

Entry in Moscow, Russia market for Mad Professor Amplification Oy.



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ABSTRACT

The commissioner of the thesis is a Finnish company Mad Professor Amplification Oy and it was founded in 2002. In 14 years it has become one of the most respected producers of its products in the world and has worked with more than 50 countries and the founder of the company is Harri Koski. The objective of the thesis is to make a clear image of the Russian market, its advantages and disadvantages as well as creating market entry strategies that will help benefit the commissioning company the most on the Russian market.

The theory applied in this thesis includes different market entry theories and the in-detail explained cultural differences between Russia and Finland.

The main research method of the thesis is collecting information from different sources and conducting a survey. The majority of the sources have been found online. However, the author has also used printed music magazines as a source.

The main results of the thesis are a well defined idea of the Russian market, analyzed results from the survey and the creation of two market entry strategies.

The main recommendations for the company can be summarized as: It is important to push hard in the beginning of the entry to create a good brand image with the help of the advertisements, distributors, and to establish reliable sales.

Keywords Market entry, distribution, Russian.

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1 INTRODUCTION

The main idea of this thesis is to explain why it is beneficial for Mad Professor Amplification Oy to enter the music equipment market in Moscow, Russia; as well as introducing ideas that are suitable for the market and can bring awareness to the Finnish brand in Russia, establish networks with local stores and bands in Moscow and, of course, starts sales.

In order to make this report as useful as possible, there will be theoretical part which tells the reader about the Russian market and different types of market entry. Also there will be information on Russian and Finnish cultures, which are very important to take into account when entering the market, as both countries come from different past and their histories have made a big impact on what they prefer and do now.

Moscow is the biggest city of Russia and the music industry is growing rapidly there. That is why only this city will be discussed in this thesis.

The main conclusion of this thesis will be defining best strategies for Mad Professor Amplification Oy to enter the Moscow market of music equipment.

1.1 Company

Mad Professor Amplification Oy was founded by Mr. Koski in Turenki, Finland in 2002. It is specialized in the production and the sales of guitar and bass pedals as well as amplifiers of premium quality. They have two kinds of pedals (hand wired and factory pedals), amplifiers and cabinets. The company is quite small, if you look at the amount of members. It has only three of staff members, including the CEO, Mr. Koski. And they all love and play guitars. This company is the only seller and manufacturer of these kind of products in Finland. For Mad Professor the Finnish market turned out to be too small and they decided to expand. Nowadays their products can be found in more than 50 countries.

In the very beginning, Mad Professor made the products themselves but after the business became a fast growing, they started production in Taiwan. So at the moment, there are two production facilities, one in Finland and one in Taiwan.

Mad Professor Amplification Oy has dealers in Europe, North and South America, Australia, Asia and in the Middle East. The distributors and sales representatives are located in Europe, Asia and the USA. Besides having distributors, representatives and dealers, the company sells its products worldwide via its own website.

The company received the highest possible AAA rating in 2013 and 2014, which also helped them make their brand image even better.

Today Mad Professor Amplification is the leading brand in pedals and amplifiers of in the Finnish market and a highly respected band in more than 50 countries around the world. The next step that they company want to make is to enter the Russian market, which has become very promising in the last few years.

1.2 Country and city description

Russia is the biggest country in the world. It does not have the biggest population but it does occupy the largest amount of land. Russia is one of the few countries that is Eurasian or, in other words, that is located on the two continents.

Russia has a long and very interesting history that fascinates lots of people around the world and which people write poems and books about.

Up to 1991, Russia was a member of USSR. Since it got its independency it has gone through many ups and downs, politically, financially and socially. As people say, everything happens for a reason; and everything that has happened made Russia the country that is known today.

Russia has a board in the north-west with Finland as well a big history together. Even though the last time in XX century the counties did not have great relationship, today the situation is very different. Today Russia is the biggest trade partner for Finland, and these two countries work together very closely, despite the fact that their cultures are very different.

Moscow is the capital of Russia as well as the biggest city with the biggest population. People in Russia say: "All business opportunities and money are in Moscow. If want to get rich, you should do it in Moscow." And they are right, the big majority of investments goes to the capital. It is the economy base of the country and therefore there are much more opportunities and possibilities to start a business or invade the Moscow market.

1.3 Research question.

The research question of this thesis is:

- What are the best strategies to expand and promote Mad Professor business on the music equipment market in Moscow, Russia?

The goal of the thesis is to do in-depth research of the current situation on the market as well as to collect more information on the Russian market in general with its pros and cons. That will help create a more vivid image of the market for the commissioning company Mad Professor. Moreover, in order to create the most potentially successful strategies for Mad Professor company, the research will also include comparison of the two countries, Russia and Finland, and a survey on potential target groups.

The end purpose of the thesis would be to ensure a clear picture of the target market, define its advantages and disadvantages, and to collect information from the potential target group in order to answer the main research question by creating well-thought-through strategies to enter the Russian market.

1.4 Research objectives.

- To identify weaknesses and strength of the Russian market.
- To conduct a survey research of potential target group.
- To analyze the market's different distributors/dealers for Mad Professor.
- To create well defined strategies to enter the market.
- To propose the possibilities for Mad Professor Amplification Oy if using the strategies.

2 THEORY

In this chapter of the report, there will be an analysis of the theoretical information that will help define best strategies to enter the Russian market and improve brand image there. There will be discussed theoretical issues connected to moving business abroad.

Three main topics of the chapter will be Russian market and its advantages and disadvantages, market entry possibilities and culture differences between Russia and Finland.

2.1 Market Entry Theories

In this chapter of the thesis there will be theoretical information on what kind of market entries there are and how each of them works.

There is always a risk when entering a new market and that is why it is important for the report: it is necessary for Mad Professor Amplification Oy to see what kind of entry would be the best to make for their company. It is also important for creating the strategies to enter the Russian market. This information will show which way of entrance could work better and help most as pros and cons of each entry market theory will be analysed in the next few pages.

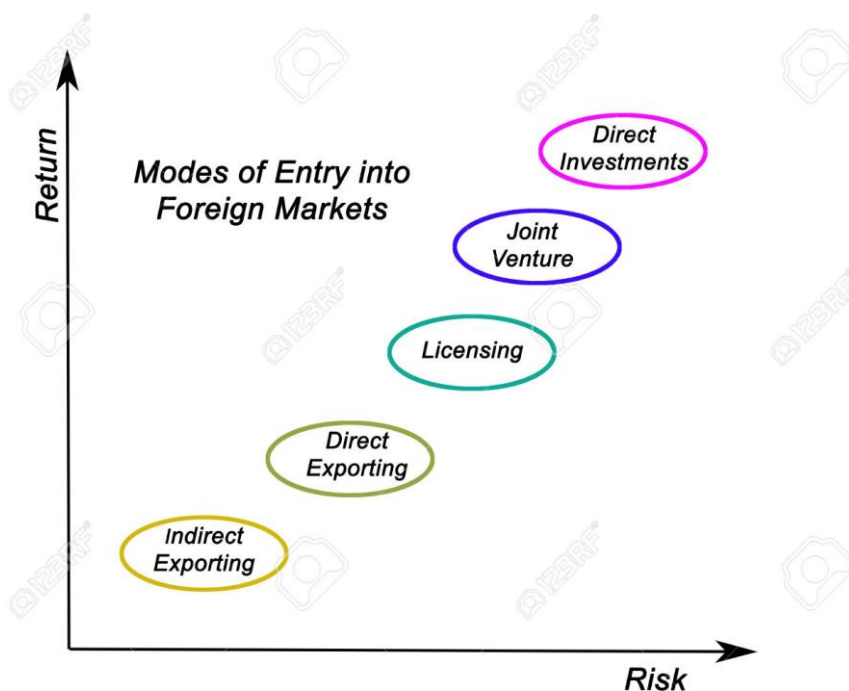


Table 1

Source: <http://www.123rf.com/>

The table above shows how the choice of a Market Entry Mode affect the results. Relation between the risk that the company takes to the amount of return is very close. Below there will be discussed every one of these Modes.

2.1.1 Indirect Export

There are several types of export. In this part there will be information on Indirect Export.

Indirect means that the company does not export the products. The company hires an agent or a firm to do that. This Mode of Market Entry is very low in risk as the agent or export management company are based in the destination market, have in-market experience, reputation and contacts. It is a fast way to get products to the end user. They conduct market research and develop market strategy. They are fast. They take the ownership of the goods, which could also be a con.

However, the agent or the company still do need sales support. They work at the same with many other products and prioritise clients based on product, incentives and base pay. The intermediary takes a margin or commission therefore your returns will not be as high as they could be. There is no quality control, so you cannot know what is happening to the products. There are some buyers that do not like to deal with a third part. You almost do not have any opportunity to learn the foreign market, that could slow down a lot long-term expansion plans.

2.1.2 Direct Export

The other type of export is direct one. It involves selling directly to your target company or customer. This Mode may save you a lot of money because there is no company that prevents other businesses or agents taking a margin or commission from you sales. Also you are in full control of pricing, you manage and adjust it. You do not lose your brand and can manage it however you like. You engage with the buyers or end users, understand their needs and can customise your products to their needs. You build customer relations ship and build networks.

However, this entry method requires a lot of time, money and persistence. You need to make contacts, build relationships and networks in the destination market, negotiate deal and contracts yourself, do the marketing and study the market. The locals will perceive you company as a higher risk to buy from and will stick to the ones they are used to. It may require local language knowledge to make exports.

2.1.3 Licensing And Franchising

The main idea behind licensing is that a company gives licenses to new firms allowing them to produce their product. They allowing them to use their trademarks, patents, unique designs or business secrets. Licensee, the company who buys the license, will pay for the use of the license and is obliged to follow strict rules that are written in the contract when making the deal. By using licensing, small companies can let their brand grow without any actual investments into facilities abroad, and improve or even make their brand known internationally.

Franchising is very similar to licensing, but the franchisor also allows using their operating systems. This way company that bought a franchise is using standard package of trademarks, patents, designs and secrets of the business, as well as they often use distribution systems and marketing campaigns. Usually, the company that buys a franchise has to pay an up-front fee as well as a monthly or annual fee. Like in licensing, franchising can help small companies grow without high costs. A popular example of franchising is McDonalds. They are selling their franchise to all countries. Despite the fact that every franchise in every country adjust its menus to the local traditions and needs, McDonalds still monitors if everything is done with a set up standards. For instance, in India te majority of population is vegetarian and the McDonalds has changed their menu almost completely. However, they still follow the rules that the main headquarters set them up in order to save their reputation.

Main difference between these two market entry modes is set up time. Licensing can be set up in days or maybe weeks, while franchising requires

standardized operating system, marketing and internal operation and personal visiting. Moreover, franchisor has to apply for a franchising license, in order to be allowed to sell their franchise. Other difference is that when company bought license, they are allowed just to start production and perform it exactly as it is said in the agreement. While franchising usually has some form of quality control from the franchising company as it was mentioned earlier with McDonald's example.

However, both of these Mode of Market Entry have higher risk of failure. If you sell the rights to another company to make your products for a commission or fee, you still do not have the full control over it. There is a high risk that the company, licensee or franchisor, will use cheaper materials or abuse their employees with labor. If it happens, they the image of your brand will be ruined in the other place (country).

On the other hand, your returns will boost up a lot. Since the licensee or franchisor constantly make payments, your business will increase profits rapidly without any extra costs.

2.1.4 Joint Venture

A joint venture takes place, when two or more companies come together to work on one project. The companies are investing in the project equally in terms of money, time and effort in order to make the project profitable and successful. Most of the time joint ventures are small-medium size projects, but large companies also use this method in order to diversify and feel safe. They ask they partner or the company they have chosen to join in the project because there is a certain risk and it requires higher investments.

First advantage of a joint venture is quite fast short-term growth in the destination market. As companies invest same amount of money, they are more likely to get high return on investment from the project. What is more, the company whose part is to operate in a new market or do marketing there, benefits from building networks and recognition for the possible future project there.

Second advantage is transfer of technologies and know-how's from both companies, which results in a better implementation of the project as well as gaining knowledge for both companies. Knowledge is power and it is even more powerful if it is about the international market. That will open many new doors and possibilities for the future.

What is more, joint venture cooperation tends to have high return on investment funds generated during the project and the profits could be used for a new, more interesting and more global idea.

Saying about the risk, it is lower compared project that are conducted by one company. As mentioned above, the companies invest the same amount of everything: labor, time, money, profits. And they also share the risks. So in case something happens, they damage will be divided between the

companies. However, those kind of risks and damages tend to be much more ruining for the companies.

Usually it happens so that if the project fails that all the money and investments are gone. Even though the returns are quite high, they may be delayed. In the beginning of the project there is no return. Therefore, until the project succeeds, there is no money or profits coming in. All that may result in short term losses.

When different companies work together on something, it is very hard to imagine that there will be conflicts or contradictions. They need to be very patient and professional when making decision, as there are other people involved and being selfish in the situation would bring only damage and ruin the whole idea of the joint venture. Moreover, as any international activity it comes with cross-cultural differences, which could result in misunderstanding, conflicts and ethical difficulties. So there is a certain risk of not being ethically correct with the other party.

2.1.5 Direct Investment (Foreign Direct Investment)

Foreign Direct Investment is also known by its acronym FDI. It is a form of cross-border investment with the objective of establishing lasting interest that a resident enterprise based in one country might have in an enterprise operating in another country.

Lasting interest has a significant influence on the management of the enterprise along with building up a long-term rapport between the direct investor and the direct investment enterprise. According to the Organization For Economic Cooperation and Development (OECD), ownership of 10% of the voting power by the foreign investor is evidence of such a relationship.

FDIs can be achieved by one of two strategies. The first strategy is for the company to set up new factories and plants from the ground up. This method is called the Greenfield Investment. Companies like McDonald's and Starbucks tend to use the Greenfield approach when expanding overseas.

The second FDI strategy is through cross-border mergers and acquisitions that involve acquiring an existing enterprise in the country the company is interested in. This method is called a Brownfield Investment. An example of a Brownfield investment occurred in 2008 when the Indian Truck company Tata Motors acquired Land Rover and Jaguar. Tata Motors didn't have to build those factories from scratch.

FDIs can also be classified into Horizontal and Vertical forms. A company investing in the same business abroad that it operates domestically is a case of a horizontal FDI.

On the other hand, vertical FDI occurs if a company invests in a business that plays the role of a supplier or a distributor. FDI is seen as a healthy way for less developed and developing countries to overcome their saving investment gap, which limits the level of domestic investments. FDI fills such gaps by bringing foreign investment into the country as well as limiting gaps in management technology, entrepreneurship and skills.

Capital inflows that result from foreign direct investment benefit all countries by making more resources available, but it particularly benefits those nations with limited domestic sources and restricted opportunities to raise funds in the world's capital markets. Jobs are often the most obvious benefit that comes from FDI. For example, U.S. subsidiaries of global companies employ 5.3 million Americans, about 4.7 percent of private sector employment, and support an annual payroll of \$408 billion.

FDI definitely improves capital flows and brings good money. However, from an economic perspective, capital inflows resulting from foreign direct investment are often accompanied by higher, longer term outflows that do not benefit the host government. For example, when multinational chains built hotels in the Caribbean, the shortage of local suppliers meant that much-needed foreign currency was spent on imported supplies. In other cases, multinationals prefer to use existing suppliers in their own countries rather than develop local supplier networks. Another frequent complaint is that investors fail to follow through on their promises. All these also sum up the risk that foreign governments can interfere and damage or ruin businesses.

2.2 Cultural Differences Between Russia And Finland

Russia and Finland have a border together and a history as well. However, it hasn't made the cultures similar anyhow. They are very different and the ways Russians and Finns do business are not the same at all.

In this part there will be information on these two nations. The Hofstede's study will be used in order to structure and summarize the information.

2.2.1 Power Distance

Power distance indicates how less powerful members of society accept power distribution and also how they expect it to be. In most cases power is distributed unequally, though there are cultures where inequality is very low, on the other hand there are cultures with completely one-sided power distribution.

People in cultures with high Power Distance typically respect hierarchy in which there is place for everyone and if a person is higher in the social status then you should respect and be nice to him. Like he dominated you. Citizens of countries with high PDI are usually happy with what they have and do not complain.

On the other hand there are countries with low power distance, where people feel equal, no matter what social status they have. In these societies “big boss” is not a boss at all, he is a friend. His word is not final because there is negotiation among everybody before any decision is made. A perfect example of absolute difference in Power Distance would be Russia and Finland.

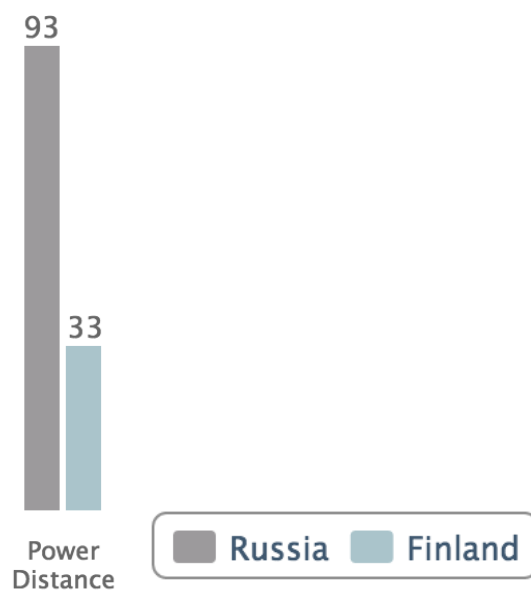


Table 2 Source: Source: Geert Hofstede website

In this graph it is clear, that Russia and Finland have very different relations with Power Distance.

Russia has a level of power distance equal to 93, while Finland is set on 33. That concludes that Russia is a very hierarchical country. There is a big distance between the boss and his employees as well as between teachers and students. This fact is very important to know when you are doing business with Russian people. (The Hofstede Centre, 2013)

As in any country with high Power Distance, Russian people who have power tend to demonstrate and use it a lot. They show the power in different ways: how they talk to others, how they call themselves and others, also in the way they are dressed. The powerful people like bosses never sit down on a table with their employees and teachers never accept when students call them by their first name.

In Russia, people with power and money tend to spend more than in any other country on their clothes and beauty saloons. In the workplace, new or inexperienced employees are not trusted and usually have a supervisor watching after them and do not get a chance to show what they are capable of. Also outside of work employees and employers rarely have any kind of friendly relationships. It is also important to understand employees do not even want to spend time with their bosses or anybody in a higher position as there is a certain fear of losing a job. Of course, this fact varies from company to company and from person to person. And there are companies with a very low power distance. However, those are very rare cases.

High PDI (Power Distance) also affects political situation in the country. Politics of high PDI countries are more totalitarian and tend to get obsessed with power. Corruption problem of Russia is a clear example of that.

Also high power distance has clear behavioural patterns in social life. Old people are very respected in Russia. If you are not nice to an old man on a street or do not give your seat in the subway to an old lady, you will be yelled at by the lady herself as well as by everyone in the train.

On the other hand, there is Finland with PDI of 33. This indicates the opposite of Russia.

Low power distance in Finnish business life reflects firstly in employee-employer relationships, where both treat each other with respect. Also employer does not dominate and does not take over the power of everybody in the office. In Finland employers trust employees with tasks and help out when asked. It is very common for Finland that everybody from a company socialise together after work, go for a beer or to get a lunch. That is all for the reason to maintain mutual respect and friendship, which are very important parts of a low PDI company.

In politics there is usually a liberal party that is in power. They also do not see themselves as big people in Finland. Sometimes, you can see the president just walking on the street of Helsinki, just like a usual person. Moreover, Finnish society lives by the rules of egalitarianism and equality.

2.2.2 Individualism And Collectivism

Individualism and Collectivism indicate how bonded a society is. Do they think of themselves as “we” or “I”.

In collectivist countries, people tend to have big and friendly families. They often gather with their friends, neighbors and families. Collectivist societies tend to spend more time among people and less alone. They help each other a lot and discuss problems in groups to find solutions.

In individualistic societies, people tend to think of themselves as “I and

others”, putting themselves on distant from activities that take place in groups.

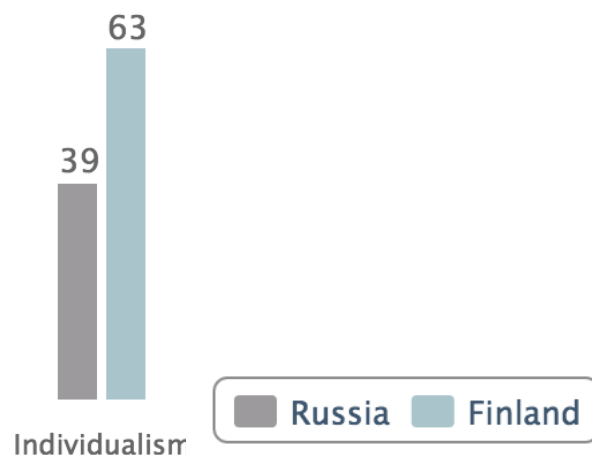


Table 3 Source: Geert Hofstede website

This graph shows quite a difference in Individualism levels between Russia and Finland. Russia has 39 which makes it a more collectivist country, while Finland is 63 that makes it more individualistic.

As any other collectivist country, Russia proves that in people’s everyday lives. They always tend to talk about what happened using “we”, even if they do not even know the person. For instance, “I met a lady in the elevator, we talked a bit and then we smiled and each other and went our ways”. That is how people in Russia usually talk.

In collectivist countries as well as in Russia, people tend to wear similar clothes, as it makes them closer to the society. But if there is a person who wears unusually bright clothes, or something similar to that, than the person is perceived by everybody as a weirdo. An example would be how Russia treats homosexuals. They are not welcomed in Russia and do not have the rights that everybody else has.

People in collectivistic societies tend to put group interest above personal. So if there is someone who needs help, they always get help and support from people around. People in collectivistic societies tend make personal sacrifices. For instance, if there is a choice for a Russian mother to be made between family and career, the first one will most likely be the one she takes.

On the other there is Finland, which is an individualistic country. That can be noticed in people's everyday lives and business relationships. As opposed to collectivism personal identity in Finland is all about "I". Main goals and achievements are usually only personal ones and not corporate or group oriented. This means that if you need a person to work well in a company give him personal incentive like bonuses and free tickets somewhere. That would result in a higher productivity and would work for the better of the company but only if the person is sure that it is first of all good for him.

In individualistic societies people want to be different, they wear unusual clothes and make interesting hair-cuts. Being just like the others is not "cool", and perceived as boring.

In Finland, personal space and rights are extremely important. That is why most laws greatly protect freedom of speech and freedom of choices. In Finland, no one cares if you look different, want different or think different. It is totally accepted in the society.

2.2.3 Masculinity And Femininity

This dimension indicates if society is driven by competition, goals, achievements and success or by caring for others and a good quality of life. In feminine society being happy is having a good quality of life, not standing out from the crowd for being different or wealthy. Overall it indicates if people are motivated by willing to be the best of the best (masculinity) or they by doing what they love (femininity).

Some people tend to take Hofstede's masculinity as its direct meaning, being manly. However, Hofstede never made a parallel between being masculine and striving for goals, he only used the term masculine to take out some qualities like goals-achievement-orientation. Same thing goes with femininity, which is about personal happiness and caring about others, not being feminine in the direct meaning of the word.

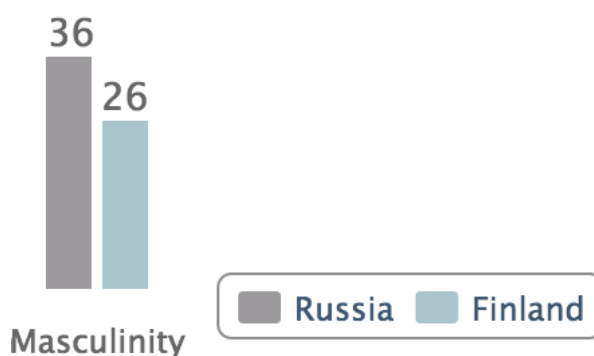


Table 4 Source: Geert Hofstede website

In this case, results are quite surprising. Finland and Russia are almost on

the same level of low-masculinity. with Finland with 36 points is a bit more masculine than Russia with 26 points. As the difference is not that high and there is not much to analyze, there will be just a short explanation.

It is quite surprising to see Russia as a more feminine country. Due to its high power distance it is hard to believe that people tend to care more about the others. But looking deeper into the Russian history and overall people's behavior, it is no surprise that Russians are quite modest about their achievements and contributions. During USSR times, people did not have much at all, but they never complained as they were raised knowing that it was the way of life and they were just happy with what they had.

Low masculinity of the countries shows that they care about the quality of life, family and relationships. Most of the conflicts are settled by negotiation. People usually value their personal time a lot and do not want to be working on their day offs.

2.2.4 Uncertainty Avoidance

Uncertainty avoidance indicates how people feel about uncertainty of the future. Do they try to plan and control everything to make sure or they just go with the flow? Unknown future always brings anxiety and many cultures try to fight anxiety differently. For instance, some may create strict rules and regulations. It means that the fact that countries with high UAI (uncertainty avoidance) tend to worry about their future and look for opportunities to make it as predictable as possible.

On the other hand, there is low UAI, which means that people tend to feel secure about their future and are willing to innovate and try new things. In this kind of countries risk is not avoided but stimulated.

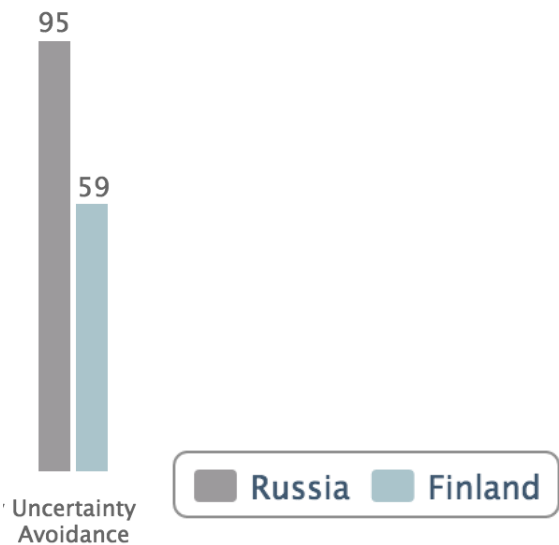


Table 5 Source: Geert Hofstede website

The results are quite expected. Russia has the index of 95, which is actually one of the highest in the entire world, meaning that uncertainty avoidance is very high and people do not feel secure about their future. On the other hand, there is Finland with pretty much average UAI index, meaning that Finnish people feel somewhat secure, but still are willing to find ways to make future more predictable.

As mentioned above, Russia has high UAI and is quite common for countries with a long and tough history. Like it used to be in USSR with Gulag camps and unjustified sentences as well as the 1990s when people were killed for food. Those memories make Russians expect that something bad may happen and try to avoid it as much as possible, which can be done only by making the future clear and predictable. Most Russian business men try to invest only into very secure projects even if they do not bring as much profit as riskier ones. Russia has a tough time accepting new norms, when it is totally normal in low UAI countries. Russia has troubles new things like gender equality, freedom of sexual orientation and so on.

Overall, cultures with high Uncertainty Avoidance have hard time adjusting to modern trends and worry a lot about their future.

Finnish people tend to take calculated risks in order to maximize profits, but they still do not see risk-taking as a very good way of doing business. However, Finns like to innovate and accept innovation even though it may be very uncertain. Generally speaking, Finland is in the golden middle. Finns take risks when they are needed and back off when there is a clear danger.

2.2.5 Long Term Orientation

LTO (long term orientation) indicates how people treat their lives long terms. For instance, they think of what might be possible in 10 years and what their children would do when they die. However, Short Term Orientation is about now and not caring about the consequences. For instance, much profit will the business make from this project. Countries with high LTO index are focusing on the future and take deals that mean long-term relationship.

Countries with low LTO index have people who are focused on what they have now and what they can get now. They perceive that as a more important thing than future possibilities.

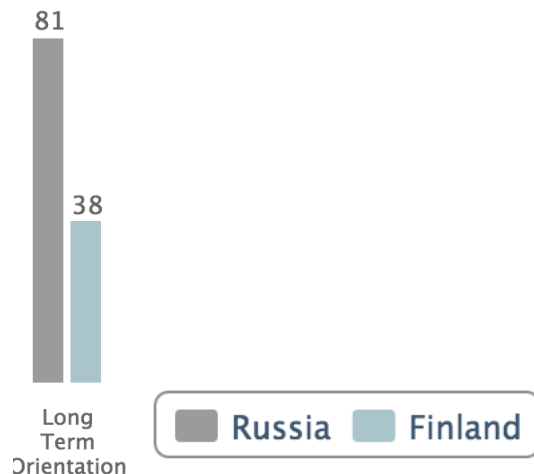


Table 6 Source: Geert Hofstede website

As you can see in this graph, Finland has low LTO of 38, when Russia has 81 which is a very high one. Therefore for Finland it is important to stability right now, they care more about immediate results than long-term fulfillment. In high LTO cultures, such as Russia, people value persistence, saving and are adaptive to changes.

Long Term Orientation is closely bonded with Uncertainty avoidance. Russia and Finland is a clear example. Russia has a high uncertainty avoidance while Finland has a low one. The same thing is with LTO.

That once again proves that Russians are more in the future and do not really live in “the now”. They tend to dream a lot and make plans for future. They want to build relationships and make sure that they can rely on their partners. For instance, doing business in Russia is a very good way to build networks and companies most of the time do not want to work with someone only once, instead they want to build business relationship and secure that there will be more project in the future.

However, Finnish people are more oriented to making short-term decisions. They care about how much they get now and do not think about that building a long-term relationship could bring more benefits and opportunities.

2.2.6 Conclusion And Business Etiquette In Russia.

It is surprising how countries that are located so close to each other can have so many differences in their attitudes. Russia and Finland do have their diversities and therefore it is very important for any Finnish company that wants to enter the Russian market, and in this case it is Mad Professor Amplification OY, to take into account the ways of doing business there. They can be defined from the cultural comparison above, but in the next abstract there will be more specific information on that.

It is important to follow formal language. Due to high Power Distance, Russian businessmen do not allow acting informally. Using formal language in negotiations, meetings and even in emails is an unspoken rule. It is crucial for them to see that the person they do business with respects them and a good way to do that is to use the right language etiquette. The opportunity to get a deal with a Russian gets much higher if he or she feels threatened as a more powerful and important person.

Business culture in Russia is a combination of old bureaucracy with Western thinking. If you happen to find a person who grew up during the perestroika time and understands the both systems, then he or she is very valuable for your business in Russia. This will help you see the approach of the company that you want to work with there and you will be able to use the information in your advantage.

Russia is a more masculine country than Finland and has a low level of individualism. That can be seen in the balance that they have between work and personal life. Russians believe that there is not need to waste time on small talk and they prefer to be serious, fast and negotiate a deal right away. It is important to know that it does not mean that they are rude. They just want to close the negotiations, make all the needed decisions right away and go to their families.

Despite the fact that Russian businessmen do not engage in small talk much, they want to know with whom they are doing business. That can be reflected in high levels of Uncertainty Avoidance and Long Term Orientation. They believe that it is important to invest time in people in order to create strong and reliable business relationships. They need to know that the company they are going to work with will not stab them in the back, they want to clear up all potential outcomes and see honest approach to doing business together.

Even though Russia has high Power Distance and Masculinity levels, all celebrations are very important for them. A good way to fit in the Russian environment is to give presents. For birthdays or International Women's Day it is crucial to give presents. If you work with a Russian company and do not do that, then you can expect bad rumors and nasty looks in your way in the next year (when you can fix it all with a nice present).
(http://www.economist.com/blogs/multimedia/2011/01/doing_business_moscow)

For Finnish businessmen it can be quite complicated to schedule a meeting, especially in the morning. Russians tend to start work a bit later than on the West and therefore stay there a bit later. It can vary from industry to industry but in general it is recommended to schedule meetings for after lunch time. It is important to be ready for the Russian partner to come a bit later and even cancel the meeting.

High Uncertainty avoidance contributes to the way Russians react to feedback. They appreciate it, especially if it is given in a constrictive way and is not personal. If it clear that they feedback aimed to improve a business situation, then they are open for discussion and solving the problems came up.

All of the above statement show that it may be complicated to a Finnish company to work with Russians but it is definitely possible. Business in there can bring a lot of benefits and it is possible to acquire even more if you know all the above aspects of the Russian business culture.

3 MARKET ANALYSIS

In order to be successful on the Russian market, it is necessary to decide if it is suitable for your business to enter. You have to be aware of all the pros and cons of doing business on the Russian market and take into account that there may be many differences when compared to the country of your origin. Russia is known for its bureaucracy and post soviet problems. However, the country has improved a lot since the 1990s.

Therefore, thee will be a PESTLE analysis of the Russian market, summary with some more details and additions on it, specifics about the Russian music equipment market, potential partners and competitors of Mad Professor company and business situation in Moscow.

3.1 Pestle Analysis Of The Market

PESTLE analysis is a macroeconomic framework for analyzing conditions in a certain country based on 6 different factors – political, economic, technological, social, legal and environment.

3.1.1 POLITICAL

After the USSR break down in 1991, Russia has been through some very important changes. With the support of the majority of citizens, on 12th of December 1993 Russia officially became Russian Federation, a new country with a new constitution that is followed till these days. The democratic political regime has been the same since then.

It is important to follow the same strategy and political system in order to attract investors, who prefer to contribute in a safe environment. President

Putin says that they do not want to change the system that they have and that it is the best for the country's convention and situation.

Russian Federation has taken care of all the debts of the Soviet Union and represents interests of many post-USSR countries.

According to the Human Rights Watch, Russians have very little freedom despite the fact that the country has a democratic political system. There have been many problems with the bureaucracy and corruption in Russia. Its citizens believe that it is the main problem of the country and in order to solve that, it is important to make new political and economical reforms. The situation has gotten worse since the Ukrainian Conflict in 2014 and the following acquirement of Crimea by Russia. There have not been many changes that could improve the crisis situation with all the sanctions put on the country.

The Russian government has been trying to turn the thing around, and there have been many changes made to make the market more attractive. For instance, Russia has always had very simple administrative rules for foreign investors. And since the two economy crisis took place in 2008 and 2014, the laws have been simplified even more. Every year Russia is growing up in the rank of "The Best Countries To Do Business In".

3.1.2 ECONOMICAL

Since 2014 Russian has been in recession and it has continued in the first half of the year 2016. The GDP of the country lowered by 0.9%. Due to very low prices on oil and the sanctions that have made access to the foreign markets much harder and therefore has had a major effect on the economic situation of Russia.

"The real effective exchange rate depreciated by 5.8% in the first eight months of 2016, benefiting the tradable sectors, namely agriculture, chemicals, leather, and rubber production. The flexible exchange rate helped stabilize the balance of payments. Worsening terms of trade in the first half of 2016 resulted in a reduction in the current account surplus to 3.0% of GDP (from 7.1% of GDP in the same period in 2015). Net capital outflows moderated on the back of lower debt repayments in the banking sector. Foreign direct investment inflows remained moderate." (The World Bank, 6th of October 2016)

Russia's inflation rate is another consequence of the today's economic crisis. In 2015 it was 16% and has been slowly improving with the rate of 7.7% in 2016. The main reason is "sharp deceleration in food inflation". (The World Bank, 6th of October 2016). The banking systems continues to be stable but can be easily affected by macroeconomic changes/risks.

“Fiscal consolidation continues. In the first half of 2016, general government primary expenditures shrank by about 1.2% of GDP, leading to an improvement in the primary non-oil fiscal deficit to 7.3% of GDP (from 9.5% in 2015). This was accomplished by freezing public salaries; indexing some public pensions below inflation; and instituting an additional 10% across-the-board cut for all expenditures, except for defense and social benefits. The Government targets a federal budget deficit of 3.3% of GDP in 2016.” (The World Bank, 6th of October 2016)

The unemployment rate has stayed almost the same, 5.7% in 2016, comparing to 5.6% in 2015. The labor market is still adjusting to the economic changes and new salaries. The wages has not increased or decreased in 2016, which is a good sign since in 2015 the decline was 8.7%.

Public transfers and pensions were indexed below inflation and decreased in real terms, adversely affecting the poor. The poverty rate (US\$5/day in 2005 PPP) grew from 6.3% in 2014 to 8.2% in 2015, and real consumption of the poorest decile contracted by 14%. (The World Bank, 6th of October 2016)

3.1.3 SOCIAL

Social situation in Russia has been improving gradually since 1993. Russia is ranking 32nd country in the world with Education Index 0.806 of 1. The Index is calculated from the adult literacy index and the index of total enrollment ratio in primary, secondary and higher education schools. Every year there more social events that take place in different cities and towns of Russia. However, people are still not satisfied.

Standards of living dropped in 2015 due to inflation and devaluation processes. Approximately in 5 month wages decreased by 8.8%. Consumer confidence index which reflects consuming expectations of citizens dropped by 14% in 2015. The index of expected changes in personal financial situation in 2015 decreased by 7%, the index of the changes in personal financial situation was -14% favorable conditions index for large purchases was - 21%, the index of favorable conditions for savings decreased by 8%. The share of respondents positively evaluating the changes in their financial position for the year was reduced to 7% (in 2014 it was 11%). The proportion of respondents who believe that their financial situation has worsened, increased to 52% (in 2014 it was 35%).

In May 2015 the amount of unpaid salaries was 3.28 billion RUB. The number of people who did not get their salaries was 76 000. Around 95% of the amount was due to the fact that companies just do not have money to

pay their employees. That was not a surprise due to the high loan interests and strict conditions that companies have to follow in order to get a loan.

In 2016 the social-economic situation has improved, but not much. There are still unpaid employees and the prices on everything are still rising. The citizens are still unhappy. Therefore, social satisfactory factor is still not as good as it was before the crisis of 2014-15.

3.1.4 TECHNOLOGICAL

Russia is known for its contribution in Mathematics, Chemistry, Earth Science and Aerospace Engineering. Excellent examples are Dmitry Mendeleev, Mikhail Lermontov and Andrey Sakharov.

Even nowadays there are many interesting technological projects such as Skolkovo (analogy of Silicon Valley), Rosnano and Nanotechnology (nano-technology projects). Russia has one of the most developed space technology, which is improving all the time.

Military technology is considered as the best in the world. Russia has the biggest nuclear weapons, most advanced gun machines, tanks, planes and so on.

However, Russia has always been a bit behind the West. Technologies, that were created a few years ago and already being integrated in people's everyday life in other countries like the USA and in the EU, just start to appear in Russia. For example, it has been quite a while (around 5 years) since interactive bus stops started to integrate in Germany. However, the first ever bus stop like that was established in Moscow in 2015.

Russia remains a country with high potential for technology development. It has been rapidly improving in the last few years, but still has to catch up.

3.1.5 LEGAL

Since 1993 Russian Federation has had the new legal system with a new constitution. There have been some changes made to it throughout the years. For instance, there is a new part which is called "Insult of the feelings of religious people".

The new system has a more western approach comparing to the communist system of USSR. It is based on legislation and therefore still has some gaps where corruption takes advantage. Russia had one of the highest corruption indexes (29%) in the world in 2015. It has been a major problem for the legal, social and economic situation in Russia.

The government always improves conditions for foreign investors that sometimes overlap advantages for the local business owners. In 2015 there

was a plan created to attract more investors from outside Russia. As part of the plan there has been developed a tax incentive system, which works on the federal and regional level. The system is aimed at making the investment process simpler and more effective.

3.1.6 ENVIRONMENTAL

The government has developed the effective security system to reduce the pollution and controls the man-made environmental disasters. The government has made the basic policies to control the environment and implemented the decisions pertaining to environment safety consistently. It has contributed in the effective system for the safety and prevention of ecological system in Russia (Datamonitor, 2009).

The government always develops new legislations to protect the environment. For instance, on 1st of October 2016 Russia became the first country in the world that prohibited hunting baby seals.

Russian government also controls gas emissions in different industries that are the property of the country. Environment education is one of the mandatory classes in middle school. That helps educate young generation to take care of the nature. There are also many legislations that control noise pollution and the pollution of water. For instance, on the lake Baikal there is one of the strictest environmental laws that protect the lake from polluting emissions that many manufactures use to dump in the lake.

3.2 Russian Market Summary And More Facts

Russian market has been developing towards an adverse foreign political and economic environment. As well as has undertaken different measures to make their market more attractive for foreign investors. In 2014 at Saint Petersburg International Economic Forum it was announced that Russia's intention is to keep and build new relationships with the West as well as with the East.

In 2014 Russia was on 92th position in the ranking of how easy it is to conduct business operations in different countries. But in 2015 Russia moved to 62nd position, which has made the country even more attractive for foreign investors and business owners. Also in 2015 Russia improved its ranking to 12th position of how easy it is to start business and registered property.

Administrative process of conducting business in Russia is known as one of the easiest in the world for its revision and simplification. One of Russian government's strategies is to make investment more and more appealing to foreign business owners. Russia has developed a tax incentive system to make the investment procedures easier and more efficient.

Vladimir Putin, Russian President has announced that Russia is gradually will be transition away from the economy that it has now, which is based on oil, has and raw resources, to an economy focused on technology. That makes Russian market even more attractive to make investments in. Especially since there is so much support and incentives from the government.

Another sign which shows that the future of Russian market is very promising is that even American Chamber of Commerce opened its unit in Russia. For business owners and many companies this is a great reason to consider investing and even moving or starting a business in Russia.

3.2.1 Russian Music Equipment And Instruments Market

In May of 2016, conference called NAMM Show took place in Moscow. “NAMM, the National Association of Music Merchants (NAMM), commonly called NAMM in reference to the organization's popular NAMM trade shows, is the not-for-profit association that promotes the pleasures and benefits of making music and strengthens the \$17 billion global music products industry. Our association — and our trade shows — serve as a hub for people wanting to seek out the newest innovations in musical products, recording technology, sound and lighting. NAMM's activities and programs are designed to promote music making to people of all ages.” (<https://www.namm.org>)

Participants of the conference in Moscow admitted that Russia market of music equipment and instruments has a very promising future and musicians, companies and brands around the world expect it to do great improvements in the next years. They mentioned that the decline which can be noticed in other Russian markets is not taking place in the music equipment and instruments market.

Boris Alfeev, the founder of one of the music instruments company “GuitarAist” said that such attention from foreign partner is not surprising. Everything is due to the constantly growing demand on this market. The only times when the growth of the market was slowing was during the economy crisis of 2009 and decline of the economy in 2015. However, the target audience has increased 4 times since 2001, which is 4 per cent of the Russian population. Boris Alfeev also mentioned that Russian government has always supported culture events, music schools and conservatories as well as lots of concert halls and “culture houses”, all of which is an old tradition in Russia.

Technology development has also made the Russian market to improve a lot. There have been many gadgets and computers that has affected the

structure of the market. The methods of selling have changed, since customers buy more electronic music equipment and instruments today.

Traditional acoustic guitar is still the leader of the market, but it can clearly be noticed that electric guitars have become much more popular in the last few years. It will not be a surprise if in the next years they will take over the market.

More and more often people buy electric pianos and drums. Due to the simplicity, availability and durability many drum players prefer to buy an eclectic instrument instead of a usual acoustic one. The acoustic instruments and equipment market is shrinking down and therefore is expected to become the smallest one in the next years.

Research on the music equipment and instrument market that was talked through on the NAMM Show in Moscow made it clear that there is also a difference in preferences among different areas. In big cities and megapolises people tend to buy more expensive and long-lasting, good-quality-of-sound equipment. When in towns and small cities music-related customers prefer cheaper options, as their income is usually significantly lower.

All that shows that the Russian market has its demands that is getting more focused on eclectic instruments; therefore, there is a bigger need in good quality equipment for them. It makes the market a good place to enter and introduce good quality products.

3.3 Advantages Of Russian Market In More Detail

Russia is a country with a long and interesting history. It has a diverse nation that has become and is strengthening consumer economy with a market of 146 million people. Today Russian market is evolving into one of the most beneficial and with one of the highest potentials in the world.

There are lots of business opportunities in different Russian economy sectors as well as great support from the government and the FIAC (Foreign Investment Advisory Council).

3.3.1 Russian Economy And Investment Attitude

Since 1999 the GDP growth has been stable and increasing every year. From 1999 to 2007 it was 26 per year. After 2008-2009 crisis the GDP has not shown such great results but it is still growing. In 2014 the growth was 0.6%.

After the Ukraine conflict in 2014 and the sanctions that other countries have put on Russia the economy and GDP has shown some decline and it was natural since the trade and export-import was downsized a lot. In 2015 Russian trade with the United States dropped by 27.9 per cent, \$21 billion.

However, in 2015 and 2015 Russian government mad has made the decision that the economy that the country has had for years, which is focused on oil and other natural recourses, must be changed. Now Russia is turing slowly but gradually into a more high-technology and science oriented economy. It will take a long time to change the economy but the first step has been made and that what matters the most.

As part of the plan to increase the attractiveness of investing in Russia, there has been developed a tax incentive system, which works on the federal and regional level. The system is aimed at making the investment process simpler and more effective. (<http://www.tekes.fi/en/programmes-and-services/grow-and-go-global/russia/>)

The system involves many different measures. Some of which are developing special economic zones, creating advanced economic zones and improving local tax incentive systems; for instance, diversifying the investment amounts needed to receive incentives, varying incentive types and so on.

On the international market Russia is, unfortunately, known for its poor infrastructures that has not really improved a lot since the times of “pere-stroika”. However, various measures are being taken to change that.

All in all, Russian economy is gradually recovering and meanwhile the government is making proactive changes to make foreign companies and business owners more interested and attracted to the Russian market. The measures that the Russian government has been showing very positive results.

3.3.2 Egalitarian Attitude

Egalitarianism is ”a belief in human equality especially with respect to social, political, and economic affairs” (<http://www.merriam-webster.com/>).

In business Russians usually follow principals of the egalitarian society. Of course, there are always exceptions to any rules. However, generally Russian business men and companies respect each other and their partners. There is no hate for the social status, believes or any other aspect. People in the business world almost all the time prefer to have a win-win situation

when making deals. They most of the time would sacrifice some aspects of a contract in order to build a long-term relationship with their partner.

The Russian business environment is based on mutually beneficial bonds and networking. Personal relationship, which is basically networks, has a great importance in Russia. Most of the time people make deals not because they randomly found each other but because a network connection took place.

All that makes Russia a good place to start or continue a business. Local businesses will respect their foreign partners, want to build networks, and create mutually beneficial conditions for making a deal.

3.3.3 Large And Educated Consumer Market

The population of Russia is 146 million people. It is one of the largest markets in the world. That makes it a potentially good environment to do business in. In the last years the incomes of Russians have been growing steadily. Of course the biggest potential and incomes are in the big regions such as Moscow and Saint Petersburg.

However, there are a lot of very talented people in the whole country. Russia is known for its talents. It can be evident throughout year of great achievements in art, music, literature and architecture. That is why foreign investors most of the time look for Russian workers as they know that there are many talented people who work hard.

3.3.4 Unique Geographic Location

Russia spans a distance that no other country in the world does. It borders with Europe, Asia, and only the ocean is between with North America. It has the biggest water recourse in the world, the biggest lake and the highest mountain in Europe. It expands over two continents and supplements of vast natural resources of minerals, coal mines, natural gas and timber. Russia has access to sea, road and rail routes, and is home to several major airports. All that makes the country a great location to export products to as there is many ways to move them in and out.

3.3.5 Taxation

Unlike in many other countries, Russia has quite low tax rates. First of all it is fixed. So no matter how much money you pay you will always pay the same taxes every month. For usual workers it is 13% and for corporate tax it is 20%. The tax used to be 35% but was lowered in 2010.

“The corporate tax rate is 20%. Tax payments are split into federal part (2%) and regional part (18% that can be reduced to 13.5% for some categories of taxpayers). Tax rates for dividend income are:
0% on dividends payable to a Russian legal entity (RLE) if this RLE has owned at least 50% of the shares in the dividend payer for 365 consecutive days, providing that the dividend payer is not resident in an off-shore country (any state on the Ministry of Finance’s “black” list of jurisdictions);
13% on dividends received by RLE from RLE or Foreign Legal Entity (FLE) unless the 0% rate applies;
5% on dividends payable to FLE by RLE. Interest income on state securities is taxed at 15%, 9% or 0%” (<https://home.kpmg.com>)

That makes the country a very attractive destination for many businesses. As they will not need to pay to the government a big part of their profit. For instance, in the United States the corporate tax rate is fixed but is 40%.

3.4 Disadvantages Of Russian Market

Despite the fact that Russia has many benefits to it, there are some major problems and disadvantages when conduction business. In order to know what problem business owners and companies that what to do business there need to know and be prepared for, there will be information on the main disadvantages of Russian market

3.4.1 Lack Of Investment In The Economy

Even though Russia seems to and is recovering from the crises of 2008 and 2014, it still is not doing enough. According to the Russian news report magazine RBK, Russia invests a lot in the outside political and economical problems when it should invest more in its own politics and especially economy.

Many local businesses do not get the benefits that the foreign investors do. Small businesses do not get lots of support form the government and the economy, the tax systems and corporate laws. The loans that the banks give to the small start-up are with very high interests, which makes it very hard for small business owners to succeed as they need to pay off when that have not been able do earn yet.

However, it is not only a problem for the local companies and business owners. It is also a big struggle for the foreign investors. Many of them look for to work wit local companies and make business bit they often cannot find partners locally as for those it is very hard to survive in such an unbeneficial environment.
(<http://www.rbc.ru/economics/04/01/2016/56898d599a79470fbe20808d>)

Of course, there are exceptions. There are plenty of companies that have large profits and that have created very successful businesses. However, most of those companies are quite old, most of them have been on the market for years and started when the economy was rapidly growing. However, there are also some young businesses that have succeeded as well. For them to achieve at least some kind of stability, it took a lot of time and fails and going through the hell of the system and corruption.

It would be much easier for every business, local and foreign if the economy and system would have been changed and more money went on the improvement of the inner problems of Russia instead of investing in the outside economies and politics.

3.4.2 Corruption And Lack Of Governance

Investors that want to enter Russian market need to know that they will most likely face weak corporate transparency and corruption. A lot of research has been done on this issue. All of which proves that Russia has a high corruption level. It affects not only different companies but also the lives of usual citizens and residents.

Mainly small but also big businesses do not have very transparent accounts, which makes the situation even worse. As it is much harder to track any of the rule breakdowns.

(<http://www.tradingeconomics.com/russia/corruption-index>.)

It is hard to do business fairly in Russia. There are too many people who have to make decisions on a businesses fate and give the business owners no other choice but to pay or give something else in order to get a paper signed. Even Iran, Libya and Pakistan are perceived as having less corruption.

The reason for that comes from the very beginning of Russian history. The country has always been corrupted and it very likely that nobody will ever be able to change that. It is in many Russians' mind-sets that "why should not I get something if I can?".

It is a big concern for people from the poor part of the society. And for the country in general. Because Russia would not be as corrupted as it has always been, then the progress and the economy development would be much more improved. Probably, the whole history of the country would be different.

3.5 Business Environment In Moscow, Russia

Punctuality is one of the Russia's greatest strengths. People are often late, meeting do move around very quickly on the same day. Even if you have something planned weeks and month in advance, you will be expected to confirm it and move it around, cancel it before or even on the same day.

If it is expected to meet with a high positron person, it is important to be prepared to wait for him for a least half of hour or even more. It is advised for any foreign businessmen to clear time before and after the expected meeting to not be late for any other plans.

If doing business with a young person, it is still not for sure that she or he speaks English. Therefore, it is advised to ask their assistant if it is needed to bring and interpreter. Moscow is a much less English speaking city than many other European capitals.

Moscow businessmen are used to make quick decisions so it advise to expect that the deal or negotiation can take much less moving around as well as much less time.

Moscow, as the capital of Russia, has a very high level of bureaucracy and corruption. Therefore, for foreign investors, who are planning to open a restaurant, factory, it will most likely take quite a while to get a decision from the government and similar organization. The main reason for that would be not that they have more to do than that are cable of but the real reason is that is a way they use to bribe the investor.

It is not common to eat out with your business partners in Russia, only if they are on very good terms and the welcoming party invites.

Moscow is the business capital of Russia. Almost all foreign investors want to take over their market share and conquer the Russian business world. Even though it might sound easy-to-do, it would be far from the reality. Moscow has many great business minds and in order to become one of them, investors, especially foreign, should be prepared to do much more than what they expect.

3.6 Potential Partners

Since distribution seems to be the most suitable way to selling products for the commissioning company to the Russian market, below there will be the list of potentially good business partners for the Finnish company Mad Professor Amplification. They are the most popular and in-demand distributors of music equipment in Russia. All of them operate mainly in Moscow and the ones who have a physical store will be marked below.

- Arsenal Music <http://arsenalmusic.ru/about/>. was founded in 1993 and has two actual stores in Moscow. Average prices on pedals and amplifications are from 3 000 RUB to 210 000 RUB.
- MuzTorg <https://www.muztorg.ru> is one of the biggest distributors in Russia, has 43 stores around the country and three of them are in Moscow. Average prices on pedals and amplifications are from 2 500 RUB to 355 000 RUB.

- Music Alive <https://www.musicalive.ru> has a great amount of brands but do not have a retail store, only an online one. And there is one pick up location in Moscow. Average prices on pedals and amplifications are from 3 000 RUB to 375 000 RUB.

3.7 Potential Competitors

As known from the above, the distributors have a great variety of products. In order to estimate the most potential competitors, the writer of the thesis checked each distributor and their “Popular” section on the websites. The main competitors turned out to be:

- Fender TBX
- Morley ABY MIX
- Ibanez
- Behringer
- DIGITECH
- Electro-Harmonix
- Marshall

Their main advantage is recognition on the market. They have good and reliable brand images. Their prices are considered to be above average and still the products are in high demand.

4 MARKET NEEDS

Every market entry strategy has to meet the needs of the new market. This chapter is all about defining the needs. There will be a survey conducted among people involved somehow in the music industry. Then there will be a survey results analysis and conclusion of the defined needs.

4.1 Survey Introduction

The survey will be conducted among guitar players and people who are somehow involved in the music industry. The survey was published on the biggest music forum in Russia- <http://musicforum.ru/>
Respondents will be expected to answer 10 simple questions that will help define the need and expectations of the market.

4.2 Survey Questions

The 1st question of the survey is “Do you play in a band or just for yourself”?

The possible answers are: for myself; in a band, don’t play.

This question is important to the research as it will show the main target group that strategies should be based on.

The 2nd question is “Do you already own an amplification and/or pedal for the guitar”? The possible answers are: I do own but do not want a new one; I do own and want a new one; I do not own but want to buy one; I do not own and do not plan to buy one.

This question will make the target group more certain.

The 3rd question is “Are you satisfied with the current equipment on the Russian market?” The possible answers are from 1 to 5, where 1 is “No, new products are needed” and 5 is “Yes, I am satisfied”.

This question will help create a market strategy and see if it is needed to concentrate it on consumers’ satisfactory.

The 4th question is “How often do you have to replace your equipment?”. The possible answers are from 1 to 5, where 1 is “Very rarely” and 5 is “Very often”.

This question is also important for marketing strategies. As Mad Professor company is known for its durability and lastingness, the question will show how much focus should be done on that advantage.

The 5th question is “Do you prefer Russian products or foreign ones?”.

The possible answers are: “Foreign”, “Russian” and “Does not matter”.

The question is important for the overall research and marketing strategies to see a potential advantage of Mad Professor company on the market.

The 6th question is “What is important for you when choosing a pedal and/or amplification?”. Possible answers are: “Material”, “Sound”, “Price”, “Convenience”, “Size”.

The question is also necessary for market entry strategies.

The 7th question is “Where do you prefer to buy music equipment?”. The possible answers are: “Online stores”, “Actual physical stores”, “Music fares”.

The answers will help choose the best potential places where to concentrate sales on.

The 8th question is “How do you get to know new products on the market?”. The possible answers are: “Online advertisements”, “Concerts”, “Friends/People I know”, “Radio commercials”, “Magazines”, “Music Fares”.

This question is important for the research as it will show most potential target partners with whom Mad Professor could work.

The 9th question is “What do you know about Finnish quality?”. The possible answers are: “Nothing”, “Have heard that it is good”, “Have heard that it is bad”.

The answers will help make the most effective points for market entry strategies.

The 10th question is “How much are you willing to pay for a durable, lasting Finnish pedal/amplification?”

The possible answers are: “to 3000 RUB”, “from 3000 to 7 000 RUB”, “from 7 000 to 12 000 RUB”, “from 12 000 to 20 000 RUB”, “from 20 000 to 30 000 RUB”.

The results of the question will help to see if customers are ready to pay for the Mad Professor products and if there is need to make any kind of introduction deals (discounts and so on) when entering the Russian market.

4.3 Survey Results

The 1st question was “Do you play in a band or just for yourself?”



Table 7 Taken from the Google survey results.

The results were expected to be somewhat like that. Since the forum where the survey was published is visited mainly by musicians, who play in a band. Out of 53 respondents, 73.6% are band members and 24.5% just play for themselves. The results define that the target group will be, as expected, guitar owners and that there is not need to concentrate on potential or guitar owners in-the-future.

The 2nd question was “Do you already own an amplification and/or pedal for the guitar?”

У ВАС УЖЕ ЕСТЬ УСИЛИТЕЛЬ И/ИЛИ ПИДАЛЬ ДЛЯ ГИТАР(Ы)?

(53 responses)

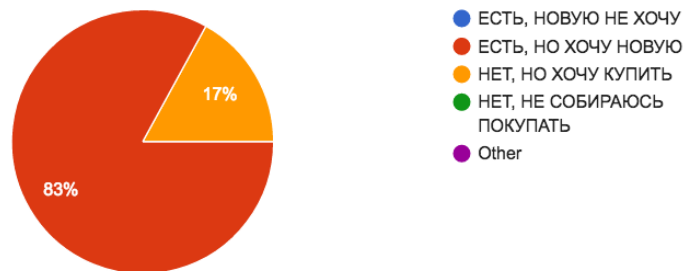


Table 8 Taken from the Google survey results.

The results of the second question show that 83% of the respondents do own a pedal and/or amplification but are willing to buy a new one and 17% don't own one and want to buy it. That means that there are many potential buyers who will look for a new pedal and/or amplification.

The 3rd question was "Are you satisfied with the current equipment on the Russian market?"

УСТРАИВАЕТ ЛИ ВАС ОБОРУДОВАНИЕ КОТОРОЕ ПРЕДОСТАВЛЕННОЕ НА ДАННОМ РЫНКЕ?

(53 responses)

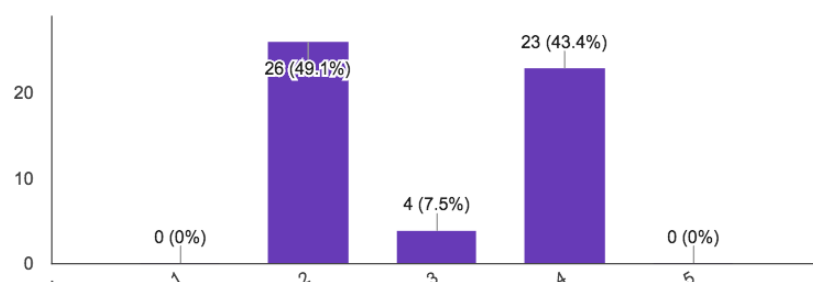


Table 9 Taken from the Google survey results.

The results of this question have divided mainly between "unsatisfied, need something new" (46.1%) and "satisfied" (43.4%). That means that introducing a new brand will be more challenging than if the results were mainly "unsatisfied".

The 4th question was "How often do you have to replace your equipment?"

КАК ЧАСТО ВЫ МЕНЯЕТЕ ОБОРУДОВАНИЕ? (53 responses)

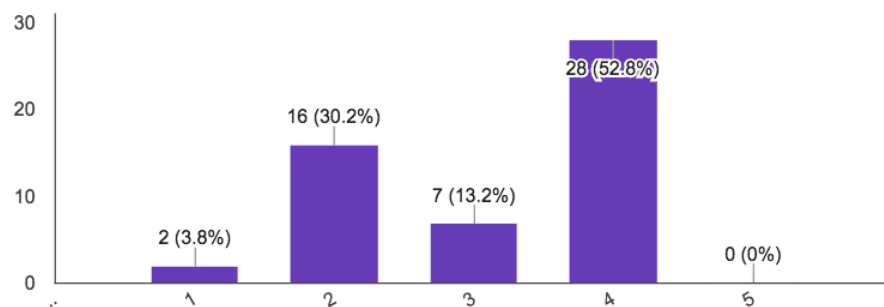


Table 10 Taken from the Google survey results.

The results of this question are very promising. 52.8% of the respondents often replace their equipment. Durability and lastingness could be a great advantage for this group.

The 5th question was “Do you prefer Russian products or foreign ones?”

ВЫ ПРЕДПОЧИТАЕТЕ ОТЕЧЕСТВЕННОЕ ОБОРУДОВАНИЕ ИЛИ ЗАРУБЕЖНОЕ?
(53 responses)

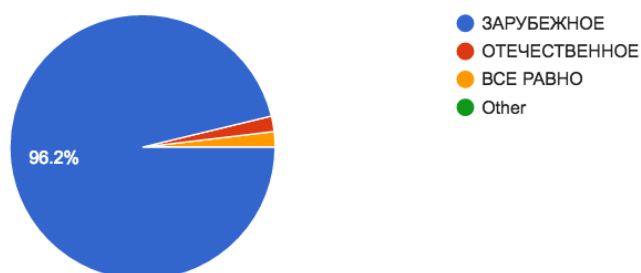


Table 11 Taken from the Google survey results.

96.2% of the respondents prefer foreign equipment and brands. That could be a great benefit for a new for Russia non-Russian company.

The 6th question was “What is important for you when choosing a pedal and/or amplification?”.

ЧТО ДЛЯ ВАС ВАЖНО В УСИЛИТЕЛЯХ И ПЕДАЛЯХ, КОТОРЫЕ ВЫ
ВИБИРАЕТЕ
(53 responses)

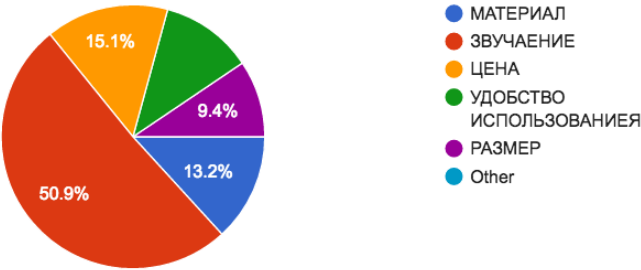


Table 12 Taken from the Google survey results.

The results of the 6th question has divided between all the answers. For around 30% of the respondents, price and material of a product play the major role. For more than 50%, the quality of sound is the most important factor when choosing a pedal or amplification. The rest of the respondents prefer the size and convenience to the rest of the features.

The 7th question was “Where do you prefer to buy music equipment?”.

ГДЕ ВЫ ПРЕДПОЧИТАЕТЕ ПОКУПАТЬ ИХ? (53 responses)

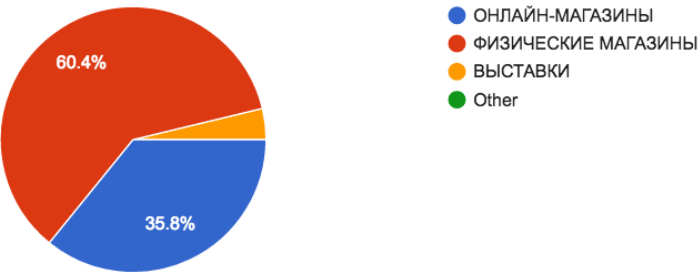


Table 13 Taken from the Google survey results.

60.4% of the respondents prefer to go to an actual store to check a product before buying it. 35.8% prefer to order online. And only a few percent of the respondents buy products at music fares.

The 8th question was “How do you get to know new products on the market?”.

КАК ВЫ УЗНАЕТЕ О НОВЫХ ПРОДУКТАХ НА РЫНКЕ? (53 responses)

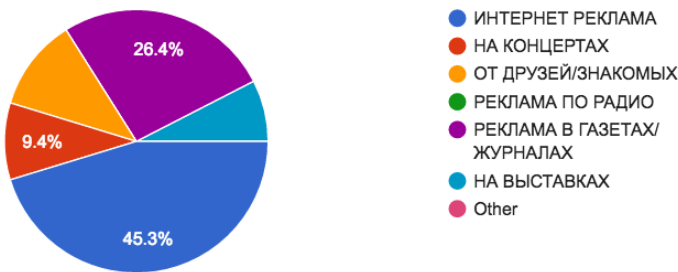


Table 14 Taken from the Google survey results.

45.3% say that online advertisements are their main source of getting to know new products on the market. 26.4% look for the information in magazines. 9.4% find new brands and products when attending a concert. The rest either find them at music fares or from friends/people they know.

The 9th question was “What do you know about Finnish quality?”.

ЧТО ВЫ ЗНАЕТЕ О ФИНСКОМ КАЧЕСТВЕ? (53 responses)

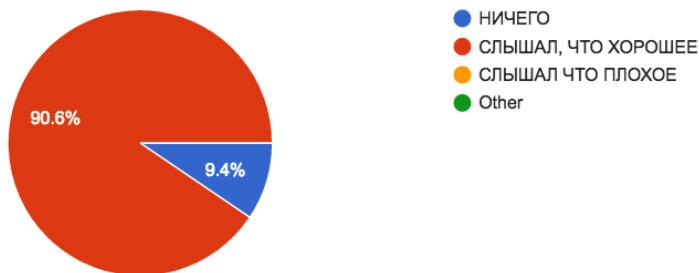


Table 15 Taken from the Google survey results.

90.6% of the respondents have heard only good things about Finnish quality. That would be a great help for creating a marketing strategy. It could be focused on the famous Finnish quality. The rest of the respondents (9.4%) just did not hear anything about it.

The 10th and last question was “How much are you willing to pay for a durable, lasting Finnish pedal/amplification?”.

СКОЛЬКО ВЫ ГОТОВЫ ЗАПЛАТИТЬ ЗА КАЧЕСТВЕННУЮ, ДОЛГОВЕЧНУЮ ФИНСКУЮ ПЕДАЛЬ ИЛИ УСИЛИТЕЛЬ (РУБ)

(53 responses)

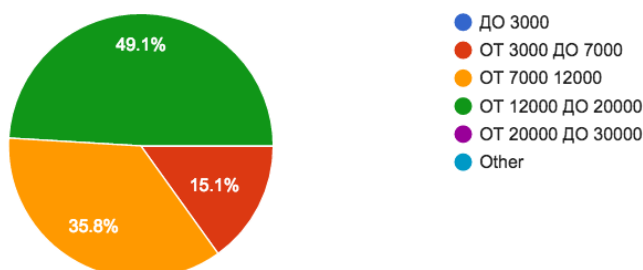


Table 16 Taken from the Google survey results.

The results show that 49.1% of the people are ready to spend from 12 to 20 thousands RUB on a new, high quality, durable and lasting Finnish pedal or amplification. 35.8% want to spend from 7 to 12 thousands RUB. The rest of the respondents (15.1%) are willing to spend from 3 to 7 thousands RUB on the product.

4.4 Conclusion

The results of the survey are very favorable to Mad Professor Amplification Oy. The market needs are quite defined now.

Firstly, the target group are mostly current owners of a pedal or amplification or want to buy their first one. That makes them potential buyers of Mad Professor products. They just need to get to know the brand and all its benefits.

When comparing results of the 3rd and 4th question it is clear that there are many people who are not satisfied with current equipment on the market and at the same time there are more than a half of the responses that say that people often change their equipment. That means that the market needs more lasting and durable equipment on the market. Since Mad Professor has been known for both of these qualities, the market should welcome the brand very well.

Almost all the respondents prefer foreign equipment to any Russian one. It is one more advantage of Mad Professor company. What is more, half of the respondents choose a product for its sound quality. The Finnish company also takes over here, known for providing of the best sound quality products.

More than 60% of the people who took part in the survey, prefer to buy their guitar equipment in a physical store. That is why it is important to work with distributors who have actual stores in Russia. But more about it will be included in marketing strategies. 35.8% want to buy equipment online and it is good that Mad Professor has a convenient online store but it is also important that the distributors of the entering market also have very easy and well-working online stores.

One of the most important thing every company should know when entering a market is how does the target group need to be approached. The survey results say that more than majority people find out about new brands and equipment via internet advertisements. The rest look for them in music magazines.

Finland is well known in Russia for its high quality. Only a few people just do not know anything about it. This information is a big benefit for Mad Professor. There is no other Finnish music equipment company in Russia and it would definitely help when the company enters the market.

Average Mad Professor company's prices are from 150 EUR to 2 000 EUR. The prices are a bit high for the target market since people prefer cheaper prices. Therefore, it would be good to work with distributors on the price sector.

5 ENTRY STRATEGIES

One of the research objectives of the thesis is to create strategies that could bring up the advantages of Mad Professor Amplification Oy and make the Russian market entry as successful as possible. In this chapter there will be two ideas that the writer believes to be potentially successful.

5.1 Distributors Strategy

The easiest way for Mad Professor to enter the Russian Market, specifically Moscow, is to work with distributors who operate there and have their headquarters also in the city. Moscow has one of the most open-minded business environments in the country. (The Economist, 2011). When working with local distributors, there is a great opportunity of collaborating with a win-win outcome.

As known from the Potential Partners chapter of the thesis, there are three main and biggest distributors in Russia: Arsenal Music, MuzTorg, and Music Alive. All of them have a wide range of brands. They have good website designs that would suit the Mad Professor's brand image.

The distributors have been on the market for a long time and therefore could be helpful when dealing with. Mad Professor could expect to ask for

an advice when entering the Russian in order to create a clearer and more real image that came from experiences Russian business owners.

The mentioned above distributors have a suitable price range of similar to Mad Professor's products. Moreover, the companies have the section called "new" on their websites, which could be used by Mad Professor as one of the ways to introduce the brand on the new market.

Music Alive distributor does not have an actual store but has a pick up location in Moscow and some other cities. Even though it could be a disadvantage, they win over with create brand image, clear and modern design, advertisement bar on the main page and with strong social network strategy. They are very active on all the main social networks such as Facebook, Instagram, Twitter and VK, Russian most famous social network. That could be a great way for Mad Professor to let the target market know about themselves.

MuzTorg is one of the strongest from all the chosen distributors. It has all the qualities of Music Alive but multiplied by several times. They have a strong image among their customers. They have created a committed consumer group that could help create a great brand image for Mad Professor, since word-of-mouth is a very powerful thing, especially in Russian culture.

Arsenal Music is the smallest of all the distributors, but is the oldest and most experienced. It is known for providing good service and great quality products. It has a good and convenient website with ad banners on the main page. It is also active on social networks, VK and Facebook, but has a smaller community. However, when checking their interaction with consumers level on the networks, it is clear that customers are active and excited about any new products, especially when the company writes an article about it. That could be of a great use for Mad Professor Company.

The distributors have stores in Moscow that could be a great way to interact with the potential target group. Buying best places in vitrines of the stores, hanging posters and giving out brochures in the store could be a very effective way to help the target audience get to know the new brand.

All in all, it all about crating a good brand image when entering the Russian market. That means that the distributors have to be well-known for doing good business, have the opportunity to promote a new product in a favorable and fast-noticeable way (ad banners on the main pages and active social networking) that will bring up all the company's attractive benefits (high quality, durability, lastingness), to have strong communities and be interactive with them. All of that would create a good brand image, help to take over the competitors' customers and bring them to Mad Professor company, that has great quality, lasting and durable products to offer.

5.2 Commercial Interaction

Working with distributors is not the only good way to enter a market and create a brand image. It is also important to promote themselves.

According to the survey results, Online commercials and advertisements in music magazines are the most popular ways of getting to know new music equipment and brands. Therefore, it would be important for Mad Professor company to cover that when entering the Russian market.

Advertisements on the distributors would be one of the online ways. However, there are also some very popular music websites that could promote Mad Professor Amplification when entering the market.

The writer has chosen two music magazines that have physical and online versions.

Rockcor <http://www.rockcor.ru/> was founded 25 years ago and many generations have grown reading this famous rock magazine. They print out 8 magazines per year and constantly update their website. It is a great place to buy ads at. Their audience is loyal and know that the magazine provide only high-quality information.

Rolling Stones <http://www.rollingstone.ru/> is world known and has become something more than just a music magazine. It is a whole new way of reviewing music. It has the respect of many generations and music-lovers. They have a special section called “Reviews” on the main website page and around 5 pages in the physical magazine. It is possible to buy a review from them (there is only a call needed to arrange it) and it would be a very advantageous way to promote Mad Professor company.

The other online websites that are worth buy ads from are : <http://musicforum.ru/>, <http://iconmag.ru/> , www.the-village.ru. They all have a great brand image and respect from readers. They are very active on social networks and sell ad banners on their main pages.

The commercial interaction is a great way to create and improve a brand image. The reason is that the company who buys the advertisement decides on what will be shown to the readers, and they can choose every single word. In this case, Mad Professor company could focus on their known great Finnish quality. The company could introduce the bands and musicians who they have worked with. They could bring up the durability, lastingness and great sound quality of their products. They could choose the images and designs of the ads. They would have all the freedom when working with online and physical magazine advertisements.

6 CONCLUSION AND RECOMMENDATIONS

Through the thesis and the whole research almost all of the objectives have been achieved.

Weaknesses and strength of the Russian market have been defined. The survey of potential target group has been conducted. The market's different distributors for Mad Professor company have been analyzed. Strategies to enter the market have been created.

Below the author of the thesis will achieve the final objective and propose the possibilities for Mad Professor Amplification Oy if using the above strategies.

I believe that Mad Professor Amplification Oy will be successful on the Russian market of music equipment if they use the two strategies.

Mad Professor will be a new, unusual for the market company. Its consumers have not seen a Finnish company before. However, they have heard about the famous high quality of the Nordic country. That is a great opportunity to conquer the market by interfering in different music resources such as Magazines, Online ads, promotion by the distributors.

It will not take a long time for Moscow and the Russian market in general to get to know the Finnish company. I believe that it is important to push hard in the beginning of the entry, especially when working with a Russian audience.

If the company applies both of the strategies, then all the aspects will be covered and protected. Brand image will be created according to what Mad Professor company wants and expects (since they buy the advertisements), distribution will be established and therefore customers will be able to experience the product and share what they think about it- the word-of-mouth will begin to spread.

I strongly believe that Mad Professor Amplification will benefit from this research. It has all the necessary information on the Russian market situation, on the country's culture and attitudes, the survey with results from musicians and guitar player as respondents, and two good and backed up strategies that could be very useful when entering the Russian music equipment market.

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SURVEY QUESTIONS

НУЖДЫ РОССИЙСКОГО РЫНКА МУЗЫКАЛЬНЫХ ИНСТРУМЕНТОВ И ОБОРУДОВАНИЯ

ВЫ ИГРАЕТЕ В ГРУППЕ ИЛИ ПРОСТО ДЛЯ СЕБЯ?

☐ ДЛЯ СЕБЯ

☐ В ГРУППЕ

☐ НЕ ИГРАЮ

☐ Other:

У ВАС УЖЕ ЕСТЬ УСИЛИТЕЛЬ ИЛИ ПИДАЛЬ ДЛЯ ГИТАР(Ы)?

☐ ЕСТЬ, НОВУЮ НЕ ХОЧУ

☐ ЕСТЬ, НО ХОЧУ НОВУЮ

☐ НЕТ, НО ХОЧУ КУПИТЬ

☐ НЕТ, НЕ СОБИРАЮСЬ ПОКУПАТЬ

☐ Other:

УСТРАИВАЕТ ЛИ ВАС ОБОРУДОВАНИЕ КОТОРОЕ ПРЕДОСТАВЛЕННОЕ НА ДАННОМ РЫНКЕ?

1 2 3 4 5

НЕТ НУЖНОЕ ЧТО-ТО НОВОЕ ☐ ☐ ☐ ☐ ☐ ДА, УСТРАИВАЕТ

КАК ЧАСТО ВЫ МЕНЯЕТЕ ОБОРУДОВАНИЕ?

1 2 3 4 5

ОЧЕНЬ РЕДКО ☐ ☐ ☐ ☐ ☐ ОЧЕНЬ ЧАСТО

ВЫ ПРЕДПОЧИТАЕТЕ ОТЕЧЕСТВЕННОЕ ОБОРУДОВАНИЕ ИЛИ ЗАРУБЕЖНОЕ?

☐ ЗАРУБЕЖНОЕ

☐ ОТЕЧЕСТВЕННОЕ

☐ ВСЕ РАВНО

☐ Other:

ЧТО ДЛЯ ВАС ВАЖНО В УСИЛИТЕЛЯХ И ПЕДАЛЯХ, КОТОРЫЕ ВЫ ВИБИРАЕТЕ

☐ МАТЕРИАЛ

☐ ЗВУЧАНИЕ

☐ ЦЕНА

☐ УДОБСТВО ИСПОЛЬЗОВАНИЯ

☐ РАЗМЕР

☐ Other:

ГДЕ ВЫ ПРЕДПОЧИТАЕТЕ ПОКУПАТЬ ИХ?

☐ ОНЛАЙН-МАГАЗИНЫ

☐ ФИЗИЧЕСКИЕ МАГАЗИНЫ

☐ ВЫСТАВКИ

☐ Other:

КАК ВЫ УЗНАЕТЕ О НОВЫХ ПРОДУКТАХ НА РЫНКЕ?

☐ ИНТЕРНЕТ РЕКЛАМА

☐ НА КОНЦЕРТАХ

☐ ОТ ДРУЗЕЙ/ЗНАКОМЫХ

☐ РЕКЛАМА ПО РАДИО

☐ РЕКЛАМА В ГАЗЕТАХ/ЖУРНАЛАХ

☐ НА ВЫСТАВКАХ

☐ Other:

ЧТО ВЫ ЗНАЕТЕ О ФИНСКОМ КАЧЕСТВЕ?

☐ НИЧЕГО

☐ СЛЫШАЛ, ЧТО ХОРОШЕЕ

☐ СЛЫШАЛ ЧТО ПЛОХОЕ

☐ Other:

СКОЛЬКО ВЫ ГОТОВЫ ЗАПЛАТИТЬ ЗА КАЧЕСТВЕННУЮ, ДОЛГОВЕЧНУЮ ФИНСКУЮ ПЕДАЛЬ ИЛИ УСИЛИТЕЛЬ (РУБ)

☐ ДО 3000

☐ ОТ 3000 ДО 7000

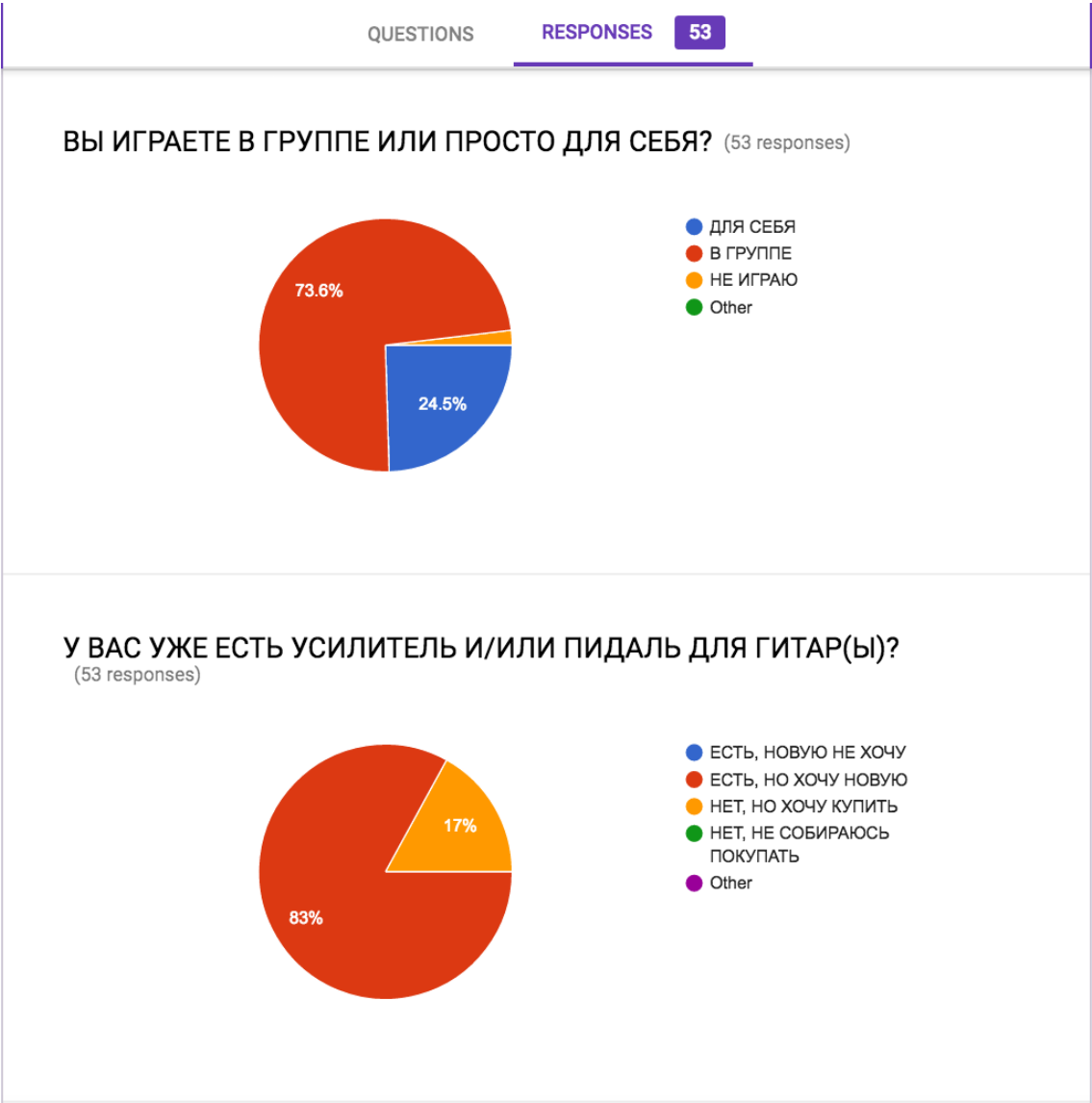
☐ ОТ 7000 12000

☐ ОТ 12000 ДО 20000

☐ ОТ 20000 ДО 30000

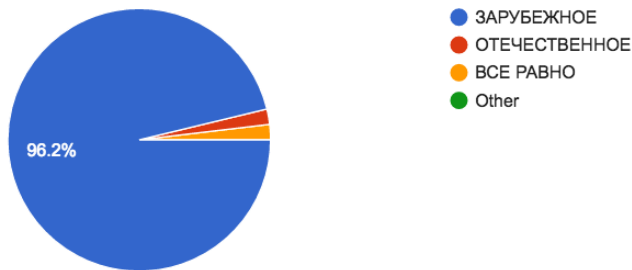
☐ Other:

ORIGINAL SURVEY RESULTS

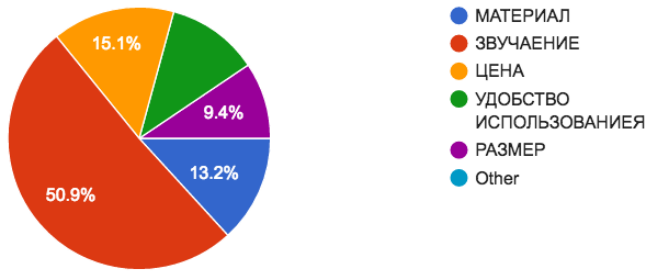




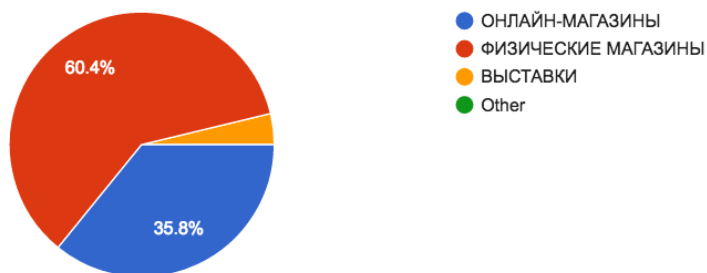
ВЫ ПРЕДПОЧИТАЕТЕ ОТЕЧЕСТВЕННОЕ ОБОРУДОВАНИЕ ИЛИ ЗАРУБЕЖНОЕ?
(53 responses)



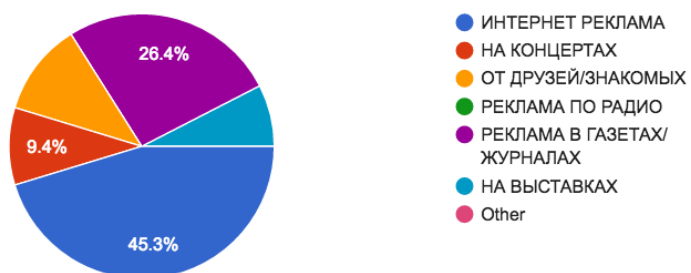
ЧТО ДЛЯ ВАС ВАЖНО В УСИЛИТЕЛЯХ И ПЕДАЛЯХ, КОТОРЫЕ ВЫ ВИБИРАЕТЕ
(53 responses)



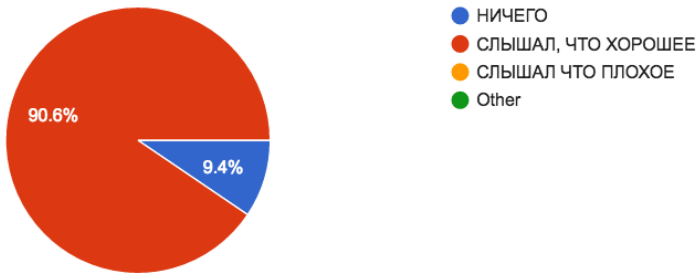
ГДЕ ВЫ ПРЕДПОЧИТАЕТЕ ПОКУПАТЬ ИХ? (53 responses)



КАК ВЫ УЗНАЕТЕ О НОВЫХ ПРОДУКТАХ НА РЫНКЕ? (53 responses)



ЧТО ВЫ ЗНАЕТЕ О ФИНСКОМ КАЧЕСТВЕ? (53 responses)



СКОЛЬКО ВЫ ГОТОВЫ ЗАПЛАТИТЬ ЗА КАЧЕСТВЕННУЮ, ДОЛГОВЕЧНУЮ
ФИНСКУЮ ПЕДАЛЬ ИЛИ УСИЛИТЕЛЬ (РУБ)
(53 responses)

