

Market research of the Russian Alcohol Market for a New French Champagne Brand «MENOR»

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<p>Abstract</p> <p>The aim of this thesis was to study the alcohol market in Russian Federation for the new French champagne brand MENOR. The research was conducted over a period of past 7 years with additional historical dates of past 30 years. The main objective was to define the Russian alcohol market and its development, in addition to clarify whether the market is open and relevant to work with the imported brands. Therefore the research questions are: What is the alcohol market in Russia? How the alcohol market has been developed already? Is it an achievable market to import?</p> <p>The literature review covers the market segmentation and its dimensions theory. The research is based on the primary data collection in addition with secondary data. Survey has been created in order to define the customers' opinion and needs according to the chosen market. These methods allow to collect and analyze a large amount of data and to create a pure research.</p> <p>The results of the research demonstrate the development of the foreign brands within the Russian alcohol market. It shows the opportunity for the imported brands to gain loyal customers. The threats of the market are the governmental laws that have been restricted, in addition with high competition. The research shows that the main customers of champagne are women however the purchasing person is often a man. Competitors' analysis shows the possible competitors to face to while/if entering the Russian market. Based on the results, the recommendations have been implemented that can aid MENOR brand to visualize the market situation, create a forecast for the development, reach the target audience by using the correct marketing strategy.</p>		
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<p>Miscellaneous</p> <p>The questionnaire is attached</p>		

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1 Introduction

Market research is an extremely important stage for starting a business and creating a business strategy nowadays. Market research helps us to create a clear image about the customers' personalities and wishes, helps us to draw a portrait of competitors, their strengths and weaknesses, as well as the possible target market opportunities at the chosen market with the chosen product sphere. Nowadays, market research can provide a clear portrait of the market situation, which can be extremely significant for the business plan of a company that wants to enter a certain market. (Eric Brandenburg 2013, 2)

The world's markets are changing every single day, just as shares that are changing every minute. Moreover, markets depend on many aspects ranging from the customers' privileges to political issues and laws. The Russian market has always been one of the most famous and developing markets in Europe. Our current world situation has changed since the crises in Russia in 2014 that touched many other countries. If before there were a big number of companies willing to enter Russia in order to grow their business, then right now after certain sanctions were applied to the Russian exports and imports, the number of people who even continued their business in Russia decreased by more than 56%. (Droby 2015, 1) This is the reason why it is important to conduct market research on the business situation in Russia in 2016, in this case on the alcohol business.

The company examined in this study is a new champagne brand launched in France in 2015. The main goal of the company is to export to other countries, and Russia is one of their main targets. Since the Russian market of alcohol is based only on the export and import of foreign brands, it is still a very stable basement for importing. However, according to the Center of the Study of Federal and Regional Alcohol markets, the alcohol revenue has decreased by 42% since 2015. (Droby 2015, 3) Therefore, the market situation of 2016 in the Russian alcohol market is extremely important to research.

1.1 Company Description

The company for which the market research was made is called MENOR. It is a French start-up from September 2015 that was created as a luxury new brand of champagne by Maxence Carin. The champagne itself consists from high quality products, and therefore, it can be called luxury, which is highly appreciated in the French market of alcohol. However, the price range stays reachable for the social middle class.

The history of MENOR champagne starts from France, but the idea to create this champagne came from China. The creator, Maxence Carin, was born on the 08th August, 1988, and when he saw the number of eights in his date of birth, he thought that he could use it somehow for the Asian market. In China the number 8 is the luckiest number that sounds like “wealth” and “prosperity”. The Chinese are very often willing to pay plenty of money in order to have a phone number, apartment number, car number that includes this symbol of luck – number 8. Therefore, Maxence Carin decided to play with this number in China and he designed his bottle of champagne with two eights as a logo on the bottle.

The MENOR Company is working now on importing to the Chinese market and developing their brand image in France. Due to the fact that the French market of champagne is very saturated, there is no place for a small start-up and another luxury brand on the market. Therefore, MENOR’s creator decided to decrease the price level and to reach customers from the middle and high-middle social classes. The luxury class of champagne in France is overfilled by the world-known brands such as “Ruinart”, “Moët”, “Dom Perignon”, “Armand Prignac” where the prices start from 200 euros and can reach 5000 euros per bottle, sometimes even more. Therefore, in order to attract the high-middle class and still provide high quality champagne under an unknown brand for now, the price per bottle for MENOR is 50 euros including all the taxes. Since the creation time of September 2015, 300 bottles have already been sold, and the main goal till December 2016 is to reach 5000 units sold. The CEO of the enterprise is willing to reach an 80% level of export to other countries while creating

and supporting the brand image in France. This is the reason for market research on the Russian market of alcohol.

1.2 Research Problem and Objectives

Market research consists of deductive and inductive research methods that are used to reach the main goals: to create a clear market portrait in order to solve managerial problems and demonstrate the possible future for business in this chosen market. In our case, the MENOR champagne company is aiming at the Russian market as an export stage for their business. The main problem, as was already mentioned above, is that there is no place in France for such a small start-up to fight for the place in the market among well-known and stable brands of champagne, such as “Ruinart”, “Moet”, “Dom Perignon”, “Armand Prignac” and others. The market itself is not receptive to anymore new brands, and therefore there is no opportunity for development. The aim of the company is to reach an 80% level of export from France to another market. For this research problem this market research on the Russian alcohol market was created. In order to aim for the Russian market of alcohol, it is important to study the market and its abilities to accept foreign brands.

The research objective in this case was to create a clear market study of the Russian alcohol market in order to demonstrate the capabilities of the market to take and give according to the business range. This market research can be considered as a basis for making a decision whether it is worth exporting to Russia or not. It is important to mention that the main focus was on the existing facts and on creating a visual statement after considering the facts. The main goal was to consider the market changes, to draw a customer portrait and conduct a SWOT analysis on the competitors. Therefore the research questions were:

- *What is the alcohol market in Russia?*
- *How has the alcohol market been developed?*
- *Who are our potential customers, competitors?*

➤ *Is it an achievable market to import?*

Market research is normally a descriptive study that answers the questions *Who? What? Where? When? How? and How many?*. It is important to mention that this market research included the question *Why?* in order to make a conclusion on each part of the research. This research aims to create a valuable picture of the market and help to make the first steps in a decision-making process. This would also help to understand how the competitors are moving, promoting and selling their products in the Russian alcohol market where 90% of the producers are foreign countries, such as Belgium, Turkey, Denmark and the Netherlands. Therefore, the main objective of this research is to study the present-day alcohol market situation and to see if it would be a good basement for exporting the MENOR champagne brand or not.

2 Dimensions of market research

2.1 Dimensions of the term 'Market'

Developing the definition of the market according to McDonald and Malcolm, the term 'market' itself should be closely connected to the term 'customer need'. If there is no customer need, there will be no market. However, the 'customer need' should not only be considered with regard to the product that the company is dealing with, but with regard to any product that can satisfy the same need. (Wiley 2012, 75-77) This market definition is more correct for the companies that are focusing on the Business-to-Customer side than for the Business-to-Business companies. If we talk about the Business-to-Business system, then the term 'market' will be considered more with the words 'sales' and 'supplies' (McDonald 2012, 74). However, this thesis was made for a champagne company selling its product directly to customers. Therefore, it is clear to claim that in this case the term 'market' was playing a role in the customer need.

Due to the fact that the term 'market segmentation' part is described further in this thesis, it is important to see the difference between the terms 'market' and 'segment'. As was mentioned before, the term 'market' mainly describes all the products or services that can satisfy the exact need of a customer, while 'segment' focuses more on the description of the product and service for already classified groups of customers. The main function of a 'segment' is to determine the characteristics and attractiveness of the product or service that can bring satisfaction to the customers within a chosen market. (McDonald 2012, 75)

It is very important to consider that the main mistake in a market is a misunderstanding of what the customer actually needs and wants. It is obvious that sometimes the customer wants something that he/she does not need, and when the wish disappears, the company loses its customer. It is very important to understand that finding the actual 'need' is the main purpose of a company in the market because the customers' will is not a constant factor. Nowadays there are a great number of new start-ups trying to manipulate the customers to want something that they do not actually need. This is why many starting companies close their businesses down very quickly because it is not the right strategy of reaching the customers. People have always had needs and, yes, the needs have an aptitude to change, but the main wish is to satisfy their needs. Therefore, the main focus should not be on what the customers want but on what they need and how to satisfy this need.

2.2 Marketing as a part of market segmentation

The state of marketing according to McDonald's book about market segmentation:

"In numerous companies around the world, dedicated, professional marketers are making major contributions to the financial success of their companies. They achieve this through their detailed understanding of the markets they are in, in-depth insights

into the needs of their customers and the development and delivery of carefully targeted value propositions.”

(McDonald & Malcolm 2012, 2)

According to McDonald, “marketing” has lost its world position since 20 years. (McDonald & Malcolm 2003, 2-3) If before marketing was considered the main root of a strategy-making concept then nowadays it has lost its position to the “sales support department”. However, McDonald believes that even now marketing is playing the most important role in the strategy-making for any business. His statement can be interpreted that 20 years ago when marketing was a key to success of a business, it was used for conducting market research in order to understand the deep needs of the customers and create a careful target proposition. Without marketing the business had no way to evolve because the customer research was closed. However, nowadays marketing is considered to be the promotion of a T-shirt in a shop whether an important relation between customer and business creature.

In Kotler’s report about marketing, he supports the idea of McDonald (Kotler 2003, 4-5). He states that over the years marketing lost its status of being responsible for the 4 P’s (product, price, promotion, and place) as we have all learned in each marketing course. This has now been transformed to be the theory of marketing. According to Kotler, it has been unfortunately changed to have the responsibility only for one “P”: promotion.

20 years ago the process marketing consisted of:

- Defining the market
- Defining the customers’ needs within the chosen market
- Defining the value of giving these needs

- Communicating these values to the employees responsible for the satisfaction of these needs
- Communicating these needs to the customers
- Considering the results of the needs that have been satisfied

Based on these two statements by McDonald and Kotler, the obvious conclusion is that since the 21 century started – a century of high technologies, marketing has lost its influence that it had before. Nowadays, marketing represents more the sales department, such as promotions, advertising and communication rather than market analysis, customer relations, target selection, strategy and decision-making.

2.3 Market segmentation

Market segmentation definition according to McDonald and Malcolm is as follows:

“Market segmentation is the process of splitting customers, or potential customers, in a market into different groups, or segments.”

(McDonald & Malcolm 2012, 9-10)

FIGURE 1: Define Markets and Segments, and Understand Value
(McDonald & Wilson 2011, 8)

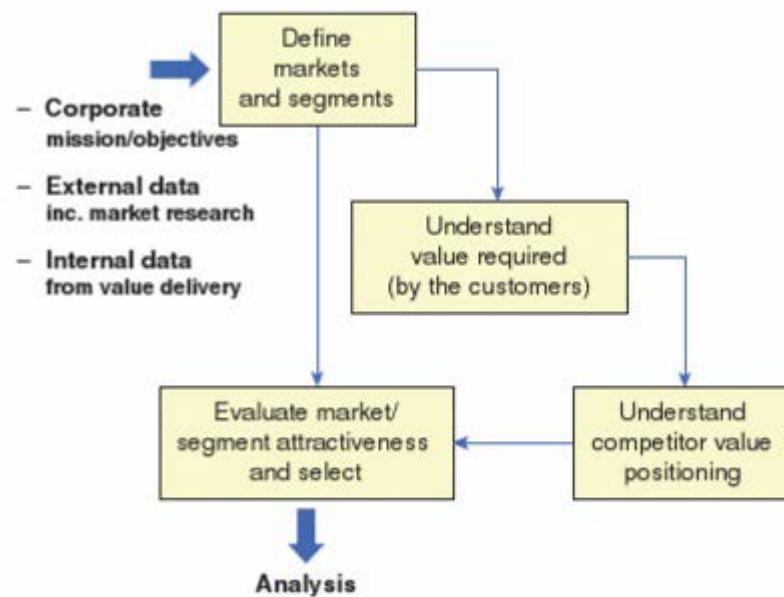


Figure 1 illustrates a clear picture of market segmentation. There are four phases that are obligatory for market segmentation: Defining markets and segments, understanding the value required by the customers, understanding competitor value positioning and evaluating market. Moreover, after each single process, it is highly valuable to make an analysis. (McDonald & Wilson 2011, 8)

The first phase shows us the importance of defining the market and the organizations in it. After defining the market, the obligatory step is to see how the market is divided into segments by the customers with the same needs and wishes. If market segmentation is a process of splitting customers in the market into different groups, then we should ask the question why we choose customers with the same needs. It is important to understand that no customers are the same. Customers' satisfaction is the most important key to financial success. Therefore, it is important to define a market with the customers who have the same needs, but they can have different abilities of buying, different values of product, value of money, but the needs are the same. This is where we come to the next step.

After defining the market it is relevant to understand and to study which value the customers from each segment are looking for. Many segments in the market mean many different values for the customers with the same needs. During this stage, we should form an understanding of what the customers from different segments can give in exchange to the price, value and loyalty. It is important to look deeper so that “understanding the value required” is not only understanding what the consumers want and what they can pay for it but also predict the values that they wish to have in the future. (McDonald & Wilson 2011, 8-11) When the value of the customers and possible values in the future are considered, it is evident that a competitor analysis should be conducted.

The third step that should never be missed is “understanding competitor value positioning” (McDonald & Wilson 2011, 9-10). It should be a study about the competitors in the same market, in other words, whether they are successful in giving the values to the customers that they are seeking for. It also involves brain storming in order to predict how the main competitors can improve their services and organizations and what kind of steps forward they can take in the future in order to raise their sales and the customers’ satisfaction.

Based on these three processes described above, it is possible to make an evaluation of the market itself and its segments as well as an evaluation of the competitors. Normally this evaluation should be done as some sort of analysis the description of which can be found in the part ‘methodology’ in this thesis.

To conclude, marketing has had almost the most important role in the strategy-making process together with market research, but unfortunately, during the last 20 years marketing has become a part of a lonely sales department service and considered now only a part of promotion and advertisement. However, it is extremely important to understand for any enterprise that without a clear and correctly formulated market definition, as well as a market segmentation analysis, it is not possible to create a successful and long-life strategy-making process. It is very

important to start from the basics in order to create successful marketing that also includes a market segmentation process. However, this is not possible without a correct methodology that is addressed in the 'Methodology' part of this thesis.

2.4 Market segmentation: Customers

According to McDonald and Malcolm (2012, 14), satisfaction of the customers is one of the key components for the successful business. In order to fulfill correctly the market segmentation it is important to understand the way to split the customers with the same needs into different groups. Even if the customers have the same needs it is evident that they will still have different motivations, different values, different revenue, different way to be satisfied by the product, etc. Therefore, the first segmentation that we have to consider is the customer segmentation and the way we can use it during our data collection. By defining the customers' identity in each segment it will be possible to create a winning customer proposition – that is the main goal of customer segmentation. (McDonald & Malcolm 2012, 11-15)

Product and Services:

First stage in customer segmentation is to understand the customers' needs to have this or that particular product or service. It should be supported by understanding the features of the product and benefits that customers are looking for. Once this link will be found it is possible to make a detail customer classification.

Demographics:

Demographics customer classification can be considered from their gender, age and the socio-economics situation such as their level of revenue and profession of the person. You cannot just classify people by their age or gender because nobody at their 20th birthday has the same needs and life-values. Ones at 25 years old can drive "Porsche" and living alone in his apartment, another person can still be unemployed and living in his parent's house at the same age. Therefore it is very relevant to consider the socio-economics classification. However, demographic classification

cannot cover the whole customer segmentation in market segmentation. It is playing an important role that helps to define the identity of the customer in each segment and this can help to find out how to reach the particular segment of the customers.

Geographic:

Geographic classification as well as demographic one cannot provide the clear profile of each customer but it takes another important role in the customer segmentation. It is wrong to think that if people are living in the same area, they will surely buy the same products and have the same value of life and purchase. On the contrary, geographic classification can help to create a more precise identity of the customer that they are classifying. Therefore it is another step forward in order to reach the customer and his needs.

Channels:

Channels are also one of the components of the customer classification model. Channels in our case are a link between companies and customers, by which resources they are communicating. By itself this information cannot give much information to add to the identity of the customers but on the other hand, if we look more deeply into the motives with which customers are choosing channels we will come to the main information that we were looking for. Exactly these motives of choosing the channels will help us to puzzle the identity of the customers.

Psychographics:

Psychographics classification itself cannot define the “winning customer proposition”, as well as each other parts of this classification. (McDonald & Malcolm 2012, 14) However, all these parts together can provide the most successful results. Psychographics classification is a classification by the behavior and inside feelings of the person. By understanding the motives of behaving this particular way in relation to a product, will be extremely helpful in creating a method to catch attention of these customers and how to reach this particular segment of the classification.

TABLE 1: Adding Profiling Characteristics to Micro-segments
(Wiley 2012, 56)

Feature category	Group	Specification	Micro-segments				
			1	2	3	4	5
'What' ... and so on	Style	Slipstream		★ ★ ★			
		Medium cover				★	★ ★
		Full cover			★ ★		
		Latest fashion	★ ★ ★				
		... and so on					
Profiling category	Group	Specification					
Demographic	Age	Up to 15		✓			
		16 to 29	✓ ✓	✓	✓	✓	
		30 to 45	✓	✓	✓	✓ ✓	✓
		46 and over			✓		✓ ✓
Psychographic	Personality	Socialite	✓ ✓ ✓				
		Sports enthusiast		✓ ✓ ✓			
		Sports interested				✓ ✓ ✓	
		Traditionalist			✓ ✓ ✓		✓ ✓ ✓
Acquisition routes	Outlet	Sports specialist		✓ ✓ ✓		✓ ✓ ✓	
		Department store			✓ ✓ ✓		
		Fashion house	✓ ✓ ✓				
		Catalogue co.					✓ ✓ ✓
	Channel	Face-to-face	✓ ✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓	
		Direct – tel. & mail					✓ ✓ ✓
		Direct – internet		✓		✓	

The Table 1 according to Wiley, is an example of a clear segmentation. When the customers can be classified and divided into segments, it would be called “micro-segments” because term “segment” already was used to define the market that was more general division. Here at the table we can follow the customer division into groups which we have just considered in this chapter. These are the division by the demographics, geographic and psychographic features. On the right part of the table we can follow the micro-segmentation that is done in this example by number. All the stars and ticks are representing the power of each customer segment being attached to the exact micro-segment. Micro-segments are defining the customers’ opinion about the market itself. This kind of table gives us an opportunity to have a

visual analysis of the situation and as was told before - the better way marketing will be done, more successful will be a “winning customer proposition”, therefore the business itself.

To conclude, each part of the segmentation process is not bringing the berries on its own, however when all of the above becomes a unite, then the segmentation process is working on the success. All of the segments are providing us information about insights of the customers that at the final helps us to make a clear picture of how different the customers are with the same needs. To make a better analysis it is important to make a table, as was exampled on the Table 1, because it will conclude the whole process by the visual statement. The customer analysis is one of the biggest parts of market research because the success of exporting products depends on the customers’ needs, values, wishes, abilities, behavior to the brand, their geolocation, communication channels, etc. If there is no link between customer and company – the business will simply not work. Therefore, it is extremely important to make a customer research from the basics in order to create an excellent strategy with a winning customer proposition.

2.5 Competitiveness

According to McDonald and Malcolm (2012, 78), the definition of ‘company competitiveness’ is:

“Company competitiveness is a measure of an organization’s actual strengths in each segment (in other words, the degree to which it can take advantage of a segment opportunity).”

(Wiley 2012, 66)

The customer need within the market is playing an irreplaceable role, however without a competitive analysis it is impossible to create a 'winning customer proposition'. It is as well not possible to make the final analysis of the segment appeal if we base only on customer analysis. The competitive analysis is extremely important stage because it can visualize the company's positioning among the main competitors. This is also the most relevant part that can show the main weaknesses and strengths according to the competitors in this market and therefore motivate to improve the company.

There are 2 ways to create a clear comparison with the main competitors: competitive strength evaluation by creating a table, another one is relative company competitiveness by creating a graph.

TABLE 2: Fast track – competitive strength evaluation (Year 0)
(McDonald & Malcolm 2012, 67)

<i>Segment 2</i>								
<i>DBC's & CSFs</i>		<i>Weight</i>	<i>Your company</i>		<i>Competitor A</i>		<i>Competitor B</i>	
			<i>Score</i>	<i>Total</i>	<i>Score</i>	<i>Total</i>	<i>Score</i>	<i>Total</i>
1.	Product	45	6	2.7	8	3.6	4	1.8
2.	Service	25	8	2.0	8	2.0	8	2.0
3.	Image	20	6	1.2	5	1.0	4	0.8
4.	Price	10	4	0.4	5	0.5	7	0.7
<i>Total</i>		100		6.3		7.1		5.3

According to McDonald and Malcolm DBCs is an abbreviation for 'decisive buying criteria' and CSFs is an abbreviation for 'critical success factors'. (Wiley 2012, 67)

This table 2 is demonstrating how to compare the strength to compete for different companies from the same market. In creating this table our research company will be compared to two or more companies that are considered to be their main competitors. Here we can follow the main division by product, service, image and price. All the segments and companies have to be reflected by these 4 criteria. 'Weight' should be considered at each criteria and judged from 0 to 100 depends on

the importance of the criteria. If the research is made by the 'stars' as for example a hotel evaluation then it should be transformed to the numbers evaluation from 0 to 100. The most important part is to compare 'your company' with 'competitor A' and 'competitor B' and never include numbers that were discovered by personal evaluation but facts. The score of the company should be included as a number from 0 to 10 according to product, service, image and price criteria. The 'total' is counting individually for each company and the formula is: individual score from the 1st company multiplied by the weight that represent the same criteria and divided by 100. For each part 'total' should be a personal number calculated by the formula, only after the total of the 'total' can be calculated and compared to other companies. The higher the 'total', then the higher performance they have for the chosen criteria. Due to this table it is possible to compare the performance of different companies by the exact number that can make a big influence on the company development because this table can show exactly where our company is losing the rates compared to the competitors.

FIGURE 2: Relative company competitiveness (Year 0)
(McDonald & Malcolm 2012, 68)

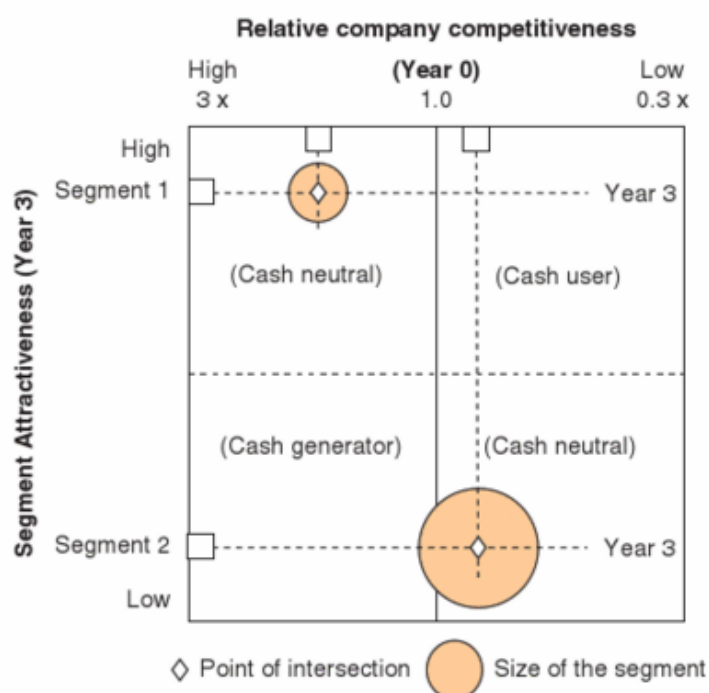


Figure 2 demonstrates the graph of company competitiveness. The graph can be expanded and changed according to the demands. On this example 'high' is situated on the left of the figure however it is possible to make personal changes if it can reflect more the needs. This graph should be also done by the segments and it can represent the table that was discovered before in this chapter. With all the numbers that were calculated at the Table №2, it is possible to construct a graph that is shown at the Figure №2. No positioning should be made in isolation and by personal view, only numbers and facts can create a really valuable figure. Segment and its size is shown as an orange circle at the graph, the bigger the circle is, the bigger segment is considered to be. There is no need to make a very precise calculation of the segment, however it is very important to draw the graph with the numbers that are very close to the exact ones in order to create the most realistic situation.

To see the situation of nowadays, it is important to use current data. If the competitor's compare has been done before, it will be possible to compare the company's and competitor's development through years. In addition it is valuable to make another graph of prediction of the business development. At first, it is important to write down the strategies that the company willing to use and after to make an analysis of how these strategies can influence the market and company itself. Using these analyses it can be valuable to visualize the predictions to the graph in order to make a comparison of 'relative company competitiveness' of Year 0 and after the prediction for the Year 3.

This kind of tables and graphs that were demonstrated in this chapter is a significant part of the market segmentation and market research. Due to this method, the normal calculation of the competitiveness can grow into a great visualization and in 96% it shows a new way for the development and strategy changes.

3 Research Methodology

With regard to research methodology, it is important to understand the meaning of the word research itself. According to Kothari (2004, 1), research is a search for knowledge in all its senses. For some others, research is a movement process from the unknown to known. When the unknown is facing us and making us curious, we start to be motivated to fully understand the unknown, and this is where research comes in. However, in the academic world research only has the technical sense.

“According to Clifford Woody, any research is consisting of defining and redefining the problem, formulating hypothesis or suggested solutions; collecting, organizing and evaluating data; making deductions and reaching conclusions; and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis.”

(Kothari, 2004, 1)

To conclude, research, on the one hand, is knowledge seeking by using the objective and systematic method of finding solutions to different problems. On the other hand, research can be a systematic approach in an effort to generalize and formulate theory. (Kothari 2004, 2)

The main aim of research is to find all the answers to the questions that have been posed before. Normally, the questions that have been asked have hidden answers, and these answers should be found by using different research methods. Research conducted on a topic for the first time is called primary research. This means that the data that is found and the research that is conducted are ‘newcomers’ to the research world. Secondary data is data that was found by using earlier research, meaning that the sources are not from the first source.

There are many different types of research that are focusing on different details. According to Kothari (2004, 4), research can be: descriptive, analytical, applied, fundamental, qualitative and quantitative, conceptual and empirical and a great deal more. The following is a small description of their main features and differences. All

the descriptions are based on the author's opinions taken from the "Research methodology" book. (Kothari 2004, 2-5)

Descriptive research is often used for business research. Descriptive research is normally conducted by means of surveys and providing descriptive information about companies, places and affairs. The most important aspect is that this research can only show the current information about the affair in general or detailed information about what is happening at a given moment. **Analytical research** is based on already existing facts, and the results are not only based on a descriptive analysis but on a very detailed analysis that helps to evaluate the whole set of data and not only the current one.

Applied research is dynamic research that is normally aiming to find a quick solution for a business problem by means of detailed research. **Fundamental research** is pure research that is based more on generalizations and creating theory. It is not about strategy-making, it is more about mathematical research.

Quantitative and qualitative research can complement each other. Quantitative research is obviously a method that is connected to quantity and amount. Qualitative research is more about quality and understanding the human behavior.

Conceptual research is abstract research that is usually used by philosophers, believers and thinkers while creating their abstract theories. **Empirical research** is, on the contrary, a method that is based on facts and experiences. The biggest difference is that when using empirical research, all the data can be verified due to the fact-based research method.

All of these types of research are used in different business fields, and by using the most suitable research method business success can increase. However, in market research the qualitative and quantitative research methods are the most the popular one and often used in business research.

3.1 Quantitative research

Quantitative research, as was mentioned before, is research that can be demonstrated and counted in amounts and quantities. It is based on facts and experiences, and, therefore, the data can be checked and verified by the official data before the analysis. The data in this method is never based on the personal opinions but facts. Due to this, it is better to conduct market research by using the quantitative method. In order to create a successful strategy for entering a country, it is important that the data is based on pure facts while conducting market research. (Glynn, Dylan, Fischer & Kerstin 2010, 47)

It is obvious that market research cannot only be based on qualitative research that is based on customer opinions and their behavior with regard to the chosen product. This is because market research needs to be clear and to have data that can be checked by using facts. Thus, it cannot be based only on personal opinions because then the data and analysis will be different, and the differentiation will depend on each single person's opinions. Therefore, the market research in the present study was based on facts, written and proven data, books and official papers that can be produced by using quantitative research methods.

The quantitative method has been one of the most useful methods from the early 60's. This method can be compared to more traditional methods, such as 'empirical' and 'statistical'. Only by using the scientific data it is possible to create a theory while searching for knowledge. It is very important to mention that according to Glynn, Dylan, Fischer and Kerstin (2010, 47), the quantitative research method can be used as a basis for the future quantitative investigations.

According to Jha (2008, 47-48), quantitative research is a type of research that has been done for creating hypotheses, solution finding and any kind of research – investigation. All the studies should be and have been started by a theory basis, and

only afterwards a hypothesis for the research has been given. The number of the studies depends on the population. All the subjects need to be selected randomly on the first level of studies in order not to make mistakes. Then the studies need to be repeated in order to see if there is a difference in the results or not. After this, each of the segments needs to be repeated again in order to see where the result changes. After establishing the results and the ways in which they differ, it is relevant to see if the conclusion of the study is the same as the theory or not. It is important to compare it with the hypothesis and to make an inference if the theory is proven or not. This type of research creates a basis for the sciences by testing the theories. (Jha 2008, 47-48)

3.2 Data analysis, collection method

Data collection begins after the research problem and research method has been defined. It is important to not forget that there are 2 types of data such as primary and secondary. Depending on the types of data, different methods for data collection can be used. For example, primary data is the data that have never been used before for a research or other actions, it is a pure data, while the secondary data is the data that has been already gathered and used by someone else. The data collection method depends on the data itself, therefore it is important to choose before which data will be useful for the research – primary or secondary. Primary data is collected from the first sources therefore the method of collecting differs from the secondary data which is collected from the second “hand” sources.

3.3 Primary data collection

Primary data collection normally used for the experimental research however it can be also used for the descriptive research. According to Kothari (2004, 97) it can be collected by the ordinary **observation** and analyze or direct communication such as surveys or direct interviewing. Interviewing is a direct method when there is a direct contact to the brand, customers or employees in order to get direct answer to the

posed questions. It is also possible to make surveys in order to gather and analyze all the information from the first hand. However it is important to not forget that there is also another method than direct communication and it is observation. If there is no chance to contact needed people face to face or by questionnaires, it is possible to make an observational research. That means observing direct information without communication. It is significant to understand that it is still a primary data therefore it is impossible to make investigation according to the second data source, everything needs to come from the first side. Even if the observation method is very often been used for the market research, it is evident that it cannot be 100 percent useful. It is clear that there are some people who are barely reachable for the direct investigation or observations, therefore the information cannot provide enough sources for the useful analyze for the future.

Interviewing is another useful method of the primary data collection. It provides personal information about the person and his/her tastes. By interviewing many people it is possible to make a clear conclusion by analyzing all the data received from the interviews. It is a very useful method that helps to create pre-questions in order to understand the person and be structured with the further questions. This type of structure helps separating data for the analyses. This method is easy in utilization however it takes lots of time and resources. Interviews are showing more the personal opinion and as we all know it cannot be strict and theoretical. According Kothari (2004, 99) the interviewing person can over-react during the interview and create answers to seem more interesting for the researcher. This is a personal weakness that cannot be controlled during the interview.

Data collection through **questionnaires** is also one of the methods of primary data collection. Questionnaire is a very famous and comfortable method of collecting primary data. This method is often used by ordinary people, private or public organizations, investigators and sometimes even government. This method was used before by sending surveys by post directly to a needed person in order to get direct contact. Nowadays it is possible to make survey by pen and paper but the most valuable and fast survey is made in internet by typing. The big advantage is that the price for this data collection method is very low and much lower than the other

methods. Another plus of this method is that the respondents have enough time to answer the questions when during the personal interview they need to get structured answers straight away. Also as attractiveness for the respondents is that normally the answers are anonymous therefore people are motivated to answer honestly. Another advantage is that people who are not easily reachable are able to be reached very easily and fast and answer the survey questions through all the world places. It is important to not forget that there are also disadvantages in this data collection method. One of the most inconvenient points is that questionnaires method is the slowest method of among all. Another disadvantage, as with interviews, this method cannot prove the honesty of the respondents and is obliged to rely on the pure answers.

In this thesis both methods, observation and questionnaires, are included for the primary data collection. Primary data is one of the most valuable data that can be chosen for the market research of 2016/2017. Primary data will provide the purest information that can be found for the market of nowadays. The chosen data collection method will combine two important methods – observation and direct contact for the investigation. Observation method will aid to make a pure investigation of the market situation nowadays. While the questionnaires will make a direct contact to the customers in order to learn their needs and behavior.

3.4 Secondary data collection

Secondary data is a data that was already collected by someone, the data that was already investigated and that is already available as a source. While collecting this type of data it is important to verify the validity of information in minimum 2 sources. There is no necessity to verify the data if it is a primary data however the secondary data have to be verified. This kind of data can be found on the official sites as well as in the magazines, books, reports, articles, journals, newspapers, etc. Research that is made using the secondary data need to be done very carefully because the found data can be unsuitable or just inadequate for the needed context. In order to succeed

in choosing these data, the main rule is to criticize the found data and separate valuable data from inadequate. (Kothari 2004, 110-111)

This data is also used in this thesis in order to collect and compare the data that have been found already to the new research of nowadays. This method of comparison will help us to understand in which way the Russian market of champagne is moving, in which exact way this market develops. Using the primary data the research will be enriched with the primary observation of the current market, current competitors, current customers and current market situation. Using the primary data it will be possible to reach customers directly using the survey data collection method and to understand their needs, wishes, abilities of purchasing and behavior itself. Secondary data is also important in the studies because it will provide a basement of the market analysis in Russia that existed before, it would be a part of the history, and therefore it will be possible to compare this data to the current research. This comparison will be valuable in order to see the market evaluation, the customers' and the competitors' evaluation. Due to this it is possible to create a deep and well-structured market research.

4 Research Results

4.1 Market

Russia has never been on the top of the rating of the countries who are the best sellers or best producers of the wine or champagne. Only in 1984 year Russian producers had a large jump to the business of champagne when all the vineyards raised their production up to 66%, however they lost their development fast enough. To the year 2009 Russia was at the last place according the vineyards scales. Since always Spain, France and Italy were sharing the top-3 largest places size of the vineyards. Russia was on the 14 place after Turkey, China, USA, Portugal, Romany, Australia and Moldova. The production level in Russia has been falling up to 78%

since 25 years. Because of this critical situation, the world of vineyards in general and champagne has been dependent from the importing production up to 80%.

There are 2 different productions: production of the champagne itself and production of the materials for the champagne bottles. These 2 production stations are situated not at the same area. The main regions where the champagne materials are produced are in the North Caucasus and Krasnodar region. However, the champagne itself is produced in Moscow, Saint-Petersburg, Rostov, Tsimlyansk, Khabarovsk, Togliatti, and Derbent, Mineralnye Vody and other Russian cities. It is important information in order to have contact with suppliers. There are 2 types of Russian champagne that are extremely famous, called Soviet Champagne and Russian Champagne. The tastes in the Russian region are normally divided into dry, demi-dry, demi-sweet, sweet and brut. These are the 2 bottles of champagne that were famous in Russia since the time when champagne was born. However, it is important to mention that Russian people prefer champagne foreign brands. This information will be considered a little bit later in the data analysis chapter.

TABLE 3: Structure of the alcohol consumption in the Russian market in 1980, 2000 – 2008 year (including legal and illegal alcohol)

(Data from the Center "TSIFRRA" Research of Federal and Regional Alcohol Markets, 2008)

<i>Type of production/ year</i>	<i>1980</i>	<i>2000</i>	<i>2004-2005</i>	<i>2007</i>	<i>2008</i>	<i>% of development</i>
Vodka	12,5 mln L	13,21 mln L	13,8 mln L	13,7 mln L	13,75 mln L	Plus 10%
whiskey, gin, tequila, absinthe, rum	0,0 mln L	0,005 mln L	0,032 mln L	0,13 mln L	0,145 mln L	Plus 1 %
Vine	21,25 mln L	3,04 mln L	6,47 mln L	7,31 mln L	7,42 mln L	Minus 60%

Champagne	0,5 mln L	0,476 mln L	1,0 mln L	1,59 mln L	1,61 mln L	Plus 30%
Cognac, brandy	0,46 mln L	0,4 mln L	0,75 mln L	0,91 mln L	0,951 mln L	Plus 5%

Table 3 is showing the changes in the alcohol consumption from 1980 year to 2008. As was mentioned before, only in the 1984 Russian producers got berries from their business that was raised up to 66% however it was the only year of success. Therefore the table shows the average of the alcohol consumption for these years. As we can see, hard alcohol as vodka was always on the top position among other alcohol. The consumption of vodka was raising by 10% from 1980 and was around 13,75 million liters to the year 2008. However, an important for us champagne, starting with 0,5 liters raised only by 30% by 2008 with the final consumption of 1,61 million liters that is 9 times less that vodka consumption. After the crisis, that has started in the 80th, by 2008 the consumption of the vine declined by 60%. The utilization of hard alcohol and beers has been always raising therefore the consumption of pure grape vine had a catastrophic decline. It is also important to mention that in Russian market the advertising of champagne, vine, and hard alcohol on the television channels are strictly forbidden, however, the advertising of beer was allowed after 22 o'clock in the evening for many years that helped to turn the customers' attention to this type of alcohol. Russia is also the only country in the world where the consumption of technical alcohol-based liquid is considered as alcohol. All of this is largely because there is a lack of possibility to buy a good quality vine. When in Europe the bottle of vine that cost 2-3 euros is available for everyone to buy, then in Russian market this bottle will cost 10-12 euros including all the charges. Considering that the salaries of ordinary people in Russia are 3 times less than the average salary in Europe then it is evident that the bottle of vine for 10-12 euros is very expensive for the middle social class in Russia. Therefore, unfortunately, people are consuming alcohol that is cheaper therefore the production of vine and champagne falls because of the futility. By 2009, the sales of the champagne bottles

reached only 75 million per year while in France they are selling around 300 million of bottles per year that is 3 times more than in Russia. The price rises because the product is imported, therefore the price itself is higher adding all the charges such as transportation, accreditation, taxes, etc. will rise the price to the imported product. Due to the fact that nowadays the vine and champagne production is 80% imported, therefore the price is high enough for the Russian market. Even though Russian customers prefer foreign champagne, it is still considered as something luxury for the consumers because of the price.

4.2 Customers

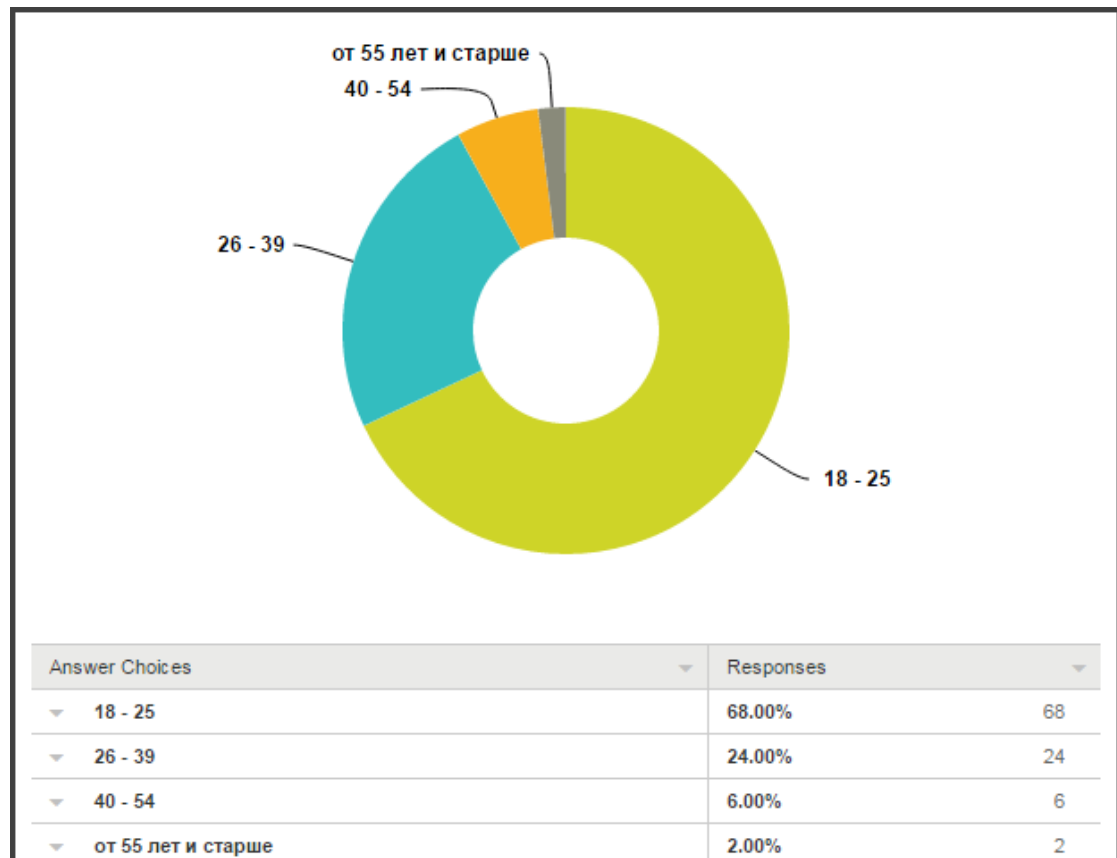
In order to understand customers' attitude to champagne, we have created a survey that is a primary data collection method. Therefore the data is pure and reliable. In the questionnaire took part 126 people from main big cities such as Saint-Petersburg, Moscow and many other cities in Russia. The survey consists of several questions such as:

- What is your age?
- What is your gender?
- What is your social status?
- Which alcohol do you prefer?
- At which occasion do you drink alcohol?
- At which occasion do you drink champagne?
- Do you prefer champagne from Russian producers or foreign ones?
- What is coming to you mind when you see a phrase "French Champagne"?
- Where do you usually buy champagne?
- How much are you able to spend for a good bottle of champagne?

These questions were answered by 126 people from all over Russia and the results are pretty interesting and important for the market research analysis. Each question

has a meaning behind that will be explained further. Using these questions it will be possible to understand customers' behavior and attitude to champagne in general.

FIGURE 3: The age group of the respondents, 2016



The third figure is showing the answers to the first questions from the research survey. Out of 126 there were only 100 people who answered this question. Due to the fact that alcohol is allowed only after 18 years old, we made the first age group from 18 to 25, second group 26 to 39, third group 40 to 54 and the last group was 55 and older. As we can see on the graph, 68% of the respondents were at the age of 18 to 25. Straight after was going the second age group from 26 to 39 years old, that took 24% of the total amount of respondents. There were not a lot of people over the age 40 who were attracted by the survey that was made in internet. Therefore there are only 8 people that represents 8% of the respondents who took part in this survey.

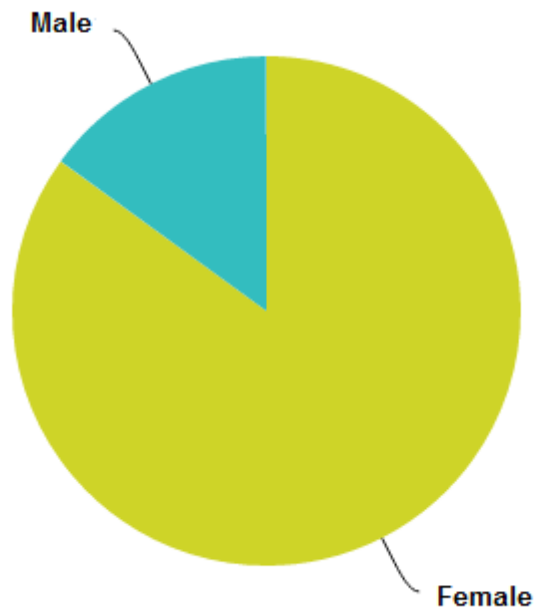
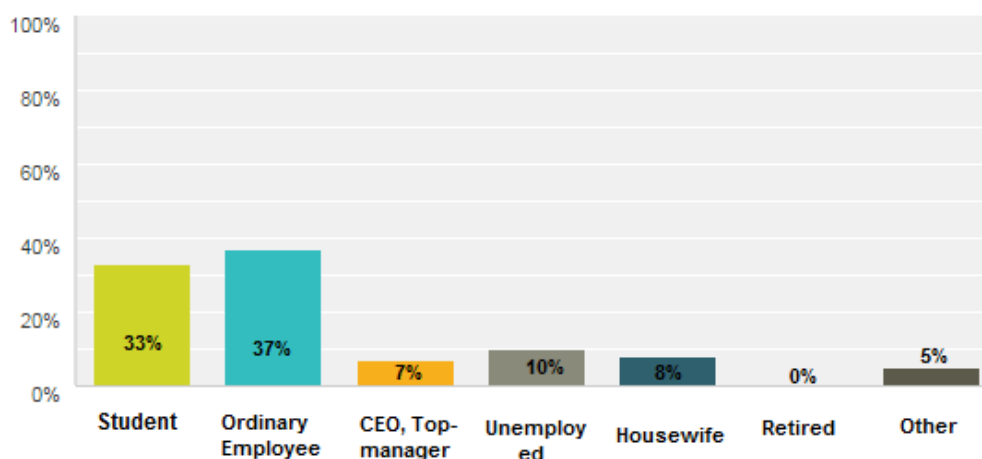
FIGURE 4: Gender, 2016

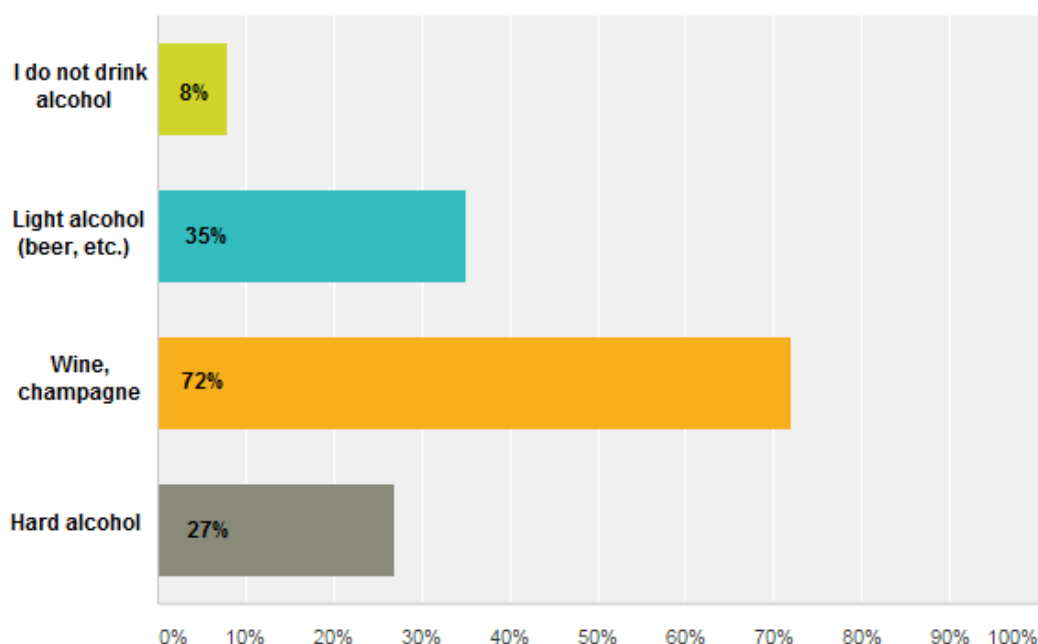
Figure four demonstrates gender of the respondents. Visually it is evident that women answered more than men. Using the percentage analysis, female took 85% in this graph, while men were not very active in responding and took only 15%.

FIGURE 5: Social class of the respondents, 2016



On the figure 5 we can see the graph that shows the social class of the respondents. It was important to figure out who are our respondents because depending on their social class we can understand their behavior, needs, buying abilities. Therefore we created a survey including students, ordinary workers who already have salary, CEO or top-managers who can have high salary and so higher needs, unemployed who is not a student anymore but is not working therefore the needs can be limited, housewives, retired and others whose position was not mentioned in the list. As it is shown on the graph, the biggest percentage takes students and ordinary workers, 33 and 37% respectively. Among the respondent there were more unemployed people than people who are taking a high working position. However the percentage difference between CEO, unemployed and housewives is not high. Five percent of the respondents answered in the graph 'others' that they are students and workers at the same time. That can mean that almost 40% can be counted as workers therefore they have a fixed budget that can be spent on their needs.

FIGURE 6: Preference of alcohol, 2016



Making the research of the alcohol preference of the respondents, it is evident, looking at the figure 6, that wine and champagne are the main preference. It is also important to mention that wine and champagne in Russia is considered as a women drink. It can be also proven by the fact that 85% of our respondents are women. According to the graph, 72% of respondents prefer wine and champagne to the light and hard alcohol. Preferences to the light and hard alcohols are almost the same, 35 and 27% respectively. According to the fact that Russia is the only country who is consuming hard alcohol more than other countries, it is normal to mention that almost 30% of the respondent prefer hard alcohol to wine and champagne. It is also important to not ignore the fact that there are 8% of people who are not drinking alcohol at all and this number in Russia is growing every year because there are more and more people who are promoting a healthy lifestyle.

FIGURE 7: During which occasion do you drink alcohol, 2016

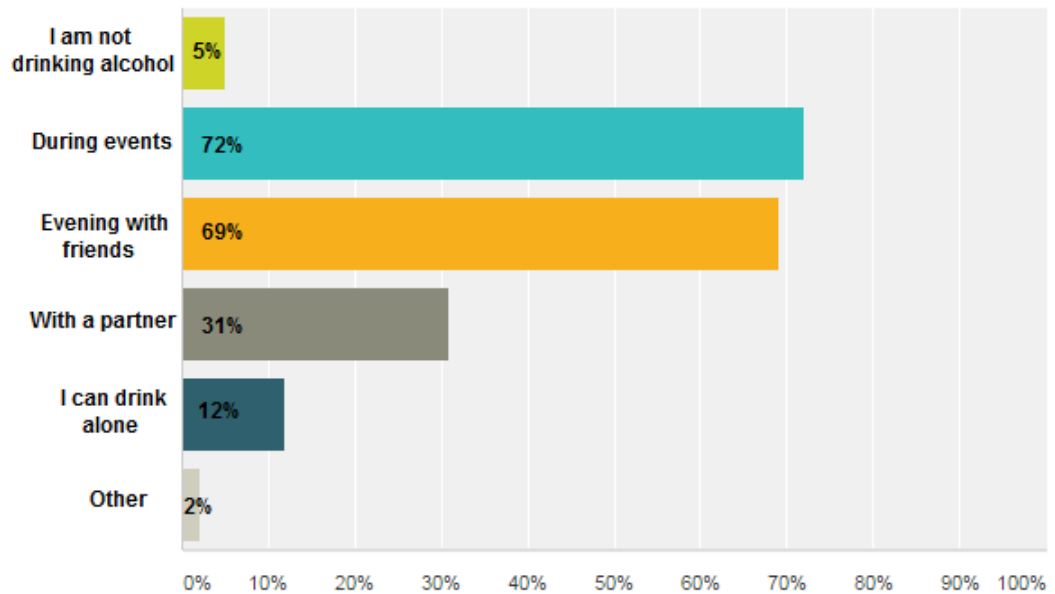
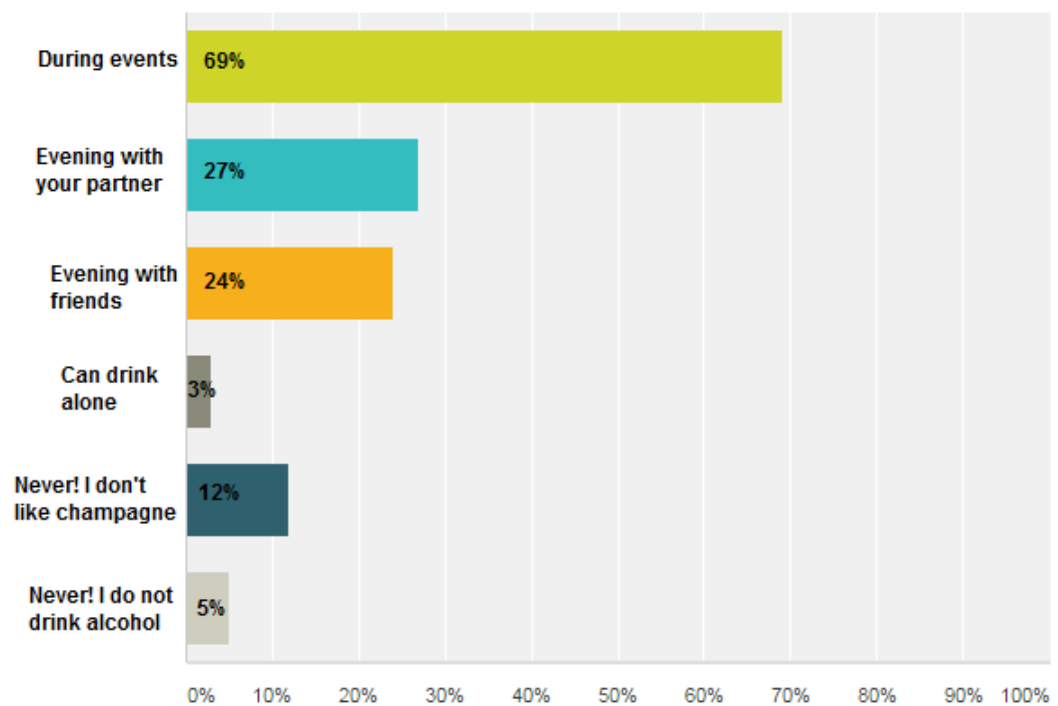


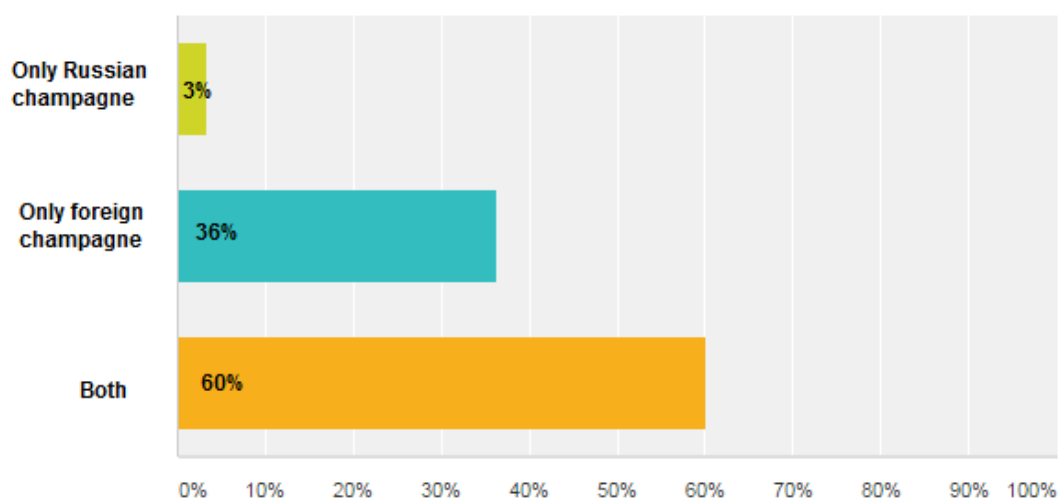
FIGURE 8: During which occasion do you consume champagne, 2016



To understand the difference between consuming alcohol in general and consuming champagne, 2 main questions were created: during which occasion do you drink alcohol and during which occasion do you drink champagne? The figures number 7

and 8 shows the difference in alcohol and champagne consummation. We can see that alcohol in general people consume more during the events such a birthday, weddings, banquets, etc. Evening with friends is the second popular way when people are consuming alcohol. On the third place is an evening with a partner. We can see that 72 and 69 percent that is much more than just a half are considering alcohol as a part of the event or a relaxing evening with friends or partner. There is not a huge difference between the scales that shows that people are taking alcohol easily in their lifestyle and they can drink alcohol no matter which occasion. However, comparing to the graph number 8 we can follow a huge gap between the preferences of where to drink champagne. 69% of the respondents consider champagne as a part of the event, therefore something surprising and luxury. On the second place is an evening with a partner, however, it takes half less percentage from the votes for the events. 27% and 24% respectively are going to the evening with a partner and an evening with friends. We can follow the main difference that for the consumption of alcohol in general took more than 70% for the alcohol during event and during evening with friends. However the consummation of champagne stays more romantic and luxury because most percentage went to the events such as wedding, birthdays and banquets and a romantic dinner with a partner. We can make a conclusion that champagne is still considered as a luxury drink, a drink during important events and not the alcohol that you can consume every time and everywhere no matter which occasion.

FIGURE 9: Preference to Russian or foreign champagne, 2016



On the figure 9 we can follow the preference of the respondents to the champagne that was produced in Russia and the champagne that was produced in the foreign countries. This graph can show a direct attitude toward the champagne preferences. As it is shown on the graph, more than a half of the answers were for the both champagnes such as Russian and foreign. That means that people do not have a preference, they can consume as Russian champagne as foreign one. However it is important to mention that 36% of the respondents answered that they prefer only foreign champagne when only 3% prefer only Russian one. That shows a lot, that most of the people prefer foreign brands, foreign market rather than a pure Russian one. It can be a big advantage for the incoming champagne brand because people will trust this foreign brand much easier than a Russian one.

TABLE 4: Customers' preference according the champagne type
("TSIFRRA" Research of Federal and Regional Alcohol Markets, 2009)

Content of Sugar	Customers' Preference
Demi-sweet	35%

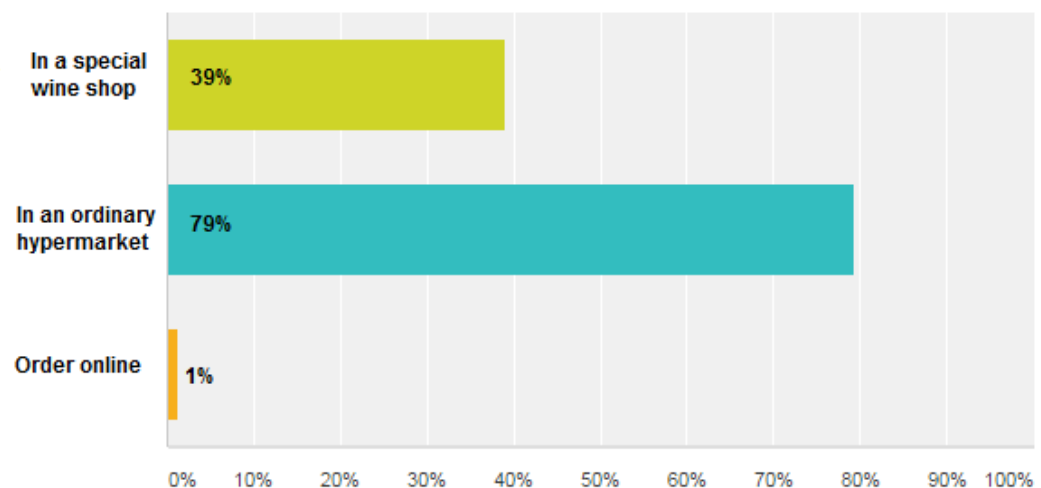
Demi-dry	30%
Dry	18%
Brut	10%
Sweet	7%

Table 4 shows the champagne preferences of the customers. Here we can follow the research of 2009 however the tastes didn't change a lot. By the year 2016 demi-sweet and demi-dry champagnes are still on the top of the rating and considered as the most popular tastes of champagnes.

According to the question list, the survey also contained a question "what is coming to you mind when you see a phrase "French Champagne"? We have already investigated that Russian customers prefer foreign brands champagne. Therefore the following question can provide us a vision about what customers actually thinking about the French champagne in general, what is their association. Considering the results, Russian people think about the romantic places such as Eiffel Tower in Paris. It is already a fact that Paris a dream destination for many people, especially for Russians. Therefore the symbol as an Eiffel Tower to French champagne is a correct sign. Almost half of the respondents answered that the first thing that came to their mind was an excellent quality and luxury taste. For many others, luxury events came to the mind, with a beautiful bottle of champagne and ice, mostly because champagne is considered as a drink for special occasion in Russia. People cannot imagine New Year, Women Day or Birthday without a good bottle of champagne. There are few people who are drinking champagne in Russia for the aperitif. However, no banquets and important events will pass without bottle of champagne. Therefore many respondents also answered that while seeing a phrase "French champagne" they were thinking about very glamour customers during the event, well-dressed and with a different lifestyle than people from middle class. They were supporting this phrase by words: glamour, Paris, expensive, soft taste, luxury bottles, events, high – quality, Moet and many others. All of this shows an extremely positive

attitude of Russian customers to French champagne in general. It makes them trustworthy to the French brand, while Russians are not very open to the trust.

FIGURE 10: Where do you usually buy champagne, 2016



The following figure number 10 is showing the difference of where people buying champagne. As we already investigated, champagne is more a product for events and not a drink of everyday life in the Russian market. According to the graph above, 79% of the respondents are buying champagne in the ordinary hypermarkets, in a chain of small shops. 39% of the respondents are also buying champagne in the special wine shops that are selling wine bottles and champagne ones. Only 1 percent of people are buying champagne online that shows that this way of selling champagne is not very efficient. It is important to mention that on this question the respondents were able to choose several answers. That means that among all of the respondents, the most popular method of buying champagne is in the hypermarkets, however, almost half of the respondents are buying champagne at the special shops for wine and champagne.

Last question of the survey was about the amount of money that people can spend for a good bottle of champagne. The answers were in the rubles currency and the average can be translated to the euros. But it is important to understand that there is a big gap between employees in Europe and employees in Russia, in Russia salaries are about 2-3 times less than in the European Union. Therefore, the price for the champagne that they are capable to purchase differs from the European price. 91 respondents answered this question. Considering that 1 euro is 70 rubles in July 2016, 41% of the respondents can buy champagne for 400-700 rubles that would be approximately 5 to 10 euros. 19% answered that they are capable to spend 800-1000 rubles for a good bottle of champagne that would be around 11 to 13 euros. 16% of the respondents claimed that if it is a good bottle of champagne then they can spend from 3000 to 5000 rubles that would be approximately 40 to 67 euros. It is interesting to see that 16% are capable to spend a big amount on a good bottle of champagne. It is important to not forget that 44% of the respondents are actual workers and 7% of them are taking a high position in a company, therefore, we can easily say that 44% of the respondents have an income that allows them to satisfy their needs. Ten people answered that they are capable to spend 1000-1500 rubles for a good bottle of champagne that would be 14 to 20 euros. And only 5 percent answered that will not spend more than 300 ruble for a bottle of champagne that is equal 4 euros.

To conclude, this survey can show an important portrait of the customers. This portrait of people who are drinking champagne according to the survey is mostly women at the age of 18-39 who prefer wine and champagne as a beverage. Mostly they are ordinary workers or people with a high working position such is CEO and top-manager. These people can drink normal alcohol with friends, during parties and ordinary evenings, however, the champagne is a beverage only for an event according to the survey. Champagne is considered to be more a luxury beverage that can be consumed during the events such as weddings, banquets, birthdays, fashion weeks, etc. Another symbol of champagne in Russia is romanticism, therefore except the events it is also famous for the romantic dinners. As a preference, Russians prefer champagne from the foreign producers however there are people who do prefer

both: Russian champagne and foreign one. It is important to mention that no one from the respondents answered that the main preference is the Russian champagne.

4.3 Competitors

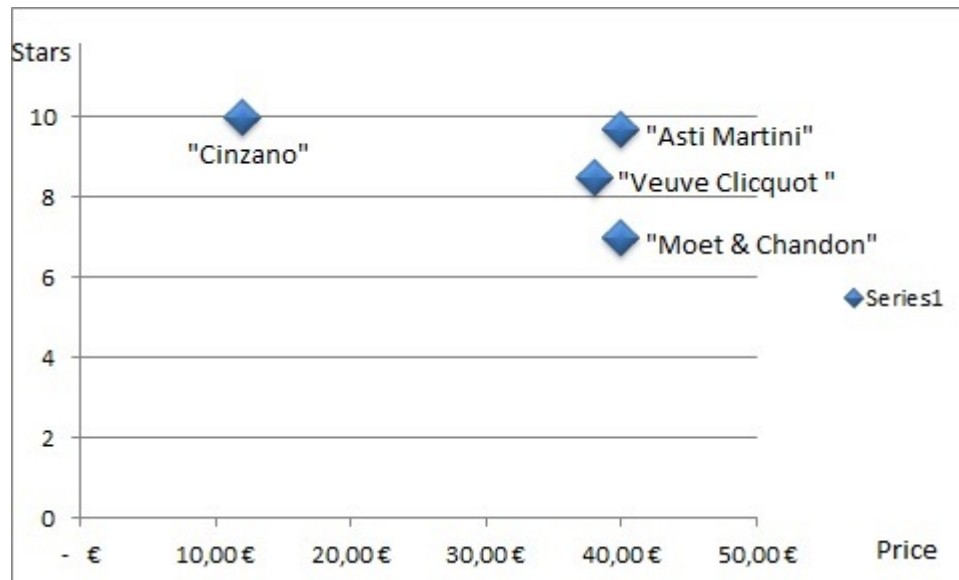
The Russian market is not the most famous for the production of the regional champagne. However, the market is full by the importers. Russian customers are highly attracted by the foreign brands, more than by Russian ones as it was proven by the figure number 9. Competitors' analysis can help to create a positioning map for MENOR brand among the competitors and to know them better in order to compete well. Due to the fact that MENOR is a French champagne brand that is considered as champagne with luxury quality and with a price started at 40 euros, we can make a competitor analysis in the Russian market. It is important to mention that there are some famous Russian brands of champagne such as "Sovetskoye", "Rossiyskoye", etc., however their prices are around 3-8 euros for the bottle that is considered very cheap and lower quality comparing to MENOR champagne. In addition, "Sovetskoye" champagne is stopping the production this year. On one hand, Russian brand of champagne is very famous in Russia, the sales are high with lots of loyal customers. However, if we consider MENOR that is a French luxury brand for 40 euros bottle with a Russian low-cost but famous for 6 euros, it is obvious that it is not the same market type, not the same customers' group, not the same sales strategies and margin. Therefore, the comparison will be only among the foreign brands that entered Russian market with the same price level and having fame nowadays. One of the most famous champagnes from our list of competitors is **Asti Martini**. The bottle starts at the price of 40 euros and is extremely famous among Russia. Currently, 45% of the market of sparkling wines divided between French champagne, Italian Asti, Spanish Cava and German Sekt. Asti Martini owns more than 27% of the world market of wines of Asti. The greatest advantage is that this champagne has an extremely high customer evaluation, 9.7 stars out of 10, therefore it insures new

customers in the excellent quality of the product and keeps their loyalty for the future.

The second competitor for MENOR brand can be **Moet & Chandon, Brut "Imperial"**. The price for the bottle starts from 40 euros, the quality is considered as luxury. It is a famous French brand in the Russian market that keeps the loyalty of the customers that are buying Moet product for each life occasion. According to the customers' evaluation, this bottle of champagne has been given 7 stars out of 10. This champagne is considered to be one of the leaders of sparkling wine: every 2 minutes in the world someone is opening a bottle of Brut "Imperial" from Moet & Chandon. This brand has a very high assessment from independent experts. This brand of champagne was produced as the wine of kings and courtiers. Thanks to this history and complicated technology of champagne creation this wine is considered as one of the most prestige ones.

Another French champagne that is taking a big popularity in Russia is **Veuve Clicquot Brut**. The price for a bottle starts from 38 euros and the customers' star rating is very high as well: 8,5 stars out of 10. This is a luxury brand champagne that is normally being offered for special occasions in Russia. To each new batch of champagne was a recognizable taste and demonstrated the unique style of the house, the cellar master adds 25-35% and sometimes 40% of reserve wines that are priceless, obtained from the best vineyards, and up to 9 years of age. Currently famous brand "Widow Clicquot" in terms of sales, which is 12 million bottles per year, it ranks 2nd in the world and exported to 110 countries in the world. This brand can be considered as a very high competitor in the Russian market.

The last but not the least is an Italian champagne that is increasing its popularity in the Russian market is **"Cinzano" Spumante Prosecco**. The price of champagne is lower than other brands in our competitor list: starting from 12 euros per bottle, however the popularity of the champagne together with the customers' ratings that are reaching 10 stars out of 10, cannot be unnoticed. From 2004, "Cinzano" is keeping its position at the top "100 best champagnes" in the world.

FIGURE 11: Competitors analysis, 2016

Regarding the 4 main competitors that were found in the Russian market, the figure number 11 has been created. As it was described before, all the main competitors in the Russian market for the French brand MENOR are not Russian brands but French and Italians, imported. The Russian brands were not included to the competitor analysis because the level of prices and quality of the product is not luxury one to be compared to MENOR brand champagne. The graph number 11 shows us the placement of the competitors according to the price level and stars amount. With the help of this graph we can visually understand the map positioning of the competitors and to forecast the position of MENOR at this map. As was mentioned before, the price levels of "Asti Martini", "Veuve Clicquot", "Moet & Chandon" are almost the same and starting from 38-40 euros, same price level as MENOR champagne start price. However, "Cinzano" with the lowest price level among the competitors, has the highest amount of stars and a big number of loyal customers.

4.4 Laws

In order to have a full picture of the champagne market in Russia, it is important to not forget about the laws that are holding the whole market of alcohol. No entry

strategy and no market research cannot be fully done without the governmental laws according to the main subject.

Law for software 2016:

Federal Law of 29.06.2015, N 182-FZ “On Amendments to Federal Law” about the state regulations of production and turnover of the ethyl alcohol, alcohol products as well as restrictions of consumption of alcohol beverages. This law came into force 30 of June 2016 and bringing many new restrictions to the alcohol market. According to the law from the 1 of January 2016, all the alcohol sellers are demanded to install software for transferring data that shows the arriving and sold alcohol amount to the unique automated state information system.

Night sales law:

Shops in Russia are normally working 24 hours per 7 days in a week. Some of the shops are closing at 22 o'clock in the evening. However, for the big supermarkets and small night shops it is important to know another law about the alcohol sales during the night. Russian state has limited the time to sell alcohol. Most of the Russian regions are not allowed to sell alcohol after 23 o'clock in the evening till 8 o'clock in the morning. In some regions the limit of buying alcohol is 22 o'clock evening, and the start time of selling it next day is at 10 o'clock. But the hardest restrictions are in the Chechen Republic - where alcohol is allowed to be sold only two hours from 8 am to 10 am. And in the days of the Ramadan it is totally banned.

Age law:

The legal system in Russia is demanding strict age limitations for the alcohol sales. Soft alcohol can be sold for people from 18 years old when hard alcohol has harder restriction from 21 year old.

Champagne is considered as a soft alcohol therefore the age of the customers automatically starts from 18 years old.

When the company is not obeying the law about the age restrictions and selling the alcohol production to the person younger 18 years old, the seller can be fined for 400 – 700 euros, while the CEO of the company will be fined for 1400 – 2800 euros.

People who are selling alcohol production:

- Sale of alcoholic beverages may be carried out only by organizations
- Organizations and individual entrepreneurs engaged in the sale of alcohol should have commercial facilities and warehouses, as well as check-out equipment
- For the sale of alcoholic beverages company must have a license for this type of activity (2012, Sec. 2, Art. 18 of the Law N 171-FZ)
- For organizations selling alcoholic beverages without a license is an administrative responsibility (2012, Art. 3 of Art. 14.17 of the Administrative Code)

Places where the sale of alcoholic beverages is forbidden:

- In children's, educational, medical institutions, sports facilities on the adjacent territories
- On all kinds of public transport, urban and suburban traffic, public transport stations (including subway stations), at the petrol stations
- Wholesale and retail markets, railway stations, airports and in other places of mass gathering of citizens and the locations of the sources of increased danger
- On military facilities and adjacent areas;
- In non-stationary trade objects

All these points are demonstrated in the constitution of the Russian Federation (2013, Paragraph 2 of Article 16 of the Law N 171-FZ).

License:

The most important law without which one it is not possible to make business with alcohol on the territory of the Russian federation is the license. Each alcohol producer or seller must have license and they differs. Having the license allows the seller to manufacture alcohol products, sell liquor within the country's wholesale or retail, do alcohol export abroad and to import alcoholic beverages. Licenses are given for 5 years and the price is high enough. While submitting documents to obtain licenses for alcohol production or sales it is necessary to pay the state's fee. One year trade with alcohol content of 15% will cost 65 thousand rubles of tax that is corresponding approximately 940 euros, respectively, at 5 years the license will cost 325,000 rubles that is approximately 4 682 euros. The document can be renewed

annually or for a period of 5 years. Licensing terms are notified in the application when you make the right to sell alcohol. The license for wholesale trade costs 800 thousand rubles that is around 11 500 euros. License is an obligatory part of the alcohol business. The document is issued directly by the Federal Service for Alcohol Market Regulation and other licensing authorities of the local public authorities. The period of acceptance of the licensing decision is 30 days, however it can take longer time if a detailed input to the candidature needed.

5 Conclusions

5.1 Summary of the main results

The purpose of this thesis was to define the market features of the alcohol market in Russia. In addition, it was made to help a new French start-up champagne brand MENOR to discover the current situation of the Russian market of champagne in order to determine if it valuable to do import or not. The champagne that is considered as a luxury brand is facing a biggest competition in its own country of creation – France, according to the fact that France is the first country in the world of the wine and champagne most famous brands. Facing this problem MENOR brand is looking the way of a valuable export to continue the business. Russian market is very famous for the high alcohol consumption, however, the market is very unique and worthy to make a research on. Back to the 1984, champagne market raised up to 66% with the sales and production. This was the only year when wine and champagne production was giving berries. After this year and up to 2009, the sales decreased by 80%. Comparing to other countries such are Spain, Italy and France, Russia is taking a very low place in the range of the amount of vineyards. There are few cities where we can find wine and champagne production in such a big country like Russia. These cities are Moscow, Saint-Petersburg, Rostov, Tsimlyansk, Khabarovsk, Togliatti, and Derbent, Mineralnye Vody. Some of them are already closed and the most famous champagnes like Soviet Champagne and Russian Champagne are decreasing their

positions in the champagne rating. Soviet Champagne has been eliminated from the market in 2016. In 2008 the champagne consumption per year takes 75 million bottles, when in France more than 300 million. However, during 28 years since 1980, champagne consumption was rising up to 30% so it cannot be considered as a blocked market. Nowadays, Russian suppliers are more or less replaced by the imported foreign champagne brands. The same can be said about the customer preferences.

Customer analysis is one of the most important parts in the market research, because only by knowing the needs, preferences and abilities to buy of the customer, the company will be able to sell their product and adapt it to the client. In order to collect pure data, there is a questionnaire that was made. Hundred twenty six people took part in this survey where the main age was 18 to 25 years old. Due to the fact that the majority of the respondents were women it is important to mention that the majority of the alcohol preferences were wine and champagne. Even though, Russia is famous for its hard alcohol consumption, women prefer to consume soft alcohol like wine and champagne. It is relevant to say that this beverage is not considered in Russia as a beverage of everyday life. If in France wine is possible to drink during the lunch and dinner almost every day, then in Russian culture wine and champagne is considered as a beverage for a special occasion. Any wedding, any birthday, any anniversary, any big purchase celebration or even just a “girls’ evening” cannot be spent without a bottle of wine or champagne. According to the preferences of the beverages, foreign champagne is rather chosen than a Russian one. If we recall that only 3% of the respondents answered that they would prefer only Russian champagne, when 36% of the respondents claimed that they would pay attention only on the imported brand. Russian culture is one of the most widest and people taking care of traditions. For the New Year’s Eve, the biggest tradition is to watch old Russian movies that are staying in the heart of each person and reminding them their childhood, and of course a bottle of champagne “Sovetskoye” or “Rossiyskoye”. Nowadays, these bottles of champagne are often been replaced by a bottle of “Moet”, “Crystal”, “Veuve Clicquot”, etc. According to the survey that has been done, the phrase “French champagne” is bringing large variety of images to the people’s

mind. French champagne makes people think of luxury life, worlds' best quality, restaurants in Paris, romantics, couple's special occasions, etc. France itself has the most romantic image for Russians; therefore having a famous French champagne brand on the table is making them feel special. The culture of the movies is very strong in Russia therefore if during the old Russian movies they were demonstrating a bottle of "Sovietskoye" champagne, people were taking it as a symbol of quality. Currently, in many famous movies, the actors are ordering a glass of "Chardonnay" at the Parisian restaurants and so that brings a symbol of quality, richness and delight to the Russian culture of 2016. It should not be considered as the main source of the culture and education but it is taking an important part in the people's decision making process. Customers prefer to buy champagne in the ordinary supermarkets and are able to spend for a bottle of champagne from 7 to 40 euros for the bottle. In the Russian culture foreign brand has always been an impersonation of a very high quality, richness and better taste. Therefore it is possible to assume that customers are ready to pay higher amount of money for a foreign brand because it is serving to them as a quality proof. There is a psychological price rate in each customer's mind. It is a price that customers are imagining according to the brand or product without knowing the actual price. For the best sales, the actual price shouldn't be very high because this will turn away customers, however it cannot be very low because customers will assume that the product is a lower quality than they expected. If, for example, the customer is watching a famous Russian champagne that is not considered to be the best quality then the psychological price for this champagne will be assumed to 5 – 15 euros, but when the customer will see a bottle of a French Moet from 1964 year, the psychological price will rise in the customer's mind without even seeing the actual price. However, the psychological price is different for every person because the price that they imagine is normally the cost that is close to the one that they are able to spend for this product.

Considering the competition in this thesis, has been found that competitors for luxury brand MENOR will be also imported brands. Two Russian brands that have been considered in the competitive analysis are matching by the points of popularity but not matching by price and quality characteristics. Therefore the main brands in the

competitive analysis were: Asti Martini, Moet & Chandon, Veuve Clicquot and a famous "Cinzano". All of the champagne marks are imported brands and came from France and Italy. The starting price level is around 40 euros, same as MENOR's starting price. Popularity has been also considered in this competitive analysis and champagne has been chosen to be not less than 7 stars according to the customers' evaluation. Due to the fact that wine and champagne education in Russia is not as developed as in the countries of production such as France, Spain and Italy, therefore the champagne choice normally is falling on the famous brands that have been proven to be good by the commercial way.

Law system in Russia has been taking additional restrictions since some years. New laws appeared in January 2016 to the alcohol sales and production. An important information for alcohol sellers is that it is highly restricted to sell alcohol after 22 pm. According to the country the time can shift from 21 pm till 10am next day. According to the new-launched law from January 2016, all the alcohol sellers are demanded to install software for transferring data that shows the arriving and sold alcohol amount to the unique automated state information system. These restrictions are making the market of alcohol more stabilized and controlled. It is strictly forbidden to sell alcohol to people under 18 years old and the punishment is claimed as a fee till 2000 euros. While coming to the foreign market it is important to know the rules under which the seller need to play in the market with the competitors. It is not only the competition rules but also the laws of the country that can help the business to grow or can damage it if the seller is not obeying the rules. Sales points in Russian market also has restrictions, it means that it is not easy to sell alcohol wherever the seller wish to, but it is important to follow the rules and acceptable places for selling. For example, it is forbidden to sell alcohol in children's, educational, medical institutions and sports facilities, as well as at the places of the public transport such as metro, bus, train and bigger transports such as plane. It is also forbidden to sell alcohol at the places of mass gathering of citizens such as airports, as well as on the military facilities and in non-stationary trade objects. The most important law that no one can skip is a law about the license for the alcohol production and selling. Every producer or a person who starts business with alcohol must apply for the license if the beverage has more

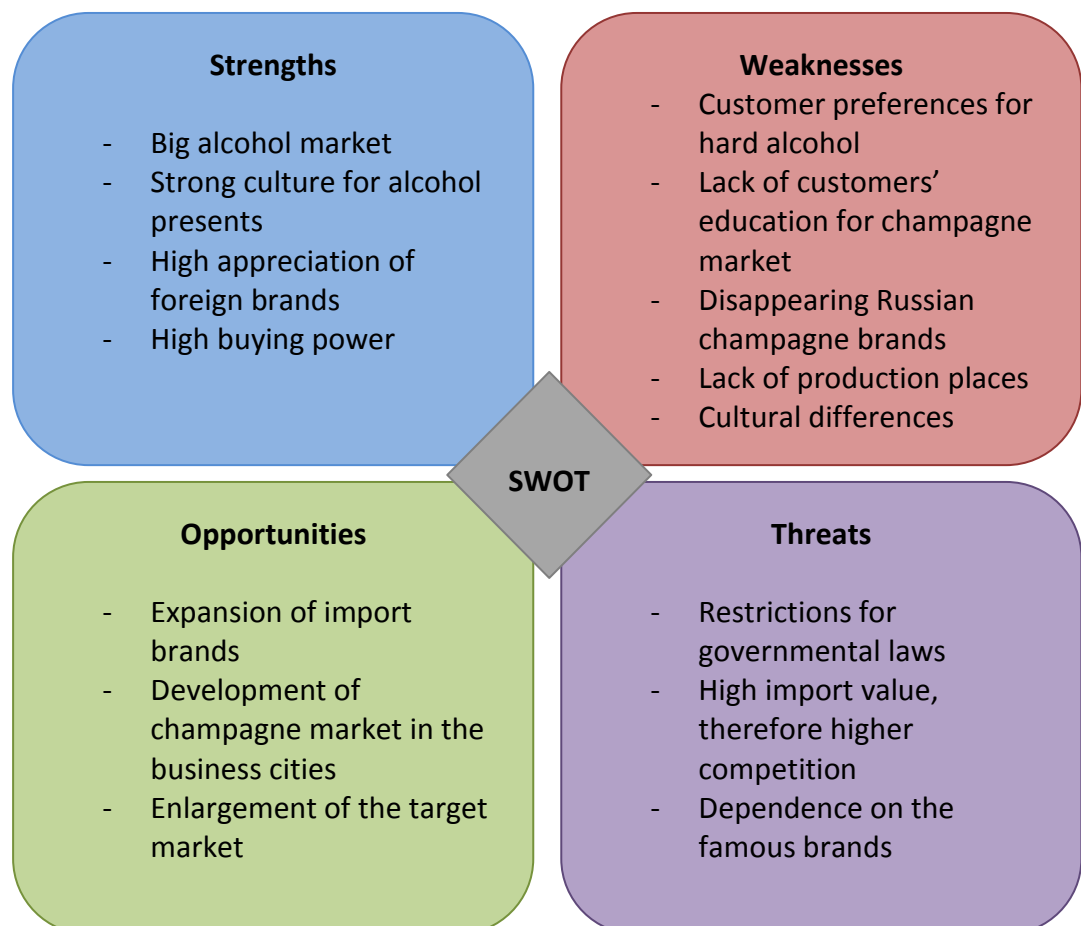
than 6% of the ethyl alcohol that is also called ethanol. The license are issued for 5 years and given separately for the alcohol production and alcohol sales. The application process for the license is also different considering the needed license type. Having the license allows the seller to manufacture alcohol products, sell liquor within the country's wholesale or retail, do alcohol export abroad and to import alcoholic beverages. The license are obligatory, however, the governmental fee is high enough. One year trade with alcohol content of 15% will cost 65 thousand rubles of tax that is corresponding approximately 940 euros, respectively, at 5 years the license will cost 325,000 rubles that is approximately 4 682 euros.

The license for wholesale trade costs 800 thousand rubles that is around 11 500 euros. The document is issued directly by the Federal Service for Alcohol Market Regulation. No one can enter the market of alcohol in Russia without respecting the laws.

The results of the market research show the company MENOR the general situation in the Russian market of alcohol of the year 2016. In this thesis was considered market situation, possible competitors list, customers' description and laws for entering the alcohol market in the Russian Federation. Market analysis gives a clear view of the alcohol production and sales in the country. Considering the market situation of 2016 it is possible to understand if it is worth it to enter the market or not. Laws are taking an important part in the market research due to the fact that no alcohol business cannot be launched or imported without legal approvals and license. Market analysis provided a clear picture that the production of champagne in Russia is very low therefore the import is very high. Almost 80% of the alcohol market is imported goods. It is important to mention that even though hard alcohol as vodka has its high production in Russia, the champagne market is not that developed and must have import products to maintain the business. Due to this, the competitors' analysis has been done. If there is a topic touched about import, then it is important to see what the brands are in the Russian market of champagne that can be considered as competitors to the MENOR brand. The results show the brands that are same quality as MENOR and taking a very high position in the popularity in the Russian market. As it was considered in the thesis, popular brands of champagne are

attracting Russian customers. As a result of the low knowledge in the wine and champagne education, customers are frequently choosing the champagne by its fame. This is a reason why it is relevant to define the customer's portrait. The description of the customer demonstrates that the real customer of champagne in 2016 in Russia is a woman. In addition, champagne is a product that is preferred by young-adults and adults from the age of 18 to 45. This alcohol beverage is normally being bought and consumed during special occasions such as marriage, birthday, graduation, anniversary, etc. Furthermore, it is significant to mention the stereotypes that Russian customers have about French champagne. Richness, highest quality, best restaurants in Paris, luxury look and immense amount of other positive stereotypes are concerning the French champagne in minds of Russian customers.

FIGURE 12: SWOT analysis of the Russian alcohol market, 2016



SWOT analysis helps to assist the 4 main characteristics of the Russian alcohol market such as strengths, weaknesses, opportunities and threats. This analysis gives a general view of the market according to the facts that have been described before. Alcohol market in Russia is constantly big, therefore it is considered to be strength. The buying power is high enough according to the high level of consumption. Moreover, alcohol presents are a part of the Russian culture. A bottle of a good alcohol is always appreciated and can be presented almost for every holiday in Russia. This raises the sales and also considered as strength of the market. As was mentioned before, foreign brands are highly appreciated in the Russian market and investigated to be a symbol of quality. It is a stable condition that influences the customers' decision making process and is a high strength for the foreign importers. According to the weaknesses of the champagne market in Russia, the local brands are losing their power of competition and one of the main Russian brands has been replaced from the market in 2016. Lack of the production places is playing a big role in the market as well. Another weakness is that hard alcohol in Russian market is considered to be consumed more than soft beverage as champagne. Moreover, Russian customers have a lack of champagne education. That means that the customers have a lack of information about wine/champagne consuming process, conditions and regions of creation and process of product choosing. That causes the unexpected product buying decision, such as: product choice according to the advertising and a popularity of the brand.

Opportunities that can be possible in the Russian market are an important part of the SWOT analysis. The main opportunity for the market is the possibility to increase the import. This occasion has a high possibility to become true due to the fact that Russian brand are disappearing and the consumption of the foreign brand is increasing. Therefore the import of the foreign brands can increase the market volume. More and more customers are appearing in the business cities in Russia, such as Moscow and Saint-Petersburg. Champagne and wine are becoming more often a part of the parties, exhibitions, famous modeling shows, part of the TV shows. The generation is changing therefore the interests are. Nowadays, the power of fashion in business and ordinary lives has become a primary value, and champagne is

the beverage that is demonstrating the richness in any of these occasions. Therefore, business cities are in need of champagne with the luxury background. This is an opportunity that is developing every day in the business cities. However, it is important to not forget about the main threats.

Governmental restrictions are taking giant role in business. Governmental restrictions as well as the political issues can cause some unexpected threats in the alcohol business in Russia as inside the country as while importing. Nowadays, another threat is the competition between the imported brands. More and more companies are doing import in the Russian market and the competition is growing every year. However, even if Russian customers like changes and adapting themselves fast enough, they can be loyal to the famous champagne brands that they have been choosing before. The more famous the brand is, the more sales the product will have. This is the last threat for the up-coming new champagne brands.

All of the above proves the importance of market research and its utility due to the plenty of facts that disclose the deepness and differentiation of the Russian culture and reality of current market situation. This research appears to visualize the Russian champagne market to the MENOR Company and provides all needed information to have a clear image of the market.

5.2 Recommendations

Market research is a very important stage in any business. It provides clear and valuable information about the market development, its customers, competitors and knowledge of strengths and weaknesses of each. Market analysis also provides fair data about the customer needs, furthermore if there is no customer need, there is no market. (Wiley 2012, 75-77)

According to the data provided in the thesis by the research, it is valuable to provide recommendations and advice for targeting the market. Recommendations help to not only have a global view on the market but to implement the knowledge to the targeting aspects. As it was already mentioned, government has created some significant restrictions for the alcohol market and these restrictions will continue to

grow. Therefore, it is highly recommended to make all possible licenses, learn and respect all the regulations before entering the market.

Import of a French champagne brand promotes already a valuable success due to the fact that foreign brands are highly appreciated in the Russian market, moreover, champagne is normally chosen by its popularity and country of production. Russian customers believe that in France, Italy and Spain the champagne and wine production have the best characteristics, therefore, the preference is falling firstly on this brands. According to the research, the main customers of champagne are women, hence, the first recommendation would be, to focus on the marketing mix for the women. The advertisement should be created for women mostly, however it is important to not forget that men are normally buying the champagne.

Another significant point to be mentioned is that the brand “made in France” should be exuded for a better customer attraction, since the fact that French brands obtain a great success because of its foreign quality and roots in general. It is a fact that since a very long time Russian customers are attracted by the foreign brands more than by Russian ones. Therefore it is a good occasion to use and to make an accent on the foreign roots while entering the Russian market.

Before entering the market, it is important to create a clear strategy. A strong namable brand image has to be created in the mind of customers already before the entrance in order to influence the purchasing decision process of the buyer. The best advertising for the champagne brand would be word of mouth, but to make people talk could be done by using the real advertising. Apple can be a good example for the word of mouth before launching the product. Apple is claiming the future date of the new iPhone that will be launched, during the creation of the iPhone they are giving some short details about the new product but keeping people curious, and 2 months before the exit they are opening the pre-sales period for the phone. People who are still in curiosity are ordering the product even before the exit in order to be the first to try the new product. It can also work for the champagne brand in order to raise the curiosity and to enlarge the brand awareness. The advertisements and banners can be created to introduce the up-coming luxury champagne product to the Russian market. Using this, high brand awareness can be created in addition with word of

mouth that can raise the sales of the product straight after its launching in the market.

As a recommendation for the further researches, could be the creation of the strategy to enter the Russian market. The strategic analysis and recommendations for entering the market could be extremely useful for the company and for gaining knowledge. Secondly, it could be relevant to create a historical analysis of the alcohol market in order to forecast the progression of the market in the future. This can be considered as a base to forecast the business life, import and export situation in the chosen country. Furthermore, this thesis can be operate as a basement to create a strategy for the brand awareness in the Russian market for MENOR Company or many other companies who are producing alcohol-beverages. Brand awareness is a significant part of the business, without brand awareness it is not possible to grow and develop the business. In addition, for the future researches marketing strategy can be created in the chosen country for MENOR Company or others. It is relevant to use effective marketing strategy, which media to use, which target group to aim, which channels and appliances can be used in order to reach the posed goal of the Company.

There are many types of researches can be done using this thesis as a basement of information. Russian market of alcohol cannot be considered as stable one, according to the fact that there are many external factors that make a big influence on the internal market. Therefore, all kind of the research can be useful for this market.

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7 Appendices

Survey for the Russian customers

Russian Champagne Market Research

Page Title

1. К какой возрастной категории вы относитесь ?

- ☐ 18 - 25
- ☐ 26 - 39
- ☐ 40 - 54
- ☐ от 55 лет и старше

2. Ваш пол?

- ☐ женский
- ☐ мужской

3. Ваш социальный статус?

- ☐ студент
- ☐ рядовой сотрудник
- ☐ владелец компании, топ-менеджер
- ☐ безработный
- ☐ домохозяйка
- ☐ пенсионер
- ☐ Другое (укажите)

4. Какой алкоголь вы предпочитаете?

- ☐ я не употребляю алкоголь
- ☐ легкий (пиво, тд.)
- ☐ вино, шампанское
- ☐ крепкий алкоголь

5. При каком случае вы употребляете алкоголь?

- ☐ я никогда не употребляю алкоголь
- ☐ во время мероприятий (свадьбы, банкеты, дни рождения и т.д.)
- ☐ вечер с друзьями
- ☐ со своей второй половинкой
- ☐ могу и один
- ☐ Другое (укажите)

6. При каком случае вы употребляете шампанское?

- ☐ мероприятия
- ☐ вечер со своей второй половинкой
- ☐ вечер с друзьями
- ☐ могу и один
- ☐ никогда! не люблю шампанское
- ☐ никогда! не употребляю алкоголь вообще

7. Предпочитаете ли вы шампанское от российских производителей или от зарубежных?

- ☐ только русское шампанское
- ☐ только зарубежное
- ☐ и то, и то

Если есть особые предпочтения, укажите ниже

8. Что приходит на ум при виде словосочетания "Французское Шампанское" ?

9. Где обычно вы покупаете шампанское?

- ☐ В специальном винном магазине
- ☐ в гипермаркетах, обычных магазинах
- ☐ заказываю в интернете

Другое (укажите)

10. Какую сумму вы готовы потратить на хорошую бутылку шампанского? (укажите примерную цену в рублях)

Translation:

1. To which age category you belong?

- ☐ 18-25
- ☐ 26-39
- ☐ 40-54
- ☐ 55 and older

2. Your gender?

- ☐ Woman
- ☐ Man

3. Your social status?

- ☐ Student
- ☐ Ordinary employee
- ☐ CEO, Top-manager

- ☐ Unemployed
 - ☐ Housewife
 - ☐ Retired
 - ☐ Other
4. Which alcohol do you prefer?
- ☐ I am not drinking alcoholic beverages
 - ☐ Light (beer, etc.)
 - ☐ Wine, champagne
 - ☐ Hard alcohol
5. For which occasion do you drink alcohol?
- ☐ I never drink alcohol
 - ☐ During special occasions such are marriage, anniversary, banquets, etc.
 - ☐ Evening with friends
 - ☐ Romantic evening with a partner
 - ☐ Alone
 - ☐ Other
6. For which occasion do you drink champagne?
- ☐ During special occasions such are marriage, anniversary, banquets, etc.
 - ☐ Evening with friends
 - ☐ Romantic evening with a partner
 - ☐ Alone
 - ☐ Never, I do not like champagne
 - ☐ Never, I do not consume alcohol
7. Do you prefer champagne from Russian or foreign producers?
- ☐ Only from Russian producers
 - ☐ Only from foreign producers
 - ☐ Both
8. What is coming to your head when seeing “French Champagne”?
9. Where do you usually buy champagne?
- ☐ In a special wine/champagne shop
 - ☐ In the supermarkets

- Order in internet
- Other

10. Which amount are you ready to spend for a good bottle of champagne?
(notify price in rubles)