

The Project of Marketing Strategy for Melomel Company

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- **Complete the analysis of current marketing tools and methods in company Melomel.**
- **Prepare the project of new marketing strategy for next years 2016–2017.**
- **Submit the project to risk and cost analysis.**

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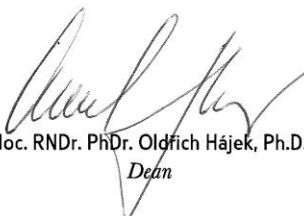
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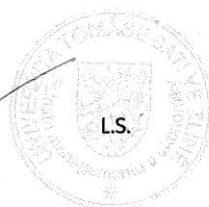
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ABSTRAKT

Podnikání v Rusku se stává více a více populární v posledních letech, a hodně lidí otevřeli své vlastní podnikání. Hlavním problémem, který oni čelí je přidělování svých omezených zdrojů takovým způsobem, který umožní jejich společnosti, aby se stala stabilní a ziskový. Tvorba marketingové strategie je způsob, jak úspěšně vyřešit tento úkol.

Hlavním cílem této diplomové práce je vytvořit marketingovou strategii pro ruské společnosti Melomel. To zahrnuje souhrn teoretických informací o marketingové strategii a jejích složek, analýza ruského trhu s úhlu pohledu podnikatele a vývoj produktový, cenové, distribuční a propagační strategie pro společnost.

Klíčová slova: marketingové strategie, Ruský trh, lettering.

ABSTRACT

Entrepreneurship in Russia is becoming more and more popular in recent years, with many people opening their own business. The main challenge that they face is placing their limited resources in a way that will allow their companies to become stable and profitable. Creation of marketing strategy is a way to solve this task successfully.

The main goal of this master thesis is to create marketing strategy for Russian company Melomel. It includes compilation of theoretical information about marketing strategy and its components, analysis of Russian market from the entrepreneur's point of view, and the development of product, pricing, distribution and promotion strategy for the company.

Keywords: marketing strategy, Russian market, lettering.

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I hereby declare that the print version of my Master's thesis and the electronic version of my thesis deposited in the IS/STAG system are identical.

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INTRODUCTION

Today the word “startup” is on everyone's lips. It is associated with some innovative business, young team, fun and challenging environment. True or not, this perception might be dangerous for the business, because startup is young business, and yet its main goal is profit, therefore the startup founder should aim at establishing stable business with clear business processes, vision and goals as soon as possible. Success of an enterprise depends a lot on communication with clients, and here marketing strategy is coming into the picture.

So, even small startups have to create their marketing strategy to understand where the company stands on the market, how it should allocate its investments and how to use various marketing tools. Resources of the business are limited and marketing strategy helps to place them in way that allows a company to fully exploit its strengths and gain sustainable profits.

Marketing strategy is the approach marketing activities are put together in order to reach the goals of the business.

This master thesis is written as a project of marketing strategy for the small startup company Melomel which is based in Yaroslavl, Russia. The company currently has two main business directions: lettering and creation of photo zones. Melomel already created project for many notable Yaroslavl companies, and now when business is getting better, it's time to create marketing strategy that will establish company's image and will help Melomel to become more powerful player on Russian market.

This thesis aims to estimate Melomel's current place on the market of lettering and creation of photo zones, determine possible ways of the development of the company and write the plan of activities that the company should undertake to grow and become more stable business in the next one and a half year.

OBJECTIVES AND METHODS OF MASTER THESIS PROCESSING

The main objective of this master thesis is to prepare the project of new marketing strategy for Melomel company for 2016-2017 years.

Subsequent objectives of the master thesis are as follows:

- Compile the theoretical information about marketing strategy.
- Analyze the current situation in the company Melomel.
- Submit the project to risk and cost analysis.

During the preparation of the project were used following tools and methods: description of the main competitors, PESTLE analysis, SWOT, Space matrix. QSPM matrix, GE matrix and Porter's five forces analysis. To conduct time analysis was used free software WinQSB, PERT-CPM Module.

I. THEORY

1 MARKETING STRATEGY

1.1 Marketing strategy definition

Marketing process is continuous, and to establish a successful company, marketers need to create marketing strategy. There are a lot of definitions of marketing strategy in marketing literature. Armstrong and Kotler (2015) give the next one: “A marketing strategy consists of specific strategies for target markets, positioning, the marketing mix, and marketing expenditure levels”.

Byron Sharp (2013) defines marketing strategy as “the way marketing activities are put together to achieve the organization’s aims for the brand”.

We can say that marketing strategy is a part of marketing plan which specifies how to use resources that company have to achieve its strategic goals taking into considerations situation on market, budget constraints and possible risks.

Therefore, to create a marketing strategy company has to determine its target market, create the marketing mix accordingly, and then allocate the resources that the company has to achieve the objectives of the business.

1.2 Marketing process

We can fit the marketing process in the model of five steps (Armstrong, Kotler, 2015).

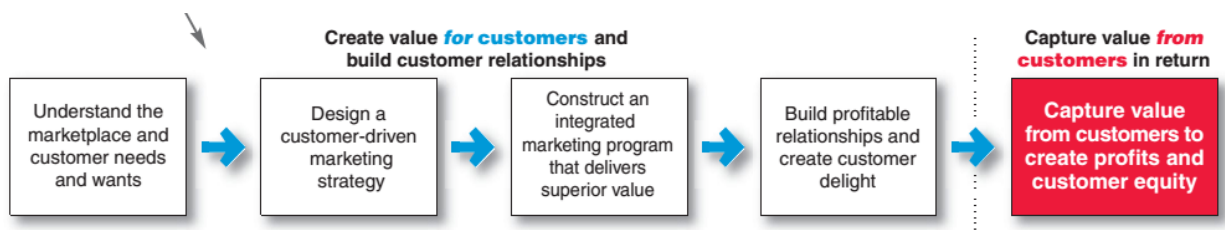


Figure 1: Simple Model of the Marketing Process (Armstrong, Kotler, 2015)

As mentioned, marketing process is continuous and the compilation of these five steps leads to start of new cycle. Marketers use gathered previously information for evaluation of success and determination of next steps.

Designing a customer-driven marketing strategy is an art of choosing the right target markets and building profitable relationships with them. To create the successful marketing strategy marketing manager must answer two important questions: who is the target market and what the company’s value proposition to them is.

2 MARKETING SEGMENTATION

2.1 Segmentation

Market segment consists of consumers who respond in a similar way to a given set of marketing efforts (Armstrong, Kotler, 2015).

The most common approach to segmentation in B2B markets is feature based. Target market is divided based on such characteristics as company size, location or activity. Market also can be divided according to the nature of relationship or product usage characteristics. However, it is more useful to segment markets according to customer behaviors, needs and attitudes (B2B market segmentation research, 2015).

Each market segment should fit into following requirements (B2B market segmentation research, 2015):

- **Meaningful.** Justified reason why each segment will have its own approach.
- **Distinct.** The company should know why one segment is different from others.
- **Sizable.** Size of each segment should justify its existence.
- **Identifiable.** The company should clearly picture who people in the segment are in real life and not in abstract concept.

However, it is also important to remember that some parts of the market can't be clearly considered as part of only one segment, or can't be included in any segment at all.

It's important to remember that customers are not only force on the chosen segment of the market, company have to make decisions considering its competitors (present and future, real and theoretical) in order to succeed on the market.

2.2 Competition analysis

2.2.1 Porter's five forces

In order to perform successfully every company should perfectly understand its competitive environment on micro and macro level. For analysis of microenvironment of the company is used five-force model for competitive analysis (Porter, 1998):

- The threat of new entrants
- The bargaining power of buyers
- The threat of substitutes

- The bargaining power of suppliers
- The intensity of rivalry.

Analysis of these five forces helps a company better understand how to take a hold of arising opportunities of the market, how to act on it, and what to expect. Using Porter's five forces analysis companies can shift balance of power on the market in their favor, and maximize their profit.

Porter's five forces determine overall attractiveness of the industry where attractive industry is the one where the combination of these forces drives up overall profitability of the industry (Porter, 1998).

2.2.2 Benchmarking

The company not only has to try outdoing its competitors, it also can learn from them. The practice of learning from most successful performers in the industry through the systematic comparison of organizational is called benchmarking. Benchmarking can be done between industries, companies, divisions of the company, and so on.

There are several ways to complete benchmarking, and many software packages allow marketers to work with large volume of data. Generally, benchmarking steps are as follows (Valuebasedmanagement.net, 2003):

- Scope definition.
- Choose benchmark partners.
- Determine measurement methods, units, indicators and data collection method.
- Data collection.
- Analysis of the discrepancies.
- Present the results and discuss improvement areas.
- Make improvement plans or new procedures.
- Monitor progress and plan ongoing benchmark.

Benchmarking isn't done once and then used over the whole existence of the company, it is and ongoing process that should be constantly reviewed and actualized.

2.3 SWOT analysis

Marketing strategy is based on a SWOT analysis (Armstrong, Kotler, 2015).

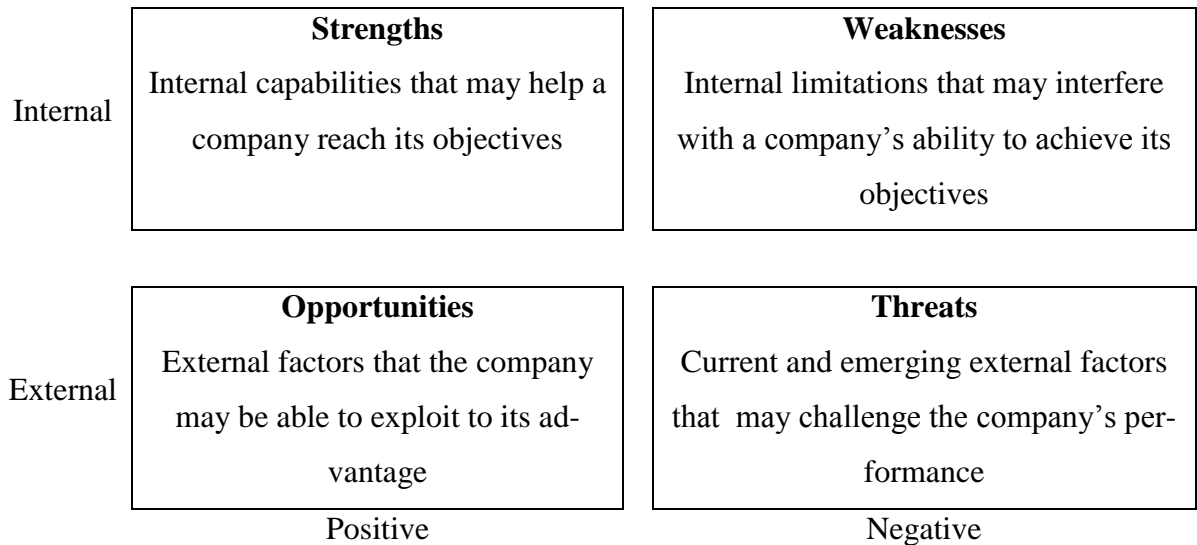


Figure 2: SWOT Analysis (Armstrong, Kotler, 2015)

SWOT is a simple format for analysis of external environment and what it means for the company. It is a directional technique, since it suggests possible future directions for the organization (Gould, 2012).

Strengths is any part of organization process in which company is good, ideally, these things are also have some degree of competitive advantage. Likely, weaknesses indicated things at which company is not very good, and which also influence the competition (Gould, 2012).

Strengths and weaknesses can be identified through the next elements (Gould, 2012):

- People.
- Specific expertise.
- Physical infrastructure and scale.
- Finance.
- The total proposition (products and services).
- Company or brand image.
- The customer experience.

Strengths and weaknesses are listen into internal factors evaluation matrix where each of them is evaluated by score and rating (David, 2009).

Opportunities and threats are identified by analysis of different aspects of organization's external environment (Gould, 2012):

- The political environment.
- The economic environment.
- The technological environment.
- The social and cultural environment.
- The competitive environment.

Opportunities and threats are listed into external factors evaluation matrix where they are estimated similarly to internal factors evaluation matrix (David, 2009).

Total scores of IFE and EFE matrixes are then to create space matrix which determines which strategy a company should undertake: conservative, aggressive, competitive or defensive. Based on chosen strategy a company decides in what combination to use its strengths, weaknesses, opportunities and threats (David, 2009). These combinations might be as follows:

- Aggressive strategy: how strengths are used to take advantage of opportunities.
- Conservative strategy: how weaknesses are reduced by taking advantage of opportunities.
- Competitive strategy: how strengths are used to reduce impact of threats.
- Defensive strategy: how weaknesses that will make these threats a reality are addressed.

The management of the company should take SWOT into consideration in order to exploit external opportunities with organizational strengths (Gould, 2012).

2.4 Company portfolio analysis

2.4.1 BCG matrix

The classic portfolio evaluation approach was developed by Boston Consulting Group (BCG). That approach uses market growth rate (rows of the matrix) and relative market share (columns of the matrix) as indicators of the organization's strategic position. Market growth rate is percentage by which the operating market of the company is growing annually (the divide between high and low rate of the matrix is usually 10%). A relative market

share is calculated by dividing of the company's market share by its largest competitor market share (the dividing line between the high and low rate is usually 1.0) (Lewis, 2007).

Market growth rate is the measure of the market attractiveness and relative market share is a measure of the company's strengths of the market (Armstrong, Kotler, 2011).

Each cell of the BCG matrix has a name which defines the role which as SBU of the company plays in the overall strategy of the company.

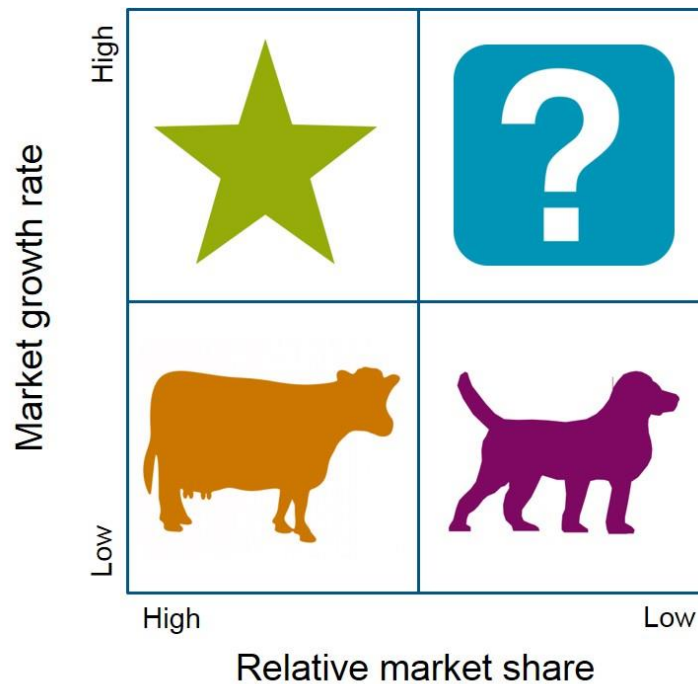


Figure 3: BCG matrix (Milnerltd.com, 2016)

Stars are high-rate and high-growth products, which require big investments on order to keep up with market growth, though usually this situation changes over time and that's why they need to be kept in the organization's portfolio (Lewis, 2007). Successful stars' growth will eventually slow down, and they will turn into cash cows (Armstrong, Kotler, 2011).

Cash cows are low-growth, high-share products or businesses that need less investment and produce large amount of cash flow that the company can use to keep other products afloat, and for that goals BCG recommends to keep them in the portfolio, even though they are not attractive for a growth standpoint (Lewis, 2007).

Dogs are low-growth and low-share SBUs which require more investment than they generate, and can even cause losses, and require too much management time. BCG suggests that

they should be removed from the portfolio, unless there is very good reason to hold onto them like expected market growth in the future (Lewis, 2007).

Question marks are fall into low-share business units in high-growth markets. They look attractive from the industry standpoint because of their high market growth, however, they low market share doesn't promise high profits in the future. Question marks require a lot of investments to stay on the market, and ideally, they have a chance to become stars, but the management of the company should carefully consider if they worth that effort (Lewis, 2007; Armstrong, Kotler, 2011).

Some marketing professionals argue that BCG approach is too simple, and it's hard to classify company's product into that matrix, since differences between four cells are defined by circumstances. Also, positions of SBU might change when we take them outside of the company portfolio and place on the market. Another problem with BCG matrix is that it's reflects positions of SBU at one moment and doesn't consider future market growth (Vitale, Giglierano, 2002).

Hence, some alternative approaches are created for the analysis of the portfolio, one of them is General Electric matrix.

2.4.2 GE matrix

GE matrix or McKinsey matrix overcomes some of BCG matrix disadvantages. It has more placement cells for SBU which can show if the product is worth of investment in the future or of further research, and makes it easier to prioritize investments in the business (Vitale, Giglierano, 2002).

GE matrix has two axes: industry attractiveness and a competitive strength of a unit.

Industry attractiveness axis (Y axis) shows how hard it would be for the company to compete on chosen market and earn profits. Analysis of industry attractiveness should evaluate how an industry will change in the long run rather than in the near future (Mckinsey.com, 2016). The competitive level and industry attractiveness consist of many factors. The most common are the following (Jurevicius, 2014):

- Long run growth rate.
- Industry size.
- Industry profitability (is determined through Porter's five forces).
- Industry structure.

- Product life cycle changes.
- Changes in demand.
- Trend of prices.
- Macro environment factors (which can be taken from PEST analysis).
- Seasonality.
- Availability of labor.
- Market segmentation.

Another axis, business strength (X axis) shows how strong a company is to compete on the market. Analysis of this axis is to show how competitive is the company and for how long it will keep its competitive advantage (Mckinsey.com, 2016).

To determine the competitive strength of a business unit the next factors can be used (Jurevicius, 2014):

- Total market share.
- Market share growth compared to rivals.
- Brand strength (use brand value for this).
- Profitability of the company.
- Customer loyalty.
- VRIO resources or capabilities.
- Your business unit strength in meeting industry's critical success factors.
- Strength of a value chain.
- Level of product differentiation.
- Production flexibility.

All SBUs of the company assigned into nine cells accordingly to their evaluation by industry attractiveness and market strength (Figure 5).

In that matrix there are three main areas: invest/grow, selectivity/earnings, divest/harvest.

If SBU is located in the **Invest/Grow** box shows that a company should invest into these products, since they promise the highest returns in the future. They will be placed into growing industries or they'll grow their own market share (Jurevicius, 2014).

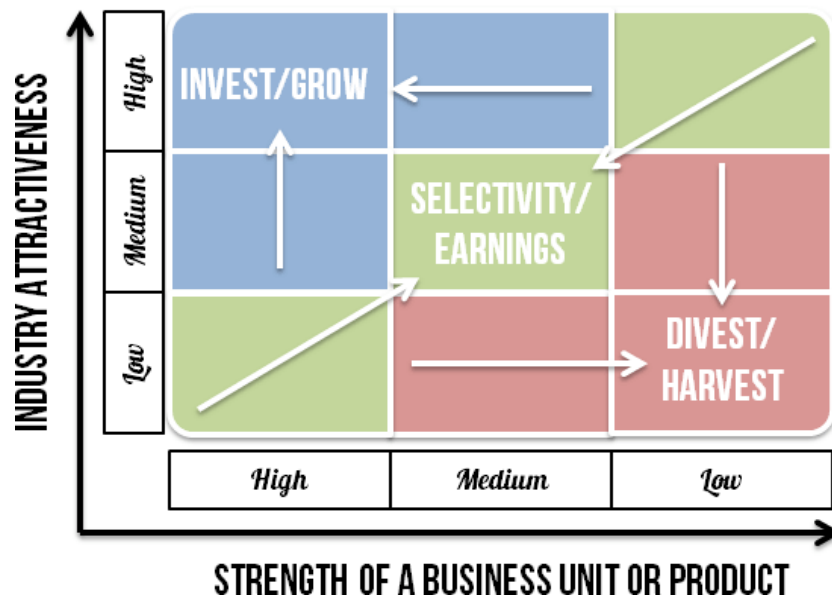


Figure 4: GE matrix (Jurevicius, 2014).

Investment into **Selectivity/Earnings** area should be done only if the company has spare money and really believes that these products will generate cash in the future, for example, if they operate in big market with no large players and can get bigger market share as time goes (Jurevicius, 2014).

Harvest/Divest area mainly works the same as the **Cash cow** on the BCG matrix. A company should invest in them as long as their profits exceed costs to keep them on the market. If a product brings no profits and promises to bring none in the future, it should be liquidated (Jurevicius, 2014).

However, work with the matrix doesn't stop when all SBUs are placed. Matrix should be constantly analyzed and re-evaluated to actually help invest into different products (Mckinsey.com, 2016).

3 MARKETING TARGETING

3.1 Targeting

Market targeting is a process of evaluating each market segment's attractiveness and selecting one or more segments to enter (Armstrong, Kotler, 2015).

Targeting is not only about attracting customers for whom a company has created products, but also about how to reach them and get to know them. Target market could be divided into four components (Kerr, 2007).

The “who”: Demographics. Defines basic demographic information about the customers, such as their age, gender, and size of their family, their education and occupation.

The “where”: Geographics. This component includes place where the customers live, as well as population density of that area, its climate and other details.

The “why”: Psychographics. This component is designed to explain why the customers make particular choices, their buying pattern is determined by their personality and lifestyle. With that information the producer can determine not only why customers need its product, but also how much of the said product they need, and why it's better than any similar product made by the company's competitors.

The “how”: Behaviors. This component explains how customers regard the product, how much they know about it (and where did they get this information).

Usually, companies enter market by serving one segment and later they expand and start serving new segments (Armstrong, Kotler, 2015).

3.2 Growth strategies

Each company has limited resources to use for growth of the business, to choose the growth strategy the company can use Ansoff matrix which identifies four growth strategies: product penetration, market development, product development, and diversification (Doole, Lowe, 2004).

Penetration strategy is good in case if a company's existing portfolio and presence in its target markets already offers extensive potential expansion of sales. In that case it is the best to concentrate on the production that the company already does well. As opposite to it

diversification is used when sales of existing products are falling fast, and the company has the resources to develop new product for a new market (Doole, Lowe, 2004).

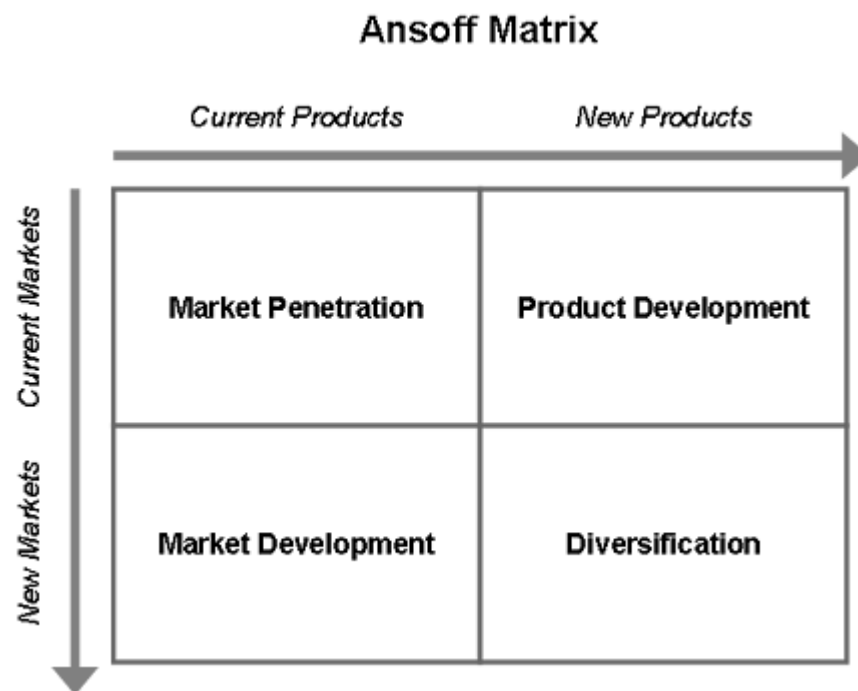


Figure 5: Ansoff matrix (Fano, 2016)

Market development is done in case if the company wants to increase its coverage (Doole, Lowe, 2004). These markets can be demographics markets (for example, if company that sells only men's apparel starts to sell women's apparel as well) or geographical markets (for example, international expenditure). And the new product development is the offering of a new product to already existing markets (Armstrong, Kotler, 2015).

3.3 Strategies of foreign market entry

Market entry involves selling of goods on existing markets to increase the market share. To implement this strategy manager should know what the key factors of success were so far and use it in the future; managers cannot allow the growth of market share to compromise the existing success.

Penetration of foreign market is also always connected with risks of not fitting into the new markets rules and customer needs, therefore market research should be done to understand the vision and life-style of new market segment.

There are many different entry market strategies, some of them are the following (Doole, Lowe, 2004):

- **Direct exporting** is selling directly into the chosen market using initially company's own resources. It means that the company will use agents or distributors who will represent company on the market.
- **Licensing** is a strategy where a company gives the rights to the use of a product or service to another firm. It can be useful if the person who buys the license has big market share in the market, that seller of license wants to enter.
- **Franchising** is a strategy when a company has repeatable business model that can be easily transferred into the other markets, and it sells the right to use company name to the people on the foreign market who run the business.
- **Joint venture** is a strategy where partner companies create a third independently managed company. Risks and profit in this case are shared equally.
- **Piggybacking** is an approach where the company that has a unique product and it sells this product to foreign company to add to their inventory.

4 MARKET POSITIONING

4.1 Positioning and Differentiation

Armstrong and Kotler (2015) define positioning as “an arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers”. Positioning can take different forms, but in any case the company will promise to deliver a greater value to a customer, and that’s why effective positioning begins with differentiation.

Differentiation identifies what makes product different from other products on the market, and the goal of differentiation is to highlight these qualities to consumer. Positioning places said product on the marketplace in a way that way affect consumer’s perception of a product (Investopedia, 2015).

The marketing program of a company should support its chosen positioning strategy, and to determine these objects marketers need to establish marketing mix of their business.

4.2 Marketing mix of business marketing

Modern marketing mix includes five components: product, price, place (distribution), promotion and people, the latter was added, since marketing strategies today are consumer focused (Blakeman, 2015).

4.3 Product

Product is a combination of goods and services that the company offers to the target market (Armstrong, Kotler, 2015). Product includes everything from features of production and its design to variety of selections and packaging. Services are also products, which consist of activities, benefits offered for sale or do not result in any ownership. In the present day, many companies are not just providing product for the customer, they create customer experiences.

Each product has a certain life cycle, which has next stages: “introduction”, “growth”, “maturity” and “decline”. The length of each stage varies for different products, and some products may not go through certain stages at all (Vliet, 2014).



Figure 6. Product life cycle by Raymond Vernon (Vliet, 2014)

When the product is at the “decline” stage, time comes to make changes and innovate, so the product will go back to introduction (in case of major changes) or growth stage.

4.4 Price

Price is the amount of money customers must pay to obtain the product (Armstrong, Kotler, 2015). This component also includes discounts, payment periods and methods, credit terms, etc.

Price of the product can be calculated during its development via following steps (Netmba.com, 2010):

1. Develop marketing strategy.
2. Make marketing mix decisions.
3. Estimate the demand curve.
4. Calculate cost.
5. Understand environmental factors.
6. Set pricing objectives.
7. Determine pricing.

While setting up the price company should consider not only other companies on a market, but also how determined price will affect resellers, how government might influence it, and what can be social concerns (Armstrong, Kotler, 2015).

In B2B marketing is usually used cost-based pricing, but it has a risk of pricing too high for the market and losing profits. Different organizations have different views of costs and therefore pricing should not be based on them. Opposition to cost-based pricing is value-

based pricing, which is not easy but reliable with marketing strategy (Vitale, Giglierano, 2002).

While buying the product customers evaluate its benefits and costs that they will bear, and the difference between them must be positive. First part of the price is total offering (offering that provide a complete solution of customer's needs), the next two element are cost of acquisition and the use of the product or service which can be combined into evaluated price which can be different from the charged price (Vitale, Giglierano, 2002).

4.5 Place

Place includes all activities of the company that make product available to customer, such as distribution channels, logistics and transportation, placement of the product in the store, etc. (Armstrong, Kotler, 2015). In other words, the goal of place as part of marketing mix is reaching the right customer at the right time at the right place. Generally speaking, place consists of two parts: distribution channels and intermediaries.

For the channel to perform well each channel's member role must be specified and it must perform as a whole. Therefore, it should have some mechanism that will have the power to assign role and resolve conflict. History shows that conventional distribution channels didn't have that leadership, and because of that could result in poor performance. So, over years vertical marketing system (VMS) was developed. VMS consists of producers, wholesalers, and retailers acting as a unified system. It can be dominated by the producer, the wholesaler, or the retailer (Vitale, Giglierano, 2002).

There two basic strategies to reach the customer: push promotion or pull promotion (Doole, Lowe, 2004).

Push strategy assumes that product is "pushed" via marketing channels to final consumers. Marketing activities are mostly personal selling, discounts and special deals, so producer has to promote product first to retailers and wholesalers, and then they promote product to final consumer.

Pull strategy assumes that such marketing activities as advertising, consumer promotion, direct and digital media are directed towards final customer. Through these channels demand is created, customers feel the need which motivates them to "pull" product through the channels with help of retailer or distributor.

Most companies use combination of both strategies in different degrees.

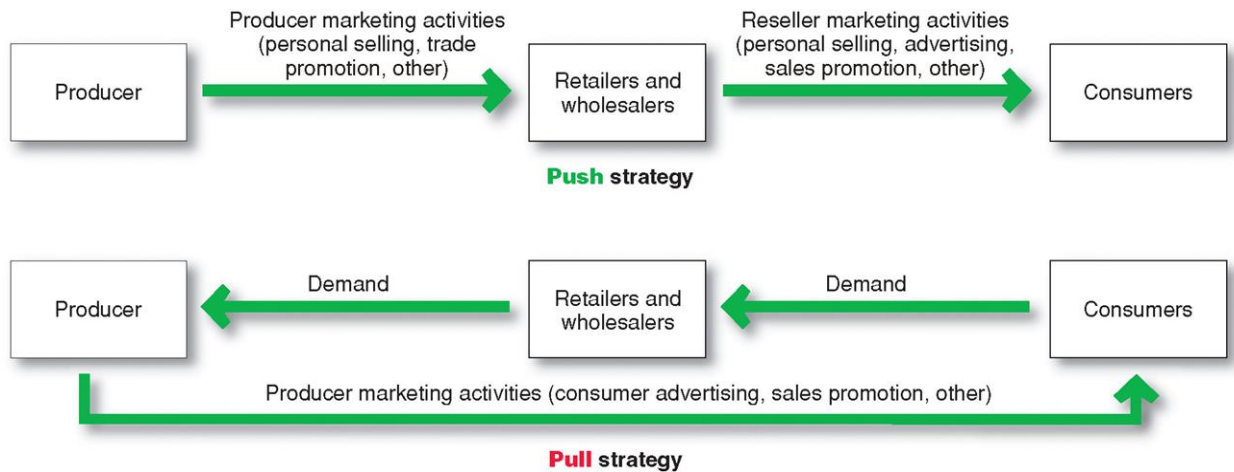


Figure 7: Push and Pull Promotion Strategy (Armstrong, Kotler, 2015)

Any company has the only way to succeed, it must be customer-driven, but company can't serve all existing customers on the market, so it has to choose the segment where it can serve customers the best, and design strategies to get the best profit from that market (Armstrong, Kotler, 2015).

4.6 Promotion

Promotion is defined as "activities that communicate the merits of the product and persuade target customers to buy it" (Armstrong, Kotler, 2015).

Promotion mix strategy is defined by promotion tools that the company uses; such preferred tools are called marketing communications mix or promotion mix (Armstrong, Kotler, 2015). There are five major promotion tools:

- Advertising.
- Sales promotion.
- Personal selling.
- Public relations.
- Direct and digital marketing.

Each category assumes usage of specific communication tools. However, marketing communication doesn't consist only of these tools: it also includes other elements of marketing mix (place, price, product, etc.) as a way of delivering information to the customer.

Today customers are more informed about different products, their characteristics, strengths and weaknesses than in the past when all information about products they were

getting from the producer (Pink, 2012). Therefore customers are engaged in marketing through different digital media means: websites, social media, etc.



Figure 8: Integrated Marketing Communication (Armstrong, Kotler, 2015)

All that makes integrated marketing communication so important. Though integrated marketing communication is more expensive than traditional promotion methods, it is also more effective.

Integrated marketing communication messages aimed to be remembered by customers, not only heard, so consumer will stay with the product (brand) without additional advertising efforts. If the targeted individuals get interested in the product, company has to repeat its promotion message less, but it will get better possibility of customer purchasing product. Integrated marketing communication also aimed at keeping of already existing customers, rather than at attraction of new ones. As the result of efficient integrated marketing communication customer sees particular brand as his or her only choice, and if customer sticks with it in the future, promotion costs will actually decrease (Blakeman, 2015).

Integrated marketing communication includes unplanned promotional communication with customer, as well as planned, and customer should not receive mixed messages. For example, if a restaurant is promoted as one that always serves the fresh food, it actually should be fresh; otherwise customer will get confused with mixed messages from different chan-

nels, and will be dissatisfied as a result. And in delivering a message company shouldn't rely only on traditional promotional ways as advertising in newspapers and on TV, everything can be used to deliver message to the customers, if it will actually help them to see it, alternative media should be in the full use (Blakeman, 2015).

To be truly consumer driven integrated marketing communication must address following issues (Blakeman, 2015):

- Research.
- Database development.
- Use of the Internet.
- Employing correct media tactics.
- Building brand-loyal customers.
- Creating an interactive relationship.
- Brand development.
- Projecting a consistent visual/verbal image.
- The promotion and media mix.
- Evaluation.

Integrated marketing communication addresses not the target audience as a whole, but targeted individuals separately. It expresses the brand overall image in all of its components, such as package, pricing, merchandising techniques, etc.

4.7 People

People are the most important part of any service or experience, since customers (who are also, of course, people) tend to buy something from somebody they like.

James Collins in *Good to Great* (2001) states that the best companies “got the right people on the bus, and the wrong people off the bus”, and then “get the right people in the right seats on the bus”. No matter how good the marketing strategy is, it won't work if there will be no right people to run it, and to deliver the service. The business will be successful only in case if employees believe in it and are motivated to work for it.

Employer should in his turn invest in the staff and start training them as soon as they start working to ensure integration of each person in the culture of the company (Marketing Teacher, 2016). Not only customers will find qualified job more satisfactory but the staff

will perform better when they know that the company is interested in their development and sees them as part of the one team. Structure of organization should be developed in accordance with the sales and the customer strategy. The strategy of the business should defy type and number of required people, and it also should defy how people should work together towards a common goal (Gould, 2012).

Customers themselves are also “people” part of the marketing mix. As mentioned before, promotion should be customer-oriented, and therefore marketers should always monitor customer needs and gather feedback in order to improve the product and the communication with the customer. Whatever type of a business a company runs, B2C or B2B, it always involves interpersonal communication. Relationships between producer and customer, producer and supplier, producer and government, etc., require a lot of attention and must always be taken seriously.

II. ANALYSIS

5 ANALYSIS OF THE RUSSIAN MARKET

5.1 Overview

The Melomel company defines its activity as “lettering and creation of photo zones”. In two previous years the company was also creating wedding decorations, but now it aims to leave that activity behind and concentrate on B2B directions of the business.

Lettering is a unique painting of the word, collocation or phrase that constitutes single composition and is intended for a particular situation (Kochevanov, 2016). Lettering is used by different companies: clothes shops, bars, bakeries, television companies, magazines, and so on as an attempt to make the interior or a design more personal, more “domestic” and customized, so the customer would feel closet connection to the brand. Lettering is also often used for creation of logotypes, such big corporations as Coca-Cola, IBM, Carlsberg and Bata use it as a form of brand identity (Malina, 2016).

It is worth to notice that despite being trendy today lettering isn’t a new design solution. For example, artists of Soviet Union often used lettering as a tool of brand identity (Soviet Lettering, 2016).

Naturally, in modern Russia this design direction is mostly developed and used in Moscow, however, there are some noticeable representatives of lettering in Saint-Petersburg and other big Russian cities. There are no direct competitors for Melomel in Yaroslavl Region, so I’ll describe most well-known companies and independent entrepreneurs from Moscow or Saint-Petersburg.

It is worth mentioning, that many of designers who work in area of lettering are usually independent entrepreneurs, and their identity is at times mixed with identity of their brand.

Since lettering can be used as a tool of brand identity creation we can consider companies who provide services for creation of brand identity through other means as competition as well. For example, Moscow Art. Lebedev Studio is probably the most famous Russian design project, offering large variance of design services to its clients. However, I still consider as main competitors of Melomel other small-sized enterprises who concentrate their activities within two-three directions, one on which should be either lettering or creation of photo zones.

Creation of photo zones is relatively new direction in business mostly connected with wedding decorations. Majority of companies who are involved in that area of design are still concentrating on the wedding décor. Recently, though, creation of photo zones started its expansion on other areas of events or photo sessions. Creation of photo zones from the cardboard (as Melomel does) is not yet highly popular but has all chances to become one, as it is relatively cheap and easy production.

5.2 History of the company Melomel

The Melomel company was founded in 2014 by Maria Osipova. Initially she was the only employee there as well. When the company decided to expand its activities and started to work on weddings' decorations, two more people joined the company as an assistant and a florist. In 2015 Maria Osipova decided to stop working with wedding and develop new direction — wall painting, for which she currently studies.

During the first year of its existence the company reached break-even point and since can supports its own existence without external investment.

Starting with production of only chalkboard decorations, and then expanding to lettering and creation of photo zones, Melomel steadily made its way to become a brand associated with exceptional quality and exclusive reliability.

5.3 Description of the main competitors

Photocardboard company specializes on creation of photo zones using the cardboard. The company was created in 2013, and it is located in Moscow Region city Kolomna.

Company's production includes (Photocardboard.com, 2016):

- Decoration of shop windows and event spaces.
- Interactive photo zones for different events.
- Carrying out PR campaigns.
- Creation of corporate photo zones.
- Organization of thematic photo projects,

Photocardboard creates the small project (up to ten objects) in about two days, and then delivers it to the client. The cost of delivery inside Moscow is 500 rubles, delivery in Moscow Region costs 1000 rubles, and delivery in other regions varies.

Each Photocardboard project is unique and is created specifically for particular client by hand.

Igor Mustaev is Moscow designer who focuses in his work on creation of identity and lettering. Scope of his interests includes the following directions of modern design (Mustaev, 2016):

- Graphic design.
- Art Direction.
- UX (User Experience Design).
- Identity.
- Lettering.
- Type design.
- Movie titles.
- Hand-lettering.
- Watches.
- Workshops.
- Lectures.

Mustaev created identity and lettering for many well-known people and brands, such as following (Mustaev, 2016):

- Bang!Bang! Studio.
- Yandex.
- Dymov.
- Vladimir Pozner.
- Channel One.
- Sminex.
- Bosch.
- WWF.
- MindGym.

He currently runs his own design company called Lavka Bukv (Russian for “the letters shop”) which focuses not only on creation of project for different types of clients, but also provides education (online and offline) about lettering and chalk drawing.

Sergey Rasskazov (Rasskazov.pro, 2016) is the designer from Saint-Petersburg. He is also the founder of his own School of Font Design.

Rasskazov creates a lot of “old-Russian” stylized design for many Saint-Petersburg’s places such as cafes and bakeries, and also for companies outside of Saint-Petersburg, such as Moscow website Tutu.ru which provides information about trains schedules and sells tickets.

Big part of Rasskazov’s profits comes from teaching in his School of Font Design which offers courses with duration either six months or one year.

Sergey Shapiro (Sergeyshapiro.com, 2016) is independent graphic designer, living in both Moscow and Tver, his area of expertise is original lettering, calligraphy and application of this directions in design.

Shapiro’s portfolio consists of (Sergeyshapiro.com, 2016):

- Logotypes.
- Clothing.
- Print.
- Tattoo sketches.
- Package design, etc.

Shapiro created brand identity for Russian and worldwide companies. Shapiro himself characterizes his work in next words: “I pay lots of attention to freestyle, modern techniques

and use a wide range of writing tools with a passion for clean, minimalistic and expressive style”.

Though he doesn’t run separate education project, Shapiro from time to time gives lectures and runs lettering workshops in different Russian cities.

5.4 Benchmarking

Benchmarking is comparison of the processes and the companies which is done in order to improve processes or to create new standards.

Presented below table compares Melomel with the most visible players on the market. For now Melomel can’t yet compete with more famous and stable companies, still this comparison will allow the company to determine its strengths and opportunities in the future.

There is no open access information about economic indexes of the companies such as market share, ROI, annual growth, etc., so in the tables below are compared external factors which can be important for potential customers while choosing a provider of services. These factors are listed in the left column and then it is indicated if each company has listed factor or not (1 means “yes” and 0 means “no”). Then total sum of “yes” is calculated and in the last row is indicated possible number of points for each table.

Table 1: Creation of photo zones benchmarking (own source)

Factors	Companies	
	Melomel	Photocardboard
Website in Russian	1	1
Website in English	0	0
VK page	1	1
Facebook page	0	1
Instagram profile	1	1
Possibility to deliver photo zones to other cities in Central Region	1	1
Possibility to rent ready photo zone	1	0
FAQ on the website	0	1
Information about the company in mass media	0	1
Own blog	0	1
High quality of production	1	1
Low price	1	1
Total	7	10
Maximum		13

As we see, Melomel scored 7 points against 10 points of Photocardboard, and the possible maximum is 13 points. Factors that Melomel lacks but Photocardboard has are Facebook page, FAQ on the website, information about the company in mass media, and own blog. However, Melomel provides possibility to rent ready photo zone (chalkboard banner) and Photocardboard doesn't.

Also, both companies offer high quality of production, low price, can deliver their products in any city of Central Region of Russia, and they both don't have website in English.

Next is presented the benchmarking table for lettering.

Table 2: Lettering benchmarking (own source)

Factors	Companies			
	Melomel	Igor Mustaev	Sergey Rasskazov	Sergey Shapiro
Website in Russian	1	0	1	0
Website in English	0	1	0	1
VK page	1	1	1	1
Facebook page	0	1	1	1
Instagram profile	1	1	1	1
Own education project	0	1	1	1
Own blog	0	1	1	1
Information about the company in mass media	0	1	1	1
High quality of production	1	1	1	1
Low price	1	0	0	0
Total	5	8	8	8
Maximum	10			

Melomel scored 5 from possible maximum of 10, and Igor Mustaev, Sergey Rasskazov, and Sergey Shapiro scored each scored 8. Only two companies presented in the table have websites in Russian, even though all of them are working primary on Russian market. Melomel is the only one company that doesn't have Facebook page, own education project, own blog, and information about the company in mass media. On the other hand, Melomel is the only company (from those who are mentioned in the table) who offers lower prices together with high quality (which is offered by all companies).

Overall, Melomel has good results in both comparisons, despite having the lowest score, since it's a relatively new company, and is not based in Moscow, Saint-Petersburg or near them, and therefore has to make more efforts to find customers and recourses.

Based on that comparison Melomel can outline its next steps to become more visible and competitive.

5.5 PESTLE analysis of Russian market

After the USSR divide, in 1993 Russia officially became the federation with semi presidential constitutional republic. Russia is the follower of the Soviet Union and fulfils its obligations in the international environment. Russia is the biggest country in the world in terms of territory, and it has the 9th biggest population. Russian total nominal GDP in 2016 is \$1.178 trillion, which is 13th in the world.

Russian regions have different level of incomes, therefore requires transfer of public goods and investments from richer regions to poorer ones. The main richest regions are Moscow, Saint-Petersburg and a few regions in Siberia (the ones that have access to the majority of natural recourses). Regions that are recipients of federal transfers are located mostly in the south and west, with exception of Saint-Petersburg (Doing Business in Russia: Your Tax and Legal Lighthouse, 2012).

Business in Russia faces numerous challenges many of which are connected with undeveloped infrastructure, unclear property rights, lack of transparency and inconsistent application of laws and regulations (Doing Business in Russia: Your Tax and Legal Lighthouse, 2012).

Political factors influencing the business in the country are as follows (Macro-level analysis: PESTLE, 2013):

- Unstable political environment.
- Weak political power.
- Severe control of business (through various federal services).
- Regulations are not followed by business enterprises.
- Risk of conflicts connected with political situation.
- A few political parties have almost the whole control over the legislative branch.
- Judicial branch is not considered as independent.
- High level of corruption.
- Low change rate of political power (leading to corruption and political crimes).
- Human rights problems and issues.
- Freedom of speech issues.

Nowadays, some major problems in economic, social and political environment are the consequences of the country complicated relationships with the rest of the world after the

ongoing Crimea conflict and start of the war in East Ukraine in 2014. Russia became the subject of various sanctions of European Union and launched its own regulations and embargos in return; none of that had a positive impact on the situation in the country.

Though Russia is a federation, and every federal subject of it should have some level of political power (depending on the status of the federal subject), independent heads of the subjects are not often elected, and even then their rule is short-lived (for example, Evgeny Urlashov and Galina Shirshina).

High level of corruption is one of the most serious problems for large and small businesses in Russia. Though, there is anti-corruption laws and the subject is often mentioned by the first people of the country as the problem on which they are constantly working, the current situation is very far from ideal, with Transparency International ranking Russia 29 points from 100 in its own 2015 Corruption Perceptions Index (with 0 being less corrupted, and 100 being highly corrupted).

Economic factors include (Macro-level analysis: PESTLE, 2013)::

- High level of inflation.
- High interest rates that do not allow fast development of new business ventures.
- Labor force is 75.6 million people in 2012.
- In 2011 there are 12.7% of population are below poverty line.
- The level of investments is 19.7% of GDP.
- Taxation revenues in budget are 20.6% of GDP.
- Low investment climate and thus low level of FDI in Russia (USD 13.8 billion).
- Shrinking number of workforce.

Russian economic system went through major changes since the start of 1990s: shift from central planned to market-based economy, privatization of most industries (with several exceptions, for example, defense sector). However, private business sector is still heavily influenced by government, and economy of the country as a whole depends on its oil and natural gas sectors. In 2011 Russia was the world's leader of oil production. Today, Russia has the largest natural gas recourses, the second-largest coal resources, and eighth-largest crude oil reserves As a result Russia was seriously hit by the 2008-2009 global economic crises, and faces serious problems at present with oil prices falling significantly low since 2014.

Table 3: Estimated GDP of Russia (Report for Selected Countries and Subjects, 2016)

Subject Descriptor	Units	Scale	2015	2016	2017
Gross domestic product, current prices	U.S. dollars	Billions	1,235.858	1,178.924	1,309.268
Gross domestic product per capita, current prices	U.S. dollars	Units	8,447.423	8,058.263	8,949.197
Gross domestic product based on purchasing-power-parity (PPP) valuation of country GDP	Current international dollar	Billions	3,473.780	3,493.039	3,589.457
Gross domestic product based on purchasing-power-parity (PPP) per capita GDP	Current international dollar	Units	23,744.224	23,875.867	24,534.905

As we see in the table above (numbers estimated by international monetary fund), Russian GDP is expected to grow by 2017, which may result positively on possibilities of investments for industries other than energy one, and it also can lead to decrease of unemployment rate and expansion of middle class.



Figure 9: Russian inflation rate over last ten years (Tradingeconomics.com, 2016)

World Bank predicts that in 2016 Russian economy will fall by 0.7% and will be slowed down by oil prices and international sanctions start. However, in 2017 Russian economy will start with GDP growth by 1.3%, and will continue to do so in 2018 with GDP growth by 1.5% (World Bank: Europe and Central Asia, 2016).

Monetary policy of the Central Bank of Russia is aimed at keeping the exchange rate of ruble stable against bi-currency basket of dollars and euro, it intervenes to keep ruble stable and to manage inflation. Department of Economic and Social Affairs of UN predicts that level of inflation in 2016 will reach 10.5%, but in 2017 will lower to 7.1% (Lenta.ru, 2016).

As for small business, in 2014 there were 5 645.678 thousands sole proprietors in Russia overall, 53.206 thousands of them in Yaroslavl Oblast (Demographics: Federal State Statistics Service, 2016).

Some **Social factors** include (Macro-level analysis: PESTLE, 2013):

- Life expectancy is 70.3 years as for 2011 (male: 64.3; female: 76.1).
- Cultural level is on average level.
- Literacy level is 99.4%.
- The highest achievement of college-level education in the world.
- 47.7% have completed secondary education.
- Almost 49% of Russian population claim to be happy.
- In general, foreign brands are perceived better than Russian by citizens.
- High migration level abroad among Russians (especially among those who have higher education degree) – over 500,000 every year.
- Low productivity level in comparison to other countries.

In 2015 Russian population counts as 146.3 million people, 74% of whom lives in cities. Russian population consists mostly of women; they constitute 54% (78.5 million people) against 46% of men (67.8 million people). Population growth in 2014 was 0.21%, which is lower than growth in 2013 (0.22%), but higher than growth in 2012 (0.20%). Overall, number of population seems to be steadily increasing in last several years (Demographics: Federal State Statistics Service, 2016).

16% of Russian population lives below the poverty line (Trefilov, Bachina, 2015), and this number only increased since the start of 2014 crisis

Russian service sector employs 55% of population and contributed 59% of GDP in the year of 1999; the most important of them are retail, financial services, marketing, sales, and tourism (The World Factbook, 2016).



Figure 10: Russian unemployment rate over last ten years (Tradingeconomics.com, 2016)

Current unemployment rate in Russia is 5.8% (Tradingeconomics.com, 2016). The employment rate of the Russian population is quite high since Soviet times when the birth rate has declined while the number of women involved in the economy has increased dramatically. Different regions of Russia also vary in terms of employment, unemployment and the level of foreign labor force involvement.

Though Russian family policy was promoted a lot during last decade it is still problematic point of the country. Allowance for the children and other benefits do not cover actual expenses and infrastructure for child-care (kindergartens, schools, etc.) is not developed. Besides, there are almost no conditions for the disabled children.

Technological factors are as follows (Macro-level analysis: PESTLE, 2013):

- Very low level of competing technology development.
- Technological advancements are not handled in all industries.
- Weak intellectual property legislation.
- Low rate of replacement internal technology and solutions.
- Recent censorship of Internet resources in terms of inappropriate content.
- 43% of Russians use Internet every day, 53% – every week and 55% a month.
- Wide spread of piracy.

- Some experts claim the technological progress speed up over time.
- Low governmental support of scientific and technological development.

In 2014 Russia was spending 1.18% of its GDP on Research and Development, which is lower amount than more developed countries spend on said sector. For example, R&D spending of USA, Germany and Czech Republic are respectively 2.7% (in 2013), 2.8% (in 2014), and 1.99% (in 2014) (Gross domestic spending on R&D - OECD Data, 2016).

Unlike many developed countries' Russian R&D sector has no tax breaks, and the government owns rights to all technology developed using government funds. Although researchers don't leave Russia in big numbers, they are quitting science and go to work in other areas inside the country; there is also big difference in numbers of people who study science in universities and those who later work in that field (The Future of Technology Development in Russia, 2011).

In 2012 Vladimir Putin declared that one of the main goals of Russia is to gradually change from being oil-based to technology based economy. There are measures taken to reach that goal, for example, a number of state-controlled institutions invest in innovative companies (Russian Corporation of Nanotechnologies, Russian Venture Corporation). Russia also provides list of tax concessions for companies with high degree of intellectual capital. List of tax and custom concessions is also provided to residents of special economic zones aimed at innovation and development. Then there is Skolkovo project, goal of which is to create favorable conditions to for concentration of intellectual capital and creation of innovative solutions for priority industries (Doing Business in Russia: Your Tax and Legal Lighthouse, 2012).

Legal factors include (Macro-level analysis: PESTLE, 2013):

- VAT is 18% (though, for some products it's 10% and for some it's not applicable).
- High governmental barriers to open a new company.
- Special legal statutes regulating entrepreneurial behavior (even minor economic crimes can trigger long imprisonment).
- Recent accession to WTO affected a lot of trade tariffs.
- Most Russian regions have adopted regulations establishing tax concessions for certain investment activities.

Foreign investment is heavily regulated; licensing is carried out on the state and regional level. Transfer price is monitored, and it is required to keep all documentation about controlled transactions to the tax authorities.

Russia limits non-Russian investments to participate only in companies that are of strategic importance to Russia. Foreign investor can choose next form of opening business in Russia (Doing Business in Russia: Your Tax and Legal Lighthouse, 2012):

- Direct sales.
- Distribution contact.
- Representative office or branch.
- Russian subsidiary.

The main source of local production support in Russia is the Chamber of Commerce and Industry of the Russian Federation. Its goal is “to promote the growth of the Russian economy and its integration into the world economic system and provide favorable conditions for the advancement of all business sectors”.

Government support measures differ depending on the following factors:

- Type of support recipient (individual entrepreneur, young entrepreneur, exporter, innovator, etc.).
- Category of support recipient (legal entity, individual, or farm).
- Age of business.
- Size of business.
- Region.

For now market conditions are favorable for long-term contracts for production of large quantities of goods by Russian factories (both for domestic and foreign market). Thought, with unstable economic situation in the country foreign investors are unwilling to cooperate and are waiting for better conditions.

Main source of Russian tax regulations is Tax Code of Russian Federation and laws adopted in accordance with it. Taxes can be imposed on by federal, regional and local levels. General standard for VAT is 18%, but organizations can pay VAT equal to 10% or be free of that tax, depending on what they produce or which services they provide (Doing Business in Russia: Your Tax and Legal Lighthouse, 2012).

Based on World Bank Group Data Russia is ranked 41st from 188 countries in the research to start a business (with number 1 being the best and 188 being the worst). In the table below is presented comparison of Russia with countries of East and Central Europe.

Table 4: Conditions for starting s business in Russia and countries of Eastern and Central Europe (Doingbusiness.org, 2016)

Country	Starting a Business rank	Starting a Business DTF	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-in min. capital (% of income per capita)
Belarus	12	96.32	3	3.0	0.9	0.0
Bulgaria	52	91.10	4	18.0	0.7	0.0
Czech Republic	93	85.23	8	15.0	6.7	0.0
Hungary	55	90.56	4	5.0	7.3	47.7
Moldova	26	94.17	4	4.0	4.3	0.0
Poland	85	85.94	4	30.0	12.2	11.4
Russia	41	92.35	4.4	10.5	1.1	0.0
Slovak Republic	68	88.54	6	11.5	1.5	18.5
Ukraine	30	93.88	4	7.0	0.6	0.0

Based on that research, Russia is better for start of the business then Bulgaria, Czech Republic, Hungary, Poland and Slovak Republic, but not as good as Belarus, Moldova and Ukraine.

Based on the same report, the best three cities to start business in Russia are Saint-Petersburg, Volgograd and Ulyanovsk. Yaroslavl is ranked as 7th in that rating.

Environmental factors include (Macro-level analysis: PESTLE, 2013):

- A lot of natural resources (oil, gas, metals, wood, water etc.).
- Probability of natural disasters is average.
- Corporate Social Responsibility awareness is very little.

- High seasonality (cold winter, hot summer).
- Weak environmental legislation for plants and production facilities in comparison with Europe.
- Almost no significant climate changes.
- High level of pollution.
- 40% of Russia's territory began demonstrating symptoms of significant ecological stress.

Russia has an established environmental control. The problem with it, however, is that it is based on the government regulations and not on quantitative research done together with environmental professionals and concerned in the subject NGOs.

Atmospheric emissions from stationary and mobile sources of pollution were stable during 2009-2012 and rather lower than in 2005-2008. Discharge of polluted wastewater is also tends to be lower with time but not as dramatically as atmospheric emissions (it is also most costly part of environment protection measures, 41%). The formation of production and consumption waste, on the other hand, rises each year, from 2 billions tones in 2005 to 5 billions tones in 2012 (Environment: Federal State Statistics Service, 2016).

The costs of environment protection are mostly having a tendency to rise (they only lowers after start of economic crisis in 2008), and in 2012 they were making 0.7% of GDP. The biggest contribution to the environment protection is from the commercial sector, it constitutes 78.8%, 12.5% are sponsored by specific providers of environmental services sector, and only 8.6% are invested by government (Environment: Federal State Statistics Service, 2016).

6 COMPANY ANALYSIS

6.1 Company portfolio


As mentioned above, the Melomel company currently has three types of products in its portfolio:

- Lettering calligraphy.
- Creation of photo zones.
- Wedding decoration.

Presently wedding decoration is considered not enough profitable and will be eliminated in the future.

Lettering and calligraphy are representing different products made by the company; some of them are described in the Table 5.

Table 5: Portfolio of Melomel company (own source)

Product	Example
Business card design.	 A photograph of a white business card held by a hand. The card features the name 'MamaKryz' written in a teal, cursive calligraphic font. The card is set against a dark wooden background.

<p>Development of logotypes.</p>	
<p>Complete photo zones.</p>	
<p>Creation of equipment for photo zones.</p>	

The rest of examples is presented in the Appendix I. This list can be endless, since the website of the company says: “Design of chalk boards, windows, walls and other surfaces that can be painted”.

The photo zones that the Melomel company creates can be done in various designs and are mostly created using mostly cardboard and wood. Chalkboard technique can also be used for this task.

Company doesn't offer a line of standardized product: each part of the portfolio is created individually for the certain customer (B2C or B2B). However, there is possibility of renting one of already existing products, such as big chalkboard banner which with minor differentiation makes nice photo zone for the wedding.

6.2 SWOT analysis of Melomel company

6.2.1 Internal Factor Evaluation Matrix

One of the major strengths of the Melomel company is its high quality of production. In design industry the production is often associated with its creator, so the fact that company is led by the perfectionist Maria Osipova creates its image of reliable business partner. It can be confirmed by the fact that the company already has a database of constant customers, among them is Aura, the newest and the most well-known Yaroslavl shopping mall, and some of city's popular cafes. Another strength of the company is its skilled employees, who can do their job professionally and can work independently which is really important for young companies. Other strength is already large portfolio which can be endlessly expanded as company applies new techniques in its production. Melomel is also very aware of the situation on its home market and knows its needs. Not the last part plays the official website of the company which provides clear communication with new customers and sets up right expectations about the product.

Among weaknesses of Melomel are unsystematic promotion and lack of marketing strategy. The company's main promotion tool is its Instagram page and its website, but there is no one responsible for the promotion person who would try different promotion methods and analyze their results. This weakness connected with another one — small number of employees. Melomel is still young business and a few people who work there have to perform in different business areas in some of which they have no training. For example, the owner is mostly interested in creation of designs, but also has to carry administrative, project-management and sales functions. As a result, the company is not properly promoted using other popular in Russia social networks: VK and Facebook.

Table 6: Internal Factor Evaluation Matrix (own source)

Internal Factors			
Strengths	Weight	Rating	Weighted Score
High quality of production	0,2	4	0,8
Large diversification of portfolio	0,12	4	0,48
Skilled employees	0,1	4	0,4
Knowledge of home market	0,06	3	0,18
Constant customers database	0,1	3	0,3
High quality website	0,06	3	0,18
Weaknesses	Weight	Rating	Weighted Score
Unsystematic promotion	0,07	1	0,07
Lack of marketing strategy	0,15	1	0,15
Small number of employees	0,05	2	0,1
Low number of subscribes on VK	0,03	2	0,06
No own Facebook page	0,06	2	0,12
Total	1		2,84

6.2.2 External Factor Evaluation Matrix

One of the main opportunities for Melomel is increasing demand in lettering among B2B sector, as many companies view it as a good tool of identity creation. Also, Melomel can offer smaller prices since the majority of its competitors are based in Moscow and they have to bear much bigger expenses than the ones in province. It means as well that Melomel can expand on European markets using its small prices advantage in order to win a share of the market. The company can also apply new techniques (such as aerography) as the design trend changes in order to attract new customers or offer something new to already existing customers. To raise awareness of the company and quality of its production it can collaborate with already existing enterprises (now it collaborates with art space Grifel in creation of chalk drawing master-classes).

Major threat for Melomel is strong competition with already established and well-known names. It doesn't mean only competition for the same customers, but also competition with ideas and styles used in work, as many customers might want to order something in trend set up by designers with big names (such as Art. Lebedev Studio) no matter is this particular trend is good or not. Another major threat is political and economic instability in Russia which can be especially problematic for a small business. Government also doesn't offer much support during these hard times despite its constant voicing of the idea that small and

middle-sized enterprise development is very important for the country's economy. Emerging of new design trends can also threaten a company in case if it can't keep up with it. New competitors on the market can also be threatening as they might offer customers even fresher ideas.

Table 7: External Factor Evaluation Matrix (own source)

External factors			
Opportunities	Weight	Rating	Weighted Score
Relatively smaller prices compared to competitors	0,1	4	0,4
Growing market	0,07	3	0,21
Increasing demand in lettering	0,11	4	0,44
Expansion on European markets	0,07	4	0,28
Application of new techniques	0,08	3	0,24
Collaboration with already established enterprises	0,03	3	0,09
Threats	Weight	Rating	Weighted Score
Strong competition	0,2	1	0,2
Lack of state support for small businesses	0,08	2	0,16
Politic and economic instability in Russia	0,14	1	0,14
Increasing competition can attract new entrants	0,09	2	0,18
Emerging of new popular design trends	0,03	2	0,06
Total	1		2,4

6.2.3 Space Matrix

The results of IFE and EFE matrixes help determine the strategy that the company should undertake. The result of this analysis is depicted in the Space matrix (Figure 11).

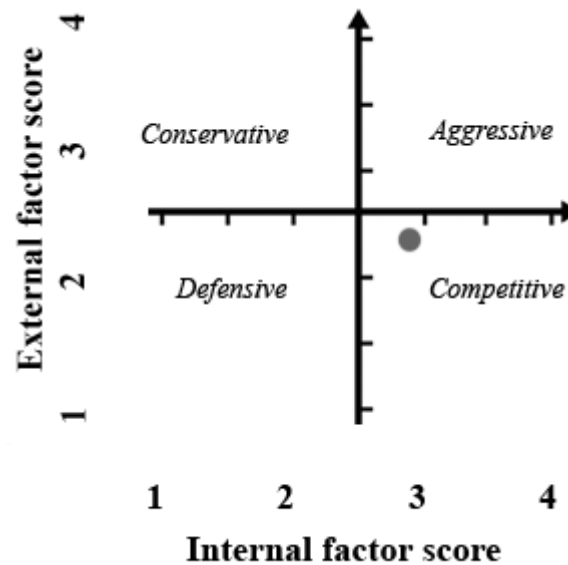


Figure 11: Space matrix (own source)

According to the position of the company in the matrix it should follow competitive strategy on the market. The company has some competitive advantage and currently can strengthen its position on the market by increasing production efficiency and strengthening cash flow. It can be achieved through carefully planned promotion, optimization of business-processes and organization of long-term cooperation with already existing clients.

The competitive type of strategy implies usage of company's strengths to reduce impact of threats in order to achieve the goal of the business. First of all, high quality of production already can help the company to keep up with its competitors. In addition to it the company has largest portfolio then most of its competitors who specialize either on lettering and calligraphy or on creation of photo zones. As a result company can make more interesting offers and combine these techniques to create new types of products. Melomel can also offer new products to its customers as the design market develops and needs for new products emerge. In order to keep afloat during economic crises Melomel can cooperate with other companies for mutual profit. To be able face new market entrants company can establish lasting relationship with customers that it already has which will help it to keep its share of the market and generate a constant cash flow. Melomel can also translate its website in English and start production for European market or any other English-speaking country.

Table 8: SWOT matrix (own source)

<p>Strengths/Threats</p>	<p>T1 Strong competition.</p> <p>T2 Lack of state support for small businesses.</p> <p>T3 Politic and economic instability in Russia.</p> <p>T4 Increasing competition can attract new entrants.</p> <p>T5 Emerging of new popular design trends.</p>
<p>S1 High quality of production.</p> <p>S2 Large diversification of portfolio.</p> <p>S3 Skilled employees.</p> <p>S4 Knowledge of home market.</p> <p>S5 Constant customers database.</p> <p>S6 High quality website.</p>	<p>S2T1 Offering of unique combinations of products to the customers.</p> <p>S5T4 Creation of long-term collaboration with already existing customers.</p> <p>S3T5 Adding of new product to the portfolio.</p> <p>S4T3 Cooperation with other enterprises in different projects.</p> <p>S6T2 Translation of website to English language to enter European market.</p>

6.2.4 Quantitative strategic planning matrix

Quantitative strategic planning matrix is used in order to evaluate each strategy in terms of internal and external environment (Appendix II). After this calculation priority of launching of strategies is as follows:

1. Translation of website to English language to enter European market.
2. Adding of new product to the portfolio.
3. Cooperation with other enterprises in different projects.
4. Creation of long-term collaboration with already existing customers.
5. Offering of unique combinations of products to the customers.

This range doesn't mean, however, that any of these strategies is less important than other. Thought, it is rather sensible to put the translation of the website in English on top, since the translation itself assumes minimal costs and possibility of large profits. Adding of new product to the portfolio strategy, though, can be done together with offering of unique combinations of products to the customers, after the company conducts research and determines which exactly product does the market need right now and what would be the wisest to offer. Creation of long-term collaboration with already existing customers can also be undertaken in combination with any other strategy to support its financing and create continuous cash flow. Cooperation with other enterprises also can be important as constant course of actions in order to keep the Melomel name on everybody's lips.

It is worth to consider given above priority of strategies to implement them sensibly and complexly and not just implement them in that order and hope that it will work.

6.3 General Electric matrix of Melomel company

GE matrix is applied to understand how does the company perform and how to allocate its recourses and to identify strategic steps that the company needs to take to improve its performance.

To create this matrix market attractiveness factors are listed in the Table 9, their weights determined (0.01 means that the factor is not important, and 1.0 means very important), then they are rated (1 is the weak strength and 5 is powerful strength). Weights and points of each factor are then multiplied and total score is calculated. This gives us the position of the company on Y-axis of GE matrix.

Table 9: Y-axis, Market Attractiveness (own source)

Factors	Weights	Points	Score
Market size	0,08	3	0,24
Growth rate of the market	0,07	2	0,14
ROE, ROI	0,07	4	0,28
Profitability of the sector	0,08	4	0,32
Intensity of competitive attacks	0,09	4	0,36
Entry barriers	0,08	4	0,32
Exit barriers	0,06	4	0,24
Fluctuations in demand of the sector	0,05	5	0,25
Relationships between customers and suppliers	0,08	5	0,4

Factors	Weights	Points	Score
Variability of demand	0,07	4	0,28
Space of technological innovation	0,08	3	0,24
Availability of market information	0,09	5	0,45
Availability of labor	0,04	2	0,08
Global opportunities	0,06	2	0,12
Summary	1		3,72

The same calculation is done for the determination of business unit strength which gives us the position of the company on X-axis. These factors are listed in the Table 10.

Table 10: X-axis, Business Unit Strength (own source)

Factors	Weights	Points	Score
Production capacity	0,06	2	0,12
Production flexibility	0,07	4	0,28
Price per product	0,06	4	0,24
Skills in the field of R&D	0,04	3	0,12
Quality	0,07	5	0,35
Reliability	0,05	5	0,25
Image of the company in the sector	0,06	4	0,24
Uniqueness of the products	0,05	2	0,1
Costs and profitability	0,06	3	0,18
Adaptation possibilities of the production	0,06	4	0,24
Organizational skills	0,06	4	0,24
Market share	0,02	2	0,04
Marketing skills	0,04	2	0,08
Degree of managerial skills	0,06	4	0,24
Experience and skills of employees	0,06	5	0,3
Quality of distribution net	0,04	4	0,16
Number and efficiency of salesmen	0,02	2	0,04
Quality of provided services	0,07	4	0,28
Loyalty of customers and knowledge about the brand	0,05	3	0,15
Summary	1		3,65

With the help of these two calculations we can determine the position of the company on the GE matrix. Placement of the company on the GE matrix is presented in the Table 11.

Table 11: GE matrix (own source)

		Business Unit Strength		
		High	Medium	Low
Market Attractiveness	High		Melomel	
	Medium			
	Low			

The Melomel company is placed in the second cell of the GE matrix which means that the company should invest selectively for growth. Company should increase innovation of production capacity, invest in marketing and cut its costs. However, Melomel is placed very close to the third cell, and in that position would be better to develop its business selectively building upon strengths. The company should monitor opportunities and evaluate it and be aware of possible competition which would push on price.

6.4 Porter’s five forces

6.4.1 Threat of new entrants

The design market is attractive for new entrants and grows every day. There is no monopoly and it’s not possible for one company has control over resources, since its resources are human skills. The area of lettering, however, is more complicated matter; it requires good understanding of the concept and very thoughtful application of the technique. The main problem for a new player on market is the competition with already established design brands and well-known names. New player can use price as a competitive advantage, but the customers who have money to spare might still prefer to work with famous masters.

Market of creation of photo zones is easier to enter than the market of lettering, since currently there are only a few players, and any newbie can work to gain its niche. The main problem for new entrant would be distribution of production to the customers who are located in other region of the country.

To reduce the threat of new entrants the Melomel company has to establish its name on the market, so the high quality of its production would be viewed as an advantage by customers. Also, the company has to build and optimize distribution channels for the delivery of

photo zones not only to the customers from Yaroslavl, but for customers from all Central Region of Russia as well.

6.4.2 Threat of substitute goods

Emerging of new design trends can be a threat for both directions in which Melomel works. However, the lettering most likely will stay on the market for long, as it already was used by many companies (such as Coca-Cola and Chupa Chups) before becoming fashionable during last few years. Its share on the market might reduce but it won't go away completely.

Photo zones are even less likely to be replaced by a new product any time soon, because it's a powerful promotion tool for many event organizers. Posting photos of events which people visited is a big part of modern culture, and sponsors of these events are using it in full force.

On the other hand, Melomel can use threat of substitute goods to its advantage and offer to its customers a new product before any of its competitors does it. New design trends are usually first become trendy in Europe or USA and then adopted in Russia; so the company can monitor foreign market of design to notice new trends and bring them to Russian market first.

6.4.3 Bargaining power of suppliers

Relationships with suppliers are important for the Melomel company, given that it is necessary to purchase high quality drawing materials and surfaces, as overall quality of production depends on it. Bright side is that the company doesn't need to search for suppliers for long, as many companies can supply it with boards, and paint for that boards along with chalk markers and other painting materials are ordered from Amazon or other shop. More important are brands of paint (Tikkurila) and markers (Chalk ink and Zig Posterman).

The threat of bargaining power of suppliers is minor; however, the company still should try to build long-term relationship with them in case of surplus of materials in the future.

6.4.4 Bargaining power of customers

The Melomel company operates on business-to-business market where the bargaining power of customers is at best moderate. As the demand for the lettering grows, more and more companies start to offer it, and therefore, customers have more opportunities to

choose from. In that case the price and the additional services became a competitive advantage for the company.

Price is especially important point for many B2B customers as they have to fit into certain budget and can't operate beyond it. Long-term relationship between the producer and the customer are also important, as it might be easier for the customer to address the company with whom they cooperated before (and with whose result they were satisfied), rather than start choosing again.

To reduce the bargaining power of buyers the Melomel can not only offer them exclusive quality for the lower than its competitors' price, but also offer them benefits in case of long-term cooperation, such as free delivery of photo zones construction in case of especially big order.

6.4.5 Competitive rivalry within the industry

Design itself is very competitive industry, but the lettering sector is less so, as smaller number of people operates there. It's hard to even name the biggest competitor of Melomel, since every individual designer and every studio has its own style and its own approach to creative process. As mentioned above, customers are also more likely will order production from the company they already know than will go looking for a new one.

Creation of photo zones is more problematic in that case, as it's easier and cheaper to produce, and any company located in the city of Central Region can supply the whole Region with photo zones which can lead to the situation where companies would struggle to lure each other's customers.

To reduce this threat Melomel should offer high quality product to the market and create its image of reliability and trustworthiness.

7 LEGAL REQUIREMENTS FOR SMALL BUSINESS IN RUSSIA

The activities of small and medium-sized businesses in Russia are regulated by the Federal Law 209-FZ “On the development of small and medium enterprises in the Russian Federation” from July 24, 2007, which specifies the criteria for classification of enterprises to small business.

Enterprises can be divided into three categories depending on the average number of employees during the calendar year and annual revenue amount.

Table 12: Small enterprises classification (own source)

	Number of employees	Annual revenue excluding VAT (in rubles)
Micro enterprises	Up to 15	120 million
Small businesses	Up to 30	800 million
Medium-sized enterprises	From 101 to 250	2 billion

Based on that classification Melomel is considered as micro enterprise by law.

Melomel officially registered not as legal entity, but as sole proprietor Maria Osipova. Legal regulations are different for sole proprietors and legal entities. Below will be described legal requirements specific for sole proprietors in Russia.

7.1 Requirements for opening of own business

Registration of sole proprietors is regulated by the Federal Law N 129-FZ “On state registration of legal entities and sole proprietors”, Russian Civil Code, other federal laws, and by individual resolutions of the Russian Government.

As a sole proprietor can be registered:

- Adult, competent citizens of the Russian Federation.
- Underage citizens of the Russian Federation (from 16 years, with the consent of parents, guardians, or who is recognized as competent by court).
- Foreign citizens residing in the territory of the Russian Federation.

State and municipal employees cannot be registered as sole proprietors.

Documents for registration as sole proprietor are the following:

- Filled application for state registration as sole proprietor.

- A copy of the tax identification number.
- A copy of the passport with residence permit.
- Receipt of payment of state tax registration (800 rubles).
- Statement on the transition to the simplified tax system (if necessary).

Within five working days individual receives decision about registration or decline. In case of approval, a person receives certificate and an extract from the register of sole proprietors. After that is necessary to open a bank account, make a company's stamp, and register a cashbox, and register a company in Rospotrebnadzor.

7.2 Taxation of small business

Sole proprietor pays fixed annual fee to the Pension Fund; in 2016 this payment is equal to 23 153.33 rubles + 1% of the sum if the income is more than 300 000 rubles. This fee is paid regardless of income, even if there is no income at all.

Sole proprietor can use four taxation systems:

- Common tax system is a default system of taxation in Russia which is rarely used by sole proprietors. Organizations that use that system have to fully uphold bookkeeping and have to keep book of income and expenditure which can be difficult and inconvenient especially for a small business. There are three main taxes that a company has to pay: tax on profits, property tax, and VAT.
- Simplified tax system where instead of three main taxes an entrepreneur pays one simplified tax. The tax is paid on a quarterly basis and a tax report is submitted once a year. There may be two objects of taxation:
 - "Income" with tax from 1 to 6%. In that case an entrepreneur can reduce tax by insurance fee.
 - "Income minus costs" with tax rate from 5 to 15%. This case is more convenient if the organization bears large costs.
- A single tax on imputed income can be applied only for the types of activities specified in the Russian Tax Code. In that case an entrepreneur pays fixed tax that doesn't depend on income, but depends on the size of the business (size of rented office, number of employees, etc.).

- The patent tax system alike a single tax on imputed income can be applied only for the types of activities specified in the Tax Code. In case of using this system an entrepreneur doesn't pay taxes, but buys a patent with valid period from one month to one year, in addition to it he or she has to keep revenue accounting book. To use this system organization has to employ up to 15 workers and have an annual income up to 60 million rubles.

Sole proprietors use mostly last three tax systems, since they are simpler and have tax benefits for a small business.

Melomel company uses simplified tax system with "income minus costs" as an object of taxation.

7.3 State support of small business

State support is regulated by the Federal Law 209-FZ "On the development of small and medium enterprises in the Russian Federation", and by number of other regulatory acts, federal and local. This system also includes non-government organizations who act as contractors: banks, non-governmental organizations, investment funds, etc.

Amount of financial assistance for a small business depend on the number of factors, such as the size of the enterprise, type of activity or the region where the company is located.

The state or contractor can provide a company with financial grant which will help a company to bear costs of rent, purchase of equipment, etc., but won't cover them fully. A company always must report to the investor how provided sum of money was spent. Another type of state support is business training of new entrepreneurs.

On federal level a company can address Russian Agency for Support of Small and Medium Business (Siora.ru, 2016). The agency provides the following services:

- Foreign economic activity.
- Market research and marketing services.
- Consulting in the field of management systems.
- Development of energy efficiency programs and energy efficiency.
- Provision of registered office and postal and secretarial services.
- Promotion of high-technology projects of small and medium-sized businesses.

In Yaroslavl it is possible to address Fund to Support Small and Medium-sized Enterprises of Yaroslavl Region (Fond76.ru, 2016) to receive a financial help. On base of this fund also operates RIC. It is the official representative of the Enterprise Europe, which includes 54 countries in the world and has been operating since 2008. RIC can help a company look for business partners in Russia and abroad.

Also, in Yaroslavl a sole proprietor can cooperate with Investment Policy Department of Yaroslavl oblast and take the part in the regional target program for the development of the small and medium-sized businesses of Yaroslavl Region in the years 2016-2018 (Yarre-gion.ru, 2016). This program plans investment in the following tasks:

- Promotion of the role of business, information, consulting and organizational support for small and medium-sized businesses.
- Development of the system of financial support for small and medium-sized businesses.
- Development of infrastructure to support small and medium-sized businesses, and other.

Another source of support in Yaroslavl Region is Yaroslavl Business-Incubator (Yarincubator.ru, 2016) which provides the following services:

- Preferential rent equipped offices.
- Mentoring of startup projects.
- Consultations about business modeling, development and promotion of business, tax and accounting.
- Search of investors and help in preparation of grant documentation.

8 PROJECT OF MARKETING STRATEGY FOR MELOMEL COMPANY

Currently Melomel has no marketing strategy, so this project will be concentrated over creation of marketing strategy for 2016-2017 years.

8.1 Vision

Vision of the company includes several points:

- Create production of exceptional quality for businesses worldwide.
- Bring image of Yaroslavl entrepreneurship closer to the capital cities of Russia.
- Contribute to the development of lettering direction in Russian design.
- Develop people's taste through stylish photo zones.

8.2 Mission

Mission of the company is as follows:

- To improve the products constantly and to make change in the market of lettering.
- To bring fresh ideas into the world and make it a more beautiful place.
- To be a great employer and inspire creativity in our workers.

8.3 Main goals

The Melomel company sets up next goals for its development in 2016-2017:

- Stabilize the company and improve business processes.
- Add two new products in portfolio by the end of 2017.
- Increase profits of the company by 100% by the end of 2017.
- Expand business to European markets.
- Implement effective marketing strategy.

8.4 Product strategy

Current portfolio of the company can be classified into the BCG matrix. According to the matrix lettering will be placed in the "cash cow" cell which means that it is low-growth,

high-share product which generates cash flow which can be used to invest in the other products. Creation of photo zones will be placed into “question mark” cell, as it is high-growth, low-share product. However, market of creation of photo zones has very high chances of growing, because it is moderately cheap and easy production which allows creating interesting and diverse projects for various purposes.

Wedding decorations is placed in a “dog” cell for Melomel as it is low-growth and low-share product which requires a lot of managers’ time to keep up with. It is best to gradually eliminate this product from the portfolio and concentrate on more promising production.

In next two years the company will add to its portfolio two more products: wall painting and aerography. This way it will be able to offer its customers exceptional combination of services, which will include:

- Complex of brand identity tools (logo, font, etc.).
- Design of the location including the wall painting, lettering, placement of furniture, etc.
- Usage of all available techniques for formation of different printing materials (magazines, leaflets, menus).
- Painting of different enterprises’ merchandise.
- Construction of diverse tools for photo sessions.

It all, of course, can be combined in different combination depending on the needs of the client.

Still, lettering will be positioned as the chief product of Melomel. It will be the main direction of the company’s development and promotion. Development of Melomel as of lettering brand will be connected with promotion of Maria Osipova as creative leader of the company and master of her industry.

Lettering also will be the product with which company will expand to European market. Website of the company will be translated in English and the production will be adjusted accordingly. To eliminate additional costs Melomel will initially offer a production of logotypes and creation of different products that can be distributed digitally, such as leaflets’ design, décor of the menu.

8.5 Pricing strategy

In case of Melomel, the price not only plays its main part, it's also the competitive value, since the company can set up prices lower than its competitors and therefore be more beneficial for customers as it offers the same quality of production. On the other hand, price reflects the value of the product and it can't be set too low. Both B2B and B2C customers in Russia view the higher price as the indicator of superior worth, and in case if the company really has a lot of money, it can make choice in favor of more famous and expensive brand. Therefore, choice of price should be done carefully and thoughtfully.

Since the company provides unique services, it doesn't have one and only price list. There are several components of the final price which are as follows:

- Price of one hour of work.
 - Lettering. Price of one hour of work varies from 500 to 1 000 rubles. This depends on the following:
 - The complexity of the project and on how many time it will take to finish it. The longer is the project the cheaper is the price of one hour.
 - If work is done in the Melomel office or in the client's location.
 - The tools with which the drawing is done. Acrylic painting is cheaper than the chalk marker.
 - If the project ordered by the individual or by the legal entity. Price is lower for individuals, since they have less money.
 - Creation of photo zones. Price of one hour of work is varies from 300 to 500 rubles.
- Project management costs are 20% of the price paid for the length of work.
- Margin is 30% of the cost of the length of work.
- Additional costs to cover the rent of the office.
- Taxes with accordance with legal regulations of small business in Russia.
- Distribution costs: a customer can either pay for the delivery or collect an order itself if the customer is located in Yaroslavl.

Melomel will also need to set up prices for European markets, learning about current pricing situation beforehand. For example, below is presented chart reflecting prices for lettering on freelance website Upwork.

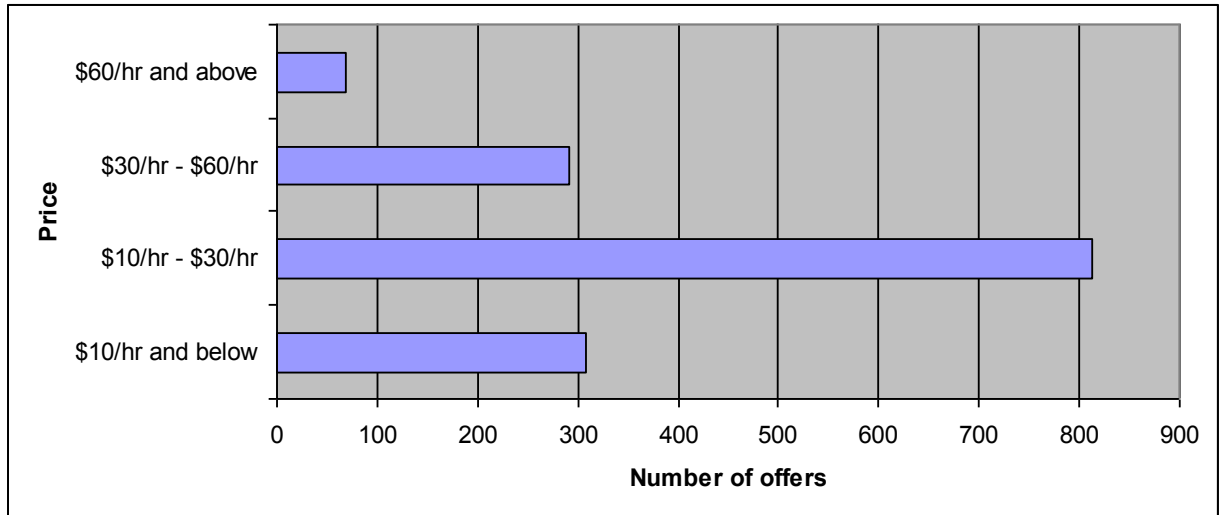


Figure 12: Hourly price for lettering services on Upwork (own source)

Price that Melomel offers is the same as most competitors (Melomel's maximum price is \$16 which falls into category of providers who offer their service for the price from \$10 to \$30).

Melomel will use penetration pricing strategy to enter European market: it will start with its lowest price which is about \$8 (for exchange rate for 26.03.2016) and raise prices only after gaining sufficient number of customers and recognition of brand.

8.6 Distribution channels

8.6.1 Russian market

The Melomel company is a small business and it doesn't have distribution network, instead it works directly with customers, which contributes in lowering costs and makes communication between buyer and seller easier.

In case of need to delivery photo zones equipment, Melomel uses services of Yaroslavl delivery companies, such as:

- Veset Vsem.
- Delovye linii.
- Atlas-Express.

- VA Logistics.
- ABS transport company.
- DIMEX.
- 76 region.
- AlfaTrans, etc.

Melomel can deliver its production to the whole Central Federal Region of Russia. Technically, the company can deliver its production to every other region as well, but the transportation costs might be too high for customers.

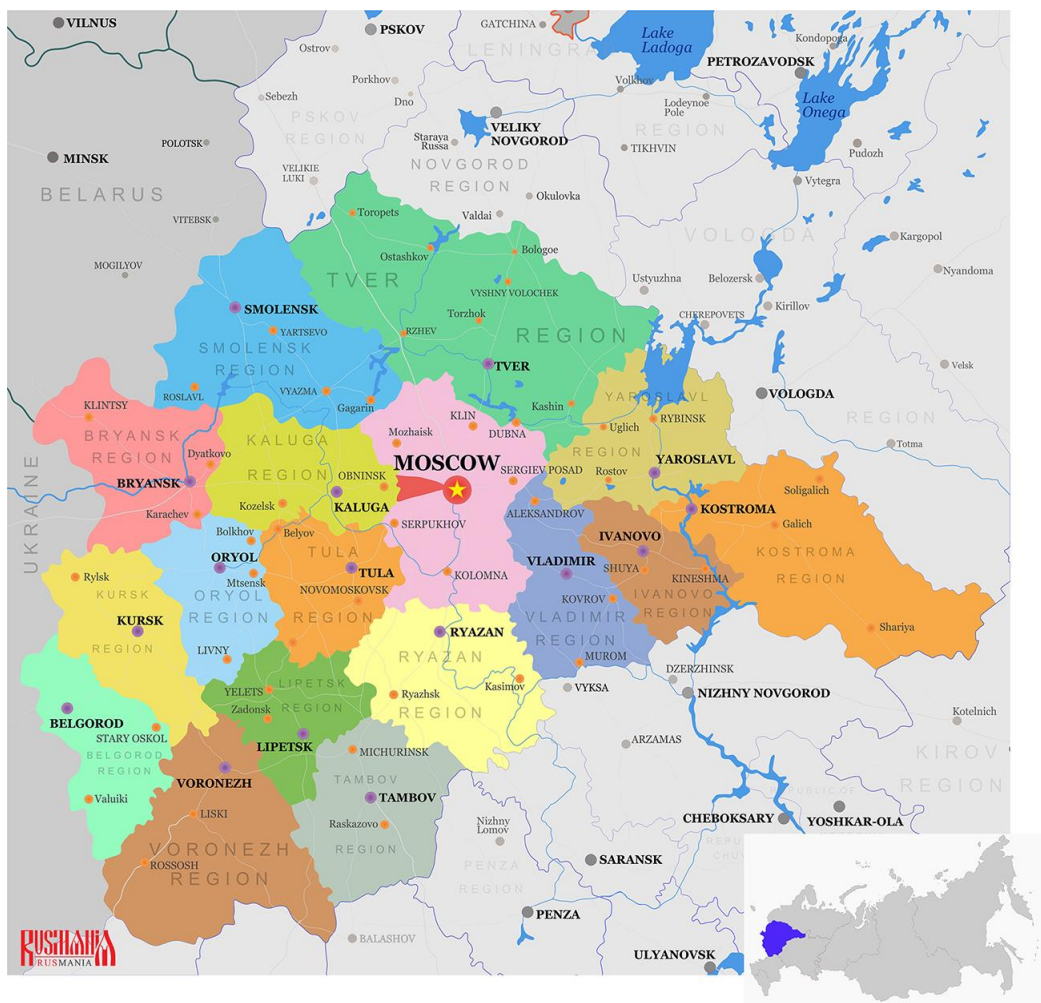


Figure 13: Central Federal Region of Russia (Rusmania.com, 2016)

Central Federal Region includes eighteen federal subjects:

- Belgorod Oblast.
- Bryansk Oblast.
- Vladimir Oblast.

- Voronezh Oblast.
- Ivanovo Oblast.
- Kaluga Oblast.
- Kostroma Oblast.
- Kursk Oblast.
- Lipetsk Oblast.
- Moscow City.
- Moscow Oblast.
- Oryol Oblast.
- Ryazan Oblast.
- Smolensk Oblast.
- Tambov Oblast.
- Tver Oblast.
- Tula Oblast.
- Yaroslavl Oblast.

Vologda Oblast isn't included in the Central Region, but Melomel still views it as a location of potential customers.

Within the Central Region Melomel will target firstly the cities which constitute The Golden Ring which is union of the ancient cities which played the role in formation of Russian Orthodox Church, and today they are themselves unique museums of Russian architecture and history and are one of the most visited places of interest in Russia. The Golden Ring includes the following cities:

- Sergiyev Posad.
- Pereslavl-Zalesskiy.
- Rostov Velikiy.
- Yaroslavl.
- Kostroma.
- Ivanovo.
- Gus-Khrustalny.
- Suzdal.
- Vladimir.
- Rybinsk.

- Uglich.
- Myshkin.
- Alexandrov.

Internal tourism is now becoming more popular in Russia, and different museums, cafes, restaurants, and shops will need to rethink their image and adopt new identity. Lettering is a perfect way to create something fashionable and traditional at the same time, so Melomel services will be in need.

Lettering as delivered either as digital file via e-mail or is created precisely in place where it will be displayed.

Another matter is sales department which the company doesn't have. Right now Maria Osipova itself has to spend time away from creation of production and spend weeks to do sales activities: meeting, negotiations and so on. So the next logical step for Melomel is to hire sales manager who will handle responsibilities of project manager as well. It has to be the person who understands given market, can manage multiply tasks successfully and is able to negotiate with various clients effectively.

Employment of sales manager will allow Melomel to increase its production capacity, raise profits and communicate with clients more successfully.

8.6.2 European market entry

Before entering the market Melomel will conduct market research which will identify if it is profitable to enter that market, which segment of the market the company should enter and what is a competitive situation in that segment. Melomel will also decide which countries to target at first. Since Melomel is the Russian company, it might address different companies with Russian-speaking decision makers (owners or marketers) in different European countries in addition to targeting of English-speaking target audience.

To reach European markets Melomel will use its own website, Google AdWords and international freelance networks, one of the most important of which is Upwork. Selling the product through freelance websites, Melomel will be able to learn about its competition, and it will allow potential customers easily compare Melomel with existing competitions.

Melomel can consider next modes of European market entry:

- Direct exporting.

- Partnering.
- Joint venture.

Partnering and joint venture might be better options in terms of sharing risks with another company; however, direct exporting is better in terms of establishing company's name in Europe and independent decision-making. Therefore, Melomel will chose direct exporting for penetration of European market.

Melomel will also address several potential clients directly by email or via a phone call.

8.7 Promotion

Social networks will be the main space for promotion of Melomel company. Though that mean will be used all five tools of promotion as described below.

8.7.1 Advertising

Information about new products of the company will be posted on the page social network pages of the company and on the pages of the partners. These posts will be explained benefits of said products and their usage.

The small company logo will be placed on ready products (if it's possible and fits into whole composition, for example of the one corner of the photo zone or back of the magazine for which Melomel created a cover) or in the list of event organizations which will strengthen the company's positions on the market and make the brand recognizable.

Also Google AdWords and Yandex Direct services will be used to ensure that people who search for lettering or creation of photo zones services in Yaroslavl and Central Region of Russia will find Melomel on the first page and the first place.

8.7.2 Sales promotion

For sales promotion will be used next instruments:

- **Price reduction.** Will be used after company increases its profit. Price reduction will be possible for loyal long-term customers. Either price of the product can be reduced or offered a free delivery.
- **Gift-giving.** Melomel will send special designer gifts to its partners and the most important customers. Gifts will be connected with companies production, so it can be, for example, a small chalk board with drawing instruments or a small photo

frame. Gifts will be mostly connected with main Russian holidays: New Year, 23 February, 8 March, Victory day, etc.

- **Events organization.** Melomel will organize small events for existing or new customers, such as workshops, seminars, lectures aimed at education about design and decoration. It can be company's own events, or co-sponsorship together with other enterprises.

8.7.3 Personal selling

Personal selling is one of the most important promotion tools for B2B markets. It allows the company not only to sell its product, but as well to study customer's needs and wants, and to gather customers' feedback. It is also a reason to hire a sales manager who will concentrate solely on this task.

To help the sales manager store and track information about customers CRM system will be implemented. The system will also allow keeping information in case if one sales manager leaves the company and another will step on board.

8.7.4 Public relations

Public relationships will be created and maintained through the social networks, as well as through personal sales. The Facebook page of the company will be created and the format of the VK page will be changed (currently it's aimed only on promotion of wedding decorations).

The aim of public relationships is to create a dialog with subscribers. It means that the messages posted on Instagram, Facebook or VK should be not only the descriptions of production and its attributes as in advertising. The aim of public relationships is to show that Melomel company is consists of alive and creative people, and images of those people will be integrated in the image of the company.

For example, between the posts with products will be included posts about inspirations with pictures of everything that people love and find pleasant to look at: cats, flowers, sea, and so on. The rule is though that the pictures have to be taken by somebody in the company and not just found on Internet.

Another category of posts will be advise posts, for example, how to draw, how to use lettering wisely, how to use colors in painting of interior, etc.

These “personal” posts shouldn’t be too long or too frequent, so the company will address professional marketing people to learn how to use its social networks.

8.7.5 Direct and digital marketing

Direct and digital marketing are also responsibilities of the sales person for the next two years. After the consultation with SMM professionals specific methods of communication will be developed. Direct and digital marketing tools will include e-mail communication, catalogues of production, etc.

For Melomel digital marketing is the main mean of promotion, because it doesn’t require large investment (except investment in the research and education) and allows the company to communicate directly with the customers.

8.7.6 Control of success

To understand if promotional tools work or not, Melomel must somehow measure it. The simplest way to measure social page influence would be measure the number of followers it has, however, number of followers and influence of content are not connected (Dahl, 2015).

Ultimately the goal of each promotion tool is to generate leads; that means that the company receives contact information from the possible customers. To measure which promotion methods work and which not, Melomel will use social media lead generation testing framework described by Bodnar and Cohen (2012). It is presented in the Figure 15.

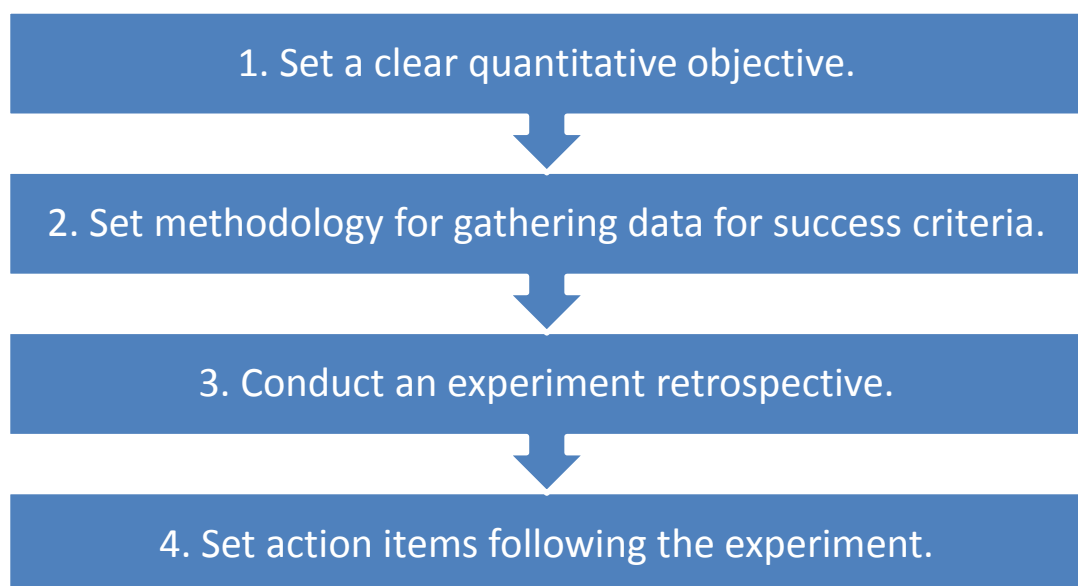


Figure 14: Lead Generation Testing Framework (Bodnar, Cohen, 2012)

To set a clear quantitative objective we will assume that each promotion tool is successful if it generates certain amount of leads and page likes (if applicable) in a month. For example, for Instagram these numbers will be 50 and 200 respectively.

Methodology for gathering data will be counting all generated leads and likes, and if possible the company will use service's own analytic tools (Google Analytics, Facebook Insights, etc.). Period for which measurements will be made will be equal to one month.

To conduct an experiment perspective employees of the company will have a meeting once a month and discuss how successful was marketing efforts in their opinion.

Following that monthly meeting, the team will plan placement of the content for the following month and preliminary calculate expected amount of leads and likes.

8.8 Costs analysis of marketing budget

8.8.1 Cost allocation

Due to ongoing economic crises in Russia and overall situation in the country, company doesn't make large profits, and aims to change this situation in next two years. This means that all possible cost should be thought through, weighted and placed carefully.

To calculate costs, I've searched different companies which provide required services, such as marketing agencies, CRM providers, event organizers, etc.

Costs of advertising in Google AdWords and Yandex Direct were estimated roughly based on found information about prices for these two services for different products and services.

Speaker invitation costs are based on price of traveling to Yaroslavl from Moscow (or other big city of Central Region or Saint-Petersburg) and back, accommodation in the city, and pay for the event itself. It is assumed that the speakers are professionals but not extremely famous people.

Sales manager salary is estimated based on salaries that are offered for similar positions on the different Russian job search websites, for example, HeadHunter, SuperJob, etc. Assumption is that sales manager will receive salary as high as the majority of offers, since we need to find the best candidate to work at Melomel.

Costs allocation is described in the Table 13.

Table 13: Costs allocation (own source)

Cost	Price in rubles		
	Price of one unit	2016	2017
Sales manager salary.	25 000 per month	150 000	300 000
CRM license (AmoCRM, expanded package for three users)	799 for one user	14 382	28 764
Advertising in Google AdWords (we assume that people click on the ad 100 times a month)	20 per click	12 000	24 000
Advertising in Yandex Direct (we assume that people click on the ad 100 times a month)	16 per click	9 600	19 200
Events organization budget (average for two events a year)			
Rent of place (average for two events a year)	5 000 (middle-sized room for three hours)	5 000	10 000
Catering (for 20 people during one event)	240 per person	4 800	9 600
Speaker invitation costs	15 000 for one event	15 000	30 000
Consultation of marketing specialist (once a quarter)	15 000 per one time	15 000	30 000
Other expenses		10 000	20 000
Total for each year		235 782	471 564
Total			707 346

The total marketing expenses are 707 346 rubles; the biggest part of it is the sales manager's salary. Of course, this expenses plan is assumes the maximum costs of each item, and the real costs might be much lower. All costs are calculated with assumption that each of them will start in June 2016.

The costs allocation will be reviewed by the end of 2016 and restructured with accordance with new information.

8.8.2 Possible sources of additional investment

In order to fulfill marketing plan Melomel will address next recourses of additional investment.

To purchase necessary equipment Melomel can address Fund to Support Small and Medium-sized Enterprises of Yaroslavl Region to receive a loan at preferential interest rates from 5 to 10%. Melomel can also address Yaroslavl Business-incubator for the search of potential investors.

To get the loan Melomel can also address several banks, such as:

- Sberbank.
- VTB24.
- Raiffeisenban.
- Openbank, etc.

Loan amount depends on the purpose of the loan, bank that gives that loan and loan period.

It is preferable for the company to operate on its own investments and get a loan only as last resort, as in unstable Russian economy it is hard to be sure that a credit will be returned fully, especially the long-term one.

8.9 Time analysis of marketing strategy implementation

Time analysis is intended to determine the critical path of the marketing strategy implementation and the fastest accomplishment of Melomel's main goals. Table below illustrates the list of activities and their duration.

Table 14: Action plan for Melomel company for 2016-2017 (own source)

Activity	Description	Required predecessor	Duration (weeks)
A	Placement of sales manager position on the job search website	-	1
B	Interviews with sales manager candidates	A	3
C	Selection of the suitable candidate, signing of a contract	B	3
D	Purchase of CRM system and its implementation	C	1
E	Translation of the website in English language	D	2

Activity	Description	Required predecessor	Duration (weeks)
F	Counseling with marketing professional and creation of promotion program	C	4
G	Placement of English advertisements in Google AdWords	E, F	2
H	Start of lettering production for the European market	E, G	3
I	Market research for a wall painting	F	3
J	Market testing of a wall painting	I	8
K	Evaluation of wall painting sales	J	1
L	Evaluation of lettering sales on European market	H	1
M	Marketing strategy revision and adaptation	K, L	2

Today exist plenty of project management tools, both free and paid, and it won't be a problem for the company to keep the track of its activities. Calculations for this project are done in WinQSB, PERT-CPM Module.

Table 15: Activities duration (own source, WinQSB)

03-25-2016 16:08:20	Activity Name	On Critical Path	Activity Time	Earliest Start	Earliest Finish	Latest Start	Latest Finish	Slack (LS-ES)
1	A	Yes	1	0	1	0	1	0
2	B	Yes	3	1	4	1	4	0
3	C	Yes	3	4	7	4	7	0
4	D	no	1	7	8	14	15	7
5	E	no	2	8	10	15	17	7
6	F	Yes	4	7	11	7	11	0
7	G	no	2	11	13	17	19	6
8	H	no	3	13	16	19	22	6
9	I	Yes	3	11	14	11	14	0
10	J	Yes	8	14	22	14	22	0
11	K	Yes	1	22	23	22	23	0
12	L	no	1	16	17	22	23	6
13	M	Yes	2	23	25	23	25	0
	Project	Completion	Time	=	25	weeks		
	Number of	Critical	Path(s)	=	1			

As we see from the table above the company should at first undertake activities for hiring a sales manager: placement of information about the vacancy on the job search website, then select suitable candidates and interview them, and at last select the suitable candidate and

to sign contract with him or her. This is the most important part of the whole plan, since that hired person will be responsible for the majority of the company’s administrative tasks. These activities will take seven weeks together which should be enough for finding the right person in such big city as Yaroslavl. After that Melomel should invite a professional marketing consultant for creation of promotional program for the company, after which the company will be able to start market research for the wall painting. If company will find out who are potential customers of this product and what they need the most, sales manager will reach to them (and some customers will reach to the company at the same time) to sale the product. After eight weeks of market testing, Melomel will evaluate sales and decide how to develop this new product in the future. Following that marketing strategy of the company will be revised and adapted for the next year.

At the same time the company will buy CRM system and implement it, translate its website in English language, start the company promotion on English market and later start production of lettering (since it’s easy to distribute digitally) on European market, which later will be evaluated as well before the revision and adaptation of marketing strategy.

After description of activities and their succession we have to determine duration of the project and critical path, which is the longest sequence of activities which should be completed on time, so the whole project can be completed on time. Determination of critical path gives the company opportunity to see which activities can be run at the same time without delay for the whole project. WinQSB calculations determined only one critical path, which is presented in the table below.

Table 16: Critical path (own source, WinQSB)

03-25-2016	Critical Path 1
1	A
2	B
3	C
4	F
5	I
6	J
7	K
8	M
Completion Time	25

As we see from the table, the completion time of the project is 25 weeks and the critical path includes activities A, B, C, F, I, J, K, and M. Any delay of these activities will delay the whole project.

Time analysis of the project also can be done in graphical form, which is represented below. Critical path is outlined in red color.

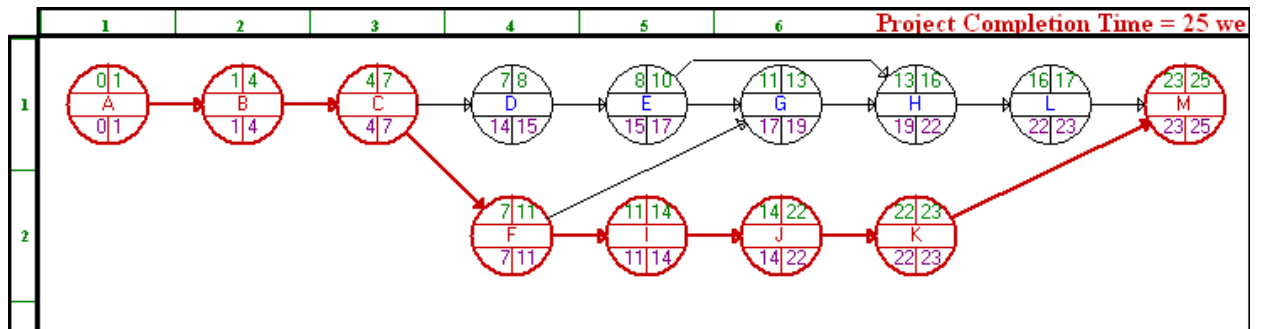


Figure 15: Graphical solution (own source, WinQSB)

Critical path solution can also be done in the form of Gantt diagram which can be found in the Appendix III.

8.10 Risk analysis

For the successful implementation of marketing strategy it is necessary to evaluate all possible risks and determine ways to keep them at minimum. Well done risk analysis will help Melomel to reduce unplanned costs and achieve high profits it hopes for.

Possible risks of the current project can be divided into:

- Internal risks:
 - Misunderstanding of company goals among team members, and as a result disproportionate actions. To avoid that risk company will form yearly, quarterly, monthly and weekly goals, which will be communicated to all employees. Monthly meetings also will be gathered to make sure that goals are clear for everybody.
 - High turnover of the workforce because of stressful working environment due to startup status of the company. To reduce this risk is necessary to create right perception of the job by possible candidates. They should know that it might require more energy and time than usual office job, but it is also their change to demonstrate their professionalism and develop their skills fully without formal restriction of big companies.

- Unsuccessful market analysis and ineffective launch of new product. To reduce this risk Melomel should never place all its hopes and investments on the one new product. It has to keep its brand image of lettering company and test new products perception before making it a bigger part of company's portfolio.
- Fail of marketing efforts. To reduce this risk company should constantly monitor the response to its marketing efforts (number of "likes", number of clicks on ads, number of new orders, etc.) and analyze them to see what does work and what doesn't. It will allow Melomel to notice ineffective promotion methods on time and stop wasting money on them.
- Financial risks, such as wrong calculation of costs or unexpected expenses. To reduce this risk Melomel has to plan all of its expenses in advance and create "emergency bank" which will be used only in the most crucial situations.
- External risks:
 - Political risks: government might set up new standards for small businesses (taxes, reposting, audit, etc.) which might make hard for the business to function. To reduce this risk Melomel can cooperate with other small businesses in Yaroslavl and Yaroslavl Region to observe political situation and actions of government. In case of problems the company can address local business incubators for legal counseling.
 - Low demand. As mentioned above, to reduce this Melomel should never rely on one product and create diverse portfolio instead. In that case, even if there is low or no demand for some products, other products will support the company through the hard times.
 - Aggressive competition. To reduce this risk Melomel will create strong brand image and ensure that every possible customer knows the benefits of working with Melomel. Offering of products or combination of products that the competitors don't have and clever promotion can also help to reduce this risk.

To evaluate risks probability and impact, risk matrix was created. Impact of each factor rated from 1 to 5, where 5 is the highest mark.

Table 17: Risks evaluation (own source)

Situation	Risk	Probability	Impact
A	Misunderstanding of company goals among team members	15	4
B	High turnover of the workforce	35	3
C	Unsuccessful market analysis and ineffective launch of new product	10	4
D	Fail of marketing efforts	15	2
E	Financial risks	20	4
F	Political risks	25	4
G	Low demand	5	5
H	Aggressive competition	5	3

Figure below indicates the most serious risks in terms of probability and impact.

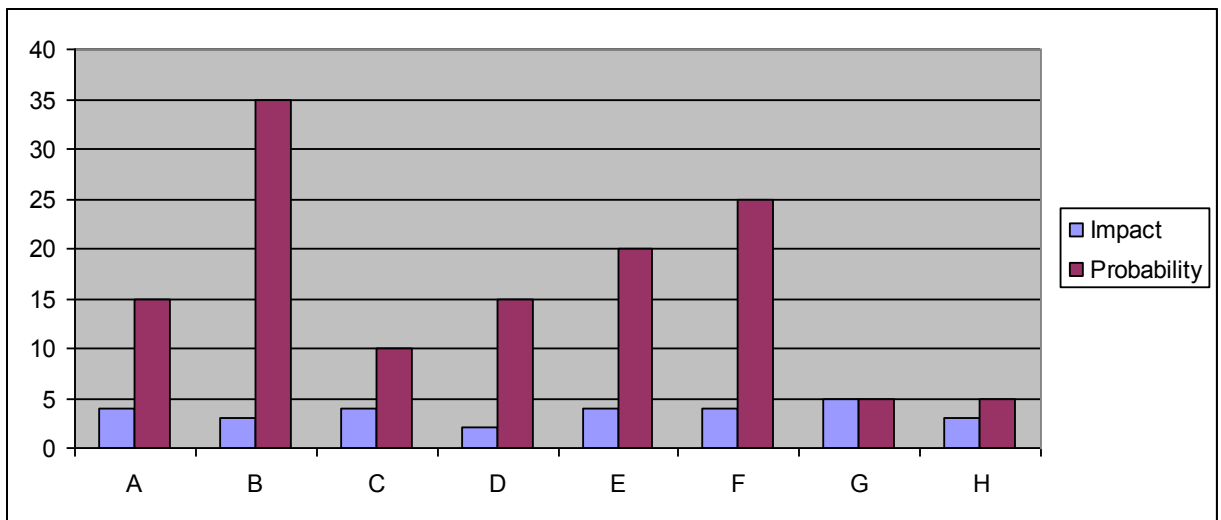


Figure 16: Risks rank (own source)

According to the risk analysis high turnover of the workforce has the highest probability of occurrence; therefore Melomel should pay a lot of attention to avoid it. Risk of low demand has the highest impact in case of occurrence, but overall actions of the company should be sufficient to avoid this situation.

CONCLUSION

The aim of this project was to develop marketing strategy for Melomel company in a way that will allow the company to stabilize itself, enlarge portfolio, increase profits, and expand the business to European market.

Market research showed that currently there are several most noticeable competitors for Melomel on the market of lettering and creation of photo zones, yet Melomel has good chances to take its own niche and achieve its goals. Porter's five forces analysis shows that market is attractive and profitable, with a few threats that can be balanced by company's actions.

As a result of the project was developed marketing strategy with detailed description of product, price, place and promotional activities that Melomel should undertake.

The first step for Melomel would be hiring of sales-manager who will manage sales and project management of the company which will allow Melomel to improve its business processes and expand production volume. Also, Melomel has to translate its website in English and start to produce part of portfolio that can be distributed digitally for European market, the best way to enter which is direct exporting with penetration pricing.

Moreover, Melomel has to create Facebook page to become more visible to potential customers, especially for English-speaking audience. Company should adjust the way it communicates with customers over social networks to create a dialog and to strengthen relationships with customers.

In this project maximum costs of project implementation were calculated along with ways to get additional investments.

Time analysis of the project was conducted where was determined the critical path of planned activities.

At last, were described possible risks of the project, were estimated their probability and impact and were described ways to eliminate them.

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LIST OF ABBREVIATIONS

BCG	Boston consulting group.
CRM	Customer relationships management
DTF	Distance to Frontier
EFE	External evaluation factor
GDP	Gross domestic product
GE	General Electric
IFE	Internal evaluation factor
R&D	Research and development
RIC	Regional Integrated Center
ROI	Return on investment
SBU	Strategic business units
SWOT	Strengths, Weaknesses, Opportunities, and Threats
UN	United Nations
VAT	Value added tax
VMS	Vertical marketing system
VRIO	Value, Rarity, Imitability, Organization
WTO	World trade organization

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APPENDICES

APPENDIX I: Portfolio of Melomel company

APPENDIX II: Quantitative Strategic Planning Maxtix

APPENDIX III: Gantt chart (own source, WinQSB)

APPENDIX I: PORTFOLIO OF MELOMEL COMPANY

Product	Example
<p data-bbox="284 616 742 654">Design of stylized magazine cover.</p>	 <p data-bbox="860 396 1342 871">The image shows a stylized magazine cover for '#JET' (Issue No. 2, November 2014). The cover is dark with white and gold text and illustrations. The main title is '#JET' in large, bold letters. Below it, there is a banner that says 'Ваш персональный экземпляр бортовой номер 2'. The cover features a central illustration of a jet airplane. Text on the cover includes 'первый советский реактивный самолет' (the first Soviet jet airplane) and 'первый полет 1955 год' (first flight 1955 year). The background has faint, stylized drawings of an airplane's interior and exterior.</p>
<p data-bbox="288 1160 737 1249">Design of wall menus in cafes and bars with usage of chalkboards.</p>	 <p data-bbox="817 920 1386 1485">The image shows a bar interior with a chalkboard menu. The menu is written in white chalk on a dark background. It lists various drinks and cocktails, including 'Английский', 'Итальянский', 'Французский', 'Русский', and 'Салаты'. The bar has a red wall and a counter with bottles and glasses. The menu also includes a note: '+ напиток на беду'.</p>

Creation of leaflets.



Creation of banners for the shop windows.



Development of price-list designs.



Tableware design.



Creation of tables for different purposes.



APPENDIX II: QUANTITATIVE STRATEGIC PLANNING MAXTIX

Key factor	Weight	SO1		SO2		SO3		SO4		SO5	
		AS	TAS	AS	TAS	AS	TAS	AS	TAS	AS	TAS
S1	0,2	4	0,8	4	0,8	4	0,8	4	0,8	3	0,6
S2	0,12	4	0,48	4	0,48	4	0,48	4	0,48	2	0,24
S3	0,1	4	0,4	4	0,4	4	0,4	4	0,4	4	0,4
S4	0,06	3	0,18	4	0,24	4	0,24	4	0,24	1	0,06
S5	0,1	2	0,2	4	0,4	2	0,2	2	0,2	1	0,1
S6	0,06	1	0,06	2	0,12	1	0,06	1	0,06	4	0,24
W1	0,07	1	0,07	1	0,07	3	0,21	2	0,14	3	0,21
W2	0,15	2	0,3	2	0,3	3	0,45	2	0,3	3	0,45
W3	0,05	1	0,05	2	0,1	1	0,05	1	0,05	1	0,05
W4	0,03	1	0,03	1	0,03	2	0,06	3	0,09	1	0,03
W5	0,06	1	0,06	1	0,06	2	0,12	3	0,18	3	0,18
O1	0,1	3	0,3	3	0,3	3	0,3	2	0,2	4	0,4
O2	0,07	4	0,28	3	0,21	4	0,28	3	0,21	4	0,28
O3	0,11	4	0,44	4	0,44	3	0,33	3	0,33	4	0,44
O4	0,07	2	0,14	2	0,14	2	0,14	3	0,21	4	0,28
O5	0,08	4	0,32	2	0,16	4	0,32	1	0,08	1	0,08
O6	0,03	1	0,03	1	0,03	1	0,03	4	0,12	3	0,09
T1	0,2	3	0,6	3	0,6	4	0,8	4	0,8	4	0,8
T2	0,08	1	0,08	1	0,08	1	0,08	2	0,16	4	0,32
T3	0,14	2	0,28	1	0,14	1	0,14	2	0,28	4	0,56
T4	0,09	3	0,27	4	0,36	4	0,36	3	0,27	4	0,36
T5	0,03	4	0,12	4	0,12	4	0,12	3	0,09	4	0,12
STAS			5,49		5,58		5,97		5,69		6,29
Priority		5		4		2		3		1	

APPENDIX III: GANTT CHART (OWN SOURCE, WINQSB)

