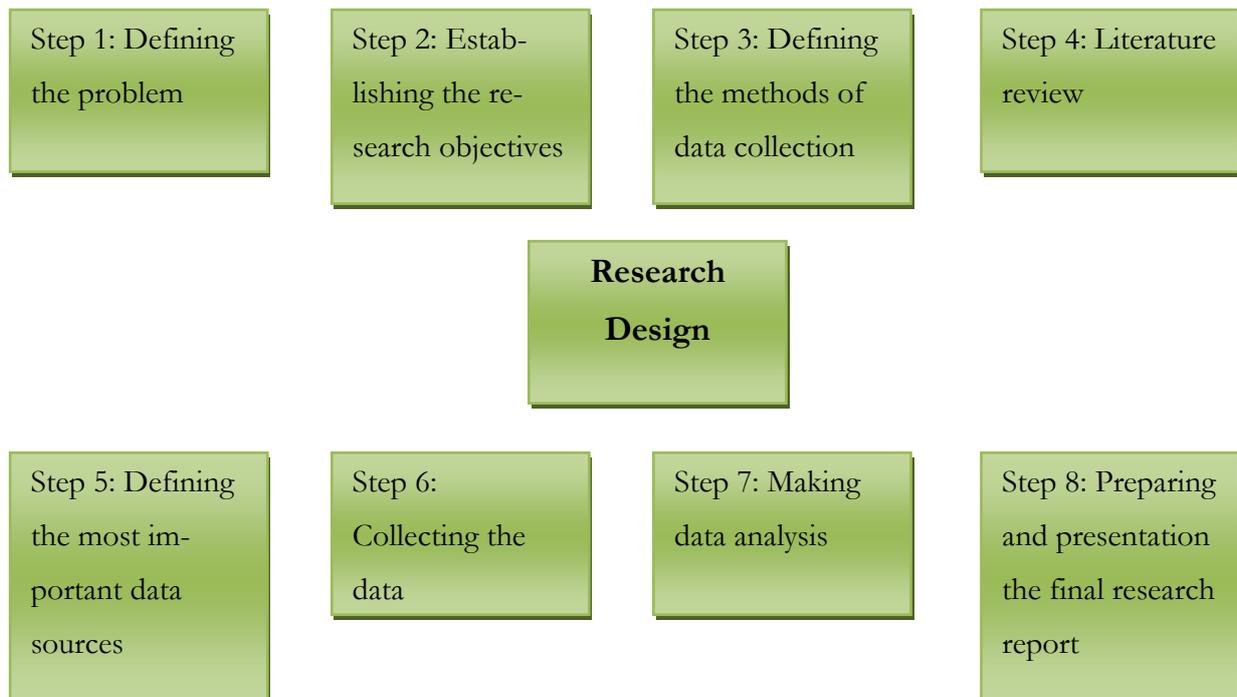
In this exploratory research the main method is secondary data analysis.

Secondary data include published interviews and articles, as well as available statistical data from the Russian Internet about the Russian local and organic food industry (including online food shops).

Another method is a structured observation approach of Russian local and organic food online shops, based on certain criteria (owners, target groups, logistics, pricing and marketing tools used, including the use of social media and social networking). (Burns A. C. 2008, 104, 106, 109)

There is a certain percentage of limitation of the study. Unfortunately there are no opportunities to conduct any kind of concrete and structured interview of Russian local and organic food online shops' owners due to objective reasons: answering questions directly via e-mails has not become common in Russia; moreover very often e-mail contact information is not available; additionally there is a possibility to contact via phone call but it is rather expensive for the current researcher (from Finland to Russia) and probably also can be unsuccessful – very often the Russian companies do not answer the interviews by telephone. Probably the face-to-face interviews can be organized during future deeper researches of that industry in Russia.

In the below presented figure the research design is presented.



**Figure 1. Research Design**

## 2 Company presentation

Makumaku is a Finnish company that promotes local and organic food markets by creating an online shop ([www.makumaku.fi](http://www.makumaku.fi)).

They deliver fresh local and organic food directly from small producers to the customers' front door. They started their pilot service in the capital area of Finland in October 2010. The founder and the owner of the company is Ms Johanna Fräki. She started this kind of business because she wanted to become independent – an entrepreneur – after 20 years career as an employee. Her selection criterion for the business idea was to be able “to improve the world somehow” – so, she wanted “a business that produces something good and special”.

Currently Makumaku company have over 700 customers and around 2500 clients have ordered their weekly brief.

(Fräki, J. 21 May 2012)

Makumaku's activities allow on the hand the customers to order local and organic food directly to their door without using any trade intermediaries, discuss food recipes /healthy food trends with other consumers and food producers online and purchase additional services, e.g. nutrition adviser service. On the other hand via Makumaku food producers and farmers receive sales and marketing channels at fair price, assistance in networking with other food producer and/or customers as well as opportunities to apply for legal, accounting or marketing assistance for their activities.

Makumaku company also provides their producers up-to-dated information on their market changes and trends.

(Makumaku Liiketoimintasuunnitelma 2010, 1 – 4.)

Makumaku offers to its customers the following distribution channels:

- 1) they deliver the food to “customer's door”;
- 2) the customer can get the food from the “jakelupiste” – outlet.

Delivery fee to home door is 9.50 EUR (only in capital area).

Orders are accepted until Tuesday, delivery to customers – on Friday. Online shop works 24 hours/ 7 days.

(Makumaku's Presentation 2011)

Makumaku company plans to expand their e-business in other countries through franchising. They aim firstly to make internationalization efforts at the nearby locations (The Nordic countries, Baltic countries and Germany) and secondly in central and southern European countries.

(Makumaku Liiketoimintasuunnitelma 2010, 9)

### 3 PEST analysis

Any business operates in the concrete environment.

On the one hand there is “operational environment” – it means companies, their suppliers, intermediaries, customers, competitors and other institutions, e.g. trading / or financial organizations and trade unions. On the other hand there is “general” environment that include macroenvironmental dimensions such as economic, political, socio-cultural, technological and legal. All these factors together influence significantly the business operations of companies.

(Worthington & Britton 2006, 6)

Political and legal environments are very often analysed together as one dimension.

There can be taken into consideration the law system and regulations that affect company operations, government agencies, sometimes pressure groups that have influence the business organizations.

(Kotler & Keller 2007, 59)

Basically in political / legal environment the main questions concern:

- governmental stability for now and for future;
- wars and conflicts risks;
- trading policies;
- current legal framework for particular industry and /or business (favourable or not, future perspectives for change).

(Worthington & Britton 2006, 476)

Economic environment means current situation in economy in general. Depending on business type of a firm/ company there can be analysed such factors as inflation rates, unemployment rates, growth and productivity, overall industrial market shares. All these factors have impact on health of the economy and consumer confidence.

(Guide for Industry Study and the Analysis of Firms and Competitive Strategy, 2009)

Socio-cultural environment can be also identified as social environment and as a rule besides pure social and cultural factors it includes demographic dimensions. By demographic factors there are meant size and growth rate of the population, age distribution, educational levels, etc. Social environment is shaped by beliefs, values and norms of the society in general and particular social groups.

(Kotler & Keller 2007, 53, 56)

In this environment analysis the significant questions can be the following:

- different social groups' economic conditions influence on market opportunities;
- population structure impact upon the demand for the product and/ or service;

(Worthington & Britton 2006, 476)

Technological environment have a huge impact on business growth or decrease. Following the latest technological trends in particular business operations and industries may provide a competitive advantage. Some technological dimensions that can be listed are new technology solutions, innovation potential, technology access and licensing, etc.

(Guide for Industry Study and the Analysis of Firms and Competitive Strategy, 2009)

One of the common useful techniques to examine the macroenvironment in which the business operates or plan to operate is PEST analysis where P – political /legal environment, E – economic factors, S – social (including cultural and demographic factors) environment and T – technological environment.

The information for PEST analysis can be gathered from competitor and suppliers analysis. More accurate and precise information can be obtained from high-quality newspapers and trusted journals. Some organizations such as government bodies, financial institutions, consultancy agencies, industry research companies, etc. produce industry and country reports, sometimes industry detailed forecasts. A lot of useful information can be found on the Internet, for small businesses and firms.

(Friend & Zehle 2004, 32 - 34)

Sometimes there can be used also other so-called modifications of PEST analysis.

One of these modifications is PESTLE or PESTEL. In PESTLE P means pure political factors, and L is pure legal factors, last E is environmental factors. Another modification of PEST is also STEEPLE and STEEPLED. In this case additional E adds ethical factors and D describes demographical factors. Last trend is modification from PEST to STEER analysis, where R is regulatory factors.

(Wikipedia)

## **4 E-commerce, e-business, online shopping, online marketing tools and food circle concepts**

Despite the fact that “e-commerce” and “e-business” are closer to each other concepts /terms, anyway they are considered to be different.

Both e-commerce and e-business involve information and communication technology (ICT).

In general e-commerce means the process of buying, transferring, or exchanging products, services, and/or information via Internet or other computer networks. In other words it uses ICT in business-to-consumer transactions (sometimes business-to-business transactions). While e-business means using ICT for enhancing one’s business – supporting of all activities of the business (electronic purchasing and supply chain management, processing orders electronically, handling customer service, and cooperating with business partners). In other words e-business includes e-commerce process.

(Andam Z. R. 2003, 6 – 7; Dann S. & Dann S. 2011, 6)

Fletcher, Bell and McNaughton (2004, 5 – 6) also recognize that it has become common to distinguish a bit the terms “e-business” and “e-commerce” in academic literature. They introduce at least two points of view.

From the first point of view e-commerce involves online interactions between the company /firm and its’ customers, while e-business is all the interaction processes within the company /firm via ICT and most probably transactions with suppliers as well.

From the second point of view these authors consider that “e-business is an inclusive term referring to all uses of ICT within the business context”. In other words it means e-business includes advertising, communication, information / data exchange with suppliers, customers in the market and with “internal customers” (inside company / firm).

Another related to e-commerce and e-business concepts is online shopping.

Basically online shopping is one of the forms of e-commerce when consumers have the opportunity to buy goods and/or services directly from sellers (sometimes manufactures – producers) over the Internet without intermediary service in most cases. (Wikipedia)

Internet shop, online store, webshop, webstore and so on are the common appellations. In this research there is used term “online shop”.

When analyzing Russian organic and local food online shops the main criteria are the owners, target groups, food circle concept’s consideration, logistics, pricing and marketing tools used including specifically social networking and social media.

From the above listed criteria there should be explained such terms as logistics concept and online marketing tools in online shopping process; and finally food circle concept. Logistics is considered to be one of the most important and most demanding issues in online shop functionality. Most online retailers use shopping cart software to allow customers to find, choose and accept the products /quantities online.

Logistics issue is also interconnected with payment and product delivery methods. As a rule payment and delivery methods information are collected when customers accept their orders online. A modern trend nowadays is to allow customers to sign up for a permanent online account – in this case payment and delivery methods information is entered only once. Sometimes customers receive order confirmation to their e-mails; less advanced online shops ask customers to phone their orders.

(Fletcher R., Bell J. & McNaughton R. 2004, 255)

Z. Andam suggests that there are two types of payment methods in online shopping: traditional payment methods which are mainly still used in developing countries and electronic payment methods. Traditional payment methods are mainly cash on delivery (C. O. D) and bank payments (after ordering products online, customer deposits cash into the bank account of the company from which the products were ordered). In the second group of payment methods are different innovations affecting e-commerce and consumers. These are debit and credit cards, electronic money of different types, e-banking, etc.

(Andam Z. R. 2003, 21)

The most common practice of food online shops for product delivery is direct shipping to customer address. Sometimes the delivery is made using post, other logistics or transportation companies.

Internet companies have plenty opportunities nowadays to use different online marketing tools. One of the marketing tools is online networking. Facebook ([www.facebook.com](http://www.facebook.com)) is considered to be the most popular social networking websites. Despite the fact that business networking is not exactly their purpose however businesses also actively use this tool for promotion their products and/or services. Additionally there are also social networking sites designed for business (eg LinkedIn). (Benum I., 2007)

Using social networking sites make it easier to find people /groups of people who are interested to join to particular business communities without special investment. At the same time online networking is two-way communication. People can show the reactions on business message at the same time when it is appeared on the social or business networking page. There is always a possibility to get constant loyal followers /fans / customers.

It is obviously worth for companies to start online networking. Very often increase in social networking base means the rise of overall traffic to company website.

Social networking is a good platform for companies to tell about their businesses and share their success with their peers.

(Dann S. & Dann S. 2011, 344, 359)

It is recommended to use also search engine optimization – SEO. Positioning in SEO is to optimize the website and improve its position in search engines. It is important if the website has the high ranked position by search engines. As a rule the vast majority of Internet users during searching process for the necessary things are looking those websites that have been issued on the first page results of the particular search engine. (Johnson D., 2007)

Another effective online marketing tool is monthly e-mail marketing. Sending regular e-mail messages to everyone you know and everyone who knows you. But it is recommended to be careful while using this particular tool. It should not be overwhelming and require time and efforts to create content for e-mail marketing campaign.

Here are some examples of content to be sent when using e-mail marketing:

- case-studies and real life examples (e. g. a simple case-study that shows how the company has solved the client's problem);
- several tips for the clients on particular subject (e. g. sharing the hints how to make the process of working with customers easier and smoothly);
- answers to clients' frequently asked questions (FAQ);
- sharing the opinion on a hot topic (e. g. something related to particular business specifications).

(Benum I., 2007)

Listed above examples can be also used as independent parts of particular website content.

Among the online marketing tools for returning visitors of websites there are such as starting discussion board (forum), a web log (blog), carrying out polls or surveys and updating frequently with fresh content. Forums and blogs are considered to be as well social media tools.

Establishing any form of discussion at the site means that visitors of the site are provided with the place to share their opinions and have interactions with each other.

Any blog is a good way to share latest news related to business progress, additionally as it can be an Internet diary it gives opportunities to share more personal and still related to business information.

Polls and surveys are also considered to be forms of interaction. They allow the site visitors immediately in a quick manner to voice the beliefs and opinions on the given topics. The main recommendation is that polls and surveys should be strongly related to target market of the website and keep them interested to discover about the results. Updating the website's content on a regular basis keeps visitors interested.

(Marketing Tools Blog. Five ways to keep visitors coming back)

Food circle concept in general means the process of developing “a community-based, sustainable food system by reshaping the relationships that surround food”. The idea is to produce and consume food the more locally the better, following such principles as ecological wisdom, social justice, grassroots democracy and non-violence. It is all about knowing food producer and knowing food consumer in return at local level. Thus, producer and consumer build the relationships around food.

(Food Circle Networking Project)

In other words food circle (active group of people at local level) allows organic and local food producers and consumers to find each other. Very often the food circle system works this way:

- consumers order the products via food circle website of local district (ruokapiiri in Finnish);
- orders are processed and sent to producers;
- producers transport the ordered products to food district (ruokapiiri in Finnish) members that take care of product sorting and packaging;
- at last consumers take the ordered products from local district community.

Additional services that can be organized by food circle-district are eg visits to local farms, training /courses on food circle organizing as well as ecological picnics and/or wine evenings. (Raunio E. Mikä inmeen ruokapiirit)

## **5 Results of the empirical study**

The empirical results consist of two parts. First part is a general Russian local and organic food industry analysis that has been done by using PEST analysis. Second part is Russian local and organic food online shops analysis (competitor analysis). A competitor analysis has been carried out, including owners, target groups, food circle concept's consideration, logistics, pricing and marketing tools used.

### **5.1 Russian local and organic food industry overview (PEST)**

In below described PEST analysis, using for making a general overview of the Russian local and organic food industry, P means political and/or legal factors, E – economic, S – social (including target groups analysis), and T – technological.

#### **5.1.1 Political (legal) issues**

The market of organic and local food in Russia is considered to be under development. The main problem is that there are no official law regulations concerning the term “organic” / “bio” / “eco” food products. It means Russian organic food market is not regulated from the point of view of legal terms.

(Food market News portal)

There is so far just official level discussion (between Russian legislative authorities and representatives of organic food manufacturers) about the necessity to develop in Russia national system for validity and quality control as long as for environmental safety. That kind of system will make Russian market of organic and local food more civilised, open new distribution networks for farmers and give opportunities to cooperate with different public institutions (schools, kindergartens, etc).

(Konovalov, 2011)

Anyway so far in Russia some organic food producers and/or distributors on their own initiative try to follow official EU standards on organic food products. Some businessmen call their local (organic) food products “derevenskiye” (from the village

/rustic), meaning that these products (eg rustic butter) were produced from a small private farm, not from big agricultural factory.

(Akimov, 2011)

The absence of legally fixed term for organic food products also means that there is no unified system of its certification in Russia. Currently there are some types of voluntary certification. But the problem is that each voluntary certification type takes into account different aspects while considering whether the product is organic or not. Sometimes farmers face the situation that their products cannot be properly certified.

(RuFox News portal. Ecofarmers are glad to get the customers via sales network, 2011)

### **5.1.2 Economic issues**

The global market turnover of organic products is about \$60 billion. It has been growing rapidly – approximately by 30% per year. However experts suggest that Russian organic food market has been fallen behind of the world organic products market for 15 – 20 years. According to the International Federation of Organic Agriculture Movements (IFOAM), the Russian market of domestically produced organic and local food products is just \$60 – 80 million; it means it is only 0.1% of all food products. Organic products import rate to Russia is much more than own domestic organic products production – the main importer to Russia is Germany.

(Konovalov, 2011)

According to Russian Information Agency “INFOline” analysis organic products (both food and non-food) have only from 1 to 5 % share of premium product category, which is approximately up to \$480 million. So far it is fairly enough to have specialized departments of organic products (food and no-food) in the regular and premium Russian supermarkets and hypermarkets.

(Pertseva E., 2012. Why aren't Russian organic shops profitable?)

In accordance with USDA Foreign Agricultural Service report the growing interest of Russian consumers to healthy and organic food products has increased the variety of healthy, low-fat, salt-and sugar-free foods, fresh exotic fruits and vegetables in Russian

supermarkets, especially this trend is actual for large Russian cities such as Moscow and Saint Petersburg, as well as in Vladivostok where fresh fruits and vegetables are available from the Western United States and China. Some high-end supermarkets and hypermarkets also have started to develop ranges of organic foods.

USDA Foreign Agricultural Service experts consider that the sales value of organic packaged food in 2010 grew by 14 % to reach \$220.6 million (organic baby food was especially popular – its growth was 25 % in current sales and 11 % in volume).

(Russian Federation Retail Foods Report 2011, 13)

### **5.1.3 Social issues**

In general organic food products have been becoming more and more popular for Russian consumers. There are more and more people who are ready and able to buy organic products. The first consumer group for such products is people whose income is above average. These people travel abroad more frequently, eat in foreign restaurants, communicate and share their experiences with colleagues, get to know more e. g. about organic food cafes, organic products abroad and then they think why there are no such things in Russia. They start searching and find out that there are two ways: to buy organic food products directly from local farmers and/or in big cities shops and supermarkets. As a rule the majority of offered organic products in the shops and supermarkets are considered to be mostly imported goods.

(Konovalov, 2011)

But organic food producers (farmers) suggest that the demand for organic and local food products will increase heavily if Russian population in general knows all the advantages and usefulness of organic food products. Potentially target groups can also include children, their mothers, pregnant women, women who have babies and elderly people – pensioners.

(RuFox News portal. Ecofarmers are glad to get the customers via sales network, 2011)

It is hard to find any information concerning direct data on Russian local and organic food online shoppers. But according to research of faberNovel agency, which offers in Russia strategic and operational assistance to companies (Russian and Western) seeking

to seize opportunities in Russia's, fast-growing Internet and mobile markets, overall food is in the list of the most demanded goods by Russian online shoppers. Approximately 7% of Russian Internet users who define themselves as actual online buyers buy food online.

In cities where the population exceeds 1 million buying grocery products online is 12% (e. g. Moscow, Saint Petersburg, Yekaterinburg, Chelyabinsk, etc.); in other cities or areas it is 2% (Kazan', Voronezh, Saratov, etc).

Some surveys show that actual number of really active Russian purchasers, those who buy any items through e-commerce sites on a regular basis, is most probably 15%. 15% is around 7 million people who make online purchases on a monthly basis.

(E-commerce in Russia: situation and perspectives Report 2011, 7, 11)

#### **5.1.4 Technological issues**

In organic and local food industry there is a range of technological issues that should be taken into consideration: starting from production and packaging to effectiveness of product delivery - logistics.

The storage period of organic and local products is short (in average 36 hours, max 72 hours). It means that demand for these products is always higher than local organic (eco) farm's capacity. The practice shows that a lot of Russian farmers – local and organic food manufactures – start their business online and deliver their products to the clients by their own transport.

(Kononov, 2011)

At the next stage when demand becomes even higher there is appeared a need to improve the procedure of product delivery – logistics.

Problems in logistics procedure is the most widely spread reason for failure in business growth of Russian organic and local food online shops.

Practically one online shop is able to serve 2 or 3 farms – organic and local food producers. If there are more than 3 farms to serve it means that transportation costs for online shop business raise because farms are too far apart from each other. Thus, raised transportation costs mean increase in food products pricing.

So far in Russian organic and local food online business market no one has yet figured out how to do food delivery over Internet business bigger and highly profitable – logistics limits the growth.

(Kulikov, 2011)

One of the options to solve logistics problems in organic and local food online shop functionality is having own satisfactory transportation capacity or leasing contract for transport, another – making agreement with local transportation companies. Anyway the situation on logistics issue is considered to be one of the most challenging in Russia.

## **5.2 Russian organic and local food online shops analysis (competitor analysis).**

The market of Russian organic and local food online industry is quite flexible and unstable. It is very difficult to count concrete number of so-called online shops as there is no official statistics on this matter. Additionally as Russia is considered to be very big country, it consists of many regions – the situation differs from region to region.

Search via Russian Internet portals ([www.yandex.ru](http://www.yandex.ru), [www.mail.ru](http://www.mail.ru)) and Russian specific organic product websites (<http://natpit.ru/gde-kupit>) provides the vast number of online links to so-called online shops that sell organic and local food products.

Anyway according to the thesis writer's own point of view it is considered that Russian organic and local food online shops can be placed into three categories:

- 1) local (small or medium-sized) farms' online shops – in this case farmers directly sell their products to customers without using any third party;
- 2) usual organic and local food online shops;
- 3) and online shops with additional services and /or other projects (eg eco-tourism, eco-farms, etc.)

Above listed categories of Russian organic and local food online shops differ from each other in question of criteria (the owners, target groups, food circle concept's con-

sideration, logistics, pricing, used marketing tools, the use of social media and social network) that are analysed in this research.

### **5.2.1 First criteria – owners**

The owners of local farms' online shops are very often the farmers themselves – first category.

As to owners of second category they are as a rule individual entrepreneurs and /or small firms that as a rule take care of logistics issue on their own.

In this research it is considered that to the third category of organic and local food online shops belongs to such “special” players of this market as Project LavkaLavka ([lavkalavka.ru](http://lavkalavka.ru)) and Project Ecocluster ([www.ecocluster.ru](http://www.ecocluster.ru)).

Ecocluster is a voluntary association of Russian and foreign companies specializing in production, processing and sales of organic products and services for the Russian market. This Association has been formed very recently (June 2011) at the initiative of eco-farmer Aleksandr Konovalov (his first project was eco farm Konovalovo, established in 2009 – [www.konovalovo.com](http://www.konovalovo.com)). The participants of Ecocluster Association are Russian and foreign manufacturers, suppliers and vendors, consumers of organic products and so called eco-service companies that render eco services.

Company Ecocluster at the moment has been expanding their e-commerce business all over Russia.

Project LavkaLavka appeared in 2009. The founders are entrepreneurs Boris Akimov, Vasiliy Pal'shin and Aleksandr Mihailov. They consider their company / project has been concentrated on search, support, delivery and promotion of Russian natural food products – from the farmers. Additionally they are interested in promotion of such eco service as eco tourism.

(Akimov B., 2011)

Currently LavkaLavka Project total turnover is around 10 million rubles (\$350,000) a month, with retail sales generating up to 95 percent of the revenue, and 5 percent more coming from the sale of food to restaurants and eco-friendly stores. Their main office is in Moscow. Last year there was opened an office in Saint Petersburg. They are also planning currently to expand their e-commerce business in other regions of Russia (in the nearest future they will be tapping the markets of Kaliningrad, Ufa, Yekaterinburg and Chelyabinsk by working with local suppliers).

(Kreknina A., Dranishnikova M., 2012. A new class of farmers emerges in Russia)

Russian retail super and hypermarket chains are also involved in online business. But they do not promote specifically their organic and healthy products (e. g. Seventh continent, Achan, etc.).

### **5.2.2 Second criteria – target groups**

General target group for all kind of organic and local food online shops in Russia is that category of people who want to be healthy and who are interested in consuming organic food locally.

The Russian farmers who have started to sell their products via online shops websites often recognize that first of all their consumers are relatives and friends, then friends of friends, etc. After while farmers start to receive orders from local communities, e. g. the groups of young women and /or mothers who wish their children get healthy food. (Lyustritskiy, D. Dark horse of Russian Internet, Russian online source)

Additionally the main target group is the citizens of cities and towns of Russia who want to get fresh, locally produced (from the farms) and organic products and who are ready to pay more for this kind of products. Their income as a rule is relatively high. Moreover they are concerned about environmental issues and interested in eco-services as well (eg eco-tourism, eco cafes and eco restaurants, eco spa centres, etc).

(Akimov, B, interview, Russian online source)

On the other hand the usual online shops target group is also local and organic food producers.

### **5.2.3 Third criteria – food circle concept’s consideration**

Since Russian local and organic food online shops is a new trend so far using different food circles as distribution channel is not in practice. At least there is no direct information about this issue on online shops websites.

Project LavkaLavka has some kind of service that may be seen as “using food circles” somehow.

The service for companies that would like to cooperate with LavkaLavka is called Stol zakazov – Orders Placement. The idea is that interested companies can become official distribution channel for LavkaLavka. They organize their own Orders Placements according to the rules of LavkaLavka. LavkaLavka representatives transport the food orders to organized Order Placements according to agreed schedule. The main duties of Order Placement in return are:

- keeping the food orders in proper conditions (agreed in advance with LavkaLavka);
- receiving and issuing the orders (consumers take the ordered products by themselves);
- taking care of payment procedure (from customers to representatives of LavkaLavka).

Currently LavkaLavka has several Orders Placements in Moscow and Moscow region. Their Order Placement partners are restaurants, bakeries, retail shops. (<http://lavkalavka.ru/project/lavkalavka-stoly-zakazov>)

Some other Russian organic and local food online shops share also information about their offline distributors (on their websites).

Anyway described above procedure cannot be determined as pure food circle as it is used in developed countries.

#### 5.2.4 Forth criteria – logistics

The majority of Russian organic and local food online shops use courier service for delivery of the orders to the customer address.

Customers should make orders well in advance – at least 24 hours or 2 – 3 – 5 days before. The orders are accepted very often by telephone, rarely by e-mail and/ or using online form. Advanced online shops of big cities provide shop cart software within their website to their clients.

The delivery price is very often a variable category in online shopping. It depends on such things as minimum sum of the order and distance of delivery. Some online shops provide free delivery within some territories or regions if customer accepts the recommended set of offered products.

Sometimes customers of online shops in Russian cities have opportunities to take the food orders by themselves from online shop offices and /or retail shops.

The usual payment method for normal farm online shops and usual online shops are cash on delivery (COD). Usually customers pay cash to couriers after receiving and checking the orders from them. Sometimes when the order is big online shop claims bank payment made in advance. A new promising trend is to accept payment via different types of web money systems and credit cards by Russian usual organic and local food online shops. But it has not still been widely spread.

Such big players as Ecocluster and LavkaLavka try to attract customers of organic products all over Russia. That is why they use Russian post service and transportation companies of other regions of Russia for shipping the orders. But still Moscow and Moscow region as well as Saint Petersburg and Saint Petersburg region are considered to be the main regions where logistics issue has been handled at relatively good level.

Basically these 2 companies (LavkaLavka and Ecocluster) now have been organizing and improving their own systems of logistics /delivery.

Both companies (Ecocluster and LavkaLavka) accept COD payment in Moscow and Moscow region and bank payment made in advance for other regions. In Saint Petersburg and Kaliningrad (plus other Russian soon) LavkaLavka's customers are able to contact regional delivery managers by telephone.

In nearest future Ecocluster and LavkaLavka will accept payments via credit cards.

### **5.2.5 Fifth criteria – pricing**

Organic and local food products in Russia are more expensive than normal retail food products.

Additionally organic product prices vary from region to region of Russia, eg organic products are cheaper in the Southern and/or other Russian regions than e. g. in Moscow and Saint Petersburg areas. There is also difference in prices for the same assortment of food products depending on online shop category (first, second and third). It means that prices are relatively lower in farm's online shops than in usual and /or online shops with additional services.

Relatively high pricing of organic and local products is explained by technological costs of whole production process:

- manual labour;
- veterinary control;
- certification;
- packaging.

Besides organic and local food producers have to make testing and /or internal audits constantly of their produced products.

That is why for now price markup for organic and local products in Russia is from 40 to 100%.

(Interview with Aleksandr Konovalov, the founder of the Organic and Local Food Manufacturers and Suppliers Association)

LavkaLavka offers consumers the clarity of their pricing – consumers know what they pay for. As a rule in LavkaLavka’s pricing concept 50 – 70 % is paid to a farmer – producer, 30 – 50 % is LavkaLavka’s profit. According to the contract for the provision of information and logistics services this money (30 – 50 %) covers such costs as transporting and storing the product, the cost of rent, staff salaries, operating expenses and project development.

LavkaLavka consider that their price markup also depends on the specifications of a concrete product – product popularity, its importance for overall assortment, production features and delivery method. . E. g. LavkaLavka buys lamb meat from local farmers for 350 rubles (\$11) per kilogram, and sells it for 600 rubles (\$20).

(LavkaLavka LTD website/ about pricing & Kreknina A., Dranishnikova M., 2012. A new class of farmers emerges in Russia)

### **5.2.6 Sixth criteria – marketing tools used**

In Russian online organic and local food industry the intensiveness and variety of marketing tools usage is different for each category of organic and local food online shops:

- 1) local farms’ online shops – first category;
- 2) usual online shops – second category;
- 3) and online shops with additional services and/or other projects – third category.

Local farms’ online shops – first category – do not promote themselves much as their manufacturing and delivering service capacities are limited due to objective reasons.

They are not able to produce much at a short period of time, thus, they are not able to satisfy the increasing demand for organic and local food products.

The majority of this category websites have simple basic content:

- product catalogue;
- delivery terms and payment conditions;
- price-lists data;
- contact information.

Some farmers – local and organic food producers – add to their online shops content such categories as News and /or Additional information, sometimes so-called Farm History.

([mangalica.tiu.ru/product\\_list/group\\_986825](http://mangalica.tiu.ru/product_list/group_986825), [natgard.ru/page66.html](http://natgard.ru/page66.html), [www.iz-derevni.ru/index.html](http://www.iz-derevni.ru/index.html))

In order to gain consumers trust online shops of first category provide information about their current accepted organic products certification. ([www.lukino.ru](http://www.lukino.ru))

Moscow eco farm online shop Konovalovo ([ecoshop.konovalovo.com](http://ecoshop.konovalovo.com)) additionally to organic food products promotes its eco services, such as eco sauna, eco hotel and eco café. Separately they have independent website that promotes their farm products, services and activities. There is information available also in English.

([www.konovalovo.com](http://www.konovalovo.com))

Usual online shops of second category most often have the same content as online shops of first category. ([www.ekoproducti.ru](http://www.ekoproducti.ru))

Since usual online shops work with at least several producers they have more opportunities to provide to their customers e.g. special offers, gifts and discounts. They tend to create customer loyalty programs for their constant consumers – encourage consumers to participate in related to organic and local food contests, etc.

Customers are also encouraged to provide their feedback concerning different issues of online shop functionality (delivery, prices, food producers, product categories, product quality etc). Some online shops have separate “frequently asked questions” section in website. A few tend to carry out some polls or surveys but using that marketing tool is still not very popular.

They also try to raise customer awareness on organic /bio / eco production. Some online shops promote their own accepted systems of organic products certification. In case if online shops have foreign suppliers of organic products – they promote the logos and labeling systems of their foreign partners.

(arivera.ru, www.ecoeat.ru, www.ecofoodmsk.ru, www.eco-produkt.ru/,  
www.naturefood.ru, eda-iz-derevni.ru, www.greenfarm.spb.ru/, organictrade.ru,  
www.supergreen.ru, www.citylavka.ru/, vse-svoe.ru/)

Some online shops of this category also provide customers information about their local and organic food producers – farmers (including photos and videos of real farms and farms' products).

Third category of organic and local products online shops are considered to be very active in online marketing (www.ecocluster.ru, lavkalavka.ru).

Besides using such online marketing tools as case-studies and real life examples, answers to customers' frequently asked questions, sharing the opinion on a hot topic both Project LavkaLavka and Ecocluster update their news on weekly and daily basis; provide statistical information about organic products market.

Additionally to general content of any organic and local food online shop Ecocluster's and Project LavkaLavka's websites have also such headings as:

- mass media about (There can be found information about online shops promotion via mass media tools: articles, interviews, videos, etc. Besides Project LavkaLavka publishes their own newspaper – the newspaper online version is also available on their website.)
- other projects (Both companies promote their eco services, e. g. eco cafés, eco restaurants, eco hotels, and different social projects, e. g. eco program for children, photo project “Support your local farmer”, etc.)
- job recruitment (Project LavkaLavka and Ecocluster tend to become an efficient portal for those who interested to get a job in Russian organic products market).

Ecocluster also has special bonus program for active users of Russian Internet, for those who have own blogs and/or those who actively participate in topic discussions of different forums. All these people can get additional earnings from Ecocluster if they recommend (by online tools) the products of Ecocluster to their friends and part-

ners. In general registered bonus promoters get 5% from each “friend’s purchase” on their online account.

Ecocluster is also interested to cooperate with the thematic portals with target traffic in Russian Internet by arranging for the portal their showcase in the original design or their product catalogue uploading in the XML-format. They are also ready to organize for visitors of unique portals different actions, e. g. providing discounts and / or information materials, sharing news, etc.

On the other hand Ecocluster is looking for partners among other Russian online shops, social networks and other projects of Russian Internet. The forms of cooperation can vary from collective PR to large or niche marketing campaigns.

([www.ecocluster.ru/bonus\\_program/about/](http://www.ecocluster.ru/bonus_program/about/))

### **5.2.7 Seventh criteria – the use of social media and social networking**

The Russian online shops that represent farmers as owners as a rule do not connected to any social media and /or social networking websites. Some examples are here <http://mangalica.tiu.ru>, <http://www.iz-derevni.ru>, <http://www.ecoeat.ru>, <http://ecoshop.konovalovo.com>, <http://eda-iz-derevni.ru/>.

But many local farms websites of Moscow region nowadays start to use social media and social networking more and more frequently, e. g. farms [www.lukino.ru](http://www.lukino.ru).

A lot of Russian online shops nowadays have their own pages in such social networking sites as facebook ([www.facebook.com](http://www.facebook.com)) and vkontakte ([www.vk.com](http://www.vk.com)). Vkontakte is very popular social network for Russian customers; the majority of Russians have registered there instead of facebook. Some are also on Twitter ([twitter.com](http://twitter.com)) and LiveJournal ([www.livejournal.com](http://www.livejournal.com)).

In big cities where organic and local food online shops operate they try to promote themselves via local Internet portals (eg local Internet newspapers and Internet magazines as well as via local social networking sites). Reading this kind of online sources allows consumers to get acquainted themselves with organic and local food suppliers

(online shops) in their regions of Russia, compare product categories and prices, increase in general their awareness and knowledge about organic food products.

(Efremova, N. Fresh delivery: 5 online delivery shops of local farmers products)

But still the owners of Russian organic and local food online shops recognize that there is no need and desire so far to advertise their activities much online and /or of-line. Gaining a reputation in this market is not easy task and time consuming. In case if online shop customer amount rises significantly there is a risk to face logistics problems due to objective reasons. Their customers are “mainly friends, friends of friends and friends of those friends who find them in facebook”.

(Tanikov A. Instruction on small business – 1)

Using of social media tools is not so popular so far. Quite a few online shops try to create blogs, forums, and share videos on their websites.

The leaders of this kind of online activities are Project LavkaLavka and Ecocluster (<http://lavkalavka.ru/blogs>, <http://www.ecocluster.ru/blog/>). Both companies have recently got own channels in youtube.com.

So far only Ecocluster uses different marketing online tools very actively. This company also positions itself not only as trading site but also as “unique social portal” for direct interaction of all the participants (customers, manufactures, other partners).

## 6 Conclusions and Recommendations

In this part there are presented conclusions and recommendations of the research made. Conclusions regard both objectives of the study: the Russian local and organic food industry observation using PEST analysis and Russian local and organic food online shops analysis, based on certain criteria. There are also provided some recommendations for Makumaku company concerning the opportunities to expand their e-commerce business in Russia.

### 6.1 Conclusions

The desk research of Russian organic food industry has been made using PEST analysis and has shown several facts:

- First of all there is no official (in accordance with the national law) legally fixed term that would determine what food products in Russia are considered to be “organic”. Secondly absence of official legal term for organic products leads to misleading in organic product certification process. It means there are no unified (all over Russia) official standards which should be followed to certify organic products. Currently many firms and companies of this industry tend to use organic EU standards when determining their product categories for customers.

The situation on this matter should be hopefully improved very soon. At the moment the Organic and Local Food Manufacturers and Suppliers Association (OLFMSA, [www.ecocluster.ru](http://www.ecocluster.ru)) in Russia has been trying to negotiate with Russian legislative authorities on question of making Russian organic food industry legal framework clearer.

- Unclear legal framework is no doubt one of the reasons why Russian organic food market is just \$60 – 80 million, moreover organic products import rate to Russia is much more than own domestic organic products production.

There can be observed a unique situation in Russian organic market:

Demand for organic food products is much more than current supply. According to sociological research of Russian OLFMSA 40 – 60% people are aware of organic products importance and credibility for their health and are willing to pay more than average for food quality.

([www.ecocluster.ru/media\\_about\\_us/?ID=562&sphrase\\_id=815](http://www.ecocluster.ru/media_about_us/?ID=562&sphrase_id=815) &  
[www.ecocluster.ru/media\\_about\\_us/?ID=1195&sphrase\\_id=818](http://www.ecocluster.ru/media_about_us/?ID=1195&sphrase_id=818))

- As a rule Russian organic products consumers are people whose income is at least average and/or higher than average – approximately 20% of Russians (according to customer surveys made in Russia by Ecocluster). But interest to healthy food is general trend in Russia, and potentially the target group can be extended by such specific social groups as children, women, pensioners. Unfortunately there is no specific information concerning Russian organic and local food online shoppers. But food is considered to be one of the most demanded goods for those who make purchases online in Russia. In cities where the population exceeds 1 million buying grocery products online is 12%; in other cities or areas it is 2%.
- The main technological barrier for Russian organic and local food online market is successful logistics organizing. The market is very unstable; it is very hard to estimate the concrete number of organic and local food online shops in Russia.

Russian organic and local food online shops in accordance with the determined criteria have been analyzed using such theoretical concepts as e-business and e-commerce, online marketing tools as well as food circle concept. The main conclusions can be drawn as following:

- The amount of e-commerce of organic and local food industry in Russia has been developing, but still there is a market space for new online players. As a rule the owners of currently existing organic and local food online shops are

Russian farmers themselves, individual entrepreneurs, and small seized limited liability companies. In June 2011 there was found Ecocluster Association of Russian and foreign companies specializing in production, processing and sales of organic products and services for the Russian market. Ecocluster has been attempting to unify organic and local food products and eco services from different producers under one “Ecocluster” brand and to expand their e-commerce all over Russia.

- In general the main target group is people who want to get healthy food locally and ready to pay for it. In general they are citizens of big Russian cities. Online shops owners recognize that they have stable amount of loyal customers and very often do not interested in their target group expanding /widening, because it could dramatically influence the effectiveness and profitability of their online business.
- So far using food circle /chain as distribution channel has not been in use by Russian organic and local food online shops. At least there cannot be found any information on this issue in Russian secondary data sources and / or Russian online shops websites.
- Logistics is considered to be the main barrier for growth of Russian organic and local food online shops. Courier service is used for orders delivery. Customers as a rule are obliged to pay delivery fee. Usual method of payment is cash on delivery (COD).
- Usually organic food products cost 50 – 70% more than normal food products. Situation differs from region to region of Russia, and prices for the same product are different in different categories of online shops (local farm online shop – usual online shops – online shops with additional services).
- Russian organic and local food online shops do not try specifically and much market themselves using online and / or offline tools. But using social media

and social networking is a main trend. The biggest player of this market Ecocluster is quite active in online promotion.

## 6.2 Recommendations

Despite that Russian organic and local food industry in general and this industry e-commercialization in particular have a relatively big potential; and demand for organic products among Russian consumers is quite high, nevertheless entering this market is not easy.

When considering the opportunities of online shopping in Russia there should be taken into consideration Russia's specific features:

It is a country of regions, the situation on logistics infrastructure, delivery issues and purchasing habits including payment methods differs in Moscow and Saint Petersburg, in other big cities ("millionniki") and low-density areas.

It is recommended for Makumaku first of all concentrate on Moscow and Saint Petersburg areas as starting point for launching their export operations in Russia.

It is crucial to find right partners in Russia. In searching for partners, language can be named as additional barrier. Despite the improvements in the English language competency of many Russians (including businessmen), it is still not expected that many companies, which Makumaku will be interested to cooperate, will communicate in English.

In Finland such organizations as Finpro ([www.finpro.fi](http://www.finpro.fi)) and Finnish-Russian Chamber of Commerce ([www.svkk.fi](http://www.svkk.fi)) provide assistance in finding business partners in Russia. So Makumaku also could consult these companies to get additional information concerning launching export operations in Russia.

Based on this research field it can be recommended to Makumaku to try to become a partner of Ecocluster ([www.ecocluster.ru](http://www.ecocluster.ru)).

Ecocluster positions itself as one brand of organic food and other eco products as well as eco services for Russian consumers. They are ready to work with foreign partners that also promote same categories of products and services. E. g. now their Finnish

partner is company Isotech (<http://www.iso-tech.ru/>) and companies from Spain, France, Greece, etc. that offer their organic products via Ecocluster online shop; besides partners and their products and services are promoted on Ecocluster website.

Working language for Ecocluster and foreign partners is English.

More information about Ecocluster business idea in general can be found on their webpage in English ([www.ecocluster.ru/en/](http://www.ecocluster.ru/en/))

Additionally to reaching right target Russian group cooperation with Ecocluster could be profitable from the point of view of taking care of logistics in Russian market. Currently Ecocluster have been launching own logistics system. They have own distributors centers and transportation equipment (at least in Moscow).

Anyway contacting Ecocluster with a perspective to meet face-to-face is a very good idea in order to get more concrete information concerning their experience of e-commerce in Russia and to negotiate possible variants of cooperation (more information at [www.ecocluster.ru/en/to\\_sellers/](http://www.ecocluster.ru/en/to_sellers/)).

As to categories of food products that should be promoted at the piloting stage of expansion in Russia there should be products that have relatively long period of storage (e. g. cheese, chocolate, etc) because there most probably will be appeared unexpected problems in logistics.

Overall Makumaku's products are certified in accordance with European Union standards. This fact can be stressed as an advantage in Makumaku's products branding for Russian customers and it means that there should not be any problem in certification acceptance in accordance with Russian legal framework.

Cash on delivery as current payment method in Russia can be also considered as an obstacle; at least it makes the process of business to customer relationship a bit more complicated. Hopefully payment via credit cards and other better banking solutions will become soon widely spread in Russia or at least in some regions.

Makumaku's online shop page for Russian customers should be launched in local – Russian language. As a long-term perspective Makumaku could start promotion of Finnish local and organic food producers as well as Finnish eco services (Finnish – e. g. Helsinki area – organic food cafes and restaurants) for loyal Russian customers.

### **6.3 Own learning and development**

During making the competitor analysis for Makumaku company it is a bit confusing and embarrassing that the Russian organic and local food online shops website links have not been working from time to time. This fact once again proves that this market in Russia is quite unstable.

Objectively for current moment there is in fact no official statistical data about Russian organic food industry. The main sources for the research have been mainly the available from Russian information portals interviews of Russian organic and local food online shops. This situation has been limited a bit the research making – most probably some market trends have not been yet discovered.

There have been done a lot of translation work (from Russian into English, sometimes from Finnish into English). For sure the translation skills of the researcher have been improved significantly.

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### **First category:**

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2. [www.iz-derevni.ru/index.html](http://www.iz-derevni.ru/index.html)

3. [www.lukino.ru](http://www.lukino.ru)
4. [mangalica.tiu.ru/product\\_list/group\\_986825](http://mangalica.tiu.ru/product_list/group_986825)
5. [natgard.ru/page66.html](http://natgard.ru/page66.html)

**Second category:**

1. [arivera.ru](http://arivera.ru)
2. [www.ecoeat.ru](http://www.ecoeat.ru)
3. [www.ecofoodmsk.ru](http://www.ecofoodmsk.ru)
4. [www.eco-produkt.ru](http://www.eco-produkt.ru)
5. [www.ekoprodukti.ru](http://www.ekoprodukti.ru)
6. [eda-iz-derevni.ru](http://eda-iz-derevni.ru)
7. [www.greenfarm.spb.ru](http://www.greenfarm.spb.ru)
8. [www.naturefood.ru](http://www.naturefood.ru)
9. [organictrade.ru](http://organictrade.ru)
10. [www.citylavka.ru](http://www.citylavka.ru)
11. [www.supergreen.ru](http://www.supergreen.ru)

12. vse-svoe.ru

**Third category:**

1. [www.ecocluster.ru](http://www.ecocluster.ru)

2. [lavka.lavka.ru](http://lavka.lavka.ru)