

KYMENLAAKSON AMMATTIKORKEAKOULU

University of Applied Sciences

International Business/ International trade

Mikhail Uspenskiy

Preparing a Base for Launching a New Ingredient in the Russian Market.

Bachelor's Thesis 2015

## ABSTRACT

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Söderqvist Minna, Principal Lecturer

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## ABSTRACT

The thesis, presented below was executed for the Russian Distribution company Baltic Group. The main purpose was to prepare the launch base for the new food ingredient for confectionary consumption called agar-agar. This ingredient is widely used by Russian confectionary producers, however Baltic Group did not distribute this ingredient for the last 4 years. Therefore all the information company has concerning market situation with agar was not relevant and needed to be updated.

Understanding of market situation and preparing launch base was vitally important, because volumes of consumption agar-agar in Russia are significant, so it opens a big opportunity for the Distribution Company to increase their impact in the market. Moreover agar-agar can serve as a locomotive for Baltic Group to enter certain confectionary enterprises and offer them all range of the available ingredients. To gather all the needed information for sales managers, both competitors' analysis and creating potential clients base were applied.

To fulfil thesis aim action research method was used with qualitative and quantitative interventions. To execute competitor analysis both Russian customs statistics analysis and mystery shopping approach were used. Customs Statistics had provided the researcher with the information about which competitors are the biggest in the Market considering agar sales and mystery-shopping approach helped analyzer to collect information about prices and volumes of these competitors for their agar.

Based on the information that was collected during questionnaires and competitor analysis several conclusions were made regarding future clients approach strategy. Moreover BG s' sales managers were using potential clients base while promoting agar, due to the fact that this table includes major information about these clients' needs and preferences.

# TABLE OF CONTENTS

## Contents

TABLE OF CONTENTS.....	4
Contents.....	4
1.INTRODUCTION.....	6
1.1 Research problem .....	7
1.2 Research aim .....	9
1.3 Research question .....	9
1.4 Research objective.....	10
1.5 Research methods .....	10
2.Planning a launch for a new ingredient/product in russian market .....	11
2.1 Russian market context.....	11
2.2 Russian market after embargo. ....	12
2.3 Competitor analysis.....	12
2.4 Mystery shopping approach in competitor analysis .....	14
2.5 Marketing strategy.....	14
2.6 Marketing plan. ....	18
2.6 Russian customs statistics .....	21
2.7 Major issues in planning a launch base for a new ingredient or a product.....	21
3.Methods.....	23
3.1 Data acquisition methods.....	24
3.1.1 Data acquisition from customs statistics.....	25
3.1.2 Data acquisition using mystery shopping tactic.....	29
3.1.3 Data acquisition for creating clients database .....	32
Contacting clients by phone .....	34
Contacting clients by email .....	35
3.1.4 Data acquisition from BGs' managers.....	36
3.2 Data analysis methods .....	38
3.2.1 Process of analyzing customs statistics. ....	38
3.2.2 Mystery-shopping data analysis.....	41
3.2.3 Analyzing the clients database.....	43
3.2.4 Data analysis after BGs' managers interviews. ....	44
4.Results.....	45
4.1 Results of competitor analysis.....	45
4.2 Results of creating and evaluating potential clients database.....	48
5.Conclusion .....	51
5.1 Main findings .....	51
5.2 My own work evaluation .....	52
5.2.1 Ethics in mystery-shopping competitors research.....	53
5.3 Suggestions for future research.....	53

5.3.1 Suggestions for future scholarly research .....	54
5.3.2 Suggestions for professional future work. ....	54
References .....	56

## 1. INTRODUCTION

This topic had been chosen due to the fact that after working three months for the Baltic Group company I still have plenty to learn and I believe that my thesis would be beneficial for the company future. Central Bank of Russia (2015) argues that import figures have decreased from the year 2014 and that served as a reason for Baltic Group to provide the following thesis project.

Russian customs statistic (2014) claims that distribution companies have lost part of their clients 15-20%. To fulfil this loss companies have decided to look deeper into the possibilities of expanding their range of products in the Russian market, because even with the decreasing of import volumes, there is still a rising demand from Russian confectionary and dairy producers.

The company studied in this thesis is Baltic Group. As it says on companies' web site (balticgroup.ru, 2015) it is a huge distribution company in Russia with more than 1500 clients in 300 different cities worldwide. It has been on Market since 1993, but nowadays competition in this area is much higher than it was, because a lot of new companies are launching their own distribution channels. A lot of firms have been entering this market for the last 10 years, because even when the whole economy will collapse, people will still need to eat.

To solve the upcoming issues company's higher management have decided to start distributing agar-agar from a Chinese producer who it not yet introduced in the Russian market. The company wants is to fulfill clients' needs by providing them different confectionary solutions using either only agar, or combination of pectin and agar.

## 1.1 Research problem

Due to the freezing process of citrus plants in the year 2013, there was not enough limes and lemons picked up and it leads to the problem of pectin deficit in the market from the year 2015 to approximately 2016-17. Pectin is a white, amorphous, colloidal carbohydrate of high molecular weight occurring in ripe fruits, especially in apples and citrus and used in fruit jellies, pharmaceuticals, and cosmetics for its thickening and emulsifying properties and its ability to solidify to a gel.

Pectin deficit plus food embargo (one-year ban on importing beef, pork, poultry, fish, fruit, vegetables, cheese, milk and other dairy products from the U.S., Canada, the European Union, Norway and Australia.) (Sonne and Troianovsky, 2014) lead to sales damage in the first half of 2015. Even though it was planned by Russian government that this embargo would be beneficial for Russian companies and farmers. ("Most important- we will develop our own production and will restrict low quality Western goods," Putin, 2014) it caused a lot of troubles for distribution companies who were dealing with EU suppliers, for example Baltic Group lost around 10-15% of their imports according to customs statistics. This situation affects Russian import volumes as it can be seen from the Figure 1.

Russian import statistics shows the decrease of the amount of import in the year 2014 compared to the year 2013.

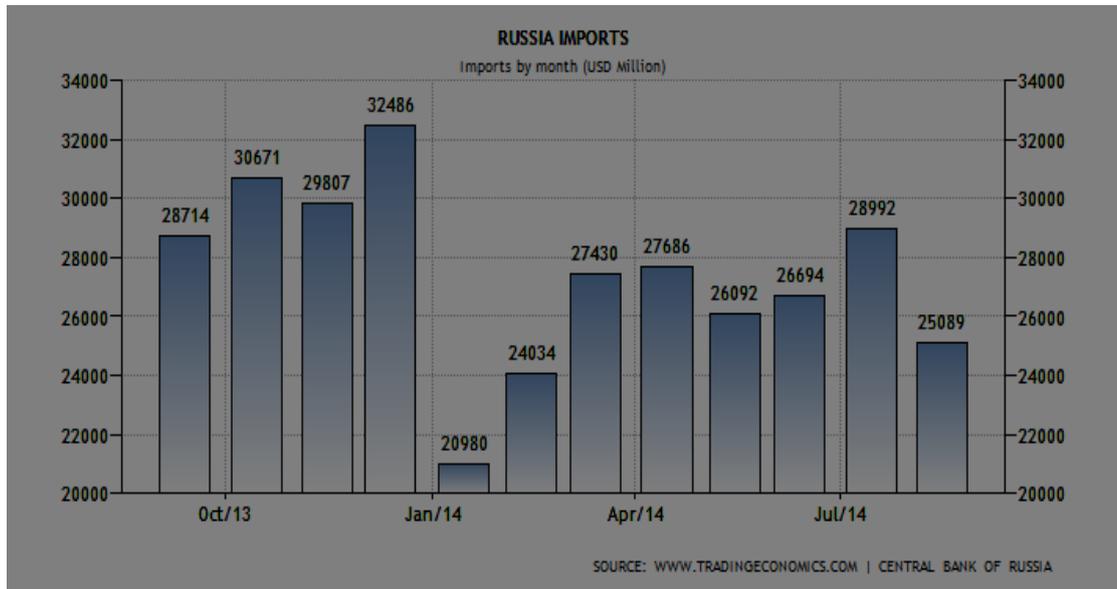


Figure 1. Russia import statistics 2013-2014  
(European Commission, 2014)

Pectin deficit made the situation even worse. Baltic Group clients demanded approximately 1300 tons of pectin for the year 2015; however Herbstight and Fox (H&F later), supplier of pectin for Baltic Group, only offered 900 tons, and Baltic Group (BG later) cannot purchase extra volumes from other suppliers due to exclusive rights with H&F company. Moreover, H&F already notified BG that they will not supply more than 900 tons in the year 2016 which is even lower than BG need for its major clients.

Furthermore, situation can become even worse, because BG s' main competitors marked that they probably will get enough volumes from November 2015. For example, the main Baltic Group competitor may even steal BG s' biggest pectin client, because this client demanded extra 20% pectin volumes and BG notified, that it is impossible to supply right now.

Due to all the facts mentioned above Baltic Group needs to develop a new marketing strategy for preparing Russian and Customs union

market before launching their own production line and also execute a competitor analysis in order to understand their position on market. Ciotti (2013) claims that facing such problems companies usually choose one out of two possible ways. They either go conservative, reducing number of staff and salaries to fulfill their losses, or going aggressive expanding product line in order to get more customers or switch the excising one from using the deficit ingredients to some other.

## 1.2 Research aim

Social benefits of this thesis to society will be an appearance of new types of products in the Russian market which will give customers more options when choosing different kinds of products in the market. Moreover it will make quality of products higher due to a higher competition in the market and because of the same reason there will be reduction of prices. Also prices will decrease, because in the deficit situation the price of pectin went up. So confectionary producers started to increase prices for their goods. Council for Economic Education, New York says that in the year 2015 prices went up approximately 20%.

## 1.3 Research question

The research question for the thesis is: How to promote and sell new ingredient based on the competitors' analysis and potential clients' base. This question can be divided into two vitally important parts:

1. How to analyze competitors and current market situation using customs statistics and mystery shopping?
2. How to find potential clients, who are currently using agar in the production lines and advertise our ingredient for them?

## 1.4 Research objective

The research objective for my thesis is preparing a launch base for a new ingredient in B-T-B business.

To fulfil this objective sub-objectives must be applied:

- analysing competitors
- creating potential client base of those who are currently using agar-agar in their production lines.

## 1.5 Research methods

The study will be implemented using action research method with four interventions including secondary data analysis, qualitative and quantitative research. Further both methods will be explained.

Bryman (2012) explains qualitative research as a form of research that is presented mostly in words and they are inductive in nature.

This method will be carried in thesis by contacting new potential clients and existing ones. And also afterwards contacting our company managers to understand, what have been done to those clients.

Quantitative research is, according to Aliaga and Gunderson (2000 quoted in Boutellier 2013) "Explaining phenomena by collecting numerical data that are analyzed using mathematically based methods (in particular statistics)". Quantitative method will be applied when creating potential client base, calling certain amount of companies handling small questionnaires for their purchase managers.

## 2. PLANNING A LAUNCH FOR A NEW INGREDIENT/PRODUCT IN RUSSIAN MARKET

### 2.1 Russian market context

“Business can be anything but impersonal in Russia” (Mitchell 2001). While making negotiations in Russia with either clients or competitors, best way is to handle them personally face-to-face, because company s’ representatives are reluctant to deal with anyone they did not met face-to-face. Building trust is one of the major issues while doing business with Russian companies. (Mitchell 2001.)

Russian customs is a major problem for some external companies to expand their business or start a new one in Russia. Due to the large amount of documents company needs to provide for customs officials and also law legislation, which is some cases might be unclear for certain European companies, practice of using “Customs clearance” companies is well used in European-Russian relationships. (Puchkov 2015.)

However, even considering the facts, that working with Russians are difficult and the entire working process is based on building a relationships and dealing with bureaucracy issues, Russia still has plenty of opportunities, which is gently used by European companies. For example German companies successfully utilize Russian market after its’ opening in 1991. Schorsch (2009) sees the reason for this success in favorable market conditions, cultural ties and ability to cope with Russian challenges.

To run distribution business in Russia it is vitally important to have good logistics department and good purchasing department which

will ensure European suppliers that it is reasonable to expand to Russia and provide Distribution Company with exclusive rights for their ingredients or products.

## 2.2 Russian market after embargo.

Russian Central Bank has admitted that there was a growth in inflation due to the announcement of the list of codes which will be restricted to import from EU and U.S for the following year.

However, the bank stated that the future inflation growth will be determent by the overview of how fast Russian market can adjust to new policies and tendentious and there is a clear possibility that price growth will be short-term.

Russia had experienced a remarkable price growth (around 15-20 percent from the beginning of the year in confectionery market) so government planning both to support domestic companies and foreign suppliers from non-banned countries. Therefore if some companies (for instance Latin American ones) have been planning or considering expanding into Russian market, now might be the best moment to do so, when company will get all the support from the government and appears in a low-competition situation.

(Levada-center 2015.)

Moreover Russian suppliers start choosing cheaper suppliers in order to overcome crisis (Levada-center 2015). That was one of the reasons why our company decided to purchase agar from Chinese producer.

## 2.3 Competitor analysis

Analyzing competitors is an internal part of building successful marketing strategy. In relation with competitors, current market position should be taken into consideration. Basically there are two types of companies, those, which are aiming on reaching higher

market positions and those, who are willing to defend themselves in the already conquered ones (Bengtsson 1998.)

Data analysis approach should be applied in order to collect useful information that will help company to develop innovative marketing plan, because the basis of decision making is to have reliable and valuable information and then be able to use it (Nair 2009).

Therefore competitors analysis should be a systematic, integrate function of a company's operations.

According to Bengtsson (1998) there are four, so called "climates" of competition depending on the approach that competitors choose:

- Revolution
- Rivalry
- Co- existence
- Evolution

Therefore choosing which way company needs to follow in their competition behaviour depends on what goals they want to achieve, either keep leading positions or get them and on the distance between competitors. Competition distance may have both functional and psychological aspects.

The functional aspect applies when taking into account company's operations and if they act with the same product in the same market such phenomenon as functional proximity may appear. It usually exist when companies are trying to conquer market in the same way and focus on the same customer group. Psychological proximity develops when companies make social contact for example while targeting the same client or meeting each other at trade fair. (Bengtsson 1998.)

Competitors' analysis is also valuable when approaching adaptation method for company's new marketing strategy. This approach might

be used only after deep research of competitors, markets and customers. Besides even highly standardized companies still engaging in limited adaptations to local tastes to fulfil certain customer requirements. (Dacko 2007.)

Again there is no contradiction between Bengtson's and Dacko's views, because there are plenty of different competition types and approaches to handle those types, so it is up to the company which way to choose. For instance BG competition strategy is to always be aware of what is happening in the market and to its' competitors, because in food ingredients business the faster you adopt to market situation, the bigger chances you have to survive during both hard, crisis times and opposite.

However a marketing plan and marketing strategy should be applied according to a current market situation. So it is important to have a close look at it.

#### 2.4 Mystery shopping approach in competitor analysis

Davis (2011) defines mystery shopping as a campaign which is launched by a company representative to control quality of service or products. However mystery shopping campaign can also be used as a competition tool. Rich (2013) points out three main benefits of using mystery shopping approach in the competitor analysis.

1. You will have an eye on competitors' customer experience strategy.
2. You will get better prospects to generate and evaluate marketing forecasts.
3. Mystery shopping gives better understanding of overall traffic with competitor traffic studies.

Rich (2013) also mentions that while using mystery shopping approach in the competitor research it is important to get as many details noticed as possible in order to further produce a clear competitor analysis. However, the main focus should remain of key features researcher had allocated in advance.

## 2.5 Marketing strategy

According to Paley and Norton (2001, 3) marketing strategy serves as a solution for an unified effort of an individual or a company to reach target audience with an aim to satisfy certain needs of a customer, provided in a reasonable time and presented to the customers in a right way using marketing and promotion tools.

To build a successful marketing strategy several vitally important concepts should be taken into consideration. If the business is customer-oriented it is rather useful to allow core customers to suggest what marketing strategy would be more useful and also build link between all business partners such as suppliers, customers, employees. (Paley & Norton 2001.)

Moreover success of the marketing strategy depends on the amount of intermediate levels, because increasing this amount is usually leading to the reduction in dynamic of company s' operations. (Paley & Norton 2001, 37.) However, despite of all this approaches the product itself has to be differentiated or at least have modifications compared with competitors ones in order to get market advantage.

Drucker (1973 quoted in Gupta 2010) also describes aim of marketing as "to know and understand the customer so well that the product or service fits him and sells itself". (Gupta 2010, 8). In "Innovative Marketing Strategy: Balancing Commercial Goal and Corporate Social Responsibility, 2010" it says that each marketing strategy should divide into four parts:

1. Product strategy, which includes type of product, packaging, branding and etc.
2. Price strategy which is established according to where company planning to sell goods. Moreover any types of discounts have to be decided in these strategy.
3. Distribution strategy which describes how the product will be delivered to a final customer
4. Promotion strategy which can be either formal (Media, wall painting, radio, TV and etc.) or informal (group meeting, opinion leaders, house-to-house and etc.)

Satell (2013), contributor in a Forbes journal brings us closer to understanding, how marketing has changed for the recent years and what are the best tactics of handling marketing strategies nowadays. He defines 4 principles of Marketing Strategy in the Digital Age:

1. Clarify business objectives – this states that the way you define your intent will have a profound impact on whether you succeed or fail. He also states that the most successful companies only evaluate three metrics: sales, advocacy and awareness instead of trying to create one so called “one size fits all”. This process is shown in the figure 2 (Setell 2013.)



Figure 2. Process of clarifying business objectives.

2. Use Innovation Teams to Identify, Evaluate and Activate Emerging Opportunities – this means that another vitally important part of doing business nowadays is seeking for companies, which can be helpful for you and have a good potential of future collaboration. For example in food ingredients business it can be merged seminars with confectionary or dairy producers organized by this producers or European suppliers. That kind of seminars can be a good advertising platform. (Setell 2013.)

3. Decouple strategy and innovation – Greg states here that innovation main aim is to create something which customers are not familiar yet, and so it might work worse than usual solutions. Besides good strategy should be aiming at achieving specific objectives. For example in BG marketing managers put much less effort in creating new ways of advertising that in handling professionally existing ones'. (Setell 2013.)

4. Build open assets in the marketplace – if recently increasing awareness of your product and you company led to success and high sales volumes, nowadays, because of the internet expansion active promotion will mostly lead not to a sale, but result in an internet search and then be retargeted by competitors. So this

kind of promotion nowadays can even contribute competitors more, than your own business. The solution for this issue is inspiring consumers not only to purchase, but also to participate. So companies must think more of application programming interface and software development kit than about unique selling proposition or cross rating point as it has been before. (Setell 2013.)

Books and articles mentioned above do not contradict each other, but complement. Paley and Norton (2001) point at important details in marketing process, such as decreasing number of intermediate levels. Gupta (2010) describes more distinctly about the marketing mix and Setell (2013) acquaint us with the new directions in the world of marketing which has become vitally important during the recent years.

## 2.6 Marketing plan.

Developing a marketing plan is first and major part of the future success of a new product in the certain market. There are three well known types of planning:

1. Annual plan – which is a one-year perspective of a company's situation that gives company an overview about needed budget, programs and control.
2. Long-range plan – decides on the future actions of the company for the following years. Giving an overview of the long-term objectives, however requires annual updates so company always have an up-to-date long-range plan.
3. Strategic plan – applies to create an opportunity for the company to benefit from the changing market and business environment. Serve as a link between companies' goals and market situation. (Kotler 2005, 50)

To promote a certain product in a new market several factors should be taken into consideration. The niche, where company is planning to advertise the product should be rather competitive so there is a chance to be an opponent to a market leaders. Moreover company's structure itself should be flexible and up-to-date. Cross-functional departments now serve as perfect links between customers and the final marketing campaign.

When focusing on B-T-B relationships and therefore on business clients it is a good approach to consider their problems as your own, because in B-T-B relations the success of the client always leads to the success of your company. So the more competitive the client will be on the market – the more competitive will be your company. (Paley & Norton 2001.)

However some companies decided not to focus on formal marketing plans especially in new or small companies, because planning is always requires time and money and also market is always in a process of changing so keeping yourself up-to-date with the latest market situation might not be as easy as it seems. However, as Kotler (2005, 128) states: "Failing to plan means planning to fail". So there are a few chances for the small company which does not have a well-structured plan to survive against bigger competitors.

To form better strategic objectives and therefore strategic plan company mission should be clear but with a possibility to be flexible according to the changing markets. Company mission is usually formulated by the founder at the earliest stages of the company development to serve as a guide for future actions (Kotler 2005, 53.) After setting concrete aims the best way to operate for the firm is to divide objectives between managers and operate through several departments with close cooperation.

To realize better how your company should operate both external and internal audits may apply. Kotler (2005, 67) defines an External audit as: “A detailed examination of the markets, competition, business and economic environment in which the organization operates”. An internal audit basically covers all aspects of the company including all its operations and sales.

However, even after applying these two types of audits, a company will only get huge amount of the information they still have to work with. So for this purpose company leaders may apply SWOT analysis which reveals main threats, opportunities, weaknesses and strengths of both internal and external audits that have been done.

After handling all this researches company might decide what and how should be improved both in internal and external company policies.

Applying special short-term discounts for a certain kind of products can also be a way to increase sales level. This tactic called “sales promotion” described by Luther (2001) is a well-known practice, for both retail and B-T-B spheres. For example doing mystery shopping research I figured out that our competitor handles so called “month of ingredient” it means that every month they choose one ingredient which will have lower price, so they might attract new customers who would buy it and implement in their production line this month, but they will also need to continue buying it in future, because food ingredient sphere have a specialty that once ingredient was implemented in the production process, it is very hard to substitute it.

Again three authors presented above do not counter each other, however showing that creating a well-structured marketing plan is one of the most important parts of marketing strategy. Marketing

plan differs depending on a company business and goals that were established.

## 2.6 Russian customs statistics

Russian customs statistics is a database, which, according to Customs Online 2015, is based on official reference books of Russia and contains trade statistics of export and import operations from over 3.0 million annual customs declarations. From the year 2010, accessing customs statistics is a payable service. The price for accessing statistics for one trade code can reach 70-100 euros annually.

## 2.7 Major issues in planning a launch base for a new ingredient or a product

On the basis of the discussion above, it can be concluded that when preparing a marketing campaign it is extremely important to have a well-planned strategy and also all the necessary data that you can provide to the targeted supplier or client. It is also good to have all the needed information about the current competitors in the market so that client will get a full overview.

When executing the competition analysis, it is firstly important to understand how much this competitor is dangerous for your company, how big his sales are and what were the recent changes that affected his business. Also in food ingredients market understanding approximately prices of competitors is important, because all biggest producers in Russia are choosing their suppliers by tender process, and most of these tenders are "price tenders" where only price matters.

Moreover it is evident that to survive in current changing world company needs to evaluate their marketing and sales approach frequently to figure out possible improvements or setting new priorities which will better suit company goals at this exact time.

So well-structured, updated marketing strategy, understanding sales potential to a certain customers together with detailed competitor analysis provides company a good perspective on any market even in the crisis situation. (Paley & Norton 2001.)

### 3. METHODS

My entire work is done using action research method with four interventions including secondary data analysis, qualitative and quantitative research.

To fulfil research objectives both quantitative and qualitative methods will be applied. Quantitative method will be used when contacting over 50 companies asking them several questions about their interest and potential volumes of agar consumption.

Qualitative method will be used when interviewing our managers about what they have done to the companies that I will provide. Moreover qualitative method will be used to analyse competitors using “mystery shopping” tactic, calling their sales managers to realise what are the prices that they offer currently.

To answer the first research question it is necessary to find out how company already process customs statistics and provide them structured information about agar-agar sales. Also it is necessary to understand correlations between Russian companies in customs statistics and their sales in real life, because figures in customs statistics could be a little wrong.

To answer the second research question the best way is to collect potential clients from three sources:

1. Online selling websites, where ingredients can be mentioned. I was using two websites. Goodsmatrix.ru and utkonos.ru for example.
2. Contacting potential customers, asking about their interest in agar and other BG ingredients. Collecting final information into table for further manager usage.
3. Collecting results from BG’s managers asking what have been done to the clients I have provided.

The research objective is divided into sub-objectives. The first sub-objective is competitor analysis using latest customs statistics which company has purchased and mystery shopping tactic to find out their prices and available volumes. Next it is necessary to explore websites in order to find potential customers. Then I am going to contact particular companies to get exact information of how much agar they are using and where they are buying it now. Thirdly, together with PR manager we are going to create leaflet to send it to potential customers using special program. Last but not least I am going to collect the results of these sending to handle them to particular managers and later on ask managers what they have done with these customers.

### 3.1 Data acquisition methods

First of all I am going to use secondary analysis method using current Customs Statistics from Russian Customs which were purchased monthly by Baltic Group.

Next qualitative method called mystery shopping tactic was used in order to realize, what prices and volumes our competitor offer to their potential new clients.

The next step was quantitative research in order to create a client base. This research was based on telephone interviews with approximately 50 companies all over Russia.

After qualitative method was used again while interviewing BGs' managers in order to find out, what was the results of my previous work and build conclusion based on it.

### 3.1.1 Data acquisition from customs statistics

To analyze competitors for instance for a distribution company the most useful way would be using secondary data. "The study of specific problems through analysis of existing data which were originally collected for another purpose" (Glaser 1963 quoted in Smith 2008, 11). This definition best describes how secondary data might be used in analyzing competitors for the distribution company.

Benefits from using secondary data are that it will certainly save you plenty of time. Moreover information, which researcher gets from library or statistics has higher level of reliability and clearer statements written down by professionals. (Pervez 2005, 95)

This statistics include huge amount of data about which product and when was imported to Russia. It also include information which might be helpful for the company in several situation.

I chose to use statistics from Russian customs office because it is an official data collected by customs officials, including all information which can give analyser a prospect of how strong his/her company s' competitors are.

While making analysis it is vitally important to understand which information company needs in the exact moment. For example it states the name of the foreign company this product was purchased from, and this information might become valuable if the company is looking for potential suppliers. Moreover it has a column for the country where product originates and company used it a lot while making analysis after Russia launched an embargo to compare their loss and loss of their competitors. Also if they are planning to do business with certain supplier it is also a good idea to present him some figures about how much of this product is already in market and what are the market perspectives for it.

Moreover this statistics has customs code and product description. Customs code is used when you need to narrow your search to find out info about certain group of products, because when any product enters a country it has certain code which states how much taxes should be paid for this product. After person, who is planning to analyse statistics choose code, he should figure out the exact product company needs by looking into product description, and the major problem in this is human factor.

Due to the fact, that this was filled by customs workers they usually mistype some letters which makes it unable to systemize using excel so analytic first of all need to rewrite producers and Russian companies in order to make it suitable for future automatic usage.

Then goes producer of the product. It is vitally important if company wants to find supplier by contacting producer to avoid third parties. However it is hard to do, because producers usually not willing to export products without their usual distributor, so it is a task of marketing and sales department to encourage them.

Then goes the most important aspect in my case – name of the Russian company. So when doing competitor analysis it is always good to search for particular competitor, however human factor applies again, because sometimes names of the companies can be mistyped as well or just typed in a different way so analyser need to change them yourself. For example “Green ltd.” and “Ltd. Greed” is the same and it is obvious, however excel won’t count them automatically unless you change their names to a similar ones.

So the major point before launching algorithm in excel to count statistics is to make all lines look the same if they deliver same goods from same supplier. Otherwise you won’t get correct figures

and it may damage a negotiation with potential supplier or image of the market situation in case of competitor analysis.

Process of retyping information is manual so it takes a lot of time and especially attention from a person responsible for it.

Sometimes customs workers also mistype producer's name because it might sound unfamiliar to them due to the language differences or they just misheard it in the first place.

So the hardest part is to pay attention to each word and look categorize Russian companies and producers. It sometimes requires full attention because if analyser have 20000 items of different products and he miscategorise couple of them in the end it will give wrong figures and it will be nearly unable to understand why before company will actually put it in use.

Then goes facture cost which sometimes can be confused with custom cost, the difference is that customs cost is the average data cost customs representatives have for this product, it is used when customs officials have suspicious that the price which was set by seller is too low so they compare it with their cost and if the difference is too big they can start a forgery case. (tks.ru)

So the facture cost is the cost that seller requires for the product and if it states as an imported good in statistics it means that it was accepted by customs officers. Company needs to understand facture cost in order to become aware of how much their competitor spend this year and so how much they are planning to sell.

Important thing with facture cost is that when counting current currency rates should be taken into consideration. Due to the fact that mostly companies use Dollar or EURO it was agreed by Baltic Group that the best way is to use EURO as a main currency so in the end of the analysing cost should be counted in euros.

However for these competitor analysis I am planning to do in my thesis company representative ask me to count statistics only about net weight.

After fracture cost there goes several columns with incoterms, company's addresses and way of transportation. These figures have no use for the company and so won't be used in my research.

The last, but definitely not least column I will need for my research is net weight. It differs from gross weight because it doesn't include package and so a little bit less but more real in case of understanding of how much product their competitors have.

So this is the column I am counting, all other I just retype correcting customs officials mistakes. However if the mistake will be made in retyping information I will get wrong amount of producers or Russian companies and it will mean that I have to revise all items I have in the initial document in order to find a mistake.

To have the right start it is vitally important to understand what purposes company has and for what this analysing will be used. In my thesis company putted me and aim to count custom statistics of their potential competitors who distributed agar in the year 2015, in order to understand strongest ones and how to get their clients.

When it comes to the competitor analysis analyser should pay attention first of course to the Russian company column and make a filter based on it to narrow the search. He/she also needs to pay attention to producer columns because even if the company requires competitor analyses it is also good for them to know with what producers their competitor working and which producers had distributed the most. After realizing the strongest producer we can ask for samples to compare with ours and understand if we can take clients, who is currently using agar from this producer, distributed using particular Russian company/companies.

### 3.1.2 Data acquisition using mystery shopping tactic

Mystery shopping will help analyzer to collect primary data about competitors' prices and free volumes of available ingredients.

Primary data is data collected by researcher and considered as useful for the certain research or analyzing process. It consists of observations, interviews, questionnaires and experiments. (Pervez 2005, 103-105)

After figuring out which competitors have strongest position in Russian market using customs statistics, the most important thing is to realize what prices they have and how much free volumes they can offer to a new client in order to estimate if they are open for receiving orders from new clients and thereby may try to entice our customers.

Food ingredient business is B-T-B, so prices and volumes are closed information and cannot be found in any free sources, so the best way is to use mystery shopping tactic (David Rich, 2013) which I have used in this case. This tactic can be determined as a qualitative research method because it requires to handle small interviews with competitors' sales managers.

Mystery shopping is a competitor research procedure used to fulfill an important goal of understanding market situation and evaluate company based on its' position among other competitors. "To develop clearly defined and competitive service offerings any business needs to have a detailed understanding of current offerings from other players in its sector." (Intelligentsia, 2015)

I created a list of approximately 20 companies, who I consider as the strongest Russian distributors of agar with their phone numbers. Then I called each of them asking these questions:

1. Do they have agar for confectionary usage.
2. Can they provide 1.5 – 2 tons of agar per month (1.5 – 2 tons is an average volume I asked, because if company is able to provide this volume, it means that they are ready to attract new clients and enticing our clients).
3. Who is the producer of their agar? Our main competitors are companies, who are offering Chinese agar, because the prices for this agar are competitive with ours.
4. What is the price when purchasing such volumes? (Price usually differs according to the volume company want to purchase). For example prices for one ton and five tons are going to be different. However every company in this business are interested in long-term relationships, so even if client want to purchase one ton, but planning to do so every month, distribution company might provide better price conditions for such clients.
5. Is there any changes planning for an autumn period in prices or volumes?

These five questions will get BG managers better understanding how to compete on the market and what are the prices currently presented. This mystery shopping method have to be applied frequently, in retail business for example even every day (Gilon Miller, 2012). However since we are considering B-T-B business and specifically food ingredients, once a month will be enough.

The most complicated part of this process is establishing communication with our biggest competitors. These companies are big and have high hierarchy, and even getting to a director of sales department, who is usually aware of newest prices, can be an obstacle.

However in a situation, when sales manager wants to serve you himself/herself tactic of pressuring time can work well. So I need to pressure manager by the time limits, saying that my primary responsibility is to collect prices from different potential distributors and compare them.

Time I picked for mystery shopping analysis was the beginning of august. I believe it is a perfect date, because usually food ingredients company's' leaders tend to build price and volumes strategies one month before the actual period starts.

In my case I had twenty companies I needed to call. Five out of this twenty had a highest priority for our managers so I called them first. I succeeded in four of them, getting all the needed info. However one of our competitors declined to give pricing information on the phone.

To solve this issue I sent an email address to their new sales manager who might not be aware of the all the rules his company, saying that our company need high volume of agar in the next couple of weeks so he sent me back all their price list.

Other fifteen companies were not a problem, all of them gave me their price lists and also volume forecasts for the next 2-3 month.

Collecting and analyzing these data I got from competitors took three working days out of seven I had been given by BGs' marketing director. So I spent these two extra days figuring out the way I am going to find potential clients and also contacting our managers in order to figure out, what exact information from clients they need. It helped me to create appropriate questionnaires for interviewing clients either by phone, or sending emails.

### 3.1.3 Data acquisition for creating clients database

General Director together with purchasing director and sales director notified me, that due to the fact, that company was not selling agar for the past 3-4 years, sales managers require new potential customers list. The list should be around 100 companies long, with half of them including potential volume of agar consumption. First step of analyzer work is to find appropriate sources for collecting potential customers website names from where analyzer can get their phone numbers and email addresses.

For example so called “bird milk” producers. Bird milk is a candy or cake made of protein, sugar and agar.

Firstly I decided to pick up several sources from where I can find companies, who are currently using agar in their production lines.

I started with online selling websites, because usually companies put description of their products in the website.

The most popular online food selling websites in Russia are [utkonos.ru](http://utkonos.ru) and [goodsmatrix.ru](http://goodsmatrix.ru).

So using Google advance search, searching for word “agar” I found nearly 20 pages in both websites naming production of companies that are currently offering production, which is produced using agar. So potentially they can substitute their agar with ours.

Usually, the only thing that matters in these situations is price. So our Director decided to purchase agar from a well-known producer in China, and this way get lower prices than most of our competitors.

After adding companies from this websites to my excel table I got around 25-30 companies with phone numbers and email addresses.

After that, I realized that if we were selling agar from the year 2007-2012 it can be helpful to search in our CRM system for the companies, who purchased agar from us several years ago and then, through calling them and checking their website find out if they are currently still produce products on agar and interested in purchasing certain volumes.

Finding out clients, who were purchasing certain product is easily done through sales report of the company, which can be uploaded through "reports" function in CRM system.

Moreover I have checked all companies in our client base, who have "field of activity" as "Bird milk" or "Soufflé" because there are nearly 95% probability that they are using agar.

Almost half of companies in CRM appeared to be trade companies, which I have no interest in. Trade companies is our competitors, who had bought agar from our company because of some reasons, for example they could not find any free reliable suppliers in Europe or China, however they had a client, who was ready to buy some volume of this ingredient even for a high price. BG occasionally purchase ingredients from competitors if there is a need to close some deal fast, and supplier cannot provide needed ingredient in time. However in this case client will have to pay approximately 15% more, because buying from another distributor means already receiving good that have 15-20% margin. In this case BG usually agrees to lower its' margin from 15 to 13 or 12%.

After combining all sources I had together it appears to be over 120 companies from which I decided to choose 50 I am going to contact.

## Contacting clients by phone

List of questions prepared for potential clients was extremely important, because usually if your aim is only to collect starting information about client demand and preferences, Patrick Hull (2013) states that you have to ask just couple of questions and then let customer representative talk.

So I prepared three questions that I consider suitable for such purpose:

1. Are you currently using agar-agar in your production lines or planning to use it in future?
2. What are key factors for you, when choosing ingredients supplier?
3. Are you interested in any other ingredients for confectionery or dairy products?

However of course depending on customers' answers sub-questions will be applied.

For example if customer answers yes for a first question, it is vitally important to ask him to clarify, which exact agar they are using. Usually customers are not willing to answer such questions, however it is enough to understand just a country of origin, from where their agar came. BG knows almost all trademarks our competitors can offer on the market. So understanding the country gives us a picture of the competitor, who is currently appears as agar supplier for this client.

Key factor of choosing potential supplier is 90% price, however some clients can also mention such things as:

1. Technological support (which is a strong side of BG, because we have technological department for supporting our clients and even developing new recipes for their upcoming products).

2. Sales manager behavior. It was stated by Ingram and LaForge 2007 that preventing ethical misconduct of sales people is extremely important and it cannot be reached only by forcing ethical code of conduct. So in BG, ethical atmosphere is created through well-organized process of training new sales managers before they start reaching new clients.

3. Terms of delivery. As it is stated on BGs' main page, company has plenty warehouses all around Russia, so for example to best suit Siberian customers company is using their Siberian dealer.

These three points is something that should be explained by sales manager, however in my case I basically figure out what customer require on this points, and not what I can offer.

So there is not any specific questions about terms of delivery or technological support, however if the companies representative behaves communicative, it is always good to ask, which additional features are important for their company. Moreover during the phone conversation you should always focus on the parts, when company describing their problems which they couldn't find a solution for. As stated in Chapman 1992, successful salespeople should consider themselves as problem solvers.

#### Contacting clients by email

Phone conversations is probably the best way to get the information you need, however some companies do not have this tradition to discuss purchasing procedures at first by phone, so they require sending them a commercial proposal together with questions.

While preparing an email letter for a specific company, according to Walkup (2005), interviewer needs to clarify five points in the letter:

1. Were all questions seller wants to ask the customer putted on the paper? Because in the phone conversation interviewer always have a chance to ask further questions during the conversation, however using email letters all questions have to be putted in advance.
2. Has the proposal been clarified? If the company is selling agar for example, there should be all needed info about the product. Country of origin, price, terms of delivery and etc. It increases chances that customer will reply.
3. Have the customers' name spelled correctly.
4. Use write addresses. So if person is making a proposal of food ingredients, firstly he/she needs to get purchasing manager email address for a direct communication.
5. Using customers' company colors somewhere in the commercial offer. It might affect purchasing manager attitude by showing that this commercial offer was produced according specially for this particular client.

Taking into consideration these five points, according to Walkup 2005 will lead you to a successful communication through email.

#### 3.1.4 Data acquisition from BGs' managers.

To evaluate thesis project it is necessary to process small interviews with BGs' managers about their success or failures with customers provided during the thesis project.

Thesis had been done in order to provide managers with needed information to succeed in the market with the new ingredient. So

the success is measured in their sales volumes and amount of new projects for big or medium-size clients.

After client base was finished and all clients have been sent an information about the new ingredient, that was launched by BG company in Russian market, to evaluate thesis work and provide General Director with results a short list of questions for qualitative interviews with our company s' managers was created to evaluate what actions have been made with those clients we have sent our leaflet to. These interviews were processed orally after two weeks from sending clients information about our agar.

In order to collect such information I asked them three questions:

1. How many clients have already made their first purchase?
1. How many clients have in interest in buying our product or already offered a sample?
2. How many clients have refused to try our product and what were the reasons?

Managers replies for these questions will give our director a vision of how successful my work was and if there is a future necessity to cooperate in future with me. Every client from my database that purchased or interested in purchasing agar-agar counts as a joint success of our sales manager and me as a market and competitors analytic.

## 3.2 Data analysis methods

### 3.2.1 Process of analyzing customs statistics.

The work can be divided into three steps with equal importance. The first step is reviewing initial file correcting producers' names and Russian companies.

After defining which exact material was needed for research, creation of a second folder in the file named "Material for analysis" took place. Firstly it is a need to copy there all preparation data and what have to be analyzed in future so that when prolonging columns took place they would not include unnecessary materials.

After doing this creation of the new column in this folder using "and" function to connect Russian company, producer and product description was necessary. Finally the new column was created by this function: Russian company&"&Producer, where ";" is used to make future division of this parts easier. This whole "and" function was used in order to create a column my future summif function can refer to. If the analyser will try to do this without creating a separate column, after getting data update he/she will have to type everything by hands.

The best way is to connect first lines of each column and then prolong the column. In my case it looked like this:

This column will be used as a reference for the summif function in future search and so should be checked well in advance for any mistypes so when analyser will remove duplicates I will get an exact amount of unique lines for the division.

This column is also can vary depending on what kind of search company needs and which information they want to know in the final folder.

When analyst is sure that all the materials for the final folder is prepared it is time to create this final folder.

Firstly it is significant to consider headings for columns which in this case would be:

- Merged column
- Russian company
- Producer
- Net weight
- Percentage

To create merged column analyst have to follow two steps:

1. Copy “and” column from the materials folder.
2. To delete duplicates in the pasted column using “Remove duplicates” function.

After finishing this actions it is time for final check of the unique lines so that there won't be any similarities caused by the mistyping.

Next step is to divide the column into three. For this analyst first should copy it and paste to the “Russian company” column and then select the pasted one and use “Text to columns” function which allows you to divide one column into several. On this stage

“;” the sign we putted before is really useful so we can divide the column using it as a division point.

So analyst select Text to columns, then click on “Delimited” and in the next window write “;” in “other” and click finish. So after this we will have the columns filled with the wright information except “Net weight” column which is the target of analysing. This column is counted using SUMIF function

In the SUMIF function we can see 3 fields to fill:

- ✓ Range
- ✓ Criteria
- ✓ Sum\_range

1. Range states the column from where the algorithm will take a starting point.

2. Criteria is the column shows with what range it should be compared.

3. Sum\_range states where from the data should be counted in case of finding any similarities between range and criteria.

In my case range is the special column from “Materials for analyses” folder which was created using “and” function.

Criteria is the copied column with removed duplicates from the final folder

And Sum\_range is the net weight column from the “Material for analysis” folder.

So after applying this function to the first line in the Net weight column analyser will get a number and then just prolong the column to see numbers for other lines.

The last step is to check the final number of net weight using “Sum” function and then compare it with the net weight in the “Materials for analysing” column. If the figures matched, it means that the process is finished.

Analyzing customs statistics is secondary data, which after connecting to mystery shopping results will lead to a certain

conclusion about our competitors' position on the market, which I will present in the next part as well as conclusions I have made after creating potential client base for our sales managers.

### 3.2.2 Mystery-shopping data analysis

Information researcher got from competitors is putted into excel table for future managerial usage.

Columns that excel table should include are following:

1. Competitor company name
2. Producer of agar
3. Trademark of agar (if they have such)
4. Price of agar including VAT for 1.5-2 tons per month
5. Can they supply 1.5-2 tons of agar per month?
6. Any further comments depending on their answer for fifth question.
7. Contact information – for future research. (Mystery-shopping research should be handled on a monthly bases).

Using the created table researcher should figure out several major points, which can be used by managers in their future work.

1. Which competitor have the lowest price (by comparing them with each other)
2. Do we have a competitive price? This can be figured out by comparing our price with competitors' prices for Chinese agar.
3. Is the market have deficit or agar or not? It can be figured out by reviewing of how many competitors are ready to offer 1.5-2 tons of agar per month.
4. How big is the market of Chinese agar? Due to the fact, that our company has decided to focus on Chinese agar, we have entered so called "low price agar" market segment. In this segment our only competitors in Chinese agar distributors, so to conquer them it is vitally important for managers to realize how offers Chinese agar, for what prices and in what volumes.

Then analyzer have to compare answers to these questions to customs statistics to build final results based on this. For example if the competitor, who have better price for Chinese agar had distributed little amount of agar, our managers will not consider this competitor as the strong one, however if the distributed amount it high, than sales managers would have to inquire purchase department to contact our supplier for price negotiations.

In price negotiations with supplier, he/she always ask for information to prove the request, and in this case processed customs statistics and mystery-shopping analysis will become a valuable tool in price negotiations.

### 3.2.3 Analyzing the clients' database.

After arranging over 30 calls and 20 email letters and receiving appropriate answers for most of them, analyzer have to create and excel table together with putting information in CRM system.

Putting information in CRM is only made for easier managerial usage in future, however excel table is valuable for managers in the starting point, when the first container of agar will arrive.

This table I have created contains such columns as:

1. Company name
2. Where they are using agar (if known)
3. What else we can offer for this company
4. Which agar they are using now (if known)
5. Approximate volumes they are using or planning to use
6. Any other comments (what factors are important in decision making of certain clients, if known)
7. Contact information

This six columns together can provide managers with an overview of what is the best way to action in the starting point of agar sales and my task as an analyzer is to provide them with my vision of which clients should be contacted first.

Besides of this table, I also provide managers with information of how big I consider agar market in Russia (in tons per year). How many big clients there is on the market (more than 1 ton consumption of agar per month) and which competitor is the

strongest supplier for top clients (if they are willing to give such info).

If our managers will realize which competitor or competitors are the strongest and have the price, which is similar or lower than BGs' then they can order the same agar samples, as competitors have to conduct technological procedures and compare the quality.

Moreover after analyzing the table, I asked our PR manager to create agar leaflet and send it to all clients I have on my list. However the biggest-volume clients is usually contacted personally by sales managers.

#### 3.2.4 Data analysis after BGs' managers' interviews.

Based on BGs' managers interview I made a conclusion of how successful my work was by counting the total amount of agar sales within the first two weeks plus number of clients interested in the future cooperation and amount of samples ordered by those clients.

However in the two-week stage the major point is how many clients have shown their interest in our agar and ready for future cooperation.

## 4. RESULTS

### 4.1 Results of competitor analysis

After proceeding the initial file of customs statistics in the way I described above, analyzer should receive the following table:

Table 1. Russian customs statistics

Producer	Russian company	2015 (january - august) volume in tons	%
B&V S.R.L.	ООО "ТД"СЗИК"	0	6,67 %
B&V S.R.L.	ООО "ТРАНСНАЦИОНАЛТОРГ"	0	
B&V S.R.L.	ООО "СФЕРА"	28000	
B&V S.R.L.	ООО "ФУДСТОРИ"	4020	
B&V S.R.L.	ООО "ВОСХОД"	0	
FUJIAN PUTIAN QIXIANG FOOD CO. LTD	ООО "СОЮЗОПТТОРГ"	15000	3,54 %
FUJIAN PUTIAN QIXIANG FOOD CO. LTD	ООО "МИШКА"	2000	
FUJIAN PUTIAN QIXIANG FOOD CO. LTD	ООО "ГРЕЙД"	0	
AGAR DEL PACIFICO S.A.	ООО "УТС"	0	11,25 %
AGAR DEL PACIFICO S.A.	ООО "МИЛОРАДА"	48000	
AGAR DEL PACIFICO S.A.	ЗАО "РЕЗЕРВ"	0	
AGAR DEL PACIFICO S.A.	ЗАО "ИНДЕКС"	0	
AGAR DEL PACIFICO S.A.	ЗАО ХИМПРОМ	0	
AGAR DEL PACIFICO S.A.	ООО "СОЮЗОПТТОРГ"	6000	36,26 %
PUTIAN CITY CHENG XIANG ZONE FULI AGAR FACTORY	ООО "КАРГО СИСТЕМС"	0	
PUTIAN CITY CHENG XIANG ZONE FULI AGAR FACTORY	ООО "НОВЫЙ ВЕК"	0	
PUTIAN CITY CHENG XIANG ZONE FULI AGAR FACTORY	ООО "СОЮЗОПТТОРГ-РЕГИОН"	112000	
PUTIAN CITY CHENG XIANG ZONE FULI AGAR FACTORY	ООО "РЕГИОН"	0	
PUTIAN CITY CHENG XIANG ZONE FULI AGAR FACTORY	ООО "СФЕРА"	48000	
PUTIAN CITY CHENG XIANG ZONE FULI AGAR FACTORY	"ИНТЕРЛАЙН" ООО	0	4,17 %
PUTIAN CITY CHENG XIANG ZONE FULI AGAR FACTORY	АО "СОЮЗСНАБ"	14000	
SETEXAM	ООО "ФИРМА "ЯВЕНТА-ПЛЮС"	0	9,02 %
SETEXAM	ОАО "КОНДИТЕРСКАЯ ФАБРИКА"УДАРНИЦА"	20000	
SETEXAM	ООО "ЛЕКСАН"	0	
ALGAS MARINAS S.A.	ЗАО "РЕЗЕРВ"	0	5,94 %
ALGAS MARINAS S.A.	ООО "СОЮЗСНАБ-ЛОГИСТИК"	0	
ALGAS MARINAS S.A.	ЗАО "СОЮЗСНАБ"	37280	
ALGAS MARINAS S.A.	ЗАО ХИМПРОМ	0	
ALGAS MARINAS S.A.	ООО "МУЛК"	0	
ALGAS MARINAS S.A.	ООО "СОЗВЕЗДИЕ"	0	5,94 %
ALGAS MARINAS S.A.	ООО "СОЮЗОПТТОРГ"	6000	
PROAGAR S.A.	ООО "СОЮЗОПТТОРГ-РЕГИОН"	28500	
PROAGAR S.A.	ООО "СОЮЗОПТТОРГ"	0	
PROAGAR S.A.	ООО "ИБЕРИЯ ГРУПП"	0	
PROAGAR S.A.	ООО "ФРУТЛЕНД"	0	
PROAGAR S.A.	ЗАО "РЕЗЕРВ"	0	5,94 %
PROAGAR S.A.	ЗАО "ХИМПРОМ"	0	

This table contains producer of agar company name, Russian company, who have distributed this agar and volume of the distributed ingredient.

Second table for competitor analysis I have created is prices-volumes table using mystery-shopping approach:

Table 2. Mystery-Shopping analysis					
Company name	Agar producer	Country	Price for 29 week	Price for 30-31 week	Volumes
SOUZOPTTORG	GreenAgar	China		27,5 USD/kg inc. VAT	2-3 tons and more
	GreenAgar Standart			24,5 USD/kg inc. VAT	
	Qixiang Food			28,0 USD/kg inc. VAT	
	Indoalgas	Indonesia		30,2 USD/kg inc. VAT	
	Proagar	Chili		39,0 USD/kg inc. VAT	
	Roeper	Germany	25,82 USD/kg inc. VAT		
SOUZSNAB	Algas Marinas	Chili	40-42 USD/kg inc. VAT		2-3 tons and more
	Denagar	Indonesia	22,95 USD/kg inc. VAT		
		Indonesia	25,82 USD/kg inc. VAT		
	Greenagar	China	27 USD/kg inc. VAT		
		Indonesia	29 USD/kg inc. VAT		

Based on these tables, several conclusions were made:

1. Company with the highest volume of agar, distributed in 2015 is SOUZOPTTORG (Saint-Petersburg Distribution Company, who is considered to be one of the largest distribution companies in Russia). Volume of agar, distributed by SOUZOPTTORG is 167.5 tons in 8 month. This company offers 4 types of agar, including Chinese, Indonesian and Chili. As we can see from the customs statistics table, more than half of their agar is Chinese, and it

makes them a strong competitor in our market niche of the cheap agar.

Moreover in a phone conversation they mention that any volumes is available for new clients and they are planning to increase distribution in the year 2016.

Prices for their Chinese agar (with ensured quality) is 1-2% higher than for our agar, which is not a big difference.

Based on these conclusion my advice from BG managers would be to consider SOUZOPTTORG as the strongest competitor and order samples of their production to make laboratory tests and figure out, in which final products our agar works better and try to reach clients having an exact information from tests that our agar works better in a certain types of products.

2. Second strong agar company is SOUZSNAB with more than 50 thousand tons of agar distributed in the year 2015.

Even though only 14 thousands were Chinese, SOUZSNAB is the largest distribution company in Russia, and in case they decide to reach certain client or start distributing bigger volumes they can succeed in a short terms due to a large technological department and well-established connections with major confectionary producers.

However on the phone, SOUZSNAB representative said to me that they are not planning to distribute Chinese agar in a near future.

Prices for their agar is also quite high comparing to BGs' agar, however SOUZSNAB is well-known for their discounts to a large clients and also very professional technological support, so in this case prices will not play the key role.

For now I would advise BG to continue overviewing SOUZSNAB activities in agar market to figure out in advance when they will start distributing Chinese agar and then order samples of their production. Moreover I would advise BG to contact as many clients as possible in a near future, before SOUZSNAB will start doing the

same. It is a good strategy because in the food ingredients market it is hard to substitute one ingredient with another, due to the fact, that certain ingredients influences a final product and if substituted, can lead to a client loss.

3. Another companies worth noticing it Globar and Milorada. Even though these companies is more concentrated on selling high-price Chili and Italy agar, they might took our clients with high quality.

Moreover the suggestion for BG purchase departments is to contact producers of their agar (B&V Italy and Agar del Pacifico Chili) in order to be able to purchase the same quality agar from these producers if needed.

These are the first conclusion that could be made out of these tables. Besides, having and updating these tables BG sales managers can easily realize, how to struggle certain competitor. Usually, when clients refuse to purchase agar from certain distributor they do not tell a certain reason, however they might tell the name of the company they are purchasing from at the moment. So sales manager of BG, using these tables can easily figure out an appropriate strategy to overbeat this competitor.

Agar-agar market do not feel the deficit, however there are not so many competitors in the market. So if BG managers will develop a strategy of how to beat the above mentioned competitors and also receive appropriate client base in order to start reaching new clients, there is a good chance to succeed well on the market.

#### 4.2 Results of creating and evaluating potential clients' database.

After collecting approximately 130 clients and calling 50 of them, I got huge excel file. I am going to present a part of it in my thesis in order to show how it looks like in the end.

Table 3. Potential agar clients.

Company name	Where they use agar	What else we can offer them	Whos agar they are using now	Price	Approximate volume	Contacts	Potential	Comment
Di and Di	In paste	isomalt, protein, pectin	SouzOptTorg	25-26\$	300-500 kg per month	info@corpdidi.ru	Middle	Searching for new potential suppliers, expanding production lines.
Polet	souffle	Limagrain, protein, taura, worlee	SouzSnab	28\$	500-700 kg per month	info@kp-polet.ru	Middle	Not interested in changing supplier now, however can offer samples for future cooperation
Sibir	souffle, biscuits	Pectin, aromatics, protein, FMC, limagrain	Partly SOT, SOUZSNAB and Globar	from 25 to 40\$	1000-1500 kg per month	snab@kfsibir.ru	High	Uses both Chinese and Chili agar, 70/30
Udarnitsa	souffle, marmelade	Gelatin, protein, aromatics.	Not telling	25,8\$	3000 kg per month	info@udarnitsa.ru shashkinaiv@udarnitsa.ru	High	Do not provide with any additional info
Conti-Rus	Candies, souffle, marmelade	Gelatine, pectin, aromatics, coating agents, protein.	Nord Plus	26,4 \$/kr	3000 kg per month	refer@ru.konti.com	High	Ready for testing other samples, usually dividing volumes among 2-3 suppliers.

After finalizing the table firstly I had to come with certain conclusions and provide them to both our General Director and sales managers:

1. Approximate volume of the whole agar market in Russia is 40 tons per month.
2. Ten companies with the biggest agar consumption take over 55% of the whole agar market in Russia.
3. Mostly, biggest companies choose a strategy to divide volumes between several suppliers to lower their risks.
4. Most of region clients prefer to work with region distributors in order to decrease delivery time. To solve this issue I would advise Baltic Group to use their region distributors, for example BG Siberia to handle these clients.

Secondary I, in conjunction with our PR manager had created a leaflet and send it to all of the companies from the list. That's why "contact" column is very important.

However clients with high potential usually also contacted individually by BG s' sales managers. So I have provided them with the list, so they can contact clients they want.

After one week I have checked the analysis of the leaflet sending. It shows that 65% of the companies have read the email letter and therefore have seen the leaflet, and more than 30% had opened it more than once. Potentially these companies are the most interested in agar from BG. So I provided this info to managers as well.

After another week there were managers interviews in which they provided me with the following figures.

1. Amount of clients, that made first purchase – 15
2. Amount of clients interested in our products or already purchasing samples – 40
3. Amount of clients which refused to try our agar – 30, main reason is pricing or not willing to change their current supplier.

Moreover managers told me, that 25 out of 130 clients are too small for dealing with. Also, they have pointed out that another 20 clients are remained to be called in the following weeks.

## 5. CONCLUSION

### 5.1 Main findings

The main finding from this research was the competitor analysis results which affected the clients approach strategy that our sales managers were using during customers attraction period. Moreover I have provided BG with the starting number of clients, which allows them to be prepared and reveal if there is a real interested in agar-agar from this particular Chinese producer before launching an ingredient.

Merged together, competitor analysis and clients base serves the same purpose. Client base points out which clients BG s' sales managers need to call and what amount of agar these clients might need. Competitor analysis shows how to fight-off current supplier of agar for this particular client.

As can be seen from literature review, competitor analysis is a vitally important part in building marketing strategy. In food ingredients sphere marketing strategy is mainly based on information about competitors' prices and information about potential clients' needs. In this kind of business, being first and knowing how to overcome competitors are the key factors of success and my research has supported BG s' sales department in fulfilling these objectives.

Outcome of the client base can be seen in the amount of the new clients our sales managers received after making phone calls and also the amount of clients who wrote them after receiving the leaflet. These clients are called "warm clients", so our sales managers value them the most.

Research question for my thesis was "How to promote and sale new ingredient based on the competitors' analysis and potential clients' base." I have answered this question completely. Promotion strategy for selling new ingredient will be providing customers with

the appropriate conditions, which will be better than ones' competitors are offering.

Moreover, an agar leaflet itself is a promotion tool which when connected to a client base can lead to an instant sale, because statistically 15 out of 100 clients are in a process of finding a supplier immediately, so pointing out the major benefits of our product in a leaflet might be the key factor for them to choose BG.

## 5.2 My own work evaluation

My work has been evaluated by the real profit company that has made use of my findings and clients' approach. Strategy managers build based on my competitor analysis.

Company already earned about 200 000 euros from selling agar in the first two weeks and due to a rising number of interested clients this amount is expected to grow rapidly.

Moreover, I have created a competitor base with all the needed information at the moment. In the future, our sales managers will keep this table up-to-date, however it will save time, because they will not need to collect a competitor list, their contact information, and etc. The only thing that needs to be done is updating price and volume information by calling competitors and asking the same questions I created in the research work.

Furthermore, the client base I have provided to our sales managers can be updated easily after establishing communications with these clients. In the food ingredients business, clients are willing to give a lot of information to their suppliers in order to lower the risks in the future.

If BG will decide to launch some other ingredient which is usually used in the same products as agar (for example protein), they can always use the existing table with slight updates.

Agar is an ingredient which is widely used by Russian confectionary producers, so it can also serve as a locomotive to enter certain enterprises and then offer them another ingredients as well.

During thesis project I gained a lot of experience in dealing with both competitors and clients. I had achieved real life success which will influence my future self-assurance. Moreover I learned how to work in team not just in university, but also in the professional field. Outcome that I have learned is that team is as strong, as its' weakest member.

I strongly believe that after finishing my thesis project I became more ready for starting my own career path.

#### 5.2.1 Ethics in mystery-shopping competitor analysis

Mystery-shopping approach might be seen as unethical due to the fact, that researcher do not disclose him/herself while gathering competitive intelligence, however as it is described by, Boatright, (2012): «Holding useful information about competitors is seen increasingly as a means of securing competitive advantage, and need not be questionable in legal or ethical terms».

However when the research was in process it was important to be ensured from any legal questions by not providing any false documents of any other papers, that can be consider as misleading in future legal negotiations.

Mystery-shopping approach is not completely ethical, however it is legal and widely used by all major companies in food ingredient sphere in order to keep themselves up-to-date with any information concerning competitors.

#### 5.3 Suggestions for future research.

For future research suggestion for BG would be to monitor competitors and update mystery-shopping table in order to be aware of the current market situation.

### 5.3.1 Suggestions for future scholarly research

For future scholarly research suggestion would be to expand the questionnaire for customers that was done during thesis process to make it look more personal. Another suggestion would be adding marketing questions to the questionnaire to clarify potential customers marketing plans for future several months in order to build commercial offers based on certain customers' plans. I could not do it myself because of the lack of negotiation skills to get this kind of information from customers, and trying to do so without having appropriate skills might cost researcher the whole conversation.

In food ingredient business it is always useful to established personal relations with customers, because while dealing with international suppliers unexpected situations may occur. For example once BG suppliers had certain issues under which 60 tons of flour were delayed for 3 weeks. It might cost BG hundreds of thousands, however due to a good relations between BG and clients, who purchased this flour crisis was avoided.

Moreover I would suggest researchers to monitor more deeply the results of sending out leaflets, and building customer approach strategy based on competitor analysis. I did not have enough time for this, however it might be useful for better understanding of customers' behavior in food ingredients business.

Last, but not least I would suggest future researchers to evaluate other market possibilities. Analyzing more market niches in the food ingredient business will lead to lowering risks. Because even with good competitors and customers analysis, there is still a chance to fail with this particular ingredient.

### 5.3.2 Suggestions for professional future work.

I would suggest BG s' managers to monitor clients activities. Especially those, who have consumption of more than 1 ton of agar

per month. These kind of companies are tend to open new production lines frequently and might require bigger volumes of agar. In these kind of situations occur being first is vitally important.

Moreover I would suggest BG analyzers to expand competitors list because I was mainly focusing on major ones, however while struggling to enter the enterprise, BG several time faces smaller competitors, who were only distributing ingredients for these particular clients. In these situations having wider information is always a good tactic to succeed.

Due to the fact, that there is still a possibility not to reach the expected results with agar, I would strongly suggest BG managers to offer other ingredients to the clients I found. Even if the manager is aware about who this client is, he/she might not check this client for a while, so it would be useful to have an overlook on client activities and recent innovations.

There is certainly work still needs to be done in order to gain maximum outcome from my thesis project, however my responsibility was to create basic graphs and tables and analyze to make them more useful for managers. So results from this work is shown in money profit company got out of new clients and the quality of customers' approach managers developed based on competitor analysis.

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