PROMOTIONAL TECHNIQUES FOR A FINNISH ONLINE STORE IN THE RUSSIAN MARKET -- CASE DRIVOS
Abstract

The amount of internet users is rapidly increasing every year. The wide spread of the internet has already influenced customers behavior and operation of companies from various backgrounds. Currently consumers depend on the internet as one of the sources of information about a product or purchase place for it. All this makes it crucially for companies to be visible and accessible in the internet for their customers.

The aim of the thesis is to study and design methods for Drivos - Finnish online store with motocross equipment, to reach its customers in Russian central region. The research was done with the help of analysis of the business environment in the region.

The conclusion of the study provides with description and evaluation of all possible techniques of promotion for the case. Additionally it offers suggestions for the company’s promotion based on the competitors’ analysis.
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1 INTRODUCTION

1.1 Background

With the invention of the internet in October 1969 in the United States of America and its rapid development in recent decades, most companies have noticed its potential for business operations and slowly started to shift their activities to the World Wide Web. Some companies started to use the internet for promotion, and some for additional services, but several could manage to base their business on the services the internet could provide for them, for example the gaming industry, social media or even the retail industry.

The first online store was invented ten years after first online message in 1979 by English entrepreneur Michael Aldrich, who developed a fundamentally different system of mass communication, later known as e-business. Now, this industry is rapidly growing; in 2013 there were more than 102,728 e-commerce retailers only in the U.S, which generated more than $12,000 (£11,040)$^1$ each in annual revenue (Belicove 2013). The Moscow Times claims that the volume of Russian e-commerce was over $10$ billion (£9.2 billion) in 2013. Global sales of the B2C online retail industry were about $1.233$ trillion (£1.134 trillion) (Statista 2015a). B2C sales are expected to double by 2018 and be about $2.356$ trillion US dollars (£2.167 trillion) (Figure 1).

$^1$The exchange rate 0.92$ = £1$ used throughout the study and is based on data for 6 November 2015, according to the European Central Bank exchange rate.
Figure 1. B2C e-commerce sales worldwide 2012-2018 (Source: www.statista.com 2015).

1.2 Aim of the Study

This research is made for the Finnish company Drivos Ky, which already has working experience in the Russian snowmobile market. This study focuses on the e-commerce industry in the Russian Federation specializing in retail of goods for active lifestyles, particularly for motocross enthusiasts. The purposes of this research are:

– To define regions with high development of motocross culture in the Russian Federation.

– To identify possible techniques for promotion for a Finland-based online store in the region with the highest potential.

The study describes the Russian market with all the legal and payment issues, rates the highest-potential regions for the company and specifies possible techniques for the promotion of the online retailer in these markets according to company’s resources. Logistic costs and the product price range recommendation are not considered as a part of this study.
1.3 Drivos Ky

Drivos Ky is a Finnish online retailer located in Joensuu, Finland. The company is specialized in active lifestyle outfits such as equipment for snowmobiles, motocross and ATVs (All-terrain vehicle).

Drivos Ky started its business in 2014 as an online store for snowmobile equipment for Finnish and Russian markets. The owner of the company, Jussi Pennanen, is a professional snowmobile rider. He has used his network gained from his career to promote his new business.

The company has no stock. After a request is received, the company orders the product from one supplier’s warehouses; it comes to Joensuu within two days, and after all additional material is included the product is sent to its customer. As a result, it helps to decrease expenses for warehouses and allows for a bigger range of products but adds two days to the delivery time.

Picture 1. The homepage of the e-store (Source: www.drivos.com).
1.4 Methodology

In order to accomplish the aims of the research, secondary data was collected from news agencies, governmental statistics, legal authorities and observations of competitors’ activities. This information provides an overview of the market and identifies barriers to entry. Additionally, this data provides statistics for further analyses of the trends of development of the business environment.

1.5 Outline

This thesis consists of three parts: business environment analysis, promotional techniques, and conclusion and recommendations.

The business environment in the Russian Federation is overviewed in terms of political, economic and socio-cultural environments with a deeper look into the legal and financial aspects in the context of an online retailer located abroad as well as an evaluation in terms of demand for the products of the company of all the possible markets and a closer look into the chosen market with the highest potential.

The promotional techniques section explains possible promotional techniques for the company in the chosen market with their description and Drivos’s limitations. This section provides an overview of competition in the market with evaluated profiles of competitors.

The conclusion and recommendations section consists of suggestions for the company based on the results of the study with an acknowledgment of the limitations of the study.
2 BUSINESS ENVIRONMENT ANALYSIS

In this chapter the whole country is evaluated by means of a PEST (Political, Economic, Social and Technological) analysis. Additionally, the country is divided into separate markets with their further evaluation in order to reach the first aim of the study - to define regions with high development of motocross culture in the Russian Federation.

2.1 Overview of the business environment of Russian Federation

The Russian Federation is situated in Northern-Eurasia; it is largest country in the world land-wise and has the ninth highest population – nearly 144 million citizens in November 2014 (Rosstat 2015). For a better understanding of the business environment in the country, a PEST analysis was conducted.

Political factors. As a result of controversy between the Russian and EU governments, the Russian government has imposed an embargo on food products with EU origins. Fortunately, it has no effect on Drivos, although there is still a threat that the conflict may escalate and other industries might be banned too, making it impossible to operate in the Russian markets.

At the moment the Russian government is developing and implementing new laws and restrictions for online businesses regulating their operations (Ministry of Telecom and Mass Communications of Russian Federation). This makes it crucial to take a closer look into legal aspects of e-commerce in the Russian market and it will be discussed later.

Since September 1, 2015 a new data regulation law applies which prohibits the storage of information about Russian citizens outside Russian borders. It will be discussed in the legal section.

Economic. According to The World Bank (2015) GDP is $1,860 billion (€ 1,711 billion), which makes the country 10th in world rating by GDP.
In 2011 the volume of Russian online retail market was 310 billion rubles or over €7.8 billion\(^2\). In 2012 the volume increased by about 26% and was 405 billion rubles or €10.1 billion\(^3\) (Data Insights 2014). In 2015 the projected volume of the market is €18.7 billion, which is more than double the results of 2011 (Remarkety 2014). This advocates for the development of online retail industry in the Russian Federation.

At the moment the economy of the Russian Federation is experiencing difficulties because of sanctions from several western countries and the downfall of oil prices. The ruble has lost its value to the euro from p52.42 for €1 on October 20, 2014 to p70.61 for €1 for the same date in 2015 (European Central Bank 2015).

Also, sanctions as well as the currency exchange rate have forced some banks and payment services to stop their operations in Russia, making it impossible to purchase goods online for their customers. This might have a significant impact on a company’s operation and will be elaborated in Payment section of the study.

**Social-Cultural.** At the moment still most of the population in Russia is suspicious about online payments; this is especially so in remote regions. Most shoppers (69%) prefer to have a cash on delivery option (Figure 2).

![Figure 2. Online Payment Preference in Russia in 2013 (Source: ecommercenews.eu).](image)

\(^2\)European Central Bank exchange rate for the period of time which was roughly 1 EUR = 40 RUB

\(^3\)European Central Bank exchange rate for the period of time which was roughly 1 EUR = 40 RUB
Russia is the biggest Internet user in Europe, user-wise, even though the internet usage is not spread evenly in Russia. In the two biggest cities, Moscow and Saint Petersburg, around 77% of the population uses the internet on a monthly basis, but less than 50% do so in remote areas. Also, three quarters of the users live in European part of Russia. (All this could be explained by uneven spread of the population and logistic difficulties).

The total number of B2C cross-border sales volume for 2014 was €2.3 billion, which is double the amount for 2013 (€1.15 billion) (EWD News 2015). This new trend of favor for foreign online stores is a result of a greater variety of products. In the context of the perception of Finnish brands and companies as highly reliable all these points are definitely beneficial to Drivos.

There were nearly 2.5 million motorbikes registered in Russia (Russian Main Directorate for Road Traffic Safety 2012). The number of motorbikes in Russia decreased from almost 4 million in 2004 to 2.5 million in 2012 (Figure 3). The directorate has explained this with two reasons. First, the popularity of motorbikes decreased after collapse of the USSR and the better availability of cars with variable price range on the market. Second, people have been shifting to other means of transportation because of high danger of motorbike transportation.

![Figure 3](image-url)  
*Figure 3. Vehicle growth in Russia, 2004-2012 (Source: www.gibdd.ru 2012).*

However, a research of Russian bikers and motorbike’s enthusiasts’ forums has revealed that most owners of motorbikes do not want to register them since they find payment for registration and custom tariffs unfair and useless. As a result, the real number of motorbikes may significantly differ from that provided by the directorate.
For the creation of a social media promotional campaign it is important to know the Russian social media market. In 2014 46% of the population has an active account in social media (Statista 2015b). Vkontakte holds 28% of the market, followed by Odnoklassniki and Facebook with 24% and 18% respectively (Figure 4).

![Penetration of leading social networks in Russia](source: www.statista.com 2015).

**Technological.** The total population of the Russian Federation in 2014 was 144 million people, from whom about 84 million have access to the Internet. 22% of them are estimated to do their shopping online, especially in big cities in order to save their time, money and energy. The low number of online shoppers (comparing to 97% of Japanese internet users shop online) might be perceived as one of the barriers to entry, although the number of e-shoppers in Russia is constantly growing (Remarkety2015).

Most online shoppers (80%) use PCs, 12% tablets, and 8% use smartphones. Since Drivos’s web-page is PC and tablet friendly, and only 8% of shoppers use smartphones for their shopping activities, adaptation for reaching smartphones users is considered unprofitable and needless as a result of small number of users, high investment needed and limited resources of the company.

It is important to identify search engines (SE) operating in the market in order to be able to consider their utilization. In the Russian context, Yandex has 60.5%, followed by Google with 29.7% of the market (Figure 5).
Legal Issues in the Online Store Industry. There is no specific regulation considering online retail in the Russian Federation. Since all e-commerce is viewed as general commerce it is under general commerce laws and regulations with the one exception of prohibiting the sales of alcohol or tobacco products via the internet.

Since the company is registered in Finland and operating in the Russian market all of the products must go through Russian customs and here all the customs regulation apply.

One of the main regulations for this is that one address can receive post from abroad for the price of less than the equivalent of one thousand euro and weight of less than 31 kilograms. If the post is bigger than the regulation suggested tariffs must be paid accordingly (Russian Customs 2015). The currier agency (EMS) used by the company states that they are able to provide all the legal help for their clients in dealing with the tariffs, and the only outcome might be a slight increase in price of the products. More than that, most of the products of the company are under the limit.

On September 1, 2015 Federal law №242 came into power. This law regulates the usage of private information of Russian citizens abroad. Now all of the data collected from Russian citizens must be localized within Russian borders if the data collection was done purposely for the operation (Ministry of Telecom and Mass Communications of Russian Federation 2015).
In the Transboundary footnote for the law, the ministry claimed that this law does not apply to non-Russian residents working outside Russian borders. Their operations must be regulated by international laws or by the laws of the country they work in. Since the company must be viewed under the Transboundary remark, it must not affect company’s operations.

**Payment Issues.** As a result of the disagreement between Russia and some western countries regarding the Ukrainian crisis, several Russian banks were banned from buying currency from the countries. Some were even banned from operations abroad. Furthermore, Russia has banned non-identifiable currencies for digital currency operations. However, since the company uses other means of payment, all these bans should not have a significant impact on operations in the Russian Federation.

**2.2 Evaluation of Districts**

The Russian Federation is area-wise the biggest country in the world, has more than 144 million citizens and high cultural and economic diversity spread through the country. All these factors makes it impossible to talk about this country as one market, especially for a company with limited resources. Based on that, it was suggested to divide the country by region, evaluate them and then discuss the promotional techniques for one particular region.
For the division of the country the economic model of federal districts used by the Russian government was utilized. It divides the country into 8 districts: Central (1), North-Western (2), Southern (3), North-Caucasian (4), Volga (5), Ural (6), Siberia (7) and Far East (8).

![Federal Districts in Russian Federation](image)

In order to indicate the market with the highest potential for the company all of the districts were evaluated by the criteria listed below.

**Population.** The greater the number of people in the regions, the higher chance of someone willing to purchase the product. This criterion will be shown in millions of people registered in the region (Rosstat 2015).

**Average income.** In Russia, motocross is viewed as an expensive entertainment and it makes sense to look for customers in regions with higher income. This criterion will be represented in thousands of rubles per month for 2015(Rosstat 2015).

**Usage of the internet.** Since all of the company’s operations are internet based, no matter how many customers there are in the region, if the internet is not well-spread, the company still will not reach its customers. This criterion will be represented in percentage of users of population of the district.
Amount of buying requests for motocross equipment in Yandex and Google. This is one of the most important criteria since it provides the amount of people who are actually willing to buy the products online in the region. These two criteria will be represented in the number of requests for the current month in Yandex and in relative number for Google.

Climate. There are a lot of winter motocross activities, although most bikers usually prefer to ride in snowless seasons making this factor valuable for revision of sale season dates. This criterion will be presented in number of months without snow on average per year.

Population Density. A high concentration of population in one particular place may have a significant impact on speed and the cost of delivery. This criterion is represented in number of people per square kilometer.

In Table 1, the Central district has scored the most in three main criteria:

- Average income – 39.8 thousand rubles or 582 euro\(^4\), which is at least 3,000 rubles more than following position.
- The number of buying requests in Yandex for the current month – 114, which is the highest result by far.
- The relative number of buying requests in Google – 100, which means that the district scored the highest and later was used for the comparison of relativity of other results.
- Population density – this region has the highest number of people per square kilometer.

In the evaluation the district scored the most in the main criteria and was one of the top in others e.g. second in internet usage – only 3% less than the leader, and third in climate, 2 months less than the leader. However, it goes at least half the year without snow. Based on the results the district was considered as the most promising market for the company in terms of possible demand for its products.

\(^4\)According to European Central Bank exchange rate for November 4, 2015 €1 for 68.39 rubles
Table 1. Comparison of districts by the criteria (Highest positions are bold).

<table>
<thead>
<tr>
<th>Criteria</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>38.9</td>
<td>13.8</td>
<td>14</td>
<td>9.6</td>
<td>29.7</td>
<td>12.2</td>
<td>19.3</td>
<td>6.2</td>
</tr>
<tr>
<td>Average income</td>
<td>39.8</td>
<td>35.6</td>
<td>22.8</td>
<td>18.6</td>
<td>22.8</td>
<td>35.6</td>
<td>27.3</td>
<td>35.6</td>
</tr>
<tr>
<td>Usage of the Internet</td>
<td>53%</td>
<td>56%</td>
<td>44%</td>
<td>44%</td>
<td>47%</td>
<td>52%</td>
<td>51%</td>
<td>50%</td>
</tr>
<tr>
<td>Amount of requests (Yandex)</td>
<td>114</td>
<td>22</td>
<td>5</td>
<td>5</td>
<td>11</td>
<td>15</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>Amount of requests (Google)</td>
<td>100</td>
<td>73</td>
<td>63</td>
<td>57</td>
<td>67</td>
<td>100</td>
<td>90</td>
<td>100</td>
</tr>
<tr>
<td>Climate</td>
<td>6</td>
<td>5</td>
<td>8</td>
<td>7</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Population density</td>
<td>59.9</td>
<td>8.2</td>
<td>33.2</td>
<td>56.6</td>
<td>28.6</td>
<td>6.7</td>
<td>3.7</td>
<td>1</td>
</tr>
</tbody>
</table>

The central federal district is situated in the western part of the country. It is characterized by a large population (more than 20% of the country’s population yet 3% of the landmass) and high level of urbanization (more than 83%). This district consists of 18 regions (Table 2).
Table 2. Central District (Rosstat 2015).

<table>
<thead>
<tr>
<th>#</th>
<th>Region</th>
<th>Administrative center</th>
<th>Population (thousands)</th>
<th>Average income per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Belgorod Region</td>
<td>Belgorod</td>
<td>1,548</td>
<td>€364.7</td>
</tr>
<tr>
<td>2</td>
<td>Bryansk Region</td>
<td>Bryansk</td>
<td>1,233</td>
<td>€277.9</td>
</tr>
<tr>
<td>3</td>
<td>Vladimir Region</td>
<td>Vladimir</td>
<td>1,406</td>
<td>€294.1</td>
</tr>
<tr>
<td>4</td>
<td>Voronezh Region</td>
<td>Voronezh</td>
<td>2,331</td>
<td>€348.5</td>
</tr>
<tr>
<td>5</td>
<td>Ivanovo Region</td>
<td>Ivanovo</td>
<td>1,037</td>
<td>€282.4</td>
</tr>
<tr>
<td>6</td>
<td>Kaluga Region</td>
<td>Kaluga</td>
<td>1,011</td>
<td>€361.8</td>
</tr>
<tr>
<td>7</td>
<td>Kostroma Region</td>
<td>Kostroma</td>
<td>654</td>
<td>€301.5</td>
</tr>
<tr>
<td>8</td>
<td>Kursk Region</td>
<td>Kursk</td>
<td>1,117</td>
<td>€304.4</td>
</tr>
<tr>
<td>9</td>
<td>Lipetsk Region</td>
<td>Lipetsk</td>
<td>1,158</td>
<td>€329.4</td>
</tr>
<tr>
<td>10</td>
<td>Moscow</td>
<td>Moscow</td>
<td>12,198</td>
<td>€894.1</td>
</tr>
<tr>
<td>11</td>
<td>Moscow Region</td>
<td>Krasnogorsk</td>
<td>7,231</td>
<td>€567.6</td>
</tr>
<tr>
<td>12</td>
<td>Oryol Region</td>
<td>Oryol</td>
<td>765</td>
<td>€225.0</td>
</tr>
<tr>
<td>13</td>
<td>Ryazan Region</td>
<td>Ryazan</td>
<td>1,135</td>
<td>€285.3</td>
</tr>
<tr>
<td>14</td>
<td>Smolensk Region</td>
<td>Smolensk</td>
<td>964</td>
<td>€267.6</td>
</tr>
<tr>
<td>15</td>
<td>Tambov Region</td>
<td>Tambov</td>
<td>1,062</td>
<td>€286.8</td>
</tr>
<tr>
<td>16</td>
<td>Tver Region</td>
<td>Tver</td>
<td>1,315</td>
<td>€269.1</td>
</tr>
<tr>
<td>17</td>
<td>Tula Region</td>
<td>Tula</td>
<td>1,513</td>
<td>€339.7</td>
</tr>
<tr>
<td>18</td>
<td>Yaroslavl Region</td>
<td>Yaroslavl</td>
<td>1,271</td>
<td>€355.9</td>
</tr>
</tbody>
</table>
3 ANALYZE PROMOTIONAL TECHNIQUES

This chapter describes what promotion and promotional techniques are and how crucial they are in light of Drivos’s goals. The majority of the techniques available for online store are listed in the chapter. Additionally, they are classified by the objectives they are able to reach and evaluated by resources of the company. All this is performed in order to reach second aim of the study - to identify possible techniques for promotion of Finland-based online store in the region with the highest potential.

3.1 Promotion

Promotion is one of the elements of the marketing mix (Four Piece). It establishes a communication link between companies and their customers for the purposes of influencing, informing or persuading a potential customer to make a purchasing decision (Belch 2014). There are numbers of techniques available for promotion for any type of company. Great variety leads to the question “What techniques should be used?”.

Successful online promotion starts with the clear identification of promotional objectives and then the utilization of techniques that work best to reach the objectives of the promotion (Carmody 2004, 28). Most of the online companies will have the following goals for their promotion (Carmody 2004, 29):

1. Entry of a new product or service.
2. Creation of awareness or reinforcement of attributes.
3. Increase of sales.
4. Increase of traffic.
5. Establishment of brand/product loyalty.
6. Reinforcement of brand identity.
7. Reevaluation of ad campaign.
9. Increase of memberships.
10. Initiation of trial.
Drivos Ky has determined the main objectives that they want to reach in the market as follows:

- The launch of new products to the market.
- An increase of sales.
- And an increase in traffic.

3.2 Overview of Promotional Techniques

Promotion is rich for a variety of techniques, although not every technique is appropriate for a particular type of company. Based on the company’s nature these techniques were suggested for consideration.

**SEO**—the optimization of search engines helps web-sites appear in the top of the organic search based on the relativity to the topic.

**Context advertisement**⁵ (PPC) — is a paid per visitor tool for advertisement which allows websites to appear in the top of a search page. The price totally depends on a combination of the position needed, trigger words usage, and competition.

**Arbitrage** — freelancers bring target customers to the online store and are paid commission from the sales, a very tricky technique. Mixmarket is one of the biggest arbitrage network in the Russian market (www.mixmarket.biz).

**Multichannel** — the establishment of sales of promotional flyers or gift cards with discounts for the products of the company on bigger platforms, e.g. Amazon, or in the Russian context it can be one of the Russian top e-commerce, e.g. Ozon.

**Market placement** — the utilization of a bigger marketplace for sales of a company’s product, for example the Yandex market. This tool allows selling all the products from the online store via the Yandex platform, which will show products to the customers and later redirect them to the e-store.

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⁵For simplification purposes, in this study context advertisement is seen as PPC (Pay per Click Advertisement) for search engines.
Social media – there are a lot of tools specialized for this promotional channel:

– the usage of paid advertisement in social media (targeted or group)
– the utilization of target customer groups in the media
– the optimization of a commentary application which will allow customers to post comments on their social media accounts with references to the e-retailer

Cross marketing – companies with similar target customer groups but different products can share each other’s customers bases and help in the promotion of a partner’s products, especially in cases when they support each other, for example motocross bikes and equipment for them.

Retargeting/remarketing – after usage of the web-site the advertisement seen on the screen will try to bring the customer back. Usually this tool can be utilized with the help of Yandex or Google.

Physical advertisement – the district is rich in motocross activities – there are a lot of races and enthusiasts’ meetings in which the company may be represented.

Forums – specialized forums can be utilized for advertisement via banners or the creation of dialog about the website which may lead audience there. Motogonki.ru is one of the biggest motocross portals in Russia, with 238,000 visitors per month on average (www.motogonki.ru).

Bloggers/Video bloggers – for payment or sponsorship they can mention the e-store with a link to it on their blog.

Sponsorship – it is quite similar to bloggers, for payment or bonuses from the company person, which is sponsored, will promote the company.

Inbound – creation of sources of material for the target group on the web-page of the store might bring customers for the material increasing visibility within the target group.

Email for current customers – the creation of email reminders to current or previous customers about e.g. new products may boost sales.

Print advertising – there are plenty of magazines dedicated to the topic in the market which can be utilized for promotion. Motogon, Moto and MX+ are the top Russian magazines specializing in motocross sport.
**Bonus system** – the creation of a promotional campaign asking already existing customers to bring their friends to buy something in order to get a gift or discount (must be abuse proof).

**Virus advertising** – this one is tricky, although the creation of something with an entertainment purpose (video or picture etc.) and which mentions the web-site may make customers talk and share it and by this advertise the web-site.

### 3.3 Classification of Techniques by Objectives

Successful promotion is promotion that has established objectives and is utilized according to them (Carmody 2004, 29). For understanding the priorities of objective all of the promotional techniques were classified according to the goals and evaluated.

The main goals of the company are: Launching into the new market, increasing sales, and increasing traffic. Based on the classification, SEO (Search Engine Optimization), PPC (Pay per Click Advertisement), Arbitrage and Cross marketing are considered to have the potential to reach all the three main goals of the company. All other techniques are able to reach only two of the three objectives. As an outcome SEO, PPC, Arbitrage and Cross marketing should be considered as a priority for furtherer assessment (Table 3).
Table 3. Classification of the techniques by the objectives (Main objectives are bold).

<table>
<thead>
<tr>
<th>Objective</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technique</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>SEO</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
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</tr>
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<td>Context advertisement</td>
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<tr>
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</tr>
</tbody>
</table>

1. Launch of new Webpage, product or service.
2. Creation of awareness or reinforcement of attributes.
3. Increase of sales.
4. Increase of traffic.
5. Establishment of brand/product loyalty.
6. Reinforcement of brand identity.
7. Reevaluation of ad campaign.
9. Increase memberships.
10. Initiation of trial.
3.4 Evaluation of the Techniques

Since Drivos Ky is a micro sized company with only two years of experience in the Russian market. One limitation for the company is its budget. Some of the tools listed for promotion might be seen as a good investment, although the company must carefully evaluate their outcome. The company is limited in its human resources. Some of the techniques are time-consuming, making them hard to utilize in a micro-sized company. Also, some of the techniques require at least a small database to be useful. This might be tricky when taking into consideration the low amount of sales of motocross products of the company. Furthermore, some of the techniques are limited by the area of their operations.

For a recommendation of combination of techniques their evaluation was conducted. This evaluation is based on six criteria:

**Money investment** – is separated into two groups based on the level of investment: high (H) and low (L).

**Human resources** – utilization of techniques might require additional specialists and this parameter is separated by – Yes (Y) requires a specialist and No (N) can be done by the existing human resources of Drivos Ky.

**Specification** – a promotion tool can be focused on the attraction of one of two groups: shoppers willing to buy a product (S) or people who are just interested in the products (I).

**Type of client** – the main focus on: potential clients (P) or consumers who have committed purchase (C).

**Database usage** – for some of the techniques the database is mandatory (M) or can be utilized without it (W).

**Bound to area** – some of the techniques operate offline, e.g. banners on the streets, and require physical presence for their utilization (Y). Others are based in the internet and require no physical presence in the market (N).
The evaluation reveals the following:

**SEO.** Usually SEO requires high money investment, since often for the optimization of an online store, the webpage must be created according to the criteria of the search engines. It is important to note that Yandex and Google search engines have similar parameters, although their priority might vary. SEO requires adaptation of the webpage to the parameters of the search engine and some of these criteria are related to the technology usage, making it impossible to utilize without professional help (Searchmetrics). Well-done optimization for search engines attracts new target customers willing to purchase the product and requires no usage of database.

**PPC advertising.** Since PPC is paid only after visiting the webpage attracted from the search, it requires a careful evaluation of the search request keywords of potential customers. It requires a small initial investment and it could be utilized with only the knowledge of customer request, but all the visits are paid, and price of them significantly depends on competition in the market. This technique attracts customer interested in the products, requires no database, and the area of operation can be easily regulated. For example the company can choose from what location customers will see it.

**Arbitrage.** This technique brings interested target customers and is paid after committing to a purchase. The usage of arbitrage can be established personally via arbitrage networks. It is not bound to an area or a database of already existing customers.

**Multichannel.** Most of the material sold in the channels will decrease prices of the products sold. This can be seen as an investment which can be done personally. It is supposed to bring consumers with the strong intention to purchase products. Multichannel requires no database usage or physical attendance in the market.

**Market placement.** The appearance of the product in a bigger market platform requires investment. For example, it costs roughly €0.10 per day for all products with a minimum payment of €4 to be placed on the marketplace (Yandex). It can be utilized personally and attracts customer willing to purchase particular products. It is crucial to note that for the utilization of this technique, the online store must follow all of the regulations of the market platform provider.

**Social media.** Most of the techniques for social media utilization requires investment as payment for personnel which is able to develop the communication of the company with its customers or as a payment for services in case of using it for promotional purposes. It
targets customers who are interested in the product. This technique is not bound to an area, although a customer database is needed for communication purposes. Additionally, this technique is good with the usage of content advertisement (SEO or Inbound).

**Cross marketing.** In most cases the establishment of relations with companies with similar target groups but different products is free and can be done via personal contact. There must be a database of already existing customers in both companies for further exchange of their information. It targets customers with the need for related products.

**Retargeting/remarketing.** The tools for retargeting customers require payment. It can be based on “clicks on add” or on the amount of viewers. This technique requires services of a specialist who will optimize the company’s product suggestion system. This technique does not require a database of customers, although for utilization, targets must have been attracted to the online store before, preferably searching for a particular product. The main providers for this tool are search engine companies (Yandex or Google).

**Physical advertisement.** This tool is used with the help of promotional agencies in the market making it highly based on initial investment and bound to the area of the utilization.

**Forums.** Forums provide a company with the possibilities to promote its products via them by means of banners or partnership, both require investment. Additionally, it is possible to advertise the company via conversation or establish communication with customers via forums.

**Bloggers/Video bloggers.** Bloggers require payment for their services depending on their popularity. Communication with them can be established personally and they mostly target customers interested in the products.

**Sponsorship.** As well as bloggers this tool requires investment and targets people passionate about motocross, although since most of the advertisement is done via physical appearance, this technique is bound to the area.

**Inbound.** The creation of related material as well as future updates on it requires additional personal, making it dependent on investment. This is a good tool for increasing target traffic and presenting the company on the internet. It has an impact on SEO, since
amount of traffic is of the criteria for evaluation by search engine (Demaria 2014). This tool does not depend on a database or area of utilization.

**Email for current customers.** Email distribution systems must be implemented into the company’s webpage. Usually these systems require low initial investments for purchase. But since they must be implemented into the webpage the systems might require the adaptation of the site especially if it is not done on a platform. As a result professional help might be needed for implementation. This system is dependent on a customer database and can be utilized only for boosting sales or the improvement of customers’ relations.

**Print advertising.** There are several magazines specialized in motocross in the market. Usually they operate throughout Russia but require payment for their usage depending on their popularity and the size of the advertisement. Since the company already has promotional material, magazines’ companies will maintain the utilization.

**Bonus system.** This tool is meant to boost sales with the utilization of a network of current customers. Consequently it requires a database of current customers. This technique can be seen as an investment since during this campaign the company must perform discounts for their prices or give free products as bonuses.

**Virus advertising.** The creation of something that will attract customers and make them share it within their network usually requires the assistance of a specialist. As a result initial investment is needed.
Table 4. Evaluation of the Techniques.

<table>
<thead>
<tr>
<th>Technique</th>
<th>Criteria</th>
<th>Money investment</th>
<th>Exactingness</th>
<th>Specification</th>
<th>Type of client</th>
<th>Database usage</th>
<th>Bound to area</th>
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<td>P</td>
<td>W</td>
<td>N</td>
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<td>S</td>
<td>P</td>
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<tr>
<td>Arbitrage</td>
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<td>Virus advertising</td>
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3.5 Competition in the market

The research of the market of e-commerce in Russia in the motocross context was conducted with the help of Porter’s analysis.

**Threats of the New Entrants.** This industry is very attractive. First, initial investments needed to start operations is low. Second, at this moment this industry is not highly regulated in Russia. Third, it is possible to receive a lot of concessions for companies’ operations, especially in the beginning for a Russian company. Fourth, the development of e-commerce, as a result of its convenience, makes already operating companies shift some of their activities to the World Wide Web.
**Bargaining power of Suppliers.** It can be seen as strong, since usually customers are looking for one particular brand.

**Bargaining power of Buyers.** The bargaining power is strong. There are a lot of similar offers in the market.

**The threat of Substitutes.** There are no real substitutes for motocross products.

**Rivalry among Existing Firms.** There are a lot of players working in different categories starting from such giants as AliExpress with a great variety of products from different industries going to narrow specialized professional motocross stores adding to this availability of physical stores for the products.

### 3.6 Competitors’ profiles

The competition in the market is represented by two groups. The first is online retailers. Usually they operate in several districts at the same time. The second is physical stores. Stores are located in the market, although it is important to note that nowadays most of the physical stores are shifting their operations online. Since direct competitors are located online it was suggested to search for them there using the organic search of Yandex and Google and the context advertisement of Yandex and Google. Both of the searches used the same request “Buy equipment for motocross in Central region/Moscow” (Appendix 1). The research reveals who the direct competitors in the market are. They are discussed in the following paragraphs.

Flipup is an e-commerce company which operates throughout the Russian Federation and Kazakhstan (Appendix 2). It specializes in the retail of equipment and accessories for an active lifestyle with more than 2,000 product types for motorbikes, ATVs (All Terrain Vehicles), snowmobiles, Alpine skiing, motocross and enduro (Flipup). Additionally, the company owns two physical stores, one in Moscow and the other one in Saint Petersburg. Recently this company started its own franchising.

R5 is an e-commerce company specializing in motor vehicles and spare parts equipment and accessories for them (Appendix 2). Additionally, they have four physical stores in
Moscow, Vladivostok, Krasnodar and Khabarovsk. The company was established in 2005 as motorbike store but in 2012 they increased their product line to spare parts, equipment and accessories.

Motofalcon was established in 1998 as a motorcycle club, in 2002 they opened their first store in Moscow. Now they have an online store (Appendix 2). They specialize in motocross equipment, accessories, motorbikes, and spare parts for them.

Greedy biker is an online store which operates in Russian Federation. They are specialized in motocross equipment (Appendix 2). As an additional service they provide consultations about the equipment with a specialist in motocross.

Moto85 is an online store operating in the entire Russian market, with one physical store in Moscow (Appendix 2). They specialize in different types of motorized equipment.

Motoextreme is an e-commerce company with a physical store in Saint Petersburg (Appendix 2). They are specialized in equipment and accessories for motocross and enduro. Additionally they own a motocross school.

E-moto is an e-commerce company based in Yekaterinburg with one physical store (Appendix 2). They specialize in different types of motorized vehicles, spare parts, legal consultations, motorized equipment and accessories. There are more than 5,000 product types in their online store.

In order to understand the uniqueness of the customer offer of the company in the market, the main players found from context advertisement\(^6\) and search\(^7\) were evaluated with Drivos according to the following parameters:

**Brand rating** – one of the main features of online stores is the range of products and their prices. Approximate brand rating was created. It is formed by the sum of brands in different categories (Moto boots, Helmets and Outfit, all for motocross) and then divided into a number of categories. This rating helps to understand the approximate number of brands in total in a store.

**Methods of promotion** – all the main promotional techniques noticed during the research listed for an understanding of competitors’ methods of promotion.

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\(^6\)Three top companies from Yandex and Google context advertisement.

\(^7\)Three top companies from Yandex and Google organic search.
**Delivery** – one of the main aspects of a profitable online store is a functioning delivery system. All ways of distribution of each store are listed in this criterion.

**Payment options** – customers seek trustworthy (in their opinion) and convenient payment systems. More options means more customers will find what they want.

**Price rating** – since most of the online stores have completely different brands from various price segments it was not possible to compare all the positions. It was suggested to use one bigger platform for comparison. In this case the prices of several products from each online store were compared with the prices for the same products from EBay in the US.

Three direct competitors can offer more brands for motocross than Drivos. They are Moto85 (7.1), E-moto (6.6) and Flipup (6.6). All of them are specialized in active sport physical stores with a developed e-retail system. Flipup utilized the biggest number of promotional tools. Flipup’s main focus of cause is on pay per click advertisement. Cross marketing is basically operating in Moscow area (it is an agreement with motocross schools and driving license courses for bikes). For social media communication they have Vkontakte and Facebook public pages and accounts in Instagram and Twitter.

For delivery, in terms of options available, Flipup and R5 are the leaders. They offer more options than everyone else. More than that, Flipup even gives the opportunity for their customers to choose their own preferred transportation company with an already established network though the whole of Russia.

For some reason, a company with such a developed e-store as Flipup failed to provide information about available payment methods on their webpage. Greedy Biker has a greater number of payment options available, even including the most popular Russian payment option - COD (Cash on Delivery).

Two companies have a lower price rating than Drivos. They are Motofalcon (0.8) and Moto85 (0.7). In case of Moto85 prices are roughly 50-100 euro less for the same products compared to Drivos. The company stated that this is based on their stock with products purchased before the crisis of 2014 (Moto85 2015).

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For the rating prices from online stores were divided by prices from EBay US, then average rating was calculated. It means lower the rating – lower the price comparing to EBay US.
In conclusion, Drivos Ky has a decent number of brands available compared to most of the competitors. However, to be competitive in the market the company must work on its promotion in the region, the number of payment options and pricing of its products.

Table 5. Comparison of competitors (Highest positions are bold).

<table>
<thead>
<tr>
<th>Store</th>
<th>Brand rating</th>
<th>Methods of promotion</th>
<th>Delivery</th>
<th>Payment</th>
<th>Price Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drivos (drivos.com)</td>
<td>5.6</td>
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<td>Transfer</td>
<td>0.9</td>
</tr>
<tr>
<td>Flipup (flipup.ru)</td>
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<td>JDE, Post, Outsource</td>
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<td>1.0</td>
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<td>R5 (r5.ru)</td>
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<td>Contest, Cross marketing, Social media</td>
<td>Post, EMS, DHL</td>
<td>QIWI, Transfer, Online banking</td>
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<tr>
<td>Motofalcon (moto-falcon.ru)</td>
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<td>Inbound, Cross marketing</td>
<td>EMS</td>
<td>Data is absent</td>
<td>0.8</td>
</tr>
<tr>
<td>Greedy biker (greedybiker.ru)</td>
<td>1.6</td>
<td>Inbound, Cross marketing</td>
<td>Outsource</td>
<td>COD, Web money, Online banking, Transfer</td>
<td>0.9</td>
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<tr>
<td>Moto85 (moto85.ru)</td>
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<td>EMS, Post</td>
<td>Transfer,</td>
<td>0.7</td>
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<td>Motoextreme (motoextreem.ru)</td>
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<td>E-moto (emoto.ru)</td>
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<td>EMS, Post</td>
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</table>
4 CONCLUSIONS AND RECOMMENDATIONS

As a conclusion the study revealed that the e-commerce industry is currently growing in the Russian Federation. More people are starting to buy online as a result of its convenience. More retailers are moving online for its cost reduction. There are already a lot of foreign online retailers operating in the Russian market with various industry backgrounds, starting from clothing and going all the way to B2B raw material suppliers.

At the moment motocross is not one of the most popular sources of entertainment in the Russian Federation, and often its events are left without attention from the sport media of the country. However, many people are still following it and its variants, as well as participating in regional, federal or international competitions or doing it for personal entertainment.

The research has accomplished its proposed objectives. They are listed in the following paragraphs.

To define the regions with high development of motocross culture in Russian Federation. The country was divided into districts and evaluated. Based on the evaluation the Central District has the highest potential for the company. This district has scored the highest in all the main parameters of comparison, such as size of population, average salary and number of buying requests for motocross products in Yandex and Google.

To identify possible techniques for the promotion of a Finland-based online store in the region with the highest potential. All of the promotional techniques were first classified by the company’s objectives in the market. They were secondly evaluated by the company’s resources. Additionally, the competition in the market was evaluated with the company. Based on the results the following combination of promotional tools is recommended for Drivos.

The objectives of Drivos are: Entry into the market, increase of sales and increase of traffic. SEO, PPC, Arbitrage and Cross marketing have showed the highest potential to reach all the three goals of the company. Additionally, for a better outcome it makes sense to use a combination of promotional techniques The main focus must be on the attraction of new customers who are looking for online stores and then on the customers who are
looking for better deals on a particular product. The combination must provide the tools for keeping existing customers.

The analysis of the competition and the evaluation of competitors’ profiles have revealed that the competition is high in the market. There are several competitors that have a bigger number of products and brands compared to Drivos. Some can offer lower prices for the same products Drivos offers. High competition forces companies to focus on their promotions. All of the companies use different methods to stay in the top of the search list.

Based on the classification, the evaluation of promotional techniques and competitors analysis it was suggested that the combination should consist of: SEO/PPC advertising with multichannel and market place usage. Also, the development of social media communication, email distribution and inbound links to the web-page for establishing of long-term relations. Arbitrage and cross marketing should be considered as additional ways to promote the e-store.

SEO and PPC serve the goals of the company in the market. They attract new customers to the webpage who are willing to buy the product at the moment of the search. These techniques will target the majority of potential customers. Both of the techniques cost, but they are proven to be effective and especially with PPC case, payment comes only for interested visitors. It is important to note that there are two providers for PPC (Yandex and Google) and they are paid separately. Additionally, in case of PPC, the tool can be turned on or off at any given moment of time, making usage of web store statistics crucial for its utilization.

Multichannel and Market place usage increases the visibility of the store. They have the potential to accomplish all the objectives of the company and are supposed to bring customers not gained by previous techniques because of the really low cost of utilization. These techniques will focus on customers searching for better deals on specific products.

Social media is considered to serve only two goals of the company. The usage of social media group or plugins for it, as well as the publishing of material related to the topic and email distribution system is targeted mostly on advertising the e-store, but keeping already existing customers in contact and aware of sales or new product is vital. It is supposed to create long-term relationships with customers and positively affect their loyalty. Additionally, these techniques have positive impacts on SEO. Social media and
inbound material improve the visibility, credibility and relativity of webpage influencing its position in an organic search.

Cross marketing seems an interesting way of future development. This technique can accomplish all the three goals, although the main drawback is the possibility to find suitable partners with already developed network in the region. The research of arbitrage has revealed its high potential for utilization, but the main disadvantage is the unpredictable nature of the technique. As a result it is suggested to have a trial during the sales season.

Since the study is based on secondary data, data limitations apply. There is a lack of available and reliable information about internet usage and the development of the motocross industry in the Russian Federation. Some of the data is missing or is unobtainable, e.g. the number of motorbikes in Russia, or the data is outdated. All this may cause differences between information collected and the real situation in the market and might influence the relevance of the suggestions.
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Buying requests in search engines

Buy equipment for motocross in Moscow (Google).

Buy equipment for motocross in Moscow (Yandex).
Buy equipment for motocross in Central Region (Google).

Buy equipment for motocross in Central Region (Yandex).
Competitors’ WebPages

Flipup

Flipup online store (Source: www.flipup.ru)

R5

R5 online store (Source: www.r5.ru)
**Appendix 2 2 (4)**

Motofalcon

Motofalcon online store (Source: www.moto-falcon.ru)

Greedy biker

Greedy biker online store (Source: www.greedybiker.ru)
Moto85

Moto85 online store (Source: www.moto85.ru)

Motoextreme

Motoextreme online store (Source: www.motoextrem.ru)
E-moto online store (Source: www.emoto.ru)