

# [Opening a cafe in moscow russia marketing essay](https://assignbuster.com/opening-a-cafe-in-moscow-russia-marketing-essay/)

We are a newly established company in food and drink industry. We plan to set up our first café shop in a business area in Moscow, Russia. We want to differentiate ourselves from our competitors by providing high product quality and high service quality. Our café shop is not only a place for people to enjoy life but also a suitable place to work.

Russia is a very different in culture (Euro-Asia) comparing to other western countries. It changes so quickly that we need to work deeply on our marketing plan to adapt to this fast changing market.

## 2. Market Analysis

## 2. 1. The Market of Russia

Russia is the world’s largest country in terms of area, stretching from the Baltic to the Pacific across 10 time zones, with an estimated population of 144 million.

Russia is one of the fastest growing emerging markets at present with a GDP growth of 7 percent in 2008. Revenue from crude oil and natural gas exports and strong domestic demand are contributing to a booming economy, making it the bright spot in an otherwise challenging region.

Russia ranked third, in A. T. Kearney’s Global Retail Development Index 2008, which qualifies it as one of the most attractive retail markets for international investors. Robust income growth, a reduction in unemployment, consistent government policy and a rapidly increasing middle class offer optimistic expectations for the future development of retailing in Russia.

## 2. 2. The Market of Moscow¼ˆwhere we want to set up our first café¼‰

Moscow is the capital and the largest city of the Russian Federation. It is also the largest city in Europe, with the Moscow metropolitan ranking among the largest urban areas in the world. Moscow is a major political, economic, cultural, religious, financial, educational, and transportation centre of Russia and the world.

## 2. 2. 1. Population

According to the 2002 Census the population of the Moscow was 10, 382, 754, however, this figure only takes into account legal residents. Substantial numbers of internal migrants mean that Moscow’s population is still increasing.

## 2. 2. 2. Economy

Moscow is a major economic centre and is home to the largest number of billionaires in the world, which is the reason why we choose Moscow to start our Café chain business before expand to other cities of Russia.

Since a significant portion of Russia’s profits and development is concentrated in Moscow as many multi-national corporations have branches and offices in the city, we may consider whether to target this segment of white-collar working class by providing a special quieter area in our coffee shop especially for them, with Wi-Fi free of charge, making them feel that our coffee shop is a suitable place to work while enjoying their coffee break.

## 2. 2. 3. Crime

However, while the overall stability has improved in the recent years, crime continues to remain a problem hindering business development. Pick-pocketing is frequent in Moscow, as well as burglary from vehicles. Organized crime in Moscow and Russia in general, has often been involved with drug trafficking, cyber crime, prostitution, and financial crimes.

Thus, we have to consider the security level when we are selecting the location of our coffee shop(s), not only for the safety of our shop itself, but for the safety of our employees and our customers.

## 2. 2. 4. Transportation

## Air

There are five primary commercial airports serving Moscow: Sheremetyevo International Airport, Domodedovo International Airport, Bykovo Airport, Ostafievo International Airport and Vnukovo International Airport.

We may consider whether we open a coffee shop inside the Sheremetyevo International Airport or/and the Domodedovo International Airport, as Sheremetyevo International Airport is the most common entry point for foreign passengers, handling 60% of all international flights, while Domodedovo International Airport is the leading airport in Russia in terms of passenger throughput, and is the primary gateway to long-haul domestic and CIS destinations and its international traffic rivals Sheremetyevo’s.

## Metro

Local transport includes the Moscow Metro, a metro system famous for its art, murals, mosaics, and ornate chandeliers. Today, the Moscow Metro contains twelve lines, mostly underground with a total of 177 stations. The Moscow Metro is one of world’s busiest metro systems, serving more than nine million passengers daily.

Again, when selecting the location of our coffee shop, we have to take into account the transportation factor. We must choose a place where it is not only easy to recognize but also convenient to arrive at.

## 2. 2. 5. Internet User

Internet penetration is lower than in Western countries, although it is developing at a fast pace in Russia, and is currently at 30. 2%. The number of internet users has risen from just 220, 000 in 1995 to 42, 936, 000 users in 2007. Service providers are expanding beyond their traditional markets in Moscow and St. Petersburg into Russia’s regions. Although still low at around 38%, PC penetration improved rapidly from less than 1% in 1990. Continued growth in the home ownership of PCs will spur further development in the number of internet users as PC ownership and internet development are closely linked.

## Possession of PC and growth of internet users: 2002-2007

¼ˆSource: Euromonitor International from national statistics/ITU¼‰

## 3. Industrial Analysis

## 3. 1. Foodservice Industry in Russia

Cafés and restaurants account for 37. 3% of the industry’s value in 2007.

## 3. 1. 1. Market Value Forecast

The compound annual growth rate of the industry in the period 2007-2012 is predicted to be 5. 1%.

## 3. 1. 2. Market Volume Forecast

The compound annual growth rate of the industry volume in the period 2007-2012 is predicted to be 0. 3%.

From the above data, we can see that the market volume for the next 5 years is expected to grow steadily but low in growth rate, In 2012, the Russian foodservice industry is forecast to have a volume of 5, 112. 1 million transactions, an increase of 1. 7% since 2007, while the market value during this period will enjoy a healthy growth. In 2012, it is forecast to have a value of $6. 5 billion (165. 6RUR billion), an increase of 28. 3% since 2007. That is to say, the market will be in a trend with low volume of transactions but can generate higher value. This information will lead us to differentiate our café shop from other common coffee shops by providing high quality of products and service with comparatively higher prices.

## 3. 2. Hot Drinks Industry in Russia

Coffee sales proved the most lucrative for the Russian hot drinks market in 2007, generating total revenues of $2. 5 billion, equivalent to 64. 1% of the market’s overall value. In comparison, sales of tea generated revenues of $1. 3 billion in 2007, equating to 33. 5% of the market’s aggregate revenues.

## 3. 2. 1. Market Value Forecast

The compound annual growth rate of the market in the period 2007-2012 is predicted to be 2. 2%.

## 3. 2. 2. Market Volume Forecast

The compound annual growth rate of the market volume in the period 2007-2012 is predicted to be 0. 9%.

In 2012, the Russian hot drinks market is forecast to have a value of $4. 3 billion, an increase of 11. 3% since 2007, and a volume of 285. 8 million kg, an increase of 4. 7% since 2007.

Again, the above data justifies our decision of entering Russia market, as coffee still remains the most popular and important hot drinks among Russians.

## Buyer Power

## Self-realized muscovite people with high consumption potential

## Spontaneous group of people buying compulsively

## Needs and wants change very quickly

## 3. 3. Porter five forces

## Indirect Competitors

Retail stores and malls

## New Players

New large groups like Starbuck chain look at enter the market

Long time to enter the market because of barrier of laws and government

Number of new players already in the market

## Foodservice Industry Russia

Number of new companies, choice offered to the customer

Higher growth in value than in volume

Differentiation in product quality and visibility

Brand building is key for this market very competitive market

## Services alliances (suppliers)

Necessity to make alliances with suppliers to survive

Importance of having good quality food at low price

¼ˆSource¼šDataMonitor Published September 2008)

3. 4. SWOT analysis

STRENGTHS

WEAKNESSES

Strong market growth

Purchasing high quality raw materials give us a competitive advantage

Being able to adapt our product and business model to the market needs and wants customer changes

Strong market study to verify our assumptions on the field and later on adaptation through regular surveys

Strong operation process

Alliances with suppliers

Staying aware of the different cultures that exist in Moscow

Strong values in accordance with customer’s own values (e. g. on quality respect)

Time to implement the structure due to our lack of market knowledge

Seasoned industry (week-end and days off for holidays because of business area)

High cost for commodities (high level of equipment required)

Build a partnership with business partners can be long and not solid enough

Lack of stability of human resources

OPPORTUNITIES

THREATS

Taking into account the market changes

High capacity for adaptation

Having a leading strategy In Moscow will put us one step ahead from competitors, is a key factor to create a new trend

Create a team spirit in the company that keep Faithful the human resources

Government regulation:

Competitors like Starbuck Coffee with a financial advantage

Market demand difficult to evaluate

## 4. Strategies

Our strategy is a market penetration strategy, focusing reaching a new customer market niche.

## Current products

## New products

## Current

## Markets

Market penetration

Strategy

Product-development

Strategy

## New

## Markets

Market development

Strategy

Diversification

Strategy

## Source:” Strategies for diversification” by Igor Ansoff

Our approach is to enhance relationships with our customers, the “ self-realized people” that it corresponds to middle-aged people with a high consumption potential.

4. 1. Objectives (a 5-year Plan)

Investment: 100, 000 euros for the first café shop

## Timetable:

Time

actions

results

T0 +6 months

Marketing study

T0 + 12 months

Preparation for the establishment of our first café in Moscow

Get everything done before operation (place, suppliers, HR, etc)

T0+30 months (to be consolidated) (Breakeven point) (estimated after 18 months of operation)

operation of our first Café shop and consolidation

At least to reach breakeven

T0+36 months

Find investors and prepare to open the second café shop

Open the second café in the same city

T0+ 60 months

Find investors and prepare to open more café shop

Expend more café shops in other cities in Russia

## Quantifiable

Average number of customer per day

Number of days of operation per year (5 days / week)

Total sales per year

Estimated profit after 2 years of operation (5%)

300 – 400

250 days

500, 000 euros

25000 euros per year

## Achievable

We think that our objectives are achievable and this lowest estimate will be consolidated.

4. 2. Segmentation/Targeting

To be useful, market segments must rate favorably on five key’s criteria:

It has to be measurable, substantial, accessible, differentiable and actionable. (Source Kotler& Keller Marketing management second edition)

The segment, we have chosen for this marketing plan complies with those criteria.

Our target is the Self realized group’s of Customers:

What are their characteristics?

Self-realized group is middle-aged people with a higher proportion of women. They have a high consumption potential. Their values go to life quality and healthcare.

On the opposite of innovators’ group or spontaneous ones, they don’t like advertisement. They want to make their own choice based on the facts they have access.

What are our assumptions regarding to the benefits this type of customers want to find when entering in our Café?

The list of characteristics we need to measure thanks to a marketing survey before applying to our Café are the followings.

## Quality 1st

## Quick to get

## Comfortable when having more time

## Segmentation

## Customer type

## Benefits

Innovators

Spontaneous

Ambitious

Self-realized

Settled

Traditionalists

Thrifty

High quality drinks/food

3

1

5

1

5

2

6

High quality service

4

2

6

2

6

1

6

Relaxing area

2

5

4

4

2

4

5

Nice working area (with wi-fi)

6

6

1

3

4

6

5

Nice place to meet people

1

3

2

6

1

5

4

Takeaway/Phone order delivery service

5

4

3

5

3

3

4

## Segment

## B

## A

## C

## A

## C

## D

## D

## Targeting:

We want to target segment A which include Spontaneous and self-realized people. The second largest group, the “ Spontaneous”, is dominated by men and singles, and they often buy goods impulsively. The “ Self-realised” are middle-aged people, with a higher proportion of women, and a high consumption potential. This important group tends to be irritated by advertising, valuing quality and pays attention to healthcare.

## Explanation of the customer types in segmentation:

Region-Media, specialists in Russian advertising, have conveniently identified seven types of consumers in this market. The growing group of “ Innovators” are mainly based in Moscow, prefer to spend their free time involved in sports activities and active leisure and eat out in restaurants featuring exotic cuisine. The second largest group, the “ Spontaneous”, is dominated by men and singles, and they often buy goods impulsively. The cluster of the “ Ambitious” is smaller, and relies on advertising when looking for a product. The “ Self-realized” are middle-aged people, with a higher proportion of women, and a high consumption potential. This important group tends to be irritated by advertising, valuing quality and pays attention to healthcare. The largest group are the “ Settled” (25% of consumers in Russia and 21% in Moscow), a rather traditional group with great brand affinity: innovations barely interest them. The “ Traditionalists” pack a low consumer potential, as half of them are retired and loyal to retail outlets that have survived since Soviet times. The last and smallest cluster, “ Thrifty”, mainly shops in discount shops.

(Source: www. euromonitor. com Top 10 consumer trends in Russia)

4. 3. Positioning

To convince customers of our targeted segment that coming in our café will offer the benefits they need.

“ To spontaneous and self-realized people in Moscow that our café shop is a nice place for both working and relaxation, because it offers products and services in high quality, free wi-fi access, takeaway/ phone order delivery services,”

## 4. 4. Designing the Offer ( Marketing Mix)

4. 4. 1. Products

We offer high quality drinks and healthy food with first rate raw material.

For us, products must be natural and fresh.

## Examples:

## Coffee¼š

The basic offer contains, cappuccino, latte and espresso’s made with grains from different countries as Brazil, Italia, Colombia or Kenya.

## Chocolate:

Our “ Caramel & Chocolate” is a creation with cold chocolate, whipped cream and a drizzle of hot caramel syrup.

The Canadian chocolate is made with dark chocolate and cranberries.

## Tea:

Our basic offer is represented by international flavour as Green tea and white tea from Japan and China and yellow tea, a very rare and delicate blend from China. The last one is Ceylon tea, a black tea from Sri Lanka.

We also offer flavoured teas as “ Jasmine tea” from India, a combination of green tea and oxidized jasmine flowers. The “ Mint tea” from Morocco is Gunpowder tea in which is added, during the infusion, fresh mint leaves and sugar. And finally, Earl Grey tea that is a tea blend with a distinctive flavour and aroma derived from the addition of oil extracted from the rind of the bergamot orange, a fragrant citrus fruit.

## Our Cafe Menu

COFFEE&CHOCOLATE

## Espresso

The essence of coffee extracted into a concentrated one ounce beverage

## Espresso Macchiato

A shot of espresso marked with a dollop of foamed milk

## Traditional Cappuccino

Espresso combines with a velvety milk foam.

\_ 1/3 espresso

\_ 1/3 steamed milk

\_ 1/3 frothed milk

## Mocha

Espresso with foamed milk with chocolate syrup or powder added

## Latte

Espresso combines with steamed milk, topped with a small amount of milk foam.

\_ 1/3 espresso

\_ 2/3 milk

## Americano

Espresso diluted (after brewing) with an equal portion of hot water

## Latte Art

## Latte Rosetta

## Hot Chocolate

## Mexican Chocolate

## Canadian chocolate

## Caramel & Chocolate

## TEA

## Bushells, Earl Grey, English Breakfast, Irish Breakfast, Vanilla, Arctic Fire.

Herbal Teas: Red Zinger, Chamomile, Lemon, Peppermint

Ceylon tea: a black tea from Sri Lanka

Green tea & yellow tea: from China

White tea: from Japan

Jasmine tea: from India

Mint tea: from Morocco

## SOUP

## Tomato Dill Soup

Creamy tomato soup with chunks of sweet tomato. Topped with sour cream.

## Chicken Tortilla Soup

Steamy chicken broth loaded with smoked chicken, jack and cheddar cheeses, tortilla strips and scallions.

## Potato Cheese Soup

Rich and creamy potato soup topped with jack and cheddar cheeses, bacon and scallions.

## Hot borchtch (Ð‘ Ð¾Ñ€Ñ‰):

Traditional Russian’s soups made with beetroot, beans, cabbage, carrots and beef with thick dark bread.

## Butternut Squash and Sage Soup

Olive oil, onion, squashes, fresh sage, chicken broth , salt and freshly ground black pepper

## Shrimp and Basil Bisque

Unsalted butter, onion , carrots , celery , bay leaf, long-grain rice, chopped tomatoes, basil leaves, heavy cream, salt and freshly ground black pepper

## White Bean and Rosemary Soup with Roasted Garlic Croutons

Unsalted butter, olive oil, onion, carrots, celery, vegetable broth, fresh rosemary

## Creamy Potato Soup with Sour Cream, Bacon and Chives

Bacon, onion, garlic, potatoes, chicken broth, salt and freshly ground black pepper , sour cream, Cheddar cheese , chives

## Wintertime Tomato Soup with Grilled Cheese Croutons

Olive oil, celery, carrot, tomatoes, crushed tomatoes, tomato paste, vegetable broth, bay leaf, cream salt and freshly ground black pepper

## Stracciatella (Italian Egg Drop Soup)

Chicken broth, eggs, grated Parmesan cheese, plus more for garnish, semolina flour, spinach, parsley, nutmeg, salt and freshly ground black pepper

Mushroom Solyanka: cabbage with vinegar, tomatoes, and cucumber pickles, with little brine, mushrooms, onions, lemon skin.

## SALAD

## House Salad

Mixed field greens with hearts of palm, red cabbage & carrots. Served with your choice of a Candle dressing.

## Classic Caesar

Romaine lettuce with herbed croutons in a creamy caesar dressing and sprinkled with toasted dulse.

Chicken Salad

Mixed leaves, chicken pieces, cucumber, tomato, corn, boiled egg and dijon mustard dressing

## Soba Noodle Salad

Soba Noodles, ginger grilled tofu, shiitake mushrooms, edamame, julienne carrots, radish and

sesame seeds over mesclun with a creamy wasabi dressing.

## Roasted Pear Salad

Arugula, roasted pears, shaved fennel, cashew-tofu cheese and toasted walnuts. Served with a cranberry vinaigrette dressing.

## Aztec Salad

Bi-color quinoa, black beans, red onions & jicama topped with spiced pumpkin seeds and barbequed grilled tempeh. served over mixed field greens with a toasted cumin vinaigrette.

## Buffalo Chicken Salad

Fried chicken tossed with spicy Buffalo sauce and served over a bed of mixed greens with Bleu Cheese crumbles, mushrooms, tomatoes and eggs. Best with Bleu Cheese dressing.

## California Bleu Salad

Fresh mixed greens topped with Bleu Cheese crumbles, spicy sugared walnuts and fresh strawberries. Served with Bleu Cheese toast. Best with Sweet Balsamic Vinaigrette dressing.

## Hawaiian Chicken & Shrimp Salad

A skewer of spicy grilled shrimp and tender diced chicken tossed in a sesame marinade. Served atop fresh mixed greens with tomatoes, sweet pineapple chunks, walnuts and toasted coconut. Best with Asian Sesame dressing.

## Monterey Chicken Salad

Herb seasoned or Cajun-style chicken atop fresh mixed greens with bacon and egg, tomatoes, jack and cheddar cheeses. Best with Honey Mustard dressing.

## Spinach & Goat Cheese Salad

Leaf spinach, red onions, mushrooms, bacon and egg with goat cheese, topped with spicy sugared walnuts. Best with our Hot Bacon Vinaigrette.

## Asian Sesame Salad

Diced fried chicken tossed in our sesame marinade over mixed greens, red onions, tomatoes and mandarin oranges. Topped with Asian noodles. Best with Asian Sesame dressing.

## Smoked Chicken Cobb Salad

Smoked chicken atop mixed greens with tomatoes, black olives, red onions, jack and cheddar cheeses and crumbled bacon. Best with Ranch dressing.

Provence Salad

Chicken, ham, corn, peppers, cheese, cucumber, tomato, egg, mixed salad with a whole grain mustard and herbs de Provence dressing

## Nordic Salad

Smoked salmon from Norway, egg, salad, sorrel, chives and raspberry vinegar

## Scallop & Caviar Salad

Fresh scallops, sevruga’s caviar, endive, cider vinegar and saffron

## SMOOTHIES and HEALTH DRINKS

## Orange, Banana or Berry Smoothie

## Milkshakes

Banana, Strawberry, Mango and Kiwi with pieces of white and dark chocolate on the top.

## Vitamin Power

Strawberries, kiwifruit, yoghurt, soy milk, wheat germ and honey (high in vitamins)

## Pick Me Up

Banana, pineapple juice, coconut milk, yoghurt, honey, wheat germ and ice (energy booster)

## San Pellegrino

## Still or sparkling water

## Freshly Squeezed Orange

## Apple or Cranberry juice

## Glass of Milk

## DESSERTS

## Carrot Cake

## Decadent Chocolate Cake

## Daily Cheese cake

## Sweet Potato Pie

## Seasonal Fruit Crumb Pie

## Chocolate Mousse Pie

( For the detailed price, we have to consolidate it during the first 6 months of detailed marketing study)

## 4. 4. 2. Services

Our employees are well trained waiters and waitresses. They will always welcome customers with warm smile and serve you in a very polite manner.

We also offer “ takeaway” or “ phone order” services for people in a hurry. We just want to provide as much convenience as possible to meet our customers’ needs.

## 4. 4. 3. Price

According to our marketing research, the average cost for drinks is around 100RUB (3euros), desserts for 100RUB (3euros), a good meal costs about 400RUB (12euros) for one person, etc. As we are a café with better products and services, we would price our products above average, say:

Coffee&Chocolate: 5-8 euros

Drinks: 3-8 euros

Tea: 5-10 euros

Soup: 5-8 euros

Salad: 5-10 euros

Desserts: 3-8 euros

## 4. 4. 4. Place (distribution)

We plan to find a place near the business area because our main target is business people who care about quality of the products and services.

In our future planning, we would like to develop our café business in Russia through franchising after we have established the model of our café brand, of course, this idea should be based on the good operation result of our first café shop.

## 4. 4. 5. Promotions

As we are a totally new cafe shop in Moscow, it is very necessary to use effective ways to make us known to Moscow people. We plan to use the following methods to promote ourselves:

## Advertising

Advertise our cafe shop on magazines such as business magazines, food magazines, etc. and newspapers

Advertise our cafe through radio, so that Moscow people can get the information during breakfast time, driving a car, etc. We do not plan to do advertisement, for it is too expensive for us, however, radio ads is a comparatively cheaper way.

Showing billboard-type ads in business areas

Using transit ads on buses, subways and commuter trains

## Internet Marketing

We decide to build up our own website in order to provide as much information as we can to attract more customers.

## Sales Promotion

Establish customer management system. Offer a fidelity card for customers when reaches a certain amount of consumption. And each time they consume in our coffee shop, they earn points into his card. The earned points can be used as cash to pay for the products they buy in our cafe shop.

Offer coupons occasionally

Offer “ free goods” according to different national holidays (eg. Valentine’s Day; Christmas, etc.

5. Action Plan

Research has shown that:

Relationship Marketing is the ongoing process of identifying and creating value with individual customers and then sharing the benefits from this over a lifetime association. It involves Understanding, focusing and management of ongoing collaboration

Between suppliers and selected customers

For mutual value creation and sharing

Through interdependence and organizational alignment.

(From Gordon, Relationship Marketing, pg9.)

To implement our strategy with this approach we need to focus on customer benefits on a long time scale basis.

The action plan has been established using this approach.

What

Objectives

Benefit

When

Who/Lead

Team organization

Organize the whole team. What are the objectives, the milestones, people in charge…

Project Manager (PM)

Align the project strategy with the business customer expectations

Be align on a same set of objectives

Going the same way.

PM

Project Launch

Start the new project and let it know

Project team/PM

Describing the process and the people involved

Be aware of the advantages each one has to forecast and organize in advance. Understand the constraints and possibilities offered by the process.

By knowing who is doing what and for which purpose, people can improve the whole process

Taking into account the customer survey

Designing the offer, adapt the menu

Adapt to the consumer requirements

Designing the offer