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Market Entry Strategy of “Country life” into Russian Market

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Declaration:

I hereby declare that I am the sole author of the thesis entitled “Market Entry Strategy of “Country life” into Russian Market. I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

In Prague on Tatiana Lifanova

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I hereby wish to express my appreciation and gratitude to the supervisor of my thesis, Ing. Markéta Lhotáková, Ph.D

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Title of the Master's Thesis:

Market Entry Strategy of “Country life” into Russian Market

Abstract:

The objective of this thesis is to choose the appropriate market entry mode and create a marketing strategy for the organic grocery Countrylife. Suggested strategy is based on features of the Russian market and specificity of the local consumers. The work consists from the five parts. Theoretical part reviews the marketing frameworks needed to enter the foreign market and the theory of organic. It is followed by analysis of the Russian market and its' specific. The following aim of the thesis is to analyze Countrylife Company in the home market and marketing mix was done, in order to define companies' strategy locally. The last part of the thesis sums up results of surveys distributed among Russian consumers and interviews done with specific consumers. Based on all collected data the objective of the thesis, to develop market entry strategy for “Countrylife” on Russian market, is reached.

Key words:

Green market, Organic production, Russian organic market, new market, CountryLife, Green Wash, Bio, Promotion, Advertising.

Souhrn:

Cílem této diplomové práce je vybrat vhodný způsob vstupu na trh a vytvořit marketingovou strategii pro obchody s organickým zbožím Countrylife. Doporučená strategie se zakládá na rysech a prvcích ruského trhu a ruských spotřebitelů. Práce je složena z pěti částí. Teoretická část reviduje marketingové přístupy potřebné k vstupu na cizí trh a teorie spojené s organickými produkty. Následuje analýza ruského trhu a jeho specifík. Následující cíl práce je analyzovat společnost Countrylife a její marketingové mix na domácím trhu, aby mohla být definována strategie na domácím trhu. Poslední část diplomové práce rekapituluje výsledky vlastního průzkumu s ruskými spotřebiteli a interview vedené se specifickými spotřebiteli. Na základě zmíněných dat je dosažen cíl práce – příprava strategie vstupu na ruský trh pro společnost „Countrylife“.

Klíčová slova:

Ekologický trh, ekologická výroba, ruský ekologický trh, nový trh, CountryLife, Green Wash, Bio, propagace, reklama.

Introduction

This thesis deals with the marketing theories connected with assessment of “COUNTRY LIFE” organic store entering new market. Based on the theory and researches author will identify way of launching particular business in Russia. This research is determined by relevance of the business expansion into the new market. Thanks to globalization, today consumers do not see anymore only local producers in the home market; modern world gives opportunity to expand business across the boards.

This paper has several aims, first is to analyze and assess the situation of organic production in world in general and in Russia in particular. “Green market” is becoming more and more popular, new products are coming into shopping shelves every year. Bio and organic is no longer just about food but about cosmetics, household cleaners, clothes and etc.

The first part of the thesis is used as a base for the analysis of Russian “green market” and its’ potential. For this purpose author uses secondary research, examining articles and books in appropriate topic.

Next goal of diploma work is to evaluate the current state of Russian market environment. Author analyzes raw data from official state recourses and articles of experts in order to make external market study more detailed. Findings help to understand what opportunities and threats business might face. Author will determine main direct competitors of the business, analyze their market share and their strength and weaknesses.

Part of thesis is to analyze Country life store in home market, marketing mix will be done to determine companies’ strategy locally. Company might adjust for foreign market but it is important to understand core values and mission of business that should stay same internationally.

Following objective is to discover if organic production is popular in Russia and in what scale, what people know about green concept, if general consumer is ready to change habits and move to “natural stuff”, if people are willing to pay more for healthy life style and etc. In order to answer this questions author chooses to use questionnaire, for which random Russian customers in different age and with different life styles will be picked up.

As well as questionnaire research includes interview with few customers who are buying mainly organic and interested in “green concept”. It is created in order to answer what is

motivation of people to move from “normal products” to “whole foods”, who are these customers, what they are interested in and etc. This type of primary research content deeper answers and helps to understand target audience better.

Finely based on all previous steps, the main goal of the paper (to develop market entry strategy for “Countrylife” on Russian market) will be achieved. Based on all findings author will create optimal plan for the company to enter country.

1. Marketing framework

This section serves knowledge of the theoretical background and provide theoretical understanding of the marketing frameworks. Author used several books and online resources in order to understand the theoretical base of the problem.

Difference between domestic and international marketing are rising from the movement of business across the national border and brings international marketing its own specific. In many cases, company is not able to just transfer its operations and business to the other country. (Michael R.Czinkota, 2011) The new market require the adjustments for the following reasons:

- 1) Trade and Political obstacles
- 2) Different legislation
- 3) Sociocultural differences, as an influence on purchasing behavior of the customers
- 4) Language differences
- 5) Unknown environment
- 6) New marketing mix adaptation
- 7) Other obstacles depending on the domestic situation (Petr Kral, 2016)

The business is usually searching for new market opportunities, as a result from successful activity in home market. Internalization allows companies to increase their competitive advantage.

1.1 Macro and micro environment

Market environment analysis is identified by business dictionary as the process of gathering non-marketing effects that have an influence on a marketing success in creating and caring satisfactory relationships with needed clients. There are several categorizations of market environment but the most known one is dividing environment into macro and micro categories. Macro environment consists of broader social impacts and the microenvironment includes company-connected influencers. (Businessdictionary, 2018)

Macroenvironment

The most useful and common tool for analyzing macro business environment is PEST/PESTEL analysis. The PESTEL analysis is extended form of PEST and it has meaning by letters:

P- Political situation, E- Economic environment, S- Socio-cultural environment, T- Technological environment, L- Legal and regulatory environment, E- Ecological environment.

The political environment can have an impact on business organizations in many ways. The main factors of business influence are bureaucracy, lobbying, corruption level, freedom of the press, trade control, tax policy (tax rates and incentives), government stability and related changes, import restrictions on quality and quantity of product. (Gerry Johnson, 2008) (Petr Kral, 2016)

According to Cambridge dictionary, economic environment is the state of a country's economy and the way that it affect the business effectivity, how much profit they can make, etc. (Cambridgedictionary, 2018). The economic environment can be divided into the microeconomic environment, (affects corporate choices as individual actions of businesses and customers) and the macroeconomic environment (whole economy processes and all of its members). Macroeconomics factors are external and usually under control of small entities, they directly or indirectly affect the entire economy and all players including businesses. These factors can be interest rates, taxation policy, inflation, exchange rates, and balance of payment, GDP, FDI inflow and outflow, unemployment rate and others. (Michael R.Czinkota, 2011)

Unlike macroeconomic factors, microeconomics factors do not essentially touch the whole economy. Microeconomic factors, affecting businesses, can be market size, suppliers, competitors, demand and supply and so on. Macroeconomic and demographic information are normally easily obtained from official statistics offices and other official sources and the information usually is not costly. (Petr Kral, 2016)

Despite globalization processes, there are still substantial cultural differences in the earth. Consequently, socio-cultural analysis has additional importance in international marketing. There is a theory called social learning and explaining how culture is preserving and not disappearing. The theory says that from childhood people are learning from each other, kids

look at parents and unconsciously repeat, later can appear new influencers such as opinion leaders, friends and others. This concept clearly explains why culture is changing so slow, that is why businesses should adjust their products for different culture not vice versa. (Petr Kral, 2016) The most famous tool to examine the cultural differences is Hofstede model. The Hofstede model of national culture consists of six dimensions: power distance, individualism vs. collectivism, masculinity vs. femininity, uncertainty avoidance index, long-term orientation vs. short-term and indulgence vs. restraint. (Hofstede, n.d.)

Power distance shows how and in what scale less powerful members of a society admit and suppose that control is spread asymmetrically. The central subject is how a culture sees and treats differences among people. Individualism vs. collectivism shows if individuals within society are care themselves and their immediate close people or it is rather group thinking and group decisions. The Masculinity vs. femininity index is created in order to show preference in culture for achievement. Masculinity is bravery, confidence, and physical rewards for success, desire for competition; feminism is collaboration, humility, caring for the weak and quality of life. The Uncertainty Avoidance stands for explanation how individuals feel about uncertainty. Long term vs. short term orientation if society is pragmatic or no, if members prefer to think about future or like spontaneous decisions. Indulgence stands for a society that allows relatively free fulfilment of human needs such as enjoying life and having fun. Restraint imply for a society that overpowers satisfaction of wants and controls it by harsh public norms. (Hofstede, n.d.)

The Technological environment normally influence business in two ways: first one is simply level of the technological development in the country and second one is about state of infrastructure in the region. The elementary infrastructure is vital for every company it can include: availability and quality of roads and airports for distribution, internet penetration and telecommunication coverage for communication with customers for example. (Petr Kral, 2016)

The following environment is called Legal and cannot be underestimated. All companies needs to know legal requirements and regulations for running it. The following factors should be analyzed in order to fulfil legal requirements of the country: current legislation, international legislation, regulatory bodies and processes, employment laws, consumer protection, health and safety regulations, tax regulation, industry-specific regulations,

competition regulations, control of ownership and launching new business process. (Petr Kral, 2016) (Marmole, 2015)

Ecological factors persuading commercial are connected to activities and procedures necessary to preserve nature and maintain/improve productivity of the corporation. The Ecological factors have become significant quite recently, it happened due to the increasing scarcity of raw materials, pollution of environment, society interest in ethical and sustainable companies. The ecological factor has close tights with the legal requirements, more and nore countries are changing their regulations in terms of sustainable business operations. It means environmental recycling and waste management, air and water pollution minimization and so own. The following ecological regulations are playing essential part:

- 1) Administration policies and engagement in ecological protection,
- 2) Dues and penalties for environmental pollutions,
- 3) Rules for waste clearance and recycling
- 4) Regulations of carbon CO₂ and toxic fumes emission
- 5) Motivations for industries and consumers to use sustainable approach
- 6) Procedures of administration checking corporate activities,
- 7) Actions for waste management and dangerous disposals, etc, (Marmole, 2015)

Microenvironment

The microenvironment means all close corporate aspects influencing corporate policy, decision making and performance. These factors comprise competitors, customers, suppliers, employees, shareholders and media, normally all these aspects do not affect firms in same scale. It can be easily explained by fact that all businesses has different size, capacity, financial resources and human resources.

For many companies the most important microenvironment aspect will be competition within same sector. According to economic theory, an industry includes all companies producing similar product, which can be substitutes for each other, this definition can work in the public services also, through the sector concept. (Gerry Johnson, 2008)

It's possible to divide competitors into 3 groups: super same, direct and indirect. The super same competitors is a specific type of direct competitors. Companies, which are offering same products/services for same price, as example Burger King and McDonalds or Pepsi and Coke, will be considered as super same. The direct competitors are also bringing same

benefits for customers but might have slight difference in process or products (BMW and Skoda). Business can be considered as direct competitor if in consumers' eyes it is still interchangeable. (VSE, 2017) On the other hand, indirect competitors are those companies, which are offering different types of goods that satisfy the same needs. (Businessdictionary, indirect competition, 2018) Within these kind of competition companies may not directly compete with each other, but can be considered as alternatives by customers and should not be underestimated. (Michael R.Czinkota, 2011, pp. 64-66)

Employees

The employees are the next essential part of the microenvironment of the company. Skilled labour can bring additional benefits in form of companies' goals realization. Experiences and well-educated staff supporting the business and helping it to achieve success. It's necessary to not only hire skilled labour but also educate it by making trainings and workshops. In a service sector, right stuff is playing very important role and is responsible for business image. (Gerry Johnson, 2008) (William Perreault Jr., 2014)

Suppliers

The right choose of suppliers will help to avoid not in time deliveries and not proper quality of materials. The business strategy depends not on their image and capacity only, but on their suppliers also. (William Perreault Jr., 2014) (Petr Kral, 2016, p. 107)

Customers

Identifying who the customers are (B2B or B2C, local or international) and their motivation for product purchasing plays an important role in marketing strategy. Customers are essential for the survival of any business. Sometimes buyers might have high bargaining power and consequently their suppliers are having bad times in profit generating. (Gerry Johnson, 2008, p. 61)

Segmentation and targeting

Segmentation and targeting are among the most important marketing features. Targeting is a process of identifying the attractiveness of product and based on this selecting target groups. Market segmentation is the procedure of allocating customers in groups that have similar wants or respond in a similar way to communications efforts. Identifying right categories of customers is crucial for the marketers, since all marketing campaign, type of

message, communication strategy will depend on who are the company speaking with. (Petr Kral, 2016, p. 87)

Different principles and criteria can be used in order to make segments. The following table was taken by author as example of segmentations criteria. (Patric De Pelsmacker, 2007)

Figure 1 The Segmentation criteria

	Objective	Psychographic
General	Geographic Demographic (income, gender, age, sex, occupation, education, etc.	Social class Personality Lifestyle
Specific	Occasion Loyalty status Usage rate	Benefit Buyer readiness

Source: Patric De Pelsmacker, Maggie Geuens and Joeri Van den Berg, Marketing Communications, A European Perspective, 2007, Essex

There are several frameworks for targeting but the most famous approach is to use 5 groups of segmentations variables: demographic, geographic, socioeconomic, psychographic, behaviour patterns. First free variables have definitive characteristics, while two last are focused on feelings and motivations.

Using geographic segmentation markets can be divided into different categories such as continents, countries, nations, regions, cities etc. It is the first step in segmentation process to define region within company wants to realize their project. The following segmentation type is demographic. It contains criteria such as sex, age, ethnicity, religion and etc. These measures are not hard to get and analyse, but in most of the time consumer motivation to buy product is not demographically driven. Similar to geographic segmentation, demographic is used for description.

Socioeconomic segmentation operates with variables like education, occupation, income level. Segmenting markets using lifestyle, values, and attitudes criteria is called Psychographic. Lifestyle attributes are helping marketers to personalise their consumer. It shows how people arrange their leisure time and money. If customers going to sport even or to theatre, prefer fancy dinner in fancy restaurant, at home or maybe in park? Lifestyle

differentiation might help company to find dissimilarities with their competitors and differentiate product from others. There are several homogenous tools, proposed by agencies or researches.

One of the most famous and usable is called “VALS” and means Values and Lifestyle it was created by specialist from Stanford and Berkley universities. The concept of primary motivation explains consumer attitudes and expects behaviour. (Petr Kral, 2016, pp. 88-91) (Patric De Pelsmacker, 2007, pp. 120-127) VALS divides consumers into 8 types described in the following table, which was made by author based on books resources and marketing lectures.

Figure 2 VALS

Innovators	Successful, sophisticated, open to new ideas/technologies, active consumers, leaders, image is important not as status indicator but as taste expression.
Thinkers	Mature, comfortable and reflective, motivated by ideals, motivated by ideals. Conservative consumers; search for endurance, functionality.
Believers	Conservative, traditional values (family, community, nation), in track with routines, predictable consumers, choose familiar products.
Achievers	Desire for achievement, goal-oriented routines, career and family oriented, image is important, prefer established, prestige products, busy, likes time-saving devices.
Strivers	Stylish and fun loving, worried about the opinions and approval, money is success, prefer stylish goods, have a job rather than a career, impulsive and active consumers.
Experiencers	Motivated by creativity, young, enthusiastic and impulsive consumers, like sports and social activities, fashion, entertainment, and socializing.
Makers	Motivated by self-expression, practical people, traditional family, practical work, have no curiosity outside that context, favour value to luxury, and purchase simple products, doubtful of new ideas.
Survivors	Have narrowly focused being , the world is changing too quickly for them, care about safety, careful consumers, buy preferred brands better at a discount.

Source: Michael R.Czinkota, Ilkka A. Ronkainen and Gilbert Zvobgo, International Marketing, 2011.

LOHAS (Lifestyle of Health and Sustainability)

LOHAS is an acronym for Lifestyles of Health and Sustainability and is being truly fully organic green consumer. It is a demographic market segment linked to sustainable living, being environmental conscious, and is generally self-possessed with well-educated social segment. LOHAS are very energetic customers who makes an effort to live a maintainable life for illustration –energy reduction, protect water, recycle, or reuse things, etc. LOHAS are not too sensitive to cost and can be considered as “early adopters of green technologies. It might include goods such as such as: Organic and locally grown products, Organic personal care products, Electric cars, Energy efficient appliances, Natural household products, Fair trade products, Organic food (Ernst&Young, 2007) (Ottman, 2011).

There is a type of segmentation which shows how consumers are opened to new products and it contains following variables innovators (3%), early adopters (12%), early majority (35%), late majority (35%), layers(15%). The percentage in brackets shows approximately how much consumers are within the category. As it is seen only 15% (3%+12%) are ready to buy product in launching stage and be first “triers”. Almost 50% of consumers are very conservative and not ready for innovations. (VSE, 2017)

The last segmentation calls behavioural and it focuses on how often/ how much people use product. There are several variables within this segmentation: regularity of usage and loyalty. The regularity of usage distinguish between heavy users, light-users, non-users. Loyalty shows how easy customers are ready to switch one product to another. The loyalty and regularity of usage are often interconnected. (Petr Kral, 2016) In following step is important to see and determine how many potential segments product/business might have. There are five basic types of targeting strategies. Concentrated strategy – the company choose one segment and develop marketing mix to reach it. This strategy emphasize the uniqueness of the chosen segment. Although is easier to be focused on homogeneous group, limiting market can lead to losing profit. Selective/Differentiated strategy- Company finds two or more attractive segments and create different marketing mix for them, even though this segments might be different, customers within it can be same interesting and bring same profit to the company. Product specialized strategy has focus rather on single product then market, for example laptops can be sold to companies, individuals, schools and so on. The opposite strategy is market specialization, and then company sells different products to group of customers. The last approach is to have full market coverage and it is called standardized

strategy or mass-market approach. This strategy sees all consumers as similar human beings and not many companies can “afford” this strategy. (Patric De Pelsmacker, 2007, p. 132) (Petr Kral, 2016, p. 97)

1.2 Marketing mix

After business defined its goals and objectives, decided about its target segments and stated its position strategy, marketers can start marketing strategy development, using special tools. In marketing, there are several different instruments for strategy development, but the most traditional one is marketing mix - 4Ps. The strategy contains four dimensions: Product, Price, Place and Promotion. (Patric De Pelsmacker, 2007, pp. 2-3)

Product

The crucial part of the marketing mix is product and all decision concerning other parts are based on it. Product, in marketing, is not only physical element with some features, wish satisfy needs of the customers. As it was mentioned before by the author, some customers are buying product rather for feelings and emotions than for functions. (Petr Kral, 2016, p. 139) The realization of a product on the international market depends on its features, services, benefits and customers perception. The products consists from free layers: core, services, symbolic values and the symbolic values and image. Core product is a functional attributes such as taste, durability, quality, etc. The core is not always the most important part of product for customer, since public is not always able to understand technical specifications. The second layer of the product is services, including warranty, trainings, packaging, etc. The third layer is brand and image, in many cases the most important factor for the purchase decision. (Michael R.Czinkota, 2011, p. 298) (Patric De Pelsmacker, 2007, pp. 2-3)

Then company wants to expand to the foreign market it has two possibilities: use standardized or adaptation strategy. The standardized strategy is obviously easier and cheaper, but in case of different use conditions, government and regulatory influences, socio-cultural differences, the adaptation strategy might be necessary. In context of international marketing, every product element can be modified to the specifics of the foreign market. The adaptation of core is an expensive procedure, because it leads to changes in production process. The next dimension of product, which can be changed, is packaging. Language, pictures, material and further information of the package should be adapted according to the

country standards/needs/preferences. The last element, which can be potentially modified to a new market, is service; it should meet not only the legal requirements of the country, but customers' expectations also. (Michael R.Czinkota, 2011, p. 298) (Petr Kral, 2016, pp. 143-153)

Price

Pricing strategy is challenging and complex; marketers should consider many aspects in order to make right decision. It is necessary to take into account marketing strategy as well as market positioning. The same as with product, company has two pricing strategy: standardized and differentiated. Standardized strategy is typical for global brands, which can ignore market entry cost and set same price globally. Pros of this approach is clear brand positioning. Cons are varied profitability of markets; homogenous pricing policy is inflexible, lack of motivation for local managers. A differentiated pricing strategy respects local market factors. The price is under influence of taxes, exchange rate, consumer preferences and purchasing power, competition and cost related factors. Logically this strategy has opposite pros and cons to a standardized. (William Perreault Jr., 2014, p. 85) (Petr Kral, 2016, p. 162) Pricing should take the following factors into account: Fixed and variable costs, Competitors approach, Business objectives, Positioning strategy, Target group (William Perreault Jr., 2014)

In regard to the subject of this thesis, special attention must be given to the price classification in terms of market goals. Pricing can be skimming, premium, market-penetration and fermium. Skimming strategy is mainly used for technological innovations and since first customers are "innovators", it is not a problem to be profitable, because this type of customer is ready to pay. Companies set up high price and lowering it step by step, gaining more and more customers. Using premium pricing strategy marketers sets up high price, but opposite to skimming, they maintain it in the same high level. This strategy is commonly used in luxury market to confirm positioning of the product and limited number of customers. Consequently, discounts and sales are not common for premium pricing. In the contrast to the premium pricing, market-penetration strategy, propose to set price in low level and gain market share. This approach allows company to make profit on economic of scale. The last strategy is called fermium pricing. This pricing policy is quite modern, but used by online-based services, such as applications. These applications might be free, but

will not be functioning fully and if customer wants to have whole benefit from it, he/she should pay “premiums”. (Petr Kral, 2016, pp. 164-167)

Summing up, pricing is an important part of marketing mix; it is main factor of future profit that is why it is very important to choose optimal pricing policy.

Place and distribution

The Placing strategy is about how business plans to distribute their product or service to the consumer. Decisions about international distribution depends not only on international logistic, but also on characteristics of consumers and target group, legal factors, competitors and product characteristics. The characteristic of consumers and target group is based on cultural issues for example, respecting the topic of the thesis, consumers do their grocery different in different countries, some go once a week for the large purchases, some prefer every day shopping or few times per week and etc. Legal requirements can influence the distribution channel substantially; some products are allowed for sale only in specific places. Competitors can be an influencer in few ways: meeting the product in shelf or local competitor can block strategy and distribution channels of foreign one. Marketers should take into account characteristics and character of the product, when they choose distribution channels. For instance premium food and gourmet, food is likely to be sold in special shops not in discount grocery. (Petr Kral, 2016)

There are two basic channels for distribution: direct and indirect. In first case, consumer receives products directly from the manufacturer. The elimination of parties can substantially reduce a distribution cost. Indirect distribution includes distributing product through the mediators. (Manufacturer- Wholesaler -Retailer- Customer) There are three common strategies: Intensive Distribution: Used commonly to distribute low priced products/FMCG products, Exclusive distribution: The single store sells product of the firm, Selective Distribution: A few retail outlets are channels in selective distribution. (Petr Kral, 2016)

Promotion, communication mix

The communication mix states for specific approaches used to promote the firm/products to targeted customers. It is the most visible instrument of marketing mix. Promotion should be reflective to cultural differences. The communicational mix includes Advertising, Public Relationships, Sales promotion, Personal selling, trade fairs and exhibitions. Advertising is

the most visible and known part of the communication mix. Often the public is mixing up communicational mix and advertising, thinking that these concepts are synonyms. “Advertising is a paid communication to mass audience, which create awareness and changes people’s attitudes”. (VSE, 2017) Among pluses of advertising are control over message by marketers, reach of consumers, small cost per thousand (CPT). Advertising has lot of cons also: the total cost is very high, there is no feedback, it can irritate people, it influences price of goods and legislation about advertising is strict. Advertising can be performed through different tools such as TV, Radio, Print, Online, and Outdoor. Advertising has different functions depending on goals marketers set up. It can be educational, persuasive, informative, reminding, brand-building. (Petr Kral, 2016) (Michael R.Czinkota, 2011)

Personal selling is a face-to-face communication in which a seller attempts to encourage a buyer to make a purchase. (businessdictionary, n.d.). Personal selling covers different activities such face-to-face meetings, communications through e-mails, TV shopping. The goal of personal selling is to establish long-term relationships and individualize message for different customers. Among advantages of personal selling are flexibility, possibility of immediate feedback and it creates relationships. Disadvantages are low control, limited number of people and high CPT. (VSE, 2017) (Michael R.Czinkota, 2011)

Public relations is sometimes looks similar to advertising because it involves communications through mass media. The most important difference is that marketers do not pay for the messages in PR. PR is working on brand, on company image, not on a single product. The aim of Public Relationships is to improve image in shareholders eyes. The downside of PR is that company does not always control the messages and message is not specific. (Petr Kral, 2016)

Sales promotion has similar concept with advertising in the aspect that it is paid communication. The specific of sales promotion is that using this tool company offers a discounted price to a buyer. This may take form of coupons, samples, sales, discounts, giveaway, bonuses and loyalty. The goal of this communicational tool is to boost sales and increase revenues immediately. Although sales promotion resulting more profit, marketers should be very careful with this tool to do not destroy image of the brand. Sales promotion has one tool, which is helping to build long-term relationships with customers, it is called loyalty program. Trade-fairs and exhibition are the combination of Sales promotion and

Public relations. It's not that popular anymore in B2C business, but still important in B2B. (VSE, 2017) (Petr Kral, 2016) (Michael R.Czinkota, 2011)

1.3 Entry strategy

There are varieties of ways for a company to enter into the foreign market. When selecting the tactic to enter the foreign market, it is always necessary to take into account the following factors: trade policy conditions, economic and political environment, legal environment, characteristics of product, characteristics of business partners, effectivity of particular business form. The modes of foreign market entry are usually divided into three basic groups:

1. The export and import
2. The non-equity mode of entry (licensing, franchising, etc.)
3. The equity mode

“Export is non-investment intensive form of entering foreign market.” (Petr Kral, 2016, p. 74) Direct export is a classical model used by organizations to move products from manufacture to consumer without usage of wholesalers and retailers. Companies, which choose to use this mode, should sell and distribute products through own warehouses and use own human resources. (businessdictionary, Direct distribution, 2018) Companies might use mediators to enter foreign market; they will buy the product of principle and resell it. The basic intermediaries are wholesalers and retailers, exclusive distributors, commercial representatives, brokers, commission agents, and mandates. (Alexej Sato, 2015) This type of market entry can be useful for small and medium-sized enterprises or business, which specialize in manufacturing. Using mediator, company can achieve low distribution costs, abolish risks, but in the same time lose control over the product. Some firms may enter a foreign market using a contract with an exclusive distributor. The company decides that its goods will not be supplied in a specific region to other customer than the exclusive dealer. The next possible mode for exportation is called Piggybacking. It represents partnership of numerous businesses from the equivalent industry collaborating in export. Usually this mode is used by a big and famous corporation, which gives opportunity to minor firms to use its foreign distribution networks. (Alexej Sato, 2015)

Author decided to not discuss the 2nd and 3rd mode of entry because it is not relevant for this work.

2. Organic framework

This chapter is providing the theoretical understanding of the organic market specifics. It includes the definition of organic, the milestones of the organic history, the difference between natural bio and organic, the consumers' motivations to buy it and legal frame.

Organic Agriculture is a production, which maintains the soils, bio systems and people healthy. Organic Agriculture is a mixture of tradition and innovation to achieve the good environment and a quality life for all involved. (IFOAM, n.d.)

The production is aimed to minimize the usage of chemical inputs and maintain rather professional management performance that restore and boost ecological harmony. The idea of organic agriculture is to enhance efficiency of soil life, plants, animals and people with the use of synthetic elements. (Akinyemi, 2007) Organic production is different from other agricultural methods in the usage of standards (rules), required control schemes and a specific labelling scheme. (Comission, n.d.)

As author had mentioned in definition, organic production is meant to minimize usage of the chemical fertilizers but does not mean they are 100 percent free of pesticides. Although rules help to save organic goods free from dangerous synthetics pesticides, some of them are allowed for use when producing or handling certified organic products. (Akinyemi, 2007)

According to EU low synthetic inputs might be allowed in case if there are no appropriate substitutes. Such products are examined by the Commission and EU countries before authorization (Commission Regulation (EC) No. 889/2008). (Commission, n.d.)

2.1 Concept and History of Organic Market

Traditional farming was the initial type of cultivation, and has been practiced for thousands of years. All traditional farming is now known as "organic farming" although the idea is not new and some time ago, there were no inorganic methods. (Akinyemi, 2007)

The term did not have any sense relating to farming and lands maintaining. After chemical substances, fertilizers and other extracts were presented in farming aiming to increase a product quality as well as fasten up the whole process of farming- the today meaning word had found. (Ottman, 2011) Author will explain the history of organic production in three stages: Pre-World War II, Post-World War II and Twenty-first century.

Pre-World War II

The first almost first half of the 20th century binged to people innovations in biochemistry and engineering, which consequently had affected farming. The introduction of the gasoline-powered engine and start of ubiquitous tractor production and its application made possible the mechanization of farms. (Akinyemi, 2007)

This issue transformed the labor equation: there were almost no tractors in the US around 1905, but over 2,000,000 by 1940 in 1900. Fields were growing and harvesting became more efficient with a machinery usage. Herbicides and fertilizers formed an age for the fast agriculture mechanization. As a result, the opposed phenomena of the organic agriculture appeared Central Europe and India. (Lockeretz, 2007)

Sir Albert Howard is known as the father of the modern Organic Agronomy. Albert Howard admitted the connection between the growth and fall of civilizations and their farming performs.. (IFOAM, n.d.) Definitely, Sir Howard was not only one scientist who were working in this branch: there was Rudolf Steiner's in Germany, developing biodynamic agriculture, F.H. King in America studying traditional fertilization and so on. The term organic farming was invented by Lord Northbourne and he firstly used it in his book Look to the Land, published 1940. (Paull, 2014)

Post-World War II

Scientific innovations during World War II speeded up post-war technologies in farming. As a result, it created mechanization in agricultural sector and using of fertilization, and pesticides in large scale. During the '50s of the last century, the key goal for agriculture was substantial growth in production. Immediate need in food and rise of autonomy of the Answering this problem new term and approach appeared- Green Revolution. The term “green” has an unusual meaning in Green Revolution; it has nothing to do with organic and actually meant opposite thing. (Lockeretz, 2007)

In the 70s, the return to natural farming techniques replaced the chemicals in the most developed economies all over the world. Globally governments started to have focus on environmental pollution and its consequences. New links were established among producers, consumers and other parties interested in ecology and a way of life more closely linked to nature. (Lockeretz, 2007)

Another important date for the organic world became the year of 1972, when The International Federation of Organic Agriculture Movements or simply IFOAM was founded. (IFOAM, Organic Agriculture, n.d.) In the 80s-90s, standards were set and few governments presented organic support systems for agrarians, organic farming became publically recognized. Since 1990s, retailing of organic products in developed countries has been growing by about 22% each year. In June 1999, the guidelines concerning the production, processing, labelling, and marketing of organically produced foodstuff was approved. (Lockeretz, 2007) (bioma, n.d.)

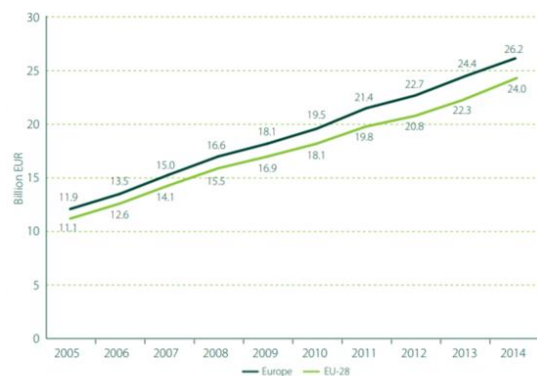
Twenty-first Century

At present, organic farming is a much broader concept than the concept of soil fertilization. In the international arena the International Federation represents the movement for organic farming for the Support of Organic Agriculture (IFOAM), the main postulates of which are:

- 1) Rational use and "peaceful" coexistence with natural ecosystems;
- 2) Work on the principle of a closed system (circulation of organic matter and nutrients);
- 3) The desire to avoid all forms of pollution arising from the introduction of technological methods in agricultural production;
- 4) Maintenance and strengthening of soil fertility in the long term, etc. (IFOAM, Organic Agriculture, n.d.)

The market of eco products in Europe is quite large today, and every year it is constantly growing. Falling volumes were not observed during the last 20 years, only stable periods were noted. The EU organic market raised by 7.5% in 2014 and retail sales esteemed at €24 billion. In same time, the growth in organic farmland in the EU was by just 1.2% and the amount of producers fell by 0.3%. (Willer, 2016) Customers consumed the biggest amount of organic food between period of 2005 - 2014, per capita organic produce consumption raised by 105% from €22.5 to €47.5 Domestic food and beverages consumption beverages did not change substantial, only by 13%7. (Willer, 2016)

Figure 3 Growth of organic retail sales in Europe, 2005-2014



Source: webpage <https://shop.fibl.org/CHen/mwdownloads/download/link/id/785/?ref=1>

2.2. Green marketing VS greenwash marketing

There is no doubt that marketing plays a huge role nowadays in decision-making process for customers. Every product is needed to be advertised to be sold, even sustainable, responsible companies producing eco-friendly products using marketing tools to make people know about their goods. This kind of companies are involving special type of marketing called green marketing. Initially the concept of “Green marketing” had meaning, that products did not harm nature while they were creating, marketers supposed that people cares about planet itself. (Ottman, 2011) For the purposes of future marketing strategy creation it is necessary to understand green marketing and concepts, to avoid the greenwash effect.

To understand the concept its necessary to introduce some terms which green market includes, the main are sustainability and CSR. The UN Organization identifies sustainable development as “Development that meets the wants of the current without limiting the capability of future generations to meet their own needs” (World Commission on Environment and Development, 1987) (UN, n.d.)

Author identifies the following principles to guide modern sustainability: Solving problems transparently and systematically, governing proper estimation and restoration of the nature, integration of environmental and social objectives in policies, preservation of biodiversity and environmental integrity, no net loss of human capital or natural capital, the concept of nonstop development, the need for proper authority. (Karlson Hargroves, 2006)

The second crucial expression for organic market and green marketing is CSR. Forbes defines “Corporate social responsibility (CSR) is a business method that contributes to

sustainable development by delivering financial, social and ecological welfares to stakeholders.” (Pontefract, 2017). Responsible corporations aims to improve conditions inside and outside of organization (besides financial processes and profit-oriented goals), the purpose of CSR is move towards sustainability. (Lexicon) Many marketers claims that adopting CSR is a win-win situation. Not only company appeal to aware consumers and employees, but also make an actual change in the world towards better life. (Fallon, 2017)

Companies, which recognized the importance of CSR and as a result made focus on some broad categories of CSR: Ecofriendly being, charity, fair and ethical employment, volunteering. (Fallon, 2017)

Greenwash Marketing

While Green Marketing helps customers to find out about greener products, healthier alternatives, better quality, preserving the nature, there is another, not that positive phenomenon famous as “greenwash marketing”. It is a form of environmental marketing, which extensively applies the "green" PR and methods, the purpose of which is to mislead the consumer about the drive of the organization or producer in the environmental friendliness of products or services, to present them in a favorable light. Doubtful producers are using green camouflage to create an image of an environmentally oriented company and increase sales. (Ottman, 2011)

Companies who wants to be truly organic and work as fair business should avoid Greenwash and can use Guidelines for this purposes. The guidelines is called 7 Sins of Greenwash and consist from the following parts:

- 1) Hidden trade-off. Producer claims that product is “green” based on limited characteristics and not focusing on significant ecological matters. Producers of paper claiming that product is environmental friendly and recyclable because it comes from a sustainably gathered forest. (Terrachoice, 2010)
- 2) No Proof. Producer affirm statement that are not supported by certificates of third party. Cream saying that have not been tested on animals, but gives no evidence of this statement. (Terrachoice, 2010) (Radio, 2017)
- 3) Vagueness. Company using too broad claim as “natural”. A lot of natural elements are harmful, natural doesn’t always mean good (Terrachoice, 2010)
- 4) Using False Labels. Companies using fake labels (Terrachoice, 2010)

- 5) Irrelevance. Company using statement, which is not lie but does not make any sense. For instance, companies advertise their sunflower oil as cholesterol free. They do not lie, it is true, but sunflower oil does not contain this element at all. (Terrachoice, 2010) (Radio, 2017)
- 6) Lesser of Two Evils. The description, which might be true in product category. For example, Organic Cigarettes. (Terrachoice, 2010)
- 7) Fibbing. A simple lie of producer, as example saying certificate that they don't have. (Radio, 2017) (Terrachoice, 2010)

Modern consumer is well informed and fast to blame businesses they feel are using misleading marketing to increase their revenue at the expense of the eco-conscious buyers. With help of such social media as twitter, Facebook and Instagram shoppers are able to directly react and spread their thoughts and doubts about company, which can serve as a powerful greenwashing warning. (Yolles, 2011)

There is no doubt that it's very easy to promise something and that it even might work for consumers but its very short oriented strategy. Its recommended for this companies to be transparent, to provide full, detailed information to the public, to don't lie consumers, enlist support of third parties, meaning certificates and labels, to focus on primary benefits, to care about employees, to don't use partial CSR, but fully include it into company practice. (Ottman, 2011)

2.3 Justification of BIO Organic Natural concepts

The "Bio" term came from the term "biological" sources in farming and food processing. The bio-products or bio-based products are resources, chemicals and energy resulting from renewable biological resources. (Martínez, 2016) Bio products cares about the whole product lifetime, and as it comes from the definition, is completed from plant originated resources. Goods created from fuel are made from non-renewable resources, and do not focus on their life cycle. (Center, n.d.)

Bio products are separated into three groups: bioenergy, biomaterials and biochemical. (Center, n.d.)

Bioenergy includes fuels (ethanol and biodiesel), solid biomass burning of which generates heat or power and gas-fuel such as biogas. Biomaterials connects following things:

bioplastic, bio-rubber, bio-composites. And the last category of biochemistry means industrial (lubricants, solvents etc.), pharmaceuticals (antibiotics, injections), biocosmetics (creams, makeups, shower gels and so on) (Mahendra Thimmanagari, 2010)

There are several reasons and benefits for bio products among them are reduction of dependence on non-sustainable relic oils, reduction of greenhouse gas radiation in the production, reduction of poisonousness, sustainable production of renewable feedstock, potential production of low-cost medications and vaccines. (Mahendra Thimmanagari, 2010)

Consumers are often misled by advertisers about organic goods and as a result, many shoppers believe that there is no difference between natural and organic goods. Nevertheless, this is not correct. Natural label does not equal organic and has no guarantees. "Natural foods" are often assumed to be foods that are minimally processed and do not contain any hormones, antibiotics or artificial flavors. Most of countries has no rules or regulations for products labeled "natural." As a result, food manufacturers often place a "natural" label on foods containing heavily processed ingredients. The other good example are cosmetic brands, a bunch of brand put "natural" on their product without no proof or evidence that its actually is. For example customer see nice shampoo "being natural" made from rose, he/she thinks " yes rose is good, its natural, grows in garden" but in fact it might be grown with usage of harmful fertilizers and pesticides. (Cooper, 2012)

Some producers are using "green" instead of natural label, which is basically the same. It also attracts customers, they are thinking that buying good, healthy product, but without certificates and special, certified labels it is just general product. The product might have "very natural" compassion, but as at first case this "natural elements" could be planted with pesticides and GMO. (Polonsky, 1994)

Eco/Eco-friendly/Ecological

Eco-friendly literally means environment-friendly products which don't damage the planet. Eco-friendly goods avoid contributions to air, water and land pollution. (Akinyemi, 2007) (Brennan, 2017)

Nowadays customer might find a lot of items in shopping shelves, promise to be eco-friendly. Unfortunately this products are not always keeping this promise to be eco, they are lying to consumers making them buying fake eco products. (Brennan, 2017)

Goods not damaging the earth should have next labels: Energy Star, USDA Organic Seal , Green Seal, Forest Stewardship Council Logo. If labels are not found in packaging, there is a good chance that they are not actually eco-friendly. (Akinyemi, 2007) (green.thefuntimesguide, 2017)

Organic products

As author already have mentioned before "organic" means the way of production which rejects all artificial efforts as chemical fertilizers, radiation, chemical food flavors, or industrial cleaners. (Dictionary, n.d.) This is the most seriously controlled type of food comparing to all stated above. Only organic guarantees no toxic pesticides, toxic herbicides usage in production, and no antibiotics or hormones are given to animals. The third party are always involved into organic production, they are receiving certificates ones but being always inspected that they did not change their focus and did not move to chemical way of manufacturing/planting. (Govindji, 2017)

2.4 The Consumers motivations and Types of organic

In theory, Green customers are defined as customers who are more ecologically concerned, consequently, they are buying organic goods and are ready to pay a higher fee for that. Even though some consumers are going green, bearing in mind the environmental impact of their purchases, some people do not see it as a persistent matter. Green became a mainstream, because more and more people are worry about sustainability related issues. Who are the organic consumers that feel this way though?

Marketers often lump green consumers into a single catch-all category: consumers either care about environmental and social impact, or they don't.

Consumers motivations towards organic

Health

It is reason to buy organic for living healthy lifestyle people who cares about health. Organic food and non-chemical cosmetic products are the products they look for. Health reasons for buying organics often include usually statement that organic food is healthier than general food. This type of consumer wants to avoid toxic food and chemicals. (Ottman, 2011) (CHAIT, 2017) Additionally there are consumers suffering from allergies and they prefer

the organic goods since it does not contain pesticides and fertilizers. Current qualitative studies researching have shown that organic food consumption is choice, frequently connected to significant incidences in life (pregnancy, birth of a child, ageing, and disease). (Lockeretz, 2007)

Quality

For many consumers quality is the main reason to move from general “products basket” to organic one, shoppers are willing to pay more for chemistry absence, good packaging and proper storage. (STEPHAN DABBERT, 2004)

Animals’ well-being

Today many consumers are interested in animals’ well-being. They do not wear fur or natural leather and might be vegetarians or vegans. They are buying cosmetics and products, which had not been tested on animals. (Ottman, 2011)

Kids Well-being

These young consumers are being specific with care more about what kids are eating. They might buy organic products only for their child today and save money on themselves, but in future start to buy for the whole family. (CHAIT, 2017)

Environmental protection

Motivation for people who are interested in environment related issues. Specific type of customers’ specific type of customer is searching for products which does not affect nature as a whole. For this people is important to look for recycling packages and possibility to reuse goods, they are buying in daily bases. (Lockeretz, 2007)

Mainstream/Trend

These consumers are influenced by “trend”. They might not care that much about nature, but since they heard, that being environmental conscious, responsible citizen is cool they are adjusting their behavior to this stream. (Ottman, 2011)

Product Types in organic

Certified organic products can be four different groups and therefore might have different stamps for customers:

- 1) **“100% Organic”** – this good was produced using only organic elements (excluding water and salt). These type of foodstuffs must not have any elements from the National List of Allowed and Prohibited Substances. This products can be rarely find in the shopping shelves, because it has, obviously, very hard to produce.
- 2) **“Organic”** - the item was made with organic approaches and has a minimum of 95% organic elements. The other 5% of ingredients must be non-GMO. This is the most common type of the organic good.
- 3) **“Made with organic ingredients”** products contain between 70% and 95% organic ingredients, this rest presents must be non-GMO also. (Global-organics, 2016) (Lockeretz, 2007)

Many kinds of products are suitable for organic certification, although some goods do have more strict criteria for certification than others do.

Table 1 Types of Organic goods

Food, Beverages	Nearly all foods and beverages can be certified organic. The most common organic food in the market are vegetables and fruits. Organic vegetables have the highest market shares after eggs, representing between 9% and 15% of the sales value of all vegetables sold in Switzerland, Austria, and Germany. Meat and dairy are also essential and common organic goods. Organic standards require farms to raise animals without usage of antibiotics, hormones, or growth stimulants. Certified organic products cover nearly the full dairy spectrum, including milk, cheese, yogurt, butter, cottage cheese, sour cream, ice cream, and more. Organic fish are fishes that are rared in fish farms. Food and beverages that can be certified organic include whole fresh produce, alcohol, coffee, tea, edible flowers, wild crops, grains, meat and more.
Flowers, Plants	Eco-weddings and other green-friendly parties are becoming popular also, customers want organic flowers. Plants for home gardens and other lands also becoming more and more popular.
Restaurants, cafes	Ambitious working people want to eat healthy, but do not have time to cook and go grocery. This is the reason that organic foods restaurants become a

	recent trend. Organic products are more expensive, driving up a restaurateur's costs, often in short supply.
Textiles	Organic textiles, such as cotton, wool, flax and can be used to make different types of good, for example outfit, blankets, toys, furniture and much more.
Toys	Organic toys for kids are becoming very common thing, because young parents are worrying about the chemicals their children are exposed to. Mostly organic toys are soft, made with certified ingredients like cotton and wool.
Body care, Cosmetics	<p>There are some cosmetic products that are crucial for the baby, for example, baby oils and lotions. Organics helps to avoid petroleum-based products.</p> <p>Over the last few years the market for organic personal care products has rapidly grown worldwide, the term "organic" can or should be used only if an authorized certification program has certified the product. Green cosmetics includes all possible products: make up, creams, soaps, masks, shampoos, face/body oils, toothpaste and so on. Organic-certified products will not content genetically modified ingredients. Numerous cosmetic products has sign on package- "made with organic ingredient", still certification is significant to organic advocates.</p>
Seeds, Gardening Supplies	Seeds and other garden supplies are qualified for organic certification.
Pet food	People care not only about themselves but also about their beloved pets, that is why resent study showed that the organic pet food segment is growing 12% to 15% annually. Organic pet food standards are like standards for the livestock, although label rights match human food.

Source: webpage <https://www.thebalance.com/products-that-qualify-as-organic-2538314>

2.5 Legislation and certification for the organic market in European Union and Worldwide

Any product labelled “organic” can’t enter the EU market without certification from special inspection. The European Union panels market of organic by the EU regulation 834/2007. Seller from countries outside the European Union is responsible to make sure that certification organization submits a Certificate of Inspection and additional certification will be required in case of organic exportation under private label. (IFOAM, Organic Agriculture, n.d.)

Under EU legal requirements concerning organic market, each EU Member in must create a responsible authority to control the organic production. Control system might be public or private; a diverse public/private control system is also possible. In European Free Trade Association (EFTA) states, one or more private bodies ensure control of organic. Consequently, there are three kinds of organic regulation systems in European zone: private bodies, public control experts and mixed systems. A Common Agricultural Policy (CAP) supports organic in development. (Willer, 2016) Farmers must inform about action to the specialist accountable for panels in their Member State. The special body or authority checks farmer and only after they have been checked they can obtain a certificate authorizing that farmers meet the EU requirements. In Czech Republic the Responsible Authority for the organic is Ministry of Agriculture Department of Environment And Organic Farming. (Commission E. , Organic Farming, 2018) (Commission E. , Authorities in charge of organic production and labelling of organic)

Figure 4 Organic certification in Europe, 2014



Source: IFOAM http://www.ifoam-eu.org/sites/default/files/ifoameu_organic_in_europe_2016.pdf

The usual bilateral recognition of third countries by the Commission in cooperation with the Member States are maintained. (Commission E. , Organic Farming, 2018)

Labelling organic foods

There is a strict condition for putting sign “organic” into package - 95% of the product ingredients meet the required standards. Additionally, the code number of the certifying body must be provided.

Organic is defined by no usage of GMO, nevertheless, the instruction on GMO products says that if product contains no more than 0.9% of “banned chemicals” it does not have to be specified. Foodstuffs with genetically modified organism content below this verge can be categorized as organic. (Commission E. , 2018)

Organic nutrition have to use the EU organic logo in package since 1 July 2010. Nevertheless, it is not a compulsory condition for organic products exported from non-EU countries. Some states formulates the organic standards by the government. The US, the EU, Canada and Japan have complete organic legislature, and only certified producers may use the term “organic”. (Comission, n.d.)

Globally the similar negotiations are in progress, some agreements already exist to harmonize documentation between states, which has to make facilitate international trade. Affiliates of the International Federation of Organic Agriculture Movements (IFOAM) are also working on coordination efforts. In countries where formal agreements do not exist, products are often certified by agencies from the importing countries, who can found permanent workplaces in exporting country for this purpose. The IFOAM Family of Standards program has the idea to create one single international reference (the COROS) to ensure the standards rather than focusing on bilateral agreements. (Willer, 2016)

Figure 5, Figure 6 Organic Labels



Source: IFOAM http://www.ifoam-eu.org/sites/default/files/ifoameu_organic_in_europe_2016.pdf

USDA organization defines standards for organic production in the United States. USDA organic goods can be distributed to states (Canada, the European Union, Japan, and Taiwan) involved in organic trade agreements with the U.S., and do not involve extra certification if all conditions of the agreement are met. (Commission E. , n.d.)

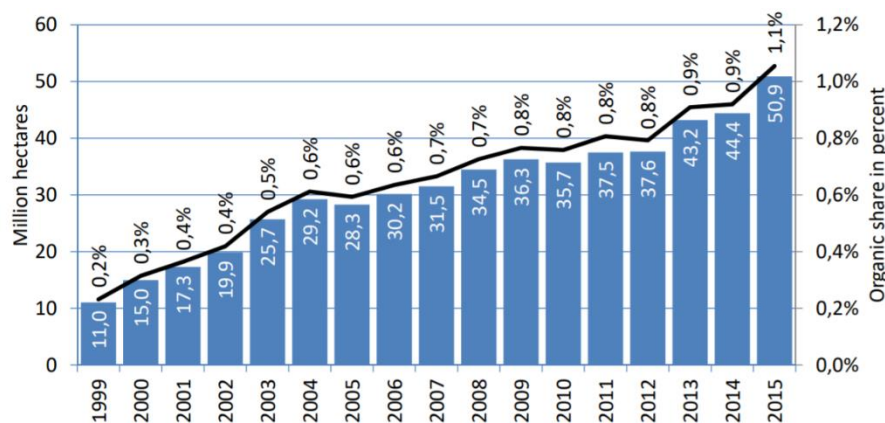
In the year 2002 the European Commission had made special symbol for organic products which became mandatory from the year 2010. The new logo was chosen through online voting. In 2009 a new logo was chosen through a design competition and online public vote. Producers were given 2 years to implement new logo. (Willer, 2016)

3. Russian Green market overview

According to experts, organic products market is highly fragmented and competition on it is constantly growing.

According to the International Organization of Organic Agriculture (IFOAM), organic agriculture is practiced in 172 countries, of which 82 countries have their own laws in this area. 16 countries in the process of developing and adopting a regulatory framework in the field of organic farming, including Russia. (Helga Willer, 2017)

Figure 7: Growth of the organic agricultural land and organic share 1999- 2015



Source: IFOAM <http://orgprints.org/31197/1/willer-lernoud-2017-global-data-biofach.pdf>

Organic market in Russia is young, it started to grow very recently. According to the Minister of Agriculture, of the Russian Federation A. Tkachev, only 1% of the Organic Products are produced in Russia from the total world production. (TASS, 2017)

Russia has three sales channels for organic: premium retail chains (41%), organic outlets including online stores (26%) and direct sales from farmers (13%). And this free groups are considered to be competitors. (Konstantinov, 2016)

3.1 Pestel analysis

Author applies PESTEL analysis in order to review Russian market environment. Findings will be used for suggestion of entry mode and SWOT analysis. PESTEL study has been accomplished and outcomes are found in subsequent sections. PESTEL gives understandings of political, economic, social, technological environment, legal and ecological environment.

Political

Although it seems, that political situation doesn't have the direct impact on the food industry, in case of Russia it is crucial to see all atmosphere for doing business, especially in the light of embargo. Author is using different recourses and facts in order to give opinion about political condition in Russia.

The President of Russia has no need to be named; Putin became a big political figure in last decade with dominance of the United Russia (Единая Россия) party. (Biography, 2017) Although Russia claimed itself as a democratic country, it has very low level of opposition, meetings are not allowed and media is controlled by the state. The government controls Channel One and Russia One are two of the three major federal broadcasters - while state-controlled energy giant Gazprom owns NTV. (Luhn, 2015) The corruption index of Russia in 2016 is equal to 29, same has Ukraine, Guatemala, Iran and Nepal. Even though anti-corruption laws exist, in practice they're often ignored. People often face bribery and extortion. (TransparencyInternational, 2016)

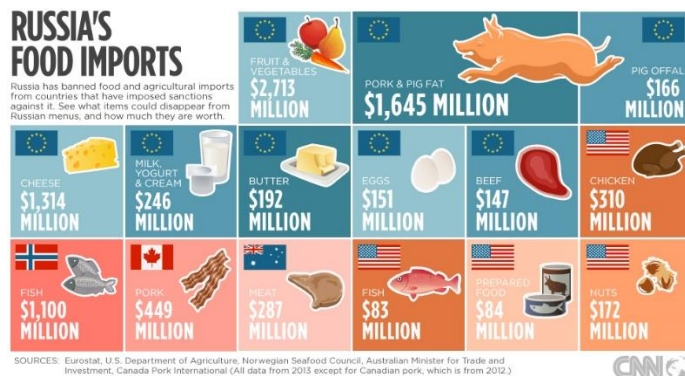
The political situation became tenser after Russian involvement in the so-called Ukraine Crisis in 2014. The economic sanctions imposed on Russia by several countries in EU and United States after the takeover of Crimea, falling oil prices, the national currency collapse and the economy had huge impact on countries stability. (BBC, 2017)

Counter-sanctions imposed by Russia on western food imports led to higher prices on products and cheating of food suppliers "bringing sea food from Belorussia" for example. The restriction had three stages: from 2014 to the countries of the European Union, the United States, Australia, Canada and Norway, from 2015 to Iceland, Liechtenstein, Albania and Montenegro, from 2016 against Ukraine. Russia, prices for food products had dramatically increased the use of palm oil, dried milk has increased, and re-exports of

forbidden goods from third countries had place. (gazeta.ru, 2015) (Kalinina, 2017) (Olipra, 2017)

European fruits and vegetables were replaced by products from Turkey, Egypt, Morocco, and dozens of Middle Eastern countries. As a result, in general purchaser prices in 2016 were 24% higher than in 2014. (Torre, 2014)

Figure 8: Food Embargo



Source: <http://www.lalkar.org/article/2183/the-economic-war-against-russia>

Sanctions were imposed for all type of pork, beef, poultry, meat, milk and dairy products fish, some vegetables, all fruits and all nuts and cheese. This list does not include lactose-free milk and dairy products, young salmon and trout, seed potatoes, onions, corn, nutrition supplements, vitamins. (Torre, 2014)

In same time this hard situation brings chance for domestic farmers. Government is happy to help farmers with loans and subsidy their business. The cooperating of farmers became a new tendency in current circumstances; LavkaLavka is an example of such trend. It is not a supermarket. This is a farm cooperative, helping farmers in finding their customers, and suppliers to find their farmers. It is a social network where farmers and consumers can communicate freely. The social project aims at the emergence of a new agricultural and gastronomic culture in Russia and the world. LavkaLavka participant - IFOAM (International Federation of Organic Agriculture) since 2016. (LavkaLavka, 2017)

The Ministry of Agriculture proposed to increase the quota for the import of products from countries that fell under the food embargo for the production of baby food. In 2017, the quota was 888.7 tons, and in 2018 it is proposed to increase it to 1,156.6 tons. Frozen meat and vegetables are imported to Russia: beef, veal, turkey and chicken meat, as well as carrots,

potatoes, peas, beans, zucchini, sugar corn, pumpkin, onions, cauliflower, broccoli and dried herbs. (Bondarenko, 2017)

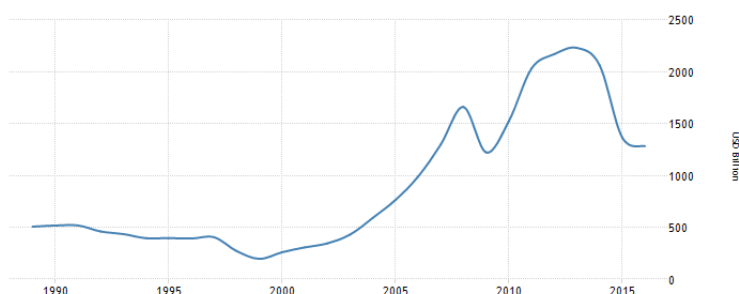
Economics

In contrast to the “stable” politics, economic state is considered to be highly unstable. The economy of the Russia was continuously increasing by 7-8% per year since 1999, which consequently duplicated the real disposable income of the population. Situation changed in the year 2008-2009, when world faced economic crisis.

Russia was one of the most harmed countries’ by the global economic crisis: the financial system decreased by 7.8%. The oil prices had plunged and as a response to crisis, foreign investment into Russian economy had stopped. The Central Bank of Russia used up to 1/3 of the gold and foreign currency reserves to discontinue the depression of the ruble.

As a result, Russia’s economy began to grow again by 4.6% per year till 2013 the economic growth were 1.3% and 0.6% in 2014. (Rosstat, The effectiveness of the Russian economy, 2017)

Figure 9: GDP in Russia



Source: <https://data.worldbank.org/country/russian-federation>

As it is shown in the Picture 1 the largest volume of GDP was established in 2014, 676.4 billion dollars, but its growth considerably declined, compared to previous years, to 0.65%.

The Russian economy faced two collapses in 2014. Firstly, decline in oil prices in 2014 had impact on trade revenues; oil is the main exported commodity, which influence not only earnings from export, but domestic currency. (WTO, 2018)

After fluctuating inside the narrow borders (100 USD per barrel) from 2010-2013, crude oil prices ended up with 65 USD per barrel. The second wave of crisis was caused by the

economic sanctions as a result of geopolitical issues author discussed earlier. As a countermeasures were undertaken by Russia in the form of food embargo. The main effect of these political fights for Russia became the drop of national currency and inflation growth, consequently led to lowering purchasing power of population. (Forex, 2018)

After the 2001 the average inflation was 8% per year. The lowest inflation rate of nearly 5% was in the period from 2011 till 2013. In 2015, inflation was driven mainly by ruble depreciation. After that time the consumer prices started to grow, and in 2015 it was recorded at 15%. Today (09.12.2017) Russian currency is recorded as 1 euro per 69.6434 rubles and 2.72244 rubles per 1 CZK. (Rosstat, 2017) (Forex, 2018)

However, in the first half of 2016 the depression slowed down, pointing out an adaptation of the financial system to the external shocks. In the year 2016, inflation has stabilized at 7.3%. In 2016, the unemployment rate in Russia ranged at approximately 5.51 percent. (Statista, 2012-2022) Foreign Direct Investment in Russia increased by 7115 USD Million in the second quarter of 2016. (TradingEconomics, 2018)

As a conclusion, economy is weak, prices increased purchasing power decreased but from 2017 recovery is observed.

Socia-cultutal Factors

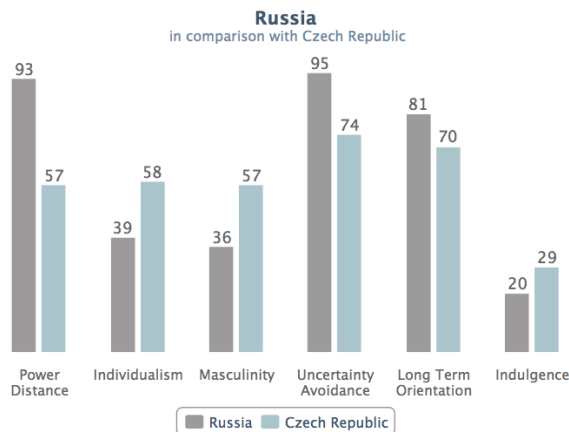
Demographic

Russia is one of the few countries with a negative growth rate of population, the current number is 143,978,706, and based on the latest United Nations estimates, 73 % of the population is urban (104,883,814 people in 2017). The median age in Russia is 39 years.

Approximately, 81% of Russian citizens identify themselves as ethnic Russians, there are a 185 ethnics groups in Russia, 4% of Russians are Tartars, 1.7% Ukrainians, 1.3% Bashkirs, 1.1% Chuvashs and 1.2% Chechens and so on . The most important cities and most habitant are Moscow, Saint Petersburg, Novosibirsk, Yekaterinburg, Nizhny Novgorod, Samara, Omsk, Kazan, Chelyabinsk, Rostov-on-Don, Ufa and Volgograd. It is big deal for Russian citizens if they live in big cities or no, if they live far from Moscow and Saint Petersburg or close. The infrastructure of regions and development of regions is very different across the whole Russia; occupants of “2 capitals” have access to “all goods of civilization”.

The average salary is differ from the region also, in Yamalo-Nenets Autonomous Area it is equal to 61.3 thousand rubles per month, in Moscow 50.4, in Saint Petersburg 33.3, in Tatarstan 22.2, in Tula 19 and the lowest in Novosibirsk 12.1. (Portal, 2016) (Worldometers, 2018)

Figure 10: Hofstede model



Source: <https://www.hofstede-insights.com/product/compare-countries/>

In order to analyze social aspects and tendencies in people behavior in Russia author decided to apply Hofstede model. Author compared Czech Republic- the country of business origin and Russia- the country of entering market.

In Russia power controllers are more distant in society than in Czech Republic. The huge inconsistency between the less and the more powerful people leads to showing status symbols. The core characteristic of the Russian culture that is being demonstrated in this case is the perspective on hierarchy. Individualism chart has lower score in Russia than in Czech Republic, it determine by the fact of family importance and rather using “we” than “I”. Low index of masculinity points out that the public perceives the class of living as the success determinacy. Key objectives of average person are: superior, expensive vehicle and big apartments or big cottage. High score of Uncertainty avoidance reflects the fact of bureaucracy and lot of rules existence. With a very high score of 81, Russia is definitely a country with a pragmatic mindset. Societies with a low score of indulgences have a tendency to cynicism and pessimism. (Hofstede, 1973) The mentality of people should be taken into account for the future business deals and better understanding of environment.

Cultural aspects

As it says in Russia “Boss is Boss” and it proves the index of power distance. It is needed to understand its existence and respect it, do not fight it. Speaking about bureaucracy the same idea is applicable, it is better to take it as given and be patient.

The other very significant case is about woman/man behavior. The aspect of being a gentleman (treating women politely, nicely) rooted in Russian culture can be looked upon from several perspectives. First, there is hierarchy. One of the important features of the Russian culture is hierarchical perspective. In this case however, hierarchy is more linked to traditional gender based roles. Even though there is substantial number of women in top manager positions in Russia, at the end of day, they are women.

Russians prefer to show some readiness to warm attitude towards people who they know. So basically, then Russians see person third forth time they might be more talkative and open-minded. How it can be applied in business? The answer is that this kind of cultural misunderstandings can lead to problems in negotiation process. Open American behavior might be seen as inappropriate by Russians and vice versa. (Dumetz, 2018) Speaking about money case it is necessary to understand that Russians will not think about every spent dollar. If it is business meeting and foreigners initiate it, so they should pay and vice versa. Once it is managed to have a relationship developed, it would be appreciated if ‘friendship nutrition’ would be initiated. When people get together, call each other, they rarely waste time on question like "How is it going?" and go straight to the point. It is not considered to be rude, it's just their way of doing things. (Justgorussia, 2005)

Life-style

Russians are famous for being vodka lovers and eating not healthy using lots of mayo. But surprisingly, the current trend, especially younger generation, is against all that. Healthy lifestyle became mainstream, thousands of bloggers are writing about healthy nutrition, thousands of people found themselves in sport and yoga, thousands of healthy restaurants were opened and vast of food delivery apps were found. Farm products have become ordinary and farm markets are in fashion. With all busy life and air pollution people started to care themselves. (Golubeva, 2016)

Technologies

The expansion of new technology, the massive spread of the internet in the last years and the growth of social networks usage has curtail impact on the society and the business.

The Internet audience in Russia in March 2017 reached 87 million people - 71% of the country's population. (RNS, 2017)

At the same time, 66 million people, or 54% of the population of the Russian Federation, use the Internet, including through mobile devices, and 20 million people - 16% of the country's population - only from mobile devices. (Analytic, 2017)

The most popular social network in Russia is VK, the Facebook analogue. The number of "writing" authors in VKontakte amounted to 25.7 million, they generated 310 million messages. Gender distribution in the network is traditionally: 58.4% of female authors, 41.6% of men. The main age group - 37% - authors aged 25-34 years. The second largest group is 18-24 years old (25.7%). Of the 7.1 million Instagram authors 76.9% of the female. The authors of the network published over a month more than 71 million messages. The highest penetration rate was recorded in St. Petersburg - 13.66%, Moscow with the index of 10.91% in second place, the third - Sakhalin (10.14%) (Analytic, 2017)

Facebook has 1.9 million authors and 53.4 million messages. 58.9% of the authors are female. FB-authors are older than active authors VK. In the prevailing age group (25-34) to date, 37% of the authors, the second largest group - 35-44, it includes 30.6% of the authors. Over 45 years - 23.5% of the authors. Today networks are used not only for communication, but for information search and doing business. Usage of network to reach the customers through VK and Facebook pages, instagram and applications is one of the most important tool for communication with customers. (Analytic, 2017) (RNS, 2017)

New technologies are critical for starting business in big cities as Moscow; people got used to pay not even by cart but already by phone. One of the most important technology for retail since the emergence of mobile card reader is the technology beacon. "Beacons" are small signal located in the store, which can distinguish the buyer's Smartphone and send information about bonuses or discount coupons. Marketers of retailers use beacons to attract buyers and stimulate shopping. Such things as Wi-Fi and phone chargers systems are "must-

be” technology for Russian citizens, its everywhere in shops, in metro, in restaurants. (Pilot-Retail, 2017)

Environment

There are many environmental subjects in Russia. 28 Russian regions are included in the list of territories with pronounced sanitary and hygienic problems.

Russia has several protected areas and natural parks to defend the environment. Some animals are protected, such as the Amur tiger, Polar bear and Caucasian leopard and so on. Nuclear energy is broadly executed in Russia, and presently there are 31 operating nuclear reactors. Majority of industrial centers in Russia have poor water quality. The Caspian and Black seas, the Sea of Azov, the Volga River, and Lake Baikal suffer from toxic waste. Sewage and industrial waste are dumped directly into rivers. Water treatment facilities have broken down. In addition to carbon dioxide, a lot of harmful substances enter the atmosphere, which causes acid rain, thus polluting the soil and water. As you can see, the problem is already beyond the energy sector and goes on to the next level. The problem of radioactive contamination began to be addressed only after the Chernobyl disaster. Along with the above, the problem of recycling household waste and infecting the environment is urgent also. Currently, it is one of the most serious ecological issues in the state: it’s about 400 kg of household solid wastes per 1 inhabitant of Russia per year. In big cities with an established mechanism for collecting waste paper and glass containers, the problem of household waste is less acute than in the rest. (Hays, 2016) (Chertakov, 2017) (Greenologia, 2016)

It’s important to mention attitude of young people towards ecological problem. Younger generation sees this issue as more important and care more than older generation.

Legal

For all business legal section is one of the most important. It is vital to know all steps should be done in order to open something and all procedures and documents are needed.

The list of documentation for opening a grocery store from scratch includes:

- 1) An application to the local administration for the issuance of a certificate of entering the store into the commercial register;
- 2) Certificate of state registration of LLC or IP;

- 3) Charter of the LLC;
- 4) Certificate of tax registration;
- 5) The conclusion of the Ministry of Emergency Measures about conformity of a store premises to requirements of fire safety;
- 6) Conclusion of SES (Sanitary Epidemic Service) on compliance with sanitary norms;
- 7) The registration card of the cash register (except for payers of UTII and SPE);
- 8) Contract with the organization that removes garbage;
- 9) Copies of documents for the right to use the premises (a lease or a certificate of ownership);
- 10) Permission for outdoor advertising

What documents are needed to open a grocery store? Special attention should be given to sanitary requirements. Special rules for the organization of grocery stores (SP 2.3.6.1066-01) approved by Resolution of the Ministry of Health of September 7, 2001 No. 23. The rules establish: organization of water supply, sewerage, ventilation, heating, lighting; requirements for the layout of the premises, equipment, inventory; the procedure for the reception, storage and sale of food products; requirements for personal hygiene of staff.

If the grocery store sells its own production (baking and cooking), then in addition it is necessary to comply with the requirements of SP 2.3.6.1079-01. When issuing a report on compliance with sanitary norms, Rospotrebnadzor (Organization looking for sanitary norms) will demand disinfection and disinfestation contracts, a technological project for the store, medical books of personnel. To receive the conclusion from SES is the most difficult, that's why it's necessary to start issuing permits.

Authorities likes to change laws or add something small to it almost every moth, that is why in case of Russia it's good to have consultant advocate to check if all is legal. (Regberry, 2018)

Regulation of organic market in Russia

Since January 1, 2016 in the territory of the Russian Federation came into force State Standard (GOST) R 56508-2015 "Products of organic production. Rules of production, storage, transportation, developed by the State Duma Committee on Agrarian Issues with the participation of specialists from the Ministry of Agriculture. (GOST, 2015)

The main task of the GOST is to establish rules and norms for the production and turnover of organic products on the territory of the Russian Federation. GOST contains general principles of organic production, requirements for the processes of collection, packaging, labelling, transportation and storage of organic products. (GOST, 2015)

GOST in many respects repeats international organic standards, primarily the EU, and entails state regulation of the bio-industry in the Russian Federation, which is welcomed by its representatives. (GOST, 2015)

Certificates

There are people who promote the idea of professional certification that meets international standards. One of the brightest representatives of this group is the agronomist and economist Andrei Khodus. 80% of all Russian bio-producers passed through its certifying organization "Ecocontrol". Khodus, it seems, is the most experienced and authoritative expert on the organic market in Russia, known for his stringent requirements for compliance with eco-standards. He was the first in Russia to create a public organization for the development of organic materials, developed these standards and a certification system. (Lebedeva, 2014)

When it became clear that farmers simply do not believe that you can work without "chemistry", Khodus engaged in their training and consulting. After there were problems with the sale, Khodus organized a credit and consumer cooperative, which helps with collective trade. In fact, it has become a link between certified producers of raw materials, processors and retailers. (Prokina, 2015)

So far, the Russian buyer trusts the products with the "euroleaf" on the label and he/she is ready to pay more for imported eco-products. In this regard, some retailers are pushing producers to obtain an international eco-certification - otherwise they will not buy anything.

3.2 Competitors

The section aim is to analyse the competition environment and see how competitors can influence in the strategy.

There are three groups of organic in Russian market:

1. Importers of foreign production, majority of the market

2. Producers carrying out direct sales of their products through small shops
3. Farmers who did not certify their production, but marking it's as "BIO"

(Nikolaeva M.A., 2016) (Prokina, 2015)

Author decided to consider competitors in two main cities in Russia, Moscow and Saint Petersburg. As it was mentioned before first retailers are luxury shops with organic goods, among them are Azbuka Vkusa (Азбука Вкуса), Globusgurme (Глобус Гурме), Perekrestok (Перекресток). They have approximately same high prices and slightly different focus.

Azbuka Vkusa

The network of shops "Azbuka Vkusa"(Азбука Вкуса) has 26 stores in Moscow and 8 in Saint Petersburg. This grocery chain doesn't fully specialize on organic, but there are a lot of such products in shelves: organic dairy products, cookies, juices, pastes, dried fruits, mushrooms, cheeses and bread. Shop has its own brand called "Our Farm", the mission of this brand is to deliver fresh and quality products from farms. Grocery has its website, which is working in Russian language only. Prices in this shop are very high and general consumers don't go there. Shop also has high quality cooked food. (AzbukaVkusa, 2017)

Globusgurme

The Globusgurme (Глобус Гурмэ) grocery is focused on "Gourmet" food. There are seven of them in Moscow and 2 in Saint Petersburg. The shop positions itself as a grocery store with products of very high quality from all over the world. Shop has rare products which are made according to the home recipes of small companies, and products of gastronomic houses with a centuries-old history. "Environmentally friendly" products can be found in many of different shelves. Shop also have web, which are working in 2 languages: Russian and English and it has active pages in Instagram, Facebook and VK. Globusgurme has delivery service started from 20 EUR. (Globusgurme, 2017)

Perekrestok

Perekrestok (Перекресток) shop is also considered to be premium quality but it also has a lot of general products. Chain has around 584 shops in 120 cities. The prices in this shop are little bit lower than in previous ones, but this shop is still considered to be upper class. Shop

has some organic, bio, farmer products in its shelves. Besides normal store it has few “Green” ones, with more bio food, but they are not that popular and speeded and there are not much information about it. (Perekrestok, 2017)

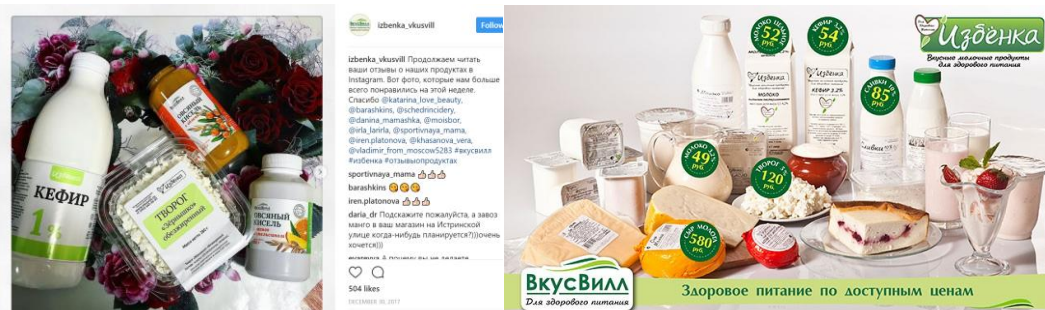
The second group of competitors are specialized stores, including online stores. This group is mean to be most close competitors.

Vkusvill- Izbenka

Shop "Izbenka and Vkusvill"(Избенка и Вкусвилль) is a large grocery chain selling natural products for healthy eating. First store was launched in 2009 and for this years they managed to open 425 groceries. Initially shop was specialize in dairy products but now VkusVill became a shop where customers can buy all range of food for a festive table or just cook a delicious and healthy dinner for the whole family, besides food they also sell cosmetics, household cleaning stuff and goods for animal. It has website and are present in social networks: VK, Facebook, Instagram and Telegram, they choose green color for their interface. In their web it is possible to choose food and order it, shop has a delivery service.

Website is full of information what company is doing and in what they believe, they have lot of contacts and are open for communication with customers, but not only information about company can be found, it also has sections as home receipts, articles about healthy lifestyle, recommended literature, and info about charity programs. In section of food basket, where consumer is choosing goods, it is possible to write review about particular product and read opinions of other customers. (Vkusvill, 2017)

Figure 11, Figure 12: Vkusvill



Source: <http://vkusvill.ru/goods>

Soyka

Soyka (Сойка) specializes in the production and sale of healthy herbal products for 15 years. In store such products as lean, dietary, diabetic, vegetarian, vegan and other useful products can be found. Shop sells all groups of vegetable food products - fresh dairy and sour-milk drinks, tofu cheeses, vegetarian sausages and semi-finished products, dry soy products, a variety of vegetable oils, all kinds of cereal products, sauces, pastas, mushrooms, nuts, algae, superfoods, useful sweets, drinks. They have main focus on vegetarians and vegans. This retailer has physical store in Moscow, online deliver and preorder with possibility to pick up by yourself. Soyaka is present and in social networks: Facebook, VK, Instagram, but not very active there, in Instagram having only 582 followers and 359 posts. Webpage also contains interesting articles, recipes. (Soyka, 2017)

Figure 13: Soyka



Source: <http://shop.soyka.ru/>

In Saint Petersburg particularly there are no yet huge retailers of organics, it was found approximately 12 different shops in city. Author consider shops which are located in Moscow as a future competitors also, the reason for this is that they can expand to Saint Petersburg any day. (Soyka, 2017)

Ugleche Pole. Organic Market

Ugleche Pole (Углече поле) is an organic market, a network of stores of food products, organic cosmetics and natural household products, the production of which is based on the principles and standards of organic production. They have farm in Yaroslavl and one store is located there and 5 in Moscow. Basically, the products are produced in the farms of the

Yaroslavl region. In addition, the assortment was diluted with the products of other Russian companies (including Arivera and Black Bread), as well as imported juices, sweet, cereals, pasta, baby food, tea, coffee, canned goods, household chemicals and cosmetics. (OuglechePole, 2017)

Since 2012 the chain of stores "Ugleche Pole. Organic Market "is a member of the International Federation of Organic Agriculture Movements (IFOAM). (OuglechePole, 2017)

Ecobiomarket ORGANICA

Ecobiomarket ORGANICA (Экобиомаркет Organica) is located in Saint Petersburg and has 2 physical stores in city center (Gorohovaya street and Zverinskaya). The assortment of this shops are very similar to each other, but in Gorokhovaya Street customers can also drink fruit and vegetable smoothies, tea, coffee. In addition, Smoothie Bar quite often held lectures and other eco-events. (Organica, 2017)

They have all range of organic products, with possibility of delivery. There is the opportunity to buy fresh farmer dairy products - they are brought on Mondays and Thursdays. For vegans and vegetarians, "sausages" and other products from soy and seitan can be found. Shops sells cosmetics, goods for house and animals, special cosmetics for kids, "superfood" and supplements. In their webpage people can educate themselves about what is organic and bio and what certificates it should have. (Organica, 2017) (Galina Gracheva, 2015)

IHerb

IHerb.com is one of the largest online retailers of organic products. It's an American online retailer which recently became very popular in Russia. They sell such products which can be delivered through ocean without being expired. IHerb doesn't sell vegetables, meat and dairy, but it does sell supplements, vitamins, cosmetics and such products as coconut oil, cereals, snacks, honey, flour, nut butter and so on. They have free delivery service from 3456 roubles (60 dollars). They have big advantage that a lot of bloggers are using this web and a lot are promoting, so this shop is well advertised. (IHerb, 2017)

The third group of competitors are farmers, they might sell online or in small shops or have market, but all production they sell is going to be from farmhouse.

Lavkalavka

LavkaLavka is a farm cooperative, allowing farmers to find their customers, and buyers to find their farmers. It is a living social network where farmers and consumers can communicate freely. This is a social project aimed at the emergence of a new agricultural and gastronomic culture in Russia and the world. LavkaLavka participant - IFOAM (International Federation of Organic Agriculture) since 2016. They have their internal rules: they know all farmers with whom they are working, they work only with small and middle size farms, they sell only seasonal products, they supervise and they check all partner farms. (LavkaLavka, 2017)

LavkaLavka exists since 2009. The project has grown from an online store for the delivery of local farm products. Now LavkaLavka cooperates with several dozen farmers from all over Russia, regularly arranges weekend fairs, publishes its own online edition, deals with catering and holds a small restaurant.

This cooperative has their own standards and certificates, proving that product is bio and organic. LavkaLavka has 6 physical shops in Moscow and online shop with delivery, big market place in mall and restaurant also in Moscow. (Po, 2013)

LavkaLavka occupied a free niche because they realized the importance of personal contact with customers who need to explain why potatoes can cost 200 rubles and why supporting local farmers is good. News about cooperative are constantly covered in press.

Currently online shop is selling meat, fish, poultry, dairy and cheese, vegetables and fruits, honey and gam, tea and coffee, bakery, oils, pastry, porridges and so on. (LavkaLavka, 2017)

Figure 14, Figure 15: LavkaLavka



Source: <https://lavkalavka.com/>

Ecoferma

Ecoferma (Экоферма) is a very small peasant farm, which, in the main, is engaged in breeding a diverse poultry in small quantities and organic farming. Quality natural products limited volume in small batches. Framers grow and produce natural products exclusively for own use, and sell surpluses. The sell cool poultry meat grown on the farm, pre-slaughtered slaughter, seasonal (autumn) vegetables and homemade billets. Ecoferma helps to sell high-quality products from farms in the Leningrad, Novgorod and Pskov regions. Shop is selling seasonal fruits and vegetables from Russia only. In the off-season for the fullness of the range they offer vegetables and fruits from European suppliers; in early spring-Baku tomatoes and fragrant cucumbers from Azejbardjan, young potatoes from Morocco and Egypt. Employees check all vegetables with Eco tester for the content of nitrates and other chemicals.

Webpage content a lot of videos and photos, which were made in farm. They have online delivery only, and it's possible to order with neighbors or people who lives close to share delivery price. (Ecoferma, 2011-2017)

According to analysis of author in Saint Petersburg there is a tendency of random separate farms and shops there are no big players in city yet. Retailers not significantly differ from each other and people make their choice upon on friends advises and location.

The following table represents price range for the main competitors and on few products. All brands were different, but organic or bio.

Table 2: Prices of Competitors

	Organic oats	Organic pasta	Baby Food	Quinoa
Azbuka Vkusa	150-513	195-450	153	300
Vkussvill	120	150	55-70	255
Soyka	77-150	90-650	-	250-450
Ugleche Pole	199-500	217-399	135	529-592
LavkaLavka	180	200-530	-	1200

Source: Author, based on the analyses

In order to see short overview and comparison of all competitors author has made a subsequent table. Focus, Strength and Weaknesses of all shops can be seen.

Table 3: Competitors overview

Name	Focus	Strengths	Weaknesses
Azbuka Vkusa	Luxury grocery, high quality food and service	High quality, location, service, range of goods.	Prices, don't have a lot of organic
Globusgurme	Gourmet food, cooked food	High quality, rare products	Prices, don't have a lot of organic
Perekrestok	Food of good quality, cooked food	Good quality, location of shops, more affordable prices	Don't have a lot of organic
Vkusvill- Izbenka	Natural, bio, organic food	Quality, service, easy to contact, give money back if don't like food, big chain, real reviews	Not so well controlled as it used to be, because chain is very big
Soyaka	Vegan food	Have big range of food for vegans and vegetarians,	Not active in social networks, focused on vegans only
Ugleche Pole. Organic Market	Food from farm and some products from abroad	Member of IFOAM, concerned about certificates.	Not active in social networks
Ecobiomarket ORGANICA	Organic products and fresh dairy from farm	Have lectures, eco-events, have small café, have a lot of food for vegetarians and vegans	Have shops only in Saint Petersburg
IHerb	American retailer of organic, delivery only	Huge range of supplements, cosmetics,	Don't sell dairy, meet, fish,

		superfoods, free, fast delivery from 60 dollars	vegetables and fruits.
Lavkalavka	Farmers' cooperative	Checking all farmer, sell in shops, online, and market, have restaurant, member of IFOAM, well-advertised	Prices, don't sell cosmetics
Ecoferma	Small farm near Saint Petersburg, selling goods online	Small and cute, checking all, easy to cooperate	No physical store, no cosmetics or household stuff

Source: Author, based on the analysis

3.3 Perception of organic in Russia and its specific

There is an amusing statistic: 21% of Russians believe that they know well what ecologically clean products are, and they try to buy them. At the same time, the volume of the organic market in Russia is 0.1% of the food sector. Buyers do not know how to distinguish an organic product from an ordinary one, and manufacturers are not prevented from misleading them by sticking "bio-eco-organic" on labels. While there is no law that would prohibit this. (Babanov, 2015)

At the same time, according to AgriCapital, 60% of Moscow customers are willing to pay more for products if their packaging contains this "organic" sign. (Prokina, 2015) Therefore, companies quietly raise prices for pseudo-organic products by 50-300%, using organic as a successful marketing move. This is a marketing move: in the end, such a product is sold 2 times more expensive than ordinary cottage cheese and milk. (Prokina, 2015)

A stereotype works: a farmer is a health-pumping man in his own house, and happy cows are walking around on his land. Therefore, buyers like to buy "farm products", believing that this is a guarantee of environmental friendliness. But this is a made-up story. It is often thought that organic production is such an old fashion way of production, a man with his hands - this is not true. On a small private farm, a high level of organic production cannot

be achieved. At the same time and on the vast areas of industrial production it is impossible to apply the principles of organic ". (Konstantinov, 2016)

Result: the young market is discredited by the goods, the manufacturers of which often have more money and opportunities for promotion than the beginners in bio production. Despite the fact that the organic market in Russia is still very small, it has already formed separate groups that largely disagree with each other. What is happening resembles the era of feudal fragmentation, where each landowner pulls the blanket over himself and scolds the other for unprofessionalism. (Prokina, 2015)

Equality between farmer and organic does not exist. Many farmers work on technologies of intensive agriculture, and, on the contrary, there are large LLCs and CJSC that produce organic products. (Prokina, 2015)

3.5 Consumer's preferences and involvement into organic market in Russia

Generally older generation starts to care about health and for this they are searching and looking for better food and better way to live. In Russia this concept is more interesting for younger people, older generation don't believe in any organic or have lack of education about this. It is interesting that people who buy products with the marks "bio", "eco", "organic" are more often in age of 18 to 24 years. Young people, according to analysts, are more enlightened in matters of healthy nutrition, moreover, they travel more to European countries, where they can see examples of the ecological behavior of the population - from separating of garbage to buying products at popular farmer's markets or in specialized sections of hypermarkets. The categories of "farm products" and "seasonal products" are more in demand among 40-59-year-old Russians, working pensioners and housewives, and products "without chemicals" attract respondents from 25 to 44 years. (Zykova, 2017)

The least interest in natural, eco-friendly and more expensive products is shown by non-working pensioners, who can't afford it. (Zykova, 2017) Almost 65 percent of Russians prefer local products in the categories milk, yogurt, juices, fruits and vegetables, meat and seafood, baby food, and ice cream, "the study indicates according to marketing agency Ipsos Comcon. (Comson, 2017)

At the same time, townspeople increasingly pay attention to discounts - 47% of buyers always look for special offers in stores (this figure grew by 4% over the year). Most of all Russians (36%), targeting special offers and shares, live in cities with a population of 100-500 thousand people. In Moscow, 17% of buyers said they are looking for "yellow price tags" in grocery stores. But in St. Petersburg, only 8% of urban residents tend to buy products on shares. (Noderman, 2017)

The specific of organic products is that people who are constantly consuming bio are interested in relative concepts as recycling, fair trade, donations and so on. As author was mentioned before the concept of organic is very young in Russia and a lot of organic consumers are for example vegetarians or vegans or people who are caring nature in general. The times of industrialization has passed and population started to slowly think about results.

It's true that very small portion of people has idea about concepts author has mentioned before, but there are a lot of thinks taking place in order to change the situation.

In the year 2017 two important Ecoforums were taken place, one in Saint Petersburg and one in Moscow. It was a large-scale events united students, volunteers, young specialists and scientists, future environmental and environmental lawyers with representatives of regional and federal authorities, business, environmental and supervisory authorities, environmental funds, environmental monitoring specialists and analysts. Leading Russian and foreign experts in the field of environmental policy are invited to participate in the event. (University, 2017)

As a part of master thesis research author visited Vegan fest in Saint Petersburg. This festival took place in December 23-24 in Loft Project Floors (Этажи). The idea of this project was that all earnings will go for donation for animal. There were presented different small companies who are producing or distributing vegan organic food. A free lecture about how to eat healthy by famous nutritionist, culinary master classes, yoga classes, entertainment for kids have taken place in fest. (Veganfest, 2017)

All enthusiast where were young people and author had chance to speak with few of them. It was peanut butter producers Blagodar and fresh greens and salads producers Zili i Rostili. They said that have motivation not only for profit making but to change something in their city, to bring people natural products and teach educate them to care their health. This people are constantly tacking part in non-profit events and being volunteers for different donation

projects. This event brings to the conclusion that there are enthusiasts who want to explain about organic and nature and society who is ready to listen to.

4. Analysis of the Countrylife Company in the Home market.

In this section author identifies strategy of the Countrylife Company in the home market. Author uses webpage, internet sources and own research in order to examine the business behavior and its vision. This step is important for the later strategy, to be in line with home strategy even in foreign market.

4.1 History of the Countrylife business

The company Countrylife was founded in the spring of 1991 and was the first to bring organic food to the Czech market. The company runs a network of healthy nutrition stores, vegetarian restaurants and bistros, ecological farm, bio baker, online store and wholesale with a comprehensive range of organic products and healthy diet products, including natural cosmetics, ecological cleaning and laundry detergents. In this year, wholesale and first store was established. First wholesale was placed in small rented buildings in Suchbát, Prague. The first store was in Melantrich 15. (Countrylife, 2018)

Figure 16, Figure 17 : Countrylife shop



Source: <https://www.countrylife.cz/nase-historie?n=2>

In the year 1992 Wholesale was moved to the larger building in Hostivice in Prague and stayed there till the year 2013. The organic farm was established in same year in Nenačovice near Prague. In the following year, it won an honourable award in the Green Project of the Year contest. The Company started to cooperate and support the humanitarian organization ADRA in the same year. In the year 1993 store was opened in Jungmannova street, there

business and refreshments have been running from the beginning. (Countrylife, 2018) In the year 1997 Countrylife Company managed to open a shop with natural cosmetics in Melantrich Street. Next year bring big changes in terms of business development. They renovated the store in Melantrich and opened a new self-service restaurant in the courtyard and company managed to penetrate the supermarket shelves. (Countrylife, 2018)

Figure 18 Countrylife in retails

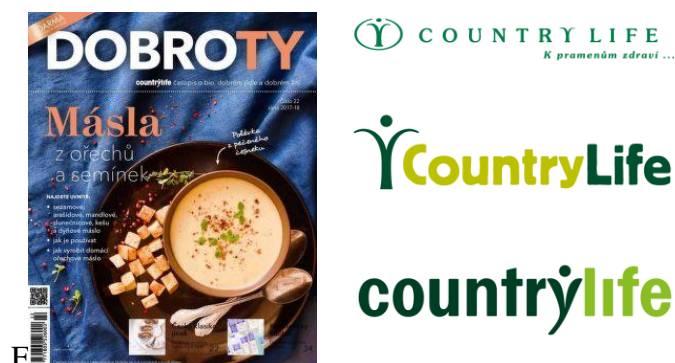


Source: <https://www.countrylife.cz/nase-historie?n=2>

In 2003 owners moved the headquarter to Nenačovice and since then, the company's headquarters, wholesale warehouse, packer and organic farm have been located. In 2005 in Nenačovice first bakery was established. In 2008, new largest store with bistro was opened in Dejvice. In 2009-2011, the Bio-school project was implemented funded by the Ministry of Agriculture of the Czech Republic. Company have released a set of information materials for parents and schools, organized a Bio market in schools, and healthy cookery courses for cooks, on excursions and open days at organic farms. And besides, conference on organic in school catering was organized. From 2010 company is selling goods in the internet also through their e-shop. In same year Countrylife changed their 19 years old logo to the new one. In 2012 firm started publishing the magazine “Dobroty”, which was distributed in 40,000 copies in health food stores across the country. In same year the new store was found in Sokolovská Street, Karlín. Since next year, company has an organic food store at Vinohradská, Prague 3.

In 2014 company opened a specialized bakery in Kladno there they began to bake salt and sweet gluten-free pastry. In same year, new organic food store was opened in Francouzská Street. The firm opened a new store of natural cosmetics, which is located right in the heart of Prague, in Liliova Street. In 2015 for the second time in the history of the company, we changed the company logo. (Countrylife, 2018)

Figure 19, Figure 20 “Dobroty” and logo development



Source: <https://www.countrylife.cz/nase-historie?n=2>

In 2016 From Nanačovice, wholesaler moved to larger premises in the logistics center in Rudná and opened a shop in Ostrava. In next year new organic shop was opened in Břevnov in Prague 6. The first expansion to the foreign market happened in 2017, Company opened Wholesale Country Life in Slovakia. On January 1, they opened the Slovak branch of our wholesaler and same year the latest store in Letná in Prague 7 was opened. (Countrylife, 2018)

4.2 Marketing Mix

The marketing mix is a foundation model in marketing, it has few variations, and however author applies classic one -4Ps. Author use primary source of information- the company webpage and make analysis, also visiting physical store.

4.2.1 Product portfolio

“Country life” provides a wide range of products, including food, cosmetics and household cleaners. In addition, the company operate restaurants. It offers only organic or bio products. The main focus of business is food, that is why store provides completed range of foodstuff including dairy products, cereals, frozen vegetables/fruits, legumes, nuts, seeds, dried fruits, gluten-free pastry, semi-finished products and mixtures, meat and egg substitutes, pates, jams, baby food, flavors and sweeteners, drinks and teas, different oils, seaweed, vegetable drinks and desserts, spices, snacks, fresh bakery and dietary supplements. The majority of this products goes under their own brand “Country life”. Some of the products are grown in

Czech farms; some are purchased abroad from local farmers and packed here. All products have certification with all supportive information. (Countrylife, 2018) All certificates with numbers and products can be found in the webpage: Certificate for producers of organic food CZ, Distributor certificate CZ, Certificate for the Producer of Organic Foods EN, and Certificate for the EN Distributor.

As it is shown on the following pictures, products always have simple transparent packaging with brand name and content description. Popular and often used products can be bought in a larger family packing. So far, quinoa, Himalayan salt, hemp seeds and dried dates are on offer. Syrups are also packed in small and big bottles. (Countrylife, 2018)

Figure 21 Countrylife products



Source: <https://www.countrylife.cz/nase-historie?n=2>

The second important category that can be purchased in shop is cosmetics. Under this category falls body care, hair care, face care, make up, deodorants and perfumes, cosmetics for kids and men. Country life does not have its own cosmetics brand, following brands are found in store shelves: Jason, Durance, Fair Squared, Weleda, Saloos and so on. These brands has organic or bio products as always it is mentioned on package with appropriate stamps of certification, some are suitable for vegan (does not contain any animal bi-product or derivative; for instance, milk, honey, eggs, etc.) and all are not tested in animals. The company also has an ecological household cleaning by Ecover brand. Its products are made from a plant or mineral base and contain no oil components. Their packaging is recyclable and the means themselves are ecologically degradable, so the impact on nature is minimal. Ecover does not test products on animals and the products are also suitable for sensitive skin. (Countrylife, 2018)

The last product, which company offers is restaurant. Restaurants offer a self-service counter, vegan hot and cold dishes, a large salad bar, healthy desserts and a selection of fruit

and vegetable juices. The restaurant's menu is changed every day. The price is determined by the weight of the food. Restaurants cook from available seasonal food and organic food. All dishes can be taken out. (Countrylife, 2018)

4.2.2 Place

As practice shows, the distribution channels play a substantial role for shops to be successful, the reason is simple- consumers are not willing to travel long distances to buy greener products. (Countrylife, 2018)

The country life company is an example of grocery using not only one or two distribution channels. Since the beginning of 2016, the wholesale company has its headquarters in Rudná near Prague. “Country life” is operating its own Eco farm where, farmers grow organic food products such as grain, vegetables and fruits, selling all of this in their shops. (Countrylife, 2018)

Wholesale

Country Life is the largest importer, trader of organic products and one of the largest traders in healthy food products in the Czech Republic. Company offers 2 500 products on the wholesale market, of which almost 1,500 items are in bio-quality. In 2017 Company opened Slovak branch of their wholesaler. (Countrylife, 2018)

Organic food stores Country Life

The main offline “place” where company is presenting its goods are stores by their brand “CountryLife”. Eight stores are located in Prague (Melantrichova, Jungmannova, Dejvice, Karlín, Vinohrady, Francouzská, Brevnov, Letna), two sample stores (Archa and Rudna) near Prague and one store in Ostrava. The vast majority of sales transactions occur in these stores. (Countrylife, 2018)

Online food store

The County life is using traditional farming but in same time goes it keeps up with modern time having online representation of their shop. In the web customers can find all range of presented products and order it online. Grocery has free delivery from 1200, below this amount customer might pay 89 CZK, 79 CZK or 49 CZK depending on delivery type. Consumer has three payment options: pay by card, bank transfer and payment on delivery

for 20 CZK. The weakness of this distribution method is that its quite time consuming, courier is supposed to deliver good within 5 days from 8am till 6pm. (Countrylife, 2018)

Restaurants and refreshments

Besides groceries, the firm has three small restaurants. First one is located in Melantrich Street, second restaurant is situated next to shop in street Čs. Armády in Prague 6, and third one in the Jungmannova street. All restaurants have a self-service and offers hot and cold vegan cuisine, a salad bar, fruit and vegetable juices and deserts. (Countrylife, 2018)

Bio bakery

The business has its bio bakery, where salty and sweet pastries are made and after delivered to stores and restaurants, as well as to organic food stores throughout the Czech Republic. (Countrylife, 2018)

4.2.3 Price strategy

The pricing strategy of Country Life shop is premium. The store do not differentiate between more quality and less quality products that is why price range on products within one category is similar. The consumer is ready to pay more since this type of business provides all information and documentation why price is higher. Informed customer knows that growing organic is time consuming, certification is costly, farmer need special additional facilities and operates in smaller scale. (Countrylife, 2018)

In generally organic grocery prices are higher than conventional food by 20-30%. Prices for organic self-care and cosmetics vary from quite low to quite high. Normally store does not have discounts in large scale, from time to time, it creates promotions, also, normally, but then product is going to expire soon, shop makes small discount on it. (Countrylife, 2018)

The following table was made by author and shows comparison of Countrylife products in different stores. As it seen from the table the price in Country life shop is substantially cheaper for Quinoa and Pasta but a little bit more expensive for baby food and oatmeal. The company applies strategy of different prices for products.

Table 4: Prices of Countrylife products in different places

	Organic Oatmeal (250)	Pasta (400)	Organic Babyfood (125)	Quinoa (250)
Countrylife	32 CZK	60 CZK	30 CZK	52 CZK
Tesko	22 CZK	89 CZK	24 CZK	120 CZK
Rohlik.cz	39 CZK	69 CZK	-	79 CZK

Source: Author, based on prices in stores

4.2.4 Promotion strategy in home market

Promotion is the fourth marketing-mix component, which is critically significant for an effective marketing strategy. Author made analysis in order to see mainstream of marketing campaigns and its focus in home market.

The main source of information about Country life is its webpage. Customer can read about history of the shop, what they are doing, about certification, see products available in store, read online magazine and find recipes for cooking at home, search for stores and restaurants location and career options and so on. Company is successfully following a direct marketing strategy. If customer is signed on their main website to receive news or to do shopping online, the firm keeps in touch with that customer via emails and text messages from time to time. The customer has opportunity to receive information about upcoming events or promotions or new products available. The bio grocery does not really have much media advertising, it used to have few billboards in the past and now it has notable outside design of the shop. Normally premium bio brands do not use TV or Radio advertising and Countrylife shop follows this strategy. (Countrylife, 2018)

The firm has active profiles in social networks such as Instagram, Facebook, Pinterest. In Instagram it has 91 publications and 1851 followers (on 5.04.2018). (Countrylife/inst, 2018) Almost all pictures are recipes of healthy dishes. Brand has more active page in Facebook with 16406 followers (on 5.04.2018). (Countrylife/facebook, 2018) There are posts about upcoming promotions, news in shops, pictures of fine food, here people can leave comments and reviews and like this business has informal communications with

customers. In Facebook, career options and pictures of employees are also published. In Pinterest it is observed only 54 posts with food and shop. (Countrylife/pinterest, 2018) The businesses recently announced opening of YouTube channel and it is about cooking dishes from Country life's products. Every year County life presents its food in different Fairs and workshops. As a part of a PR strategy The Country life has a free magazine "Dobroty" with information about healthy life style, products they have and dishes that can be made from it. As author mentioned before company does not actively use promotion strategy, but from time to time, it presents some products with small discount and opportunity to try new goods. (Countrylife, 2018)

The loyalty program is common for all Country Life retail stores and restaurants except sample shop in Nenačovice for every 100 crowns of purchase, the customer gets 1 point in the form of a sticker to place on a loyalty card for 30 points (sticker) in the loyalty card, the customer gets a 10% discount on the next purchase at Country Life stores and restaurants or a big plate (750 g) for \$ 1 at Country Life Restaurant (Dejvice, Melantrich and Jungmann) (Countrylife/facebook, 2018)

Figure 22, Figure 23 Countrylifes' Fairs



Source: <https://www.countrylife.cz/nase-historie?n=2>

As a conclusion shop is using more emotional then rational strategy, it has goals to inform about new products or new stores or events and communicate with their customers.

5. Survey

The following part of the master thesis includes analyses of the consumer insights and, as a conclusion of the whole thesis, proposes the market entry strategy for the Russian market. The qualitative and quantitative analyses were performed in order to choose most suitable strategy and analyze the buyers' perception of organic goods. The combination of both methods helped to understand deeper general target consumers.

Methodology

In order to get better insights of potential customers and factors, which can influence shopping behavior, an online survey has been distributed among general public in Russia. The objective of the primary research is to find consumers motivations to buy organic, how public is interested in green concept and what factors can drive shoppers to switch to organic. For that reason it was chosen to distribute questionnaire among all potential customers. Questionnaire was also focused on understanding respondent's awareness of organic and interest in the concept. Study results will be used as an extra facts to the secondary data from Russian Stat and other respectable resources. The online questionnaire was made with help of Google platform- Google Form. The questionnaire was distributed and filled-in online in order to reach more respondents. The full version of study is located in Appendix 1.

The questionnaire included few different sections: Demographical questions, Factors influencing purchasing behavior, Awareness of organic and how public is interested in the concept. The survey consisted of 13 multiple-choice questions. The list of answers was divided into three parts, each of them is responsible for different tasks: the first group of two queries served as a demographical description of the respondents; the second section included two questions about the purchasing behavior of the customers and factors which might influence it; lastly, the biggest part of the study, consisted of nine questions focused on organic, namely awareness about the concept, degree of readiness to pay more, regularity of purchasing, familiarity with organic labels and organic concepts and etc.

The average time need to complete the survey was 3-8 minutes. During the collection time (December2017 -January 2018) 104 respondents participated in the survey. Author chose to use three possible places of living: Moscow, Saint Petersburg and other. This decision was made based on secondary data, analyzed earlier.

Second part of the research is qualitative analysis. In order to deeply analyse the background of the problem and go into more details, author created a qualitative analysis in addition to quantitative research. The qualitative research was made in form of in-depth interview with open-ended questions. Author aimed to analyse the primer target group, not random representatives of society. This objective of the study was to see reasons of primary target group to buy “green” goods, their interests and motivations.

For that reason two respondents, who are already aware of green market and have knowledge in this area, were chosen. The list of questions and full answers in English and Russian can be found in the Appendix 2. Author had goal to identify what motives drives consumers to move from normal products to green and organic, identify what is important for organic customers in Russia and found out other consumers interests, for later promotion campaign. Author believes that researches outcome will help to make right strategy for the Marketing Mix. Eleven open-ended questions were created and were asked in face-to-face interview.

Once examined all the foundations from the study, it is possible to subtract a conclusion and recommend strategy, based on primary and secondary research from the earlier parts of the thesis.

Quantitative Research

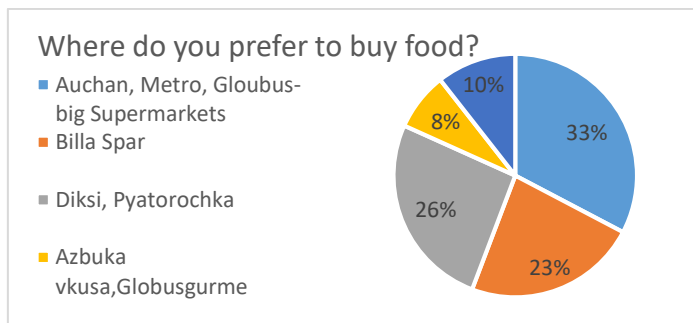
Profile of respondents

Questionnaire had reached 104 people in total, 35 respondents from Moscow, 19 from Saint Petersburg and almost 50% (50) respondents from the other regions. The age range was divided into 5 groups: 18-25, 25-35, 35-45, 45-65 and others.

These groups represent five different generations: 1st young students or people, who are in the very beginning of their career, 2nd are young professionals that might already have better income but still do not have family life, 3rd one represents people who have good career but they are category of young family with kids, 4th one are older people, but still in working age and 5th are people out of context- students or pensioners. The biggest share of total number of respondents belongs to group 18-25 (53), followed by 25-35 (24) and 35-45 (19), 45-65 (7), and others (1).

Place of shopping

Figure 24 Shopping place preferences



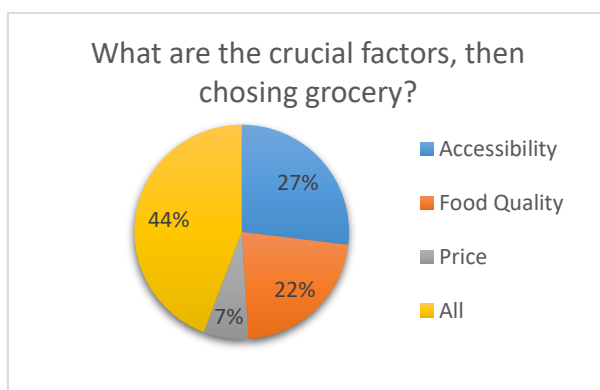
Source: Author, based on the questionnaire results

For later reasons it is crucial to know where people prefer to go for grocery. The biggest group of respondents (32) prefer to buy food in big supermarkets such as Auchan, Metro or Globus. The following category of people (27) makes purchases in discounted, low quality shops- Pyatorochka (Пятёрочка), Diksi (Дикси), third big group buys in Spar and Billa (24), the minority goes to organic shops/farmer markets (11) and premium shops as Azbuka Vkusa, Globusgourmet (8).

Factors influencing the place of shopping

The question was designed in order to see which factors and motivations drive customers to make purchase in particular place.

Figure 25 Factors influencing shopping place choice



Source: Author, based on the questionnaire results

The above figure shows, that majority (46) of consumers would not sacrifice quality for price or price for location, as all elements (accessibility, quality and price) are same important for

them. The quality (23) and accessibility (28) seem to be almost same important for people, when they are going for grocery. Price (7) was the least crucial issue for consumers.

Interest in organic and its concept

Following questions were more specific and related to green and organic behavior. The first question was made to confirm or deny the theory that people want and do care about their health. The author was asking respondents if they care about health and about what they eat. Since big part of healthy life style is eating behavior and habits, the answers will show if general customers want to buy quality, healthy food. The answer- "I am trying to care" won without any doubts (73), it confirms, that people want to care about themselves, but not always do it due to money, time and lack of knowledge of what is healthy lifestyle. The following winner is "No, but I would like to" (18), which again confirms that community is ready to be healthy, but still has some doubts and factors, which stop them. Other options were answers for the minority of people: organic lovers (8), vegetarians (2), vegans (1) and not interested in healthy being (2). The responds showed the good dynamic, only 2 people out of 104 are not interested in healthy food at all, 8 are primer target of organic and others would not mind to care about themselves, buying healthy food.

Price for health

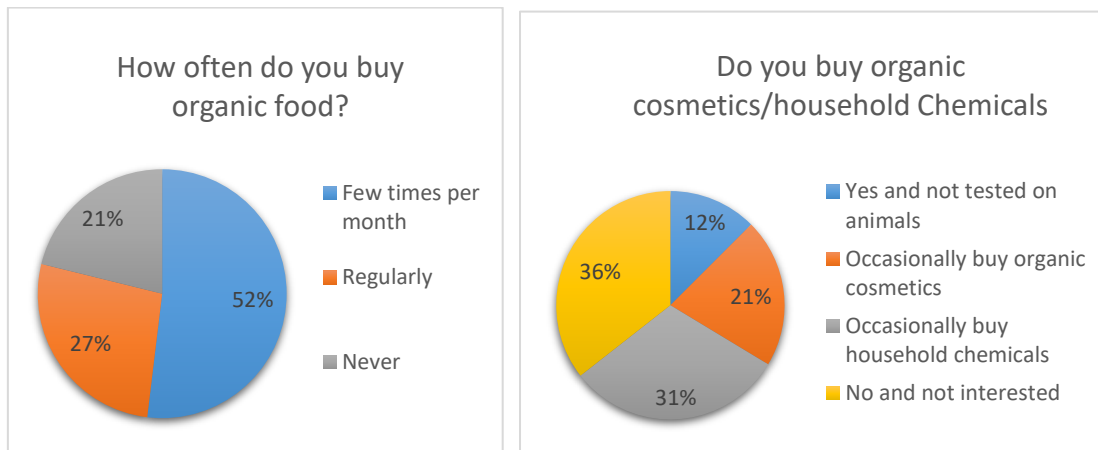
The above questions showed, that majority of respondents are interested in food quality. The next logical query is how much in addition people are willing to pay for food, which was made without chemical ingredients. The majority is ready to pay only 10% (47) more than they usually pay; following groups can pay 20% (39) and 30% (5) more than usual. In addition, some consumers (13) do not have wish to pay more for organic products.

Organic awareness and understanding of the meaning

To sell organic goods in market, it is vital to see if people do understand the idea of organic. This question might demonstrate if it is necessary to educate people in particular region in order to make them interested in production. Respondents confirmed the secondary research- in Russia it is quite small portion of people who understand the meaning of "organic". The right answer was the short definition of organic "Products produced without usage of artificial chemicals" and 55% (57) of respondents knew it. The following majority of people (29) thinks that organic products are equal to farmer products. The third answer (18) was that organic is only marketing solution and products are the same. In same time, the majority

of respondents are still buying organic food occasionally (54) or regularly (28). Author was also asking if customers want to buy organic cosmetics or bio household chemistry and if they are interested and results in following chart show that customers are interested not only in organic food but in other products.

Figure 26, Figure 27 The occasion of buying organic, organic products preferences



Source: Author, based on the questionnaire results

Organic brands and organic labels awareness

In this part of survey author had aim to identify awareness of organic brands, famous organic and green logos. In first question respondents were given four pictures of green related labels(organic labels from EU and USA, recycling label and fair trade label) and they were asked to tick if see something what they know. Respondents had possibility to choose one logo they know and answer all or nothing. Results showed that almost 10% of people (10) are not aware about such logos, 37% knows all of them (39) and other respondents picked up only one, 50% of respondents recognised only recycling logo. The answers demonstrate, that majority of public is aware of green logos or know one.

Figure 28 Green/Organic labels



Source: http://www.ifoam-eu.org/sites/default/files/ifoameu_organic_in_europe_2016.pdf

The second question was designed in order to find out if public knows famous green brands. Author selected brands from different categories: food (Alpo), cosmetics (Weleda and Natura Siberica), and household chemicals (Ecover).

The majority of respondents (48) recognized all brands and only seven people do not know any. From all products, Natura Siberica is the most identifiable (30 people). For one later concept author was asking public if they are interested in recycling and found out, that absolute majority of people are interested, but due to the lack of recycling trashcans they do not do it. Only 21% of respondents are recycling in given conditions.

In last question in survey, respondents were given question if they would be interested in a store with farm products, fresh natural pastries, organic cosmetics / household chemicals and a café with homemade healthy food in one place. The result showed, that 50% of consumers will be very interested and 35% would go sometimes, which gives 85% of potential customers from the public. The population of Moscow and Saint Petersburg for the year of 2012 is 16.911.000 (gks, n.d.) (The last year then size of population was estimated), and the estimation number of potential consumers is 14.374.350.

Conclusion and main findings for public-potential consumers

1) Consumers prefer big supermarkets

Consumers prefer big places for shopping, where they can buy all products in same time. This is an important outcome from the study and shows the necessity of cooperation with big groceries for product distribution.

2) Price Location and quality is same important

This three factors are the same important for customers. Location in the city center might be the most beneficial one, since the majority of people are working in the center or spending free time there. It is important to show customers that price is reasonable for the given quality and that they do not overpay but give additional for the goods class.

3) Society started to understand the importance of healthy life style and tries to care

In Russia the organic concept is quite new. Recently people started to be afraid for their health and consequently pay more attention on what they eat. It means that market potential is quite big.

4) Majority is ready to pay 10%-20% for the quality and some enthusiasts 30%

General public are not ready to pay much more for the organic food, author believes that it is important to educate people about the concept, in order to put higher price and stay reasonable. For the beginning 20-30% additional “fees”, comparing to contemporary goods, for the organic might be enough.

5) Half of the public does not really know what is organic and Small portion of society are aware of the well-known and important organic labels

This outcome shows a great necessity of education of Russian consumer.

6) Absolute majority will be interested in shop/restaurant with organic products

There is a potential for the Country life.

In-depth interview results

Profile of respondents

As it was described before interviews were conducted with two respondents interested in the organic concept. Both respondents are living in big cities: Moscow and Saint Petersburg, both are young professionals (have University degrees), having creative not office jobs (yoga trainer, freelance journalist), both are living active life (travelling, going to concerts, interested in self-development). Respondents are young females in the age of 24 and 25 respectively.

Motivation for organic

First respondent (Valeria Petrosyan) is interested in organic concept for 4 years, since she is living alone. Her motivations to consume organic products are coming from fact that she is aware of harm, that artificial chemical elements can bring to the health and she claims, that her body feels big difference, when she eats organic or ordinary food. Second respondent (Anastasia Titova) is interested in concept for 9 years already, her incentive to eat differently came from the fact, that she is allergic and her body does not accept dairy products, consequently she started to look for substitutes and reading specific literature. Moreover, she is working as a yoga coach now and she claims, that she feels how her body is reacting on better food, she has more energy, which is necessary for her career.

Purchasing behaviour

Both respondents admit that the organic concept is not developed in Russia yet and society is not aware of its specific. Both respondents are going for grocery in Auchan and organic shops such as Vkusvill and Soyka in Moscow and Ugleche Pole in Saint Petersburg. Both respondents have busy life that is why location of the grocery is important, Valeria also cares about milk and similar products to be sold in glass. Both interviewers are buying not only organic food, but cosmetics and household chemicals also. Valeria prefers to wash vegetables and fruits with Ecover (eco-wash), Anastasia buys because she is doing shopping in organic shops and does not want to go someone else for cleaners.

Free time and Hobbies

Both young women have friends who are interested in concept, but not a lot. Valeria likes to inform people and give them information she knows about green market, Anastasia does not like to push people to change their habits. Valeria is interested in organic related concepts such as fair trade and she recycles all. Anastasia thinks that recycling is not working in Russia and it's fake at the end no recycling exists, but she would be very interested to recycle. Valeria is interested in CSR and for her it's important fact that company is responsible, Anastasia is interested, but not so much.

Conclusions and main findings

1) Society has low awareness about organic and people need organic education

The Qualitative research findings confirm the previous statement about organic familiarity. Market specificity, namely lack of knowledge about the organic production should be taken into account.

2) Preferred places are organic shops and big supermarket Auchan

Target group does shopping not only in organic shops but in normal supermarkets, in special sections. This finding is important for the Country lifes' entering and distributing strategy.

3) Main target group is made from "innovators"- early adopters

As it was mentioned before, green market is not developed yet in Russia as it is in Czech Republic and other European countries. The pure target, people who buys only organic, is

the minority of population- “innovators”, so they are ready to pay more for something new, they are interested in innovations and have broad idea in this area.

4) Main target cares about related green concepts and do not accept greenwash

The study confirmed previous findings in secondary research that green customers not only consume green, but behave green. It includes such concepts as CSR, Fair trade, recycling; they are interested in how companies are operating and reducing waste, in renewable energy, in environmental pollution, in welfare of animals and so on. It is very important to take this concepts into consideration while operating the company and choosing distributors, suppliers. Company should show the sustainable behaviour to gain the consumers trust and be successful in the market.

5) Online delivery of food is important option

In cities like Moscow and Saint Petersburg time is an essential factor of all life. People are always in hurry, the distances are huge and traffics are enormous. This aspects give citizens the additional motivation to search ways how to save their time. In this case online delivery can be helpful tool for the distribution.

6) Health and Welfare of nature is a prime motivation to buy organic

All people have wish to be healthy, some care about what they eat, some cares about how they look, few cares about nature and animals, but all of these are motivating people to buy organic food. It is necessary to keep it in mind while doing marketing campaign.

5.2 Swot analysis of Country life in Russia

The SWOT analyses was made in order to see potential of the Country Life Company and what internal and external problems the business might face in Russian market. The table will help to clearly see essential points for the Marketing Mix.

Table 5 SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none">- International Experience (Slovakia)- Long in the market- High quality of products	<ul style="list-style-type: none">- Lack knowledge of Russian market- Mid-sized company - expansion may put severe strain on resources

<ul style="list-style-type: none"> - Czech company - Czech brands popular and held in high regard in Russia (Škoda, Velkopopovický Kozel, Hamé) - country of origin perception - positive - Large own product portfolio - Well-developed and user-friendly website - Developed relationships with other organic brands and retailers - Established company in home market - strong base for international expansion 	<ul style="list-style-type: none"> - High price of the products (compared to the general products) - The brand is unknown in the foreign market - Limited target audience, not mass market
<p>Opportunities</p> <ul style="list-style-type: none"> - Low competitive environment - Low market penetration - Interest of society in healthy life style - Large market with opportunity to expand - Free niche, young market - Big Market size (14374350 people) 	<p>Threats</p> <ul style="list-style-type: none"> - Unstable economy - Food embargo/sanction on vegetables, fruits, meat and some fish (described earlier forbidden food) - Unstable international relationships of Russia - Unstable home currency (Rubble) - Low awareness of organic - High corruption and bureaucracy level (Administration procedure for opening business, described earlier in PESTEL)

Source: Author, based on governed information

The SWOT analyses shows that going into Russian market might bring a lot of opportunities: big market size, not occupied niche, consumers interest and so on. In the same time this market is risky and unstable. The steps and strategy for entering market should be chosen carefully to win it.

6 Entry strategy for Country life into Russian market

The decision regarding the market entry mode is an essential detail when the company goes international. In order to choose way how to enter foreign market, author analysed theory of marketing and business, home market environment, companies' interest and consumers preferences. Based on the research done, author proposes following plan.

6.1 Market entry mode

It is suggested to open physical Country life shop (without farm yet) and distribute through retailers like it is done at home market. Author believes selling through retailers is helpful to achieve economic of scope and plus company to become known and recognizable. The outcome of qualitative and quantitative analyses showed that customers like big groceries, from being there Country Life will meet more clients and potential clients. Company should choose selective distribution, due to the specific of the brand and its positioning. According to the research above, the best options will be Auchan/Globus/Metro, premium shop-Azbuka Vkusa and small organic shops like Soyka or big competitor Vkusvill. Already in this stage, company can start to promote its products.

Secondly it is recommended for the Country life to establish their own shop in Saint Petersburg and Moscow. This mode will give full control over the product, its price and brand. Country life can use same strategy as in home market, just with some small adjustments. It is recommended to make webpage in Russian language, VK page, Facebook and Instagram. The secondary analyses showed that niche is not occupied yet and there is place for new brand that is why potential to develop in the Russian market is big.

Author considered franchising as a possible entry mode, but after analysing of the whole situation decided to not exercise it. The big disadvantage of the franchising in Russia will be lack of control. Author believes that Russia is not that market where Country life can use franchising now. Owners might behave not in line with the green concept and can ruin the brand. Finally, writer decided to collaborate with local suppliers of such products as meat and vegetables. The reason for this choice is the product embargo of Russian Federation and impossibility of importing such products as meat, fish, vegetables and fruits (author analysed embargo more specific in PESTEL analyses)

6.2 Target and segmentation analysis

Segmentation and targeting are the key part of the marketing strategy. The identification of the target is the base for all future promotional activities. All recommendations are based on analysis and researches done in earlier parts of the diploma thesis. Various criteria can be used to group clients into different segments. Author is applying descriptive, behavioural and psychographic characteristics.

Today, the majority of big supermarkets has a mass-market strategy; they do not state the specific target group. On the other hand, such groceries as Country life has narrow specific and in current situation and given market, company cannot sell to everyone.

The first type of segmentation is geographical one, based on all researches author concludes that only people from big cities are ready to consume organic in high proportion, and furthermore big cities such as Moscow and Saint Petersburg were always giving stream to the others. That is why it makes sense, in the first stage, to consider only consumers from these two cities.

The demographical segment is playing role also. As it is known from various researches by marketing agencies, women mostly do the shopping and moreover females in general are more interested in organic. In addition the cultural analysis is saying that males are rare cooking and caring house in Russia. The trend shows that younger people in age of 23-36 are interested in organic. Author believes, that religion and ethnicity does not play essential role in this case.

The last, but not least descriptive criteria in this case is socio-economical. The primary and secondary research showed that income level and education level are essentials. Since organic food and products are more expensive than conventional ones, the salary is an important factor, not all customers can afford such goods. The other aspect is education of customers in broad sense; by this author means not people with university degree, but some kind of “elite”, people who has interest out of box and like self-education.

Psychographic segmentation is vital in case of Country life. Lifestyle, values and motivations are identifying the target. Author mentioned the specific target of green goods in first chapter- LOHAS. These are the typical green consumers, who already have specific eating behavior and living sustainable. These consumers do not need to be educated by someone about organic, they are the early adopters, and they know all about organic and keep learning. They are the “innovators” and constitute small proportion of the population. People with specific food preferences such as vegetarians or vegans might be also part of this segment if they have some ideas behind their eating habits and green behaviour.

Author considers this segment as a prime one, heavily users, which are not only consuming but interested in concept. That is why it is important to avoid Greenwash effect, author described in previous chapters, to not lose this customers and generate new.

Although it is an ideal customer, author strongly believes it is not the only one. Focusing in only LOHAS will not give big group of customers in Russia now, but in same time author strongly believes that this segment is growing and it's the most loyal one.

The second target group, by means of the VALS model can be "Achievers". This people have high income and family, might have kids, consequently they are interested in quality food. These customers can be named as early majority. They might not know all aspects of organic and this life style concept, but care about ingredients and quality.

The brand can target to the both heavy users and light users. As it was specified before, the benefit segmentation states for satisfying specific consumer needs. Author assumes that company should use the USP (Unique Selling Proposition) and play in emotional part of product. Although the product is more rational than emotional, the brand can give consumers the feeling, that they can care and influence their health and nature.

For the better visualization persona will be applied.

Table 6 Persona

Persona
<p>Name: Polina Age: 27 years</p> <p>Place: Saint Petersburg</p> <p>Degree: Graphical designer</p> <p>Occupation: Designer in small company</p> <p>Status: Single, lives alone</p> <p>Personality: confident, creative, friendly, ambitious, tolerant, sustainable, fight for rights of minorities, has nature friendly behavior.</p> <p>Hobbies: chilling with friends, watching good movies, travelling, modern art, innovative literature, hiking, yoga classes.</p> <p>Cafes: Café Volchika, Bushe, Hopkins bar, Ludi lubyat chleb.</p> <p>Shopping groceries: Auchan, Ecobiomarket ORGANICA, small vegetable shops near home.</p> <p>Brands clothing: Show rooms in lofts projects (Loft Etagi, Loft Osobnyak)</p>

Source: Author, based on governed information

6.3 Marketing mix

This section is last one and it is an outcome of all primary and secondary researches. Using all information conducted in Master thesis author prepared the Marketing mix strategy- 4Ps.

6.3.1 Product strategy

Decision about product transformation/modification/adaptation is essential for the business, based on this pricing, distribution and promotion strategy will be performed. As it was mentioned in the theoretical part products have three layers, which can be adapted. First layer is a product itself. Based on the analysis and the specific of goods, author do not see any necessity for core adaptation, the tastes of Russian customers are similar to the local ones, there is no cultural gap, which can influence the core and, according to the current legal requirements about the organic and labelling, the EU organic are recognized.

The following dimensions of the product are packaging and services. In this case, obviously, language will play an important role, author thinks that style and idea can stay the same, but all information in package should be translated into Russian in accordance to the local law and common sense. The name of the product can stay the same- Countrylife, in case of shop, according to practice, it can be written in English and Russian language (legal requirement). In the following pictures author prepared the example of possible layout of the package. The style and text are the same, the language is adjusted. The package says “QUINOA. Wash and cook same, as it would be rice. Bon appetite! ”

Figure 29 Product packaging



Source: Author and <https://www.countrylife.cz/nase-historie?n=2>

Furthermore, it is recommended to write small history of the brand and some tips about organic concept in the backside. The same idea should be applied to the web page. It is necessary to make sure the translations are done by professionals to avoid mistakes and misunderstandings. Since the product will be considered as a premium, the service in Country life physical store should correspond this positioning. In addition to that, analysis shows that awareness about organic is low, that is why staff should be trained to explain and educate clients about the brand in POP.

The image of the brand is very important in case of organic/bio/farmer business. As it is shown in SWOT analysis the country of origin and long experience in the market might help to make good brand perception. In addition, several promotional and PR campaigns will be done.

Author proposes for company to sell cereals, baby food, meat substitutes such as soya and different oils through other retailers also. In their own physical store, company should choose what to sell from own brand and what to sell from suppliers. In this case, according to research author suggests cooperating with some home brands and farms. In first stage it does not make sense to open farm in Russia like it is done in Czech Republic.

From the quantitative and qualitative analyses, it is seen that buyers are interested in cosmetics and household cleaners also. Country life can have same range of products as at home market with small adjustments in brands range, which also corresponds their strategy such as selling popular Russian cosmetics Natura Siberica. The primary research showed, that population in Russia is interested in supplements and vitamins (from legal perspective some are allowed to be sold not only in pharmacy), that is why it is recommended to have them in shelves (Omega 3, natural protein, Lutein, multivitamins, vitamin C, Collagen and so on).

6.3.2 Place and distribution

It was decided for the distribution strategy to open own physical store and use retailers also. The distribution cannot be intensive due to the specific of the product and its attributes that is why the selective distribution will match the brand better. The primary and secondary researches showed that the best retailers for the organic could be Aushan, Globus, Azbuka Vkusa and possible big and small organic shops like Soyka or Ugleche Pole.

For the opening physical Country Life outlet the right place should be found. Author claims that both locations- Moscow and Saint Petersburg should be considered. The questionnaire shows that location is very important for people, since they live busy life and do not have much time for shopping. That is why location near by big business centers can be beneficial and since the restaurant-canteen can be functional also, this place can match the best. One of very important channel for distribution is e-shopping, the online shopping with fast delivery can be big advantage in case of big cities. Author thinks in this stage it is too expensive to have own delivery car but can use outsourcing delivery companies such as Delivery Club Company.

6.3.3 Pricing strategy

Price for the Country life products should be established considering following factors: the cost of distribution, prices of competitors and foreign exchange risks. The price cannot be same as in Czech Republic due to the transportation cost and cost of operating business abroad. In addition, author believes that prices of competitors plays substantial role. The pricing should not be higher than competitors have or same, in order to win customers fees for products have to be lower.

Author uses same products as she used before in competitors analysis and shop analysis in home market. It is pasta, baby food, oatmeal, quinoa. The bottom level price of oatmeal is 77 Rubbles and upper 513 Rubbles. In home market price is 32 CZK=96 Rubbles (exchange rate is 1CZK=3Rubbles for 23.04.2018). Therefore, it means that price should be 96 Rubbles plus additional costs. Author proposes range of 150-250 Rubbles. Same logic is applied for the other products, pasta has price range 90-650 Rubbles, in home market it is 180 Rubbles and it can have range of 250-350 Rubbles in Russia. Organic baby food is in range 70-153 Rubbles, at home is 90 Rubbles, and can have range of 110-125 Rubbles. Quinoa is 255-1200 Rubbles, at home Country life has price 156 Rubbles and in foreign market can be 250-400 Rubbles.

6.3.4Promotion campaign

The last part of marketing mix is promotion or communicational mix. It is the most visible part and the outcome of all information and analysis, which was gained during researches. Since “Countrylife” is going to the foreign market its main goal is to achieve awareness.

First tool, which is used in the campaign, is advertising. Author recommends “Teasing add” to increase the attention to the outlet. For this purposes banners can be utilized in the city center of Moscow and Saint Petersburg. The following drafts are an example of the advertising. Figure 30, Figure 31: Teasing campaign



Source: Author

Firstly, pictures with green background will appear in the city, with logo and question, “Would you like to go to the countryside”. After few weeks this picture will be substituted with second one, where grocery with fresh vegetables and fruits is depict and same question is asked, “Would you like to go to the countryside?” Author believes that this tool will attract the customers and they can become curious about the brand. Since Country Life is not SME business and can not afford huge campaign author propose few banners nearby business centers or near opening place. One banner will cost approximately 20000/26666 CZK (printing and construction 5000 + renting place for 1.5 month from 55000-75000= 60000/80000 rubles, exchange rate for 1 Czk is 3 Rubls).

Online Marketing-Social networks

As it was already mentioned before, Company should have the translated web page, Facebook and Instagram. With usage of these social networks, Countrylife can communicate with customers, share news, ideas and information, or answer questions. Networks can become the source for organic education for people.

Besides prime contact with Country life, the cooperation with bloggers is an essential tool today. The earlier researched says that Younger generation is more interested in organic than older one. They spent an enormous amount of time in Instagram, last years the trade and advertising through local bloggers in Instagram has its peak. People like to follow influencers and they trust their advices. Bloggers will make posts about Country life store

and millions of potential customers will see it. Using this tool company can achieve the biggest amount of target customers, by choosing right influencers. All bloggers have their own specific, it can be fashion, jokes, gym, cooking, travelling and so on. Author proposes few possible Instagram pages: Irena Ponarushku (journalist writing about joga, vegetarian life style, organic, donation, meditation and good mood) (Instagramm, Irena Ponaroshku, n.d.), Fitness Mama (fitness trainer, young mom of three kids, speaking about healthy food and organic food) (Instagram, n.d.), Ler_chek (fitness young lady, mom of twins speaking about skin, organic and healthy lifestyle) (Instagram, Valeria Check, n.d.), Tetyamotya (winner of Glamour prize- Most stylish woman of 2017, posting about fashion, trainings and food) (Instagram, Natasha Davidova, n.d.)

Cooperation

During the analysis, it was found out that people, who are interested in green life have a broad approach. It means they do not only consume such products but have certain green behavior: recycling, participating in voluntary events, care about nature as whole, read specific literature and do sport, especially yoga. For this reason author suggests cooperation with few yoga classes (Studio stretch me in SPB, Yoga space in Moscow, Yoga lab in Moscow). These classes can aware their clients about new outlet with organic food and food for vegans. As a barter agreement Countrylife can aware their customers about Yoga classes nearby. It is similarly possible to apply sales promotion strategy, clients from yoga class can have 5% discount in Countrylife and clients, who bought food more than for 4000 Rubles can have first free yoga class.

Following images are an example of small two-sided card/brochure. On front side, young woman meditates in nature and picture has the name of the brand. On second side it is said “We are what we eat! If you care about your health and yourself, you will be interested in our shop-restaurant, where you can find organic and natural food for you and your beloved, with 5% discount.

Figure 32, Figure 33: Brochure advertising



Source: Author

Sales Promotion

The loyalty program is seen as a necessary tool to have long relationships with clients. Author proposes the basic loyal program strategy: the more you buy - the bigger discount you have, the biggest one can be 10% and card can start from 3%. Furthermore, Countrylife can give an extra discount on a birthday and prepare special offers for loyalty cardholders. Author has made a special layout for this card, which can look attractive for the customers also.

Figure 34: Loyalty card layout



Source: Author

To continue the idea of Sales Promotion, author thinks that this tool should not be overutilized. It is suggested to the company to not use discounts often, because it can destroy the image of the brand, but only in case if product expires soon.

In the very beginning, it is not necessary to start big PR campaign, but few steps can be done in this direction. As an example, in Saint Petersburg it is common approach to help

between products is, support them with information and help with choice. The assistance should have nice uniformed outfit, looking always clean and fresh.

The purpose of Countrylife is not only to sell, but to educate and explain, why prices are higher and why it is important to eat healthier food.

Conclusion

Today the main driving force of the modern economy became globalization. Although it started few centuries ago, its biggest development and impact can be seen nowadays. The most important outcomes of globalization are the global division of labor, explosion of technologies, relocation of capital and people on a global scale. In these global conditions, it is hard for companies to stay only local and not being touched by other countries or nations. The international trade is not only about export or about import anymore, but international cooperation, merges, acquisitions, alliances, franchises, licensing and so on. Firm has a great choice of possibilities how expand and make international presence more profitable. The main aim of this theses was to find out such way for a particular Czech company “Country life” through conducting certain analyses and researches.

It was important to analyze and understand the organic market and its’ specific in general and in Russia specifically. The organic production aims to diminish the practice of syntactical fertilizers and elements in order to boost ecological harmony. (Akinyemi, 2007) The concept of organic had no sense few centuries ago; all was organic before 20th century then chemical fertilizers occurred. Modern society started to earn more and live better and consequently think if it is healthy for them and good for nature to consume such products. It was a start of “new” way of production without syntactical ingredients called organic. (Willer, 2016)

New organic concept has very deep connections with other ideas such as sustainability, fair trade, fair salary, and recycling, animal support CSR and so on. All this theories have goal not only to sell but also to improve “human being” and “natural welfare” using green marketing. In contrast to the green marketing, the greenwash marketing term appeared. This term means conscious or unconscious lie to consumers in order to make image of sustainable green company and for organic producers it’s very important to avoid greenwashing in order to not to damage their name and brand. (Ottman, 2011) Furthermore, in EU, for instance, there is a strict legislation about what can be named organic and which certificates are needed and what producer can put in the box. The IFOAM organization also provides the justification of organic natural, eco-friendly, ecological, farm products.

Organic farming is performed in 172 countries, of which 82 countries have its own regulations, 16 countries are in the procedure of emerging, and approving a controlling framework in the field of organic agriculture, Russia is part of them. (Helga Willer, 2017).

The PESTLE analyses showed that international political and economic situation is not very stable for doing business in the country: food embargo, sanctions, exchange rate, inflation, crisis and so on. The legal environment for doing business is important and broad case also. For organic business, there is a law of State Standard (GOST) R 56508-2015. It consists of instructions of production, storage, transportation, which mainly respect international standards and rules. (GOST, 2015) The EU and USA standards are accepted and in this case, there is no need to change way of production. Author, with help of Hofstede model and other resources, found out that there is no big gap between Czech and Russian culture, which can substantially influence trade. The important difference between these two markets is that while in Czech market organic is well known and developed, in Russian one, it's still new unknown concept. The volume of the organic market in Russia is 0.1% of the food sector. (Babanov, 2015) People are not sure about what organic is, although, according to Agri-Capital, 60% of customers from Moscow have wish to pay more for products if there is an "organic" sign in package. (Prokina, 2015) The other difference with EU market is that in Russia younger consumers are interested in the concept, while in Europe it's mostly older generation who starts to care their health and already has good salary. (Konstantinov, 2016).

The Competitors analyses was an essential part of environmental research, since business is not isolated and has to look at others, it's important to see strategies of participants and how they are strong in the market. There are three types of the competitors in the Russian market: importers of foreign production, producers carrying out direct sales of their products through small shops, farmers who did not certify their production, but marking it is as "BIO". (Nikolaeva M.A., 2016) (Prokina, 2015) Author looked at two main markets in Moscow and Saint Petersburg and concluded with main competitors according to popularity, market share and perceived quality- Vkusvill- Izbenka, Soyka, Lavkalavka, Ugleche Pole.

The Analyses of the Country life store in Czech Republic showed that its experienced business with 26 years presence in the Czech market and 1 year in Slovakian. It uses different distribution channels such as selling through own branded stores, restaurant, online delivery and retailers for instance Tesco. The Country life store sells mainly its own goods with its label but also some other brands of food, cosmetics and household cleaners. Country

life does not use any big promotional campaigns; it has web presence, its own magazine and charity projects. (Countrylife, 2018)

The last chapter of the thesis consisted from 2 primary researches and the proposition of the entering strategy as an outcome of the whole work. First research was done through questionnaire and was distributed among random public in Russia. It found out that people prefer big supermarkets, location and price are important for grocery shopping, people want to care their health, generally not ready to pay more than 30% for organic, big portion of customers are not exactly aware about meaning of organic and organic labeling and absolute majority will be interested in shop/restaurant with organic products. Second part of the research was qualitative analysis in form of interview with two females, supporting organic concept. It was conducted in order to analyse the background of the problem and find out customers motivation to buy organic in Russia. It found that society has low awareness about organic and people need organic education, main target group is made from “innovators”- early adopters, health and nature welfare motivates to buy organic, target cares about related green concepts and do not accept greenwash.

Finally, Author proposed entering strategy and marketing mix. It was recommended for the Country life to establish their own shop in Saint Petersburg and Moscow and sell through other retailers such as Auchan, Azbuka Vkusa, Perekrestok. This mode will give full control over the product, its price and brand. Author chose LOHAS and Achievers as a 2 main targets groups. Thesis concluded that there is no need for core adaptation of the product but package should be adapted- translated into Russian. Author proposes for company to sell cereals, baby food, meat substitutes such as soya and different oils not only in physical store but through other retailers also. Price for the Country life products should be set up seeing subsequent aspects: the cost of distribution, prices of competitors and foreign exchange risks. Author suggests teasing campaign, online presents, cooperation with Yoga classes, loyalty program. Furthermore, author proposes the usage of bloggers and vloggers in Instagram and other social networks. The Personal selling should not be underestimated in case of physical store.

In conclusion, even though the situation, in the Russian market seems to be complicated with its economic-political situation low organic awareness and other specifics, author believes that there are a lot of possibilities and opportunities for the Country life store with a right strategy.

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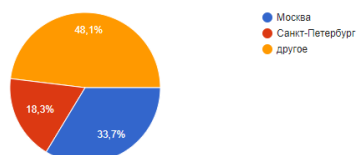
Appendix

Quantitative research

The questionnaire was performed by author in Russian language and translated version is part of the master thesis.

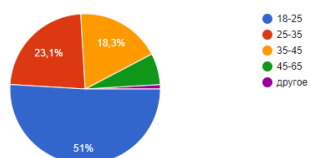
Место проживания

104 ответа



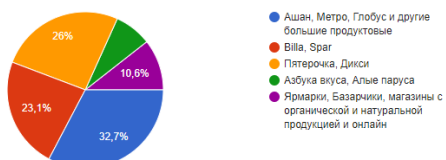
Возраст

104 ответа



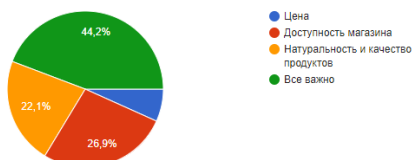
Где вы покупаете продукты

104 ответа



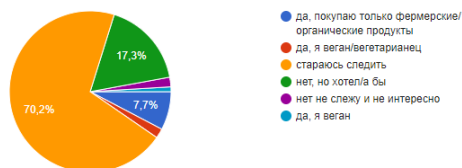
Что для вас главное при выборе продуктового магазина?

104 ответа



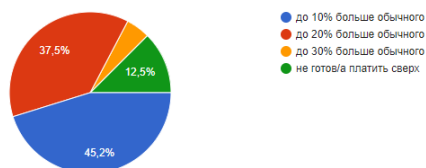
Следите ли вы за своим питанием и здоровьем?

104 ответа



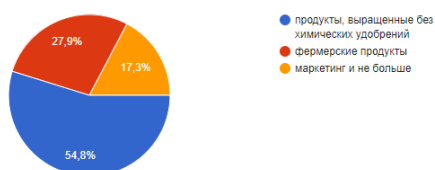
Сколько вы готовы платить за продукты без химии?

104 ответа



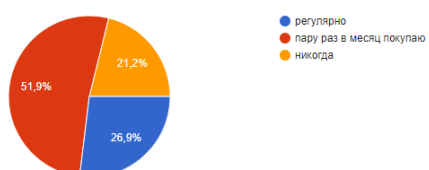
Что для вас органические продукты?

104 ответа



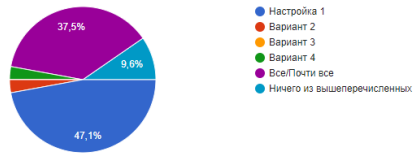
Как часто вы покупаете органические, натуральные, био продукты/косметику

104 ответа



Знакомы ли вам какие-то из этих символов?

104 ответа



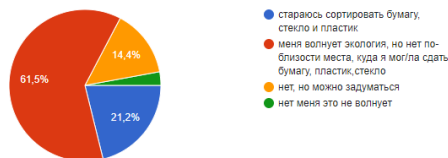
Что насчет органической косметики и бытовой химии, интересен ли вам этот концепт?

104 ответа



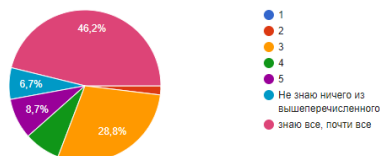
Как вы относитесь к переработке отходов, сортировке мусора ?

104 ответа



Знаете ли вы эти бренды?

104 ответа



Qualitative research

Questions in Russian language

имя

1. Какой у вас род деятельности?
2. Чем вы занимаетесь в свободное время?
3. Как долго вас интересует концепт органической продукции?
4. Что служит мотивацией к переходу на натуральные продукты?
5. Где вы обычно покупаете эти продукты?
6. Что для вас важно в подобных магазинах?

7. Вы покупаете только органические, натуральные продукты питания или косметику, бытовую химию и так далее...
8. Есть ли вы в вашем окружение люди, которые так же интересуется органической продукцией, если нет, хотели бы вы повлиять на них?
9. Какие ваша любимые кафе рестораны магазины одежды, куда вы ходите
10. Интересны ли вам такие понятия/действия, как корпоративная ответственность, сортировка мусора, честная, торговля/зарплата?
11. Меняется ли ваше отношение к бренду и желание покупать этот бренд, когда вы узнаете о плохих рабочих условиях сотрудников, об отсутствие корпоративной ответственности или наоборот, когда вы знаете что компания существует не только лишь для того, чтобы получать деньги?

Questions and answers in English language

Questions	Valeria Petrosyan	Anastasia Titova
1. Occupation and place of living	1. Journalist-freelancer Saint-Petersburg	1. Yoga coach in Wordclass Moscow
2. How do you spent your free time?	2. Travelling and reading a lot	2. Travelling, hiking, make bracelets, read books.
3. For how long you are interested in the organic concept?	3. Since 2014, then started to live alone	3. About 9 years
4. What was the reason/motivation to change your eating habits and switched to organic products?	4. The quality. The absence of chemicals is crucial. I found out how it could be, learned that chemical products affect negatively, learned that it could be better. Awareness is important. You need to know the harm of inorganic	4. My allergies to gluten and lactose intolerance are the most motivating things for me. In addition, in view of the abundance of hard trainings, I very well monitor the reactions of my body to a particular product, and when I feel how food directly affects the quality of training, then the
5. Where do you usually buy this products?	5 Small organic shop right next to house and in Auchan	

<p>6. What is important for you in such shops?</p> <p>7. Do you buy only organic food or also cosmetics, household chemicals, etc.</p> <p>8. Are people in your surrounding interested in organic, would you them to be interested?</p> <p>9. What is your favourite shop/café/restaurant?</p> <p>10. Are you interested in green related aspects such as recycling fair trade, fair wage?</p> <p>11. Does your opinion about company change then you know that it is performing CSR well or opposite if company is not social responsible.</p>	<p>and the store "vegetables fruits"</p> <p>6 It is important that its not "fake" organic shop, important to buy milk in glass and location</p> <p>7Cosmetics also, household chemicals sometimes, dry cream shampoo tooth powders toothbrushes.</p> <p>8 There are friends who are interested but all not in St. Petersburg Tambov Gomel Moscow</p> <p>I give information if people are interested, I would like to help</p> <p>9. Dill bakery, inexpensive youth café, surf café. coffee in the kitchen.</p> <p>10. Yes of course, I recycle all</p> <p>11. Yes I boycott ZARA and HM.</p>	<p>quality of food becomes very important.</p> <p>5. I try to buy vegetables and fruits on the market, buy soya or coconut milk in food hypermarkets such as Auchan, the rest I try to take in the network "hut", "tasty". Sometimes I order superfoods from the Internet</p> <p>6. If you talk about online shopping, then pricing is important. If an ordinary supermarket, then location, not far from the house and the opportunity to buy several types of products at once in one place</p> <p>7. Cosmetics and household chemicals, too, but this is not so important for me. I'm buying for the reason that it is sold in the same store where I buy food and I can buy it at the same time. The factor of how much time I spend on purchases is very important to me.</p> <p>8. Yes, there are such people in my environment, but their percentage is not great. I do not want to influence the rest, it's their right.</p>
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		<p>9. Shops: Vkusvill and Izbenka. Online store: shop.soyka.ru Cafe: Prime</p> <p>10. To be honest, I do not believe that these concepts work in our country. If everything worked as intended, it would be interesting. And when I myself observed that the sorted garbage is still dumped in one heap or the collected batteries are just sent to the trash, the motivation is zero)</p> <p>11. Yes, but not so much</p>
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