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LAPPEENRANTA UNIVERSITY OF TECHNOLOGY

School of Business and Management

Program Global Management of Innovation and Technology

Mater's Thesis

**EVALUATION OF RUSSIAN MARKET POTENTIAL FOR  
DEVELOPING POSITIONING STRATEGY OF FOOD SAFETY  
PRODUCT**

Kruglikova Anna

1<sup>st</sup> Supervisor: Dr. Sc. (Tech) Daria Podmetina

2<sup>nd</sup> Supervisor: Professor Juha Väättänen

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## ABSTRACT

<b>Author:</b> Kruglikova Anna
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<p>Launching new innovative products to markets is a complicated process which depends on the impacts of various factors. Many companies are relying on the results of marketing analysis which provides data about markets which can be profitable for launching new product. This is an important part of the innovation process. Nevertheless, right selection of such markets it is just the beginning of marketing process which cannot guarantee the unconditional success. Choice of the right positioning strategy plays the significant role in this process.</p> <p>The aim of this study was to determine which factors influence the most in the choice of the most suitable positioning strategy and how to measure their influence. In order to develop tool which can help companies to select the right positioning strategy the case company was chosen.</p> <p>Identification of such factors was made based on the interviews with marketers of the case company. Analysis of interviews and literature has shown significant influence of psychographic factors and innovation type on customers' perception of the positioning strategy. Based on results of interview the simulation model in "iThink" software was built, which can be integrated in the process of the positioning strategy selection. Simulation model of positioning innovations on local markets is based on psychographic segmentation of different markets, type of innovations.</p>



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# 1. INTRODUCTION

This is an introduction to the Master's thesis "Evaluation of Russian market potential for developing positioning strategy of food safety product". It gives the research's general background, problem and objectives, describes research questions and provides the structure of research and its methodology.

## *1.1. Background of the study*

Globalization trend has completely changed the way how companies compete in the market. Nowadays, companies do not have to stay only in their local markets anymore; they need to go further and expand to other countries (Crişan, Minculete, 2012).

For international companies which are already present in foreign markets the process of launching new products still has its' specific features. It is not always possible to present the same product at different countries without adapting it to the realities of local market (Andreotti, 2004). A company has to identify needs of particular customer segment, analyze existing competitors on this market in order to develop suitable marketing strategy for the product. In some specific cases companies are facing situation where they need to change management practices in order to achieve the best result in their global integration (Kidger, 2002).

One of the main researchers of innovation and marketing Philip Kotler (2006) in his works identifies the marketing as the important tool needed for successful launch of innovation product into the market. His opinion is valuable for the most of the international companies which agree that marketing is the key element for research and development process.

The choice of the best suitable marketing tool during the launch of innovative product is highly important. Despite that there are many theories describing how an innovation should be launched, even the best product may fail entering the

market. It is can happen due to the fact that marketing strategy was developed not correctly and it influenced the perception of the product on the market (Kolick, 2011).

Launching new product to the market is always connected to the several risks. There are many parameters which can contribute as well as disserve to a new product. Every local market has its specific attributes which can be determined according to psychographic segmentation and which can largely explain the success of innovation (Chakravorti, 2004). Identification of these parameters and their implementation for development more accurate positioning strategy can significantly increase chance for the success.

Main marketing tools for positioning such as marketing concept and perception maps contribute the development of marketing strategy for product launching to a market, however the chosen strategy is not always the best from all possible options. There are several tools for evaluation effectiveness of marketing activities particularly for the positioning, however the result is getting known just after product launch to the market. These techniques are allowing changes in marketing strategy for the next launches nevertheless, in the case of a product fail, these tools do not allow avoiding financial problems (Nagji, Tuff, 2012).

At the current moment many companies are trying to develop method for the positioning which will guarantee them to avoid mistakes while launching innovations to markets. However, due to the difficulties with the interpretation of qualitative indicators many companies consider only quantitative market analysis which do not give the full picture of the most important for positioning - market particular qualities (Movahhed, 2016).

## ***1.2. Research gap, objectives and questions***

This study is focused on the food safety department of the case company. Based on the practical experience of the company producing innovative products for the control of food safety, a problem related to the underdevelopment of the

positioning process of innovative products in local markets has been identified. Due to the lack of a clear positioning methodology and a way to evaluate its effectiveness, many competitive products did not reach the end user and the company lost profits.

Analysis of scientific papers and problems of the case company determined that there is no specific method for positioning of innovative products in local markets; applied strategies do not allow evaluating of strategy effectiveness till the moment of launch to the market. This situation leads companies to problem with unsuccessful attempts to commercialize innovations.

The goal of the research is based on this problem. Main aim is to determine connection between the positioning, psychographic attributes of markets, and type of innovation to develop method which can increase the accuracy of innovation positioning on local markets.

This research is made on the behalf of the case company. Marketing strategy applied in the case company was not able to make the launch of new hygiene monitoring product (ATP luminometer) on the Russian market successful. The main goal of the research is to specialise the main theories and approaches in marketing field for the needs of particular company, to find this solution for the current problem.

The food safety department is working on the launching of new hygiene monitoring product on the Russian market. The aim of this subdivision is to develop positioning strategy which will allow product to achieve competitive advantage.

The purpose of this study was to create a methodology that helps to improve the accuracy of a positioning of innovative products by identifying features of their

perception in local markets and to use the obtained data in the modeling of positioning strategies.

In order to achieve the main goal of the research the following research questions should be answered:

1. What are the main characteristics of the Russian market of food safety products?
2. What factors influence the customers' decision-making process over buying?
3. What characteristics of the local market are taken into account in the case company while developing their positioning strategy?

### ***1.3. Research methodology***

The right choice of research methodology is the primary need in the research process as through research it is possible to find hidden answers about questions which have not been discovered yet (Kothari, 2004).

There are three main types of research which can be used: exploratory, descriptive and explanatory (Robson, 2002). Exploratory researches are aiming to get new vision of existing phenomena (Kothari, 2004). In this case the design of the research should allow a researcher looking at the problem from different points of view.

Descriptive research gives the accurate record of individuals or situations characteristics' (Kothari, 2004). The explanatory researches explain casual relationships between variables (Robson, 2002). In order to receive more accurate picture researchers can use descriptive and explanatory studies as a part of the exploratory research.

The purpose of this research is to explore current problems of positioning. Nevertheless, in order to explain possible consequences in certain conditions both exploratory and explanatory researches will be applied.

This research will be based on the case study methodology as some trends can be discovered only in isolation and it give better understanding of the existing problems and phenomena (Runeson and Höst, 2009). It will be the holistic single study for analyzing the work of food safety department launching innovative products. It will give more detailed consideration from the point of view of company's marketers and target clients (Yin, 2003). In order to get the complete picture of process in the case company primary and secondary sources will be used.

The primary sources used for this case study – interviews. The first round of interviews was done with the personnel from marketing department of the case company. The main point of those interviews was to gather information about the way how marketers of the food safety departments are usually launching products to the market. The second round was with the main clients of food safety department in order to determine their primary needs and expectations from the product.

Secondary sources of information are electronic databases, books, websites and documents of the company. The summarized table 1 is describing main sources of information and its description.

Table 1: Sources of information for conducting the research

<b>Type of source</b>	<b>Description</b>
Interviews	The main source of information for the research. Information concerning marketing

	strategies applied in the company and needs of the clients are gathered here.
Documents	Documents provided by the case company with data about food safety product' sales in Russia, main characteristic.
Websites of the companies	<p>Analysis of case company website in order to get information about products, operations in different countries, history.</p> <p>Analysis of competitors' website in order to get information about their marketing strategies, products, operations in different cities.</p>
Books and articles	Books and articles are used for the theoretical part of the research. Literature review and theoretical framework of the study are based on the information received from electronic databases.

The primary sources of information were interviews with the marketers of the food safety department and their clients. The pilot interview was conducted face-to-face on 26.12.2016. During the interview were covered all main questions and received additional information which could be used for future interviews. Additional face-to face interviews were implemented on 20.02.2017

Questions for the interview (Appendix 1) are about company respondent job title, length of work at this position and geographical area of work. Next 9 questions were covering information of marketing strategies applied in the company. They were prepared according to main job functions of marketers. Respondents were 2 main marketers of the food safety department.

Unstructured interview was selected to get answers on the research topic as it is the best way to make research about B2B market. Questions were given to respondents before the interview; however interview was conducted as an open discussion over the topic. According to the agreement with the case company it was allowed to make only notes during interview, recording was forbidden.

Appendix 2 includes tables which were filled by the marketers of the case company in order to determine the influence of local market characteristic to the positioning strategies according to the values of psychographic characteristics.

In order to get opinion of main clients of the case company about their expectations from the product and preferences there were conducted several interviews during exhibitions in the food sector in Moscow during March 2017. Target audience was selected at the international specialized exhibition for bakery "Modern Bakery Moscow 2017" and international exhibition of food ingredients "Food Ingredients Russia 2017".

Interviews were made with Russian target audience of the case company – 35 representatives of purchasing departments of dairies, meat processing plants and food laboratories. Respondents were analyzing ATP luminometer of the case company and their main competitor. Results of the interview analysis are presented in the chapter 4 part 4. Their answers were noted and analyzed for the following research. Sample size of 35 respondents is enough as they were representatives of the biggest dairy (Top-50) and meat processing plants (Top-20) in Russia according to the data presented by "First independent rating agency" and "Global Report" agency.

The main limitation of this research is that findings cannot be generalized. Due to nature of the research data is collected only from marketers and clients of food safety department in Russia, therefore results of this research could be applied to the similar businesses in Russia.

#### ***1.4. The structure of the study***

The beginning of the study is a description of innovation types in chapter 2. At the beginning of the chapter 2 the general classification of innovations will be given. Following parts will present classifications by the degree of novelty and content and give their short description. The chapter is finalized by the comparison of radical and incremental innovations.

The chapter 3 is focused on the process of innovation launch to local markets. Firstly, factors which influence on the launch process are given. Success and failure of innovation depends on these factors. Following parts depict phase segmentation, targeting, positioning process (STP) including influence from psychographic factors to the choice of positioning strategy.

The chapter 4 introduces the general description of the case company. First of all, the main characteristic of the case company and case product will be given. Secondly, there will be presented market environment of the case product. Information presented in this part is received based on the interviews with marketers of the company. It consists of examination of way how the case company has launched its products to the Russian market.

The following part starts the positioning process on the example of the case product. Based on the interviews conducted with marketers and clients of the company the following data was received: psychographic characteristics of 3 local markets (Russia, Finland, and USA), current positioning of the case product and its' main competitor on Russian market, key market drivers and the level of

product knowledge. At the end of the chapter there is presented the simulation model which helps decision making while launching innovation to the local market.

The main goal of this research is fulfilled in chapters 4 and 5. The 5<sup>th</sup> chapter is based on the results achieved after using the model represented in the chapter 4. Results of modeling show what positioning strategy should be implemented. Based on the chosen strategy the point of differentiation could be analyzed. After receiving possible points of differentiation the perception maps are built.

The final chapters are the discussion and the conclusion of the research. There is a summary of major findings and answers to all research questions. The following part describes limitations of the research. Final part gives suggestions for the further research. The organization of the study is presented on figure 1.

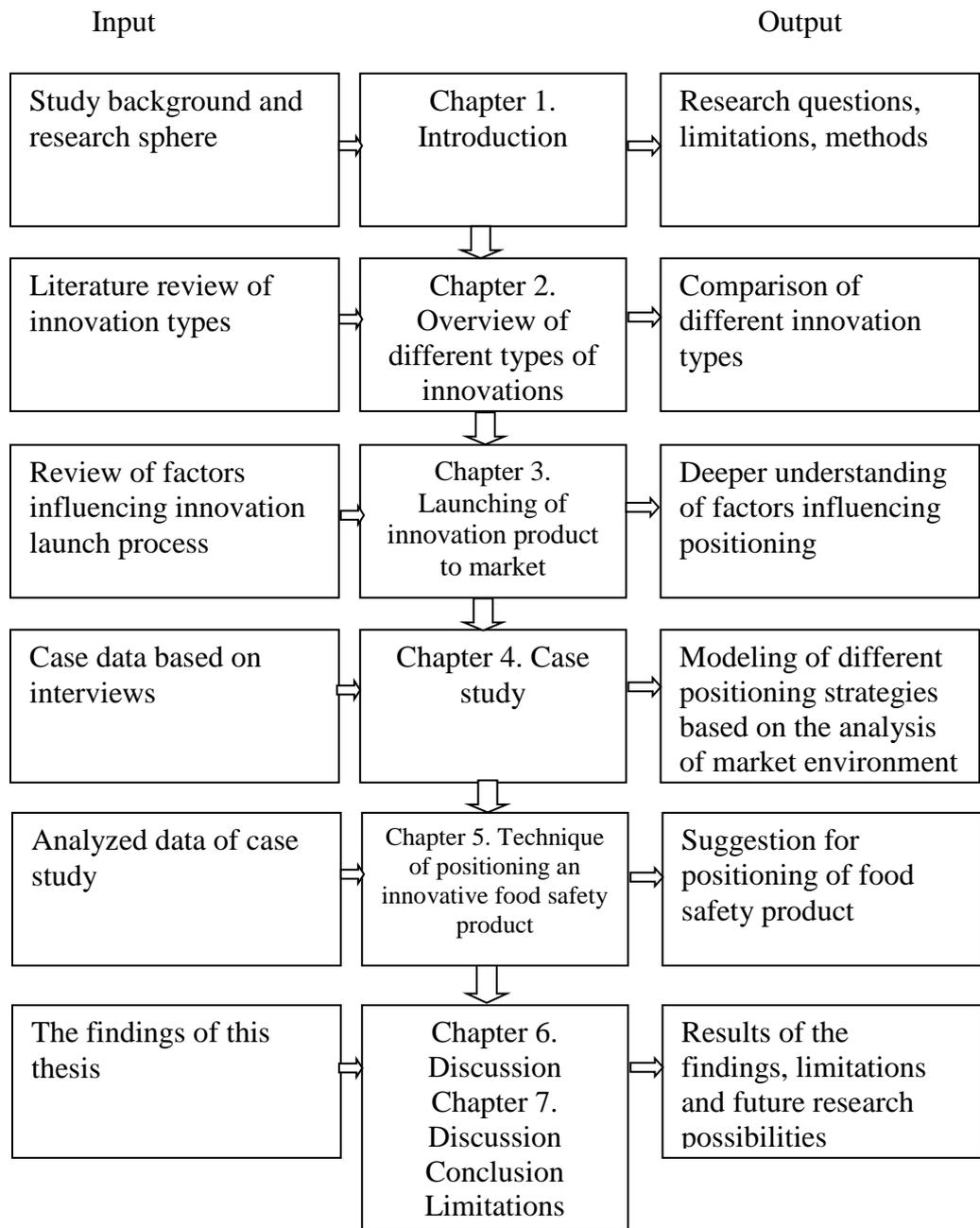


Figure 1: The organization of the study

### **1.5. Theoretical part**

Analysis of literature provides the framework for the following research and helps finding answers to the main research questions. In this part will be revealed interconnection between innovation and marketing processes with the strategic management of the organization.

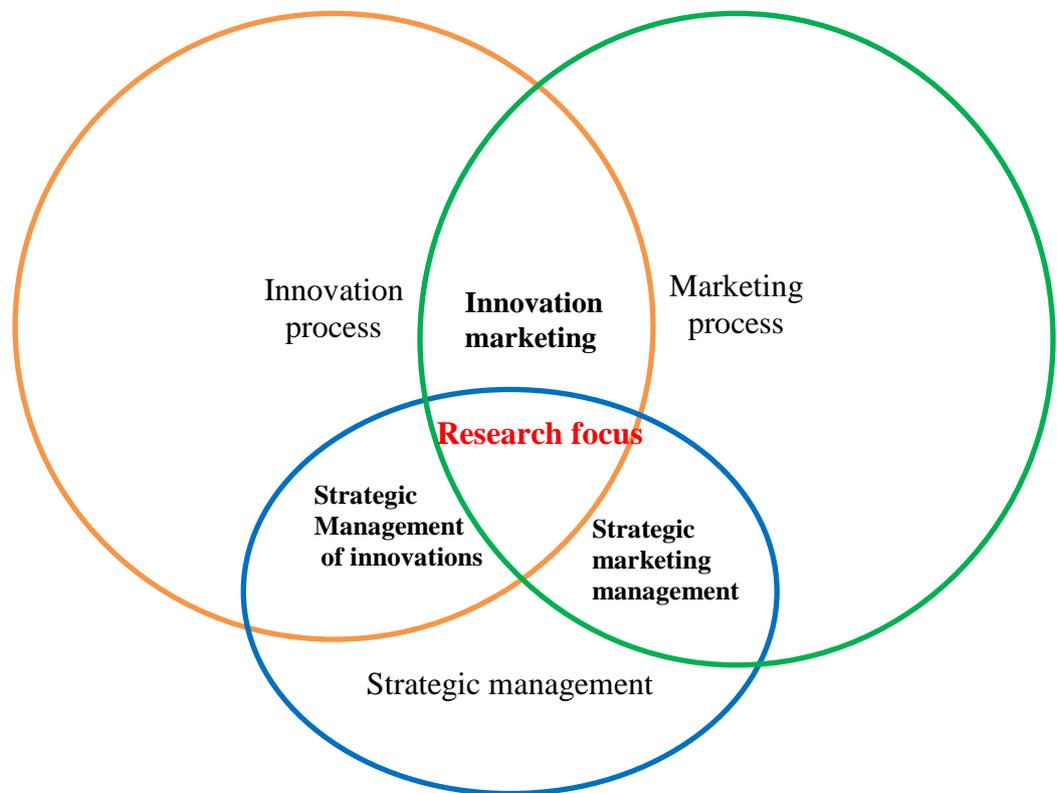


Figure 2: Theoretical scope for studying

Nowadays innovation organizations are expected to update the applied technologies, increase quality of launched products and expand to other markets (including foreign countries). In order to solve these problems active innovation

policy and marketing activities supposed to be applied (Bogomolova, 2014). Marketing is an activity headed for the study of a market; and changing the production and launching of new products based on this information.

In the modern understanding marketing includes three following ideas:

- Business philosophy;
- Tool complex allowing to evaluate a market situation;
- Management function which deals with a marketing strategy of innovation organization.

At Russian enterprises marketing is mostly considered as a management functions and miss its first aspect which allows evaluating the enterprise management system and its strategy from the point of view of the perspective development of the market (Bogomolova, 2014).

Innovative marketing is a concept of classical marketing where a company must continuously improve its products, forms and methods of their promotion and marketing. There are two sides of the innovative marketing: strategical and tactical. Strategical marketing is heading to the market study and determination of the competitive position of an organization (Sergeev, 2010).

Innovative marketing is connected with the management of the process of innovations creation, taking into account the requirements of the market. This concept is a bit broader and includes the development of a strategy and tactics for carrying out innovative processes using a complex of marketing mix.

Strategic management of innovations solves the issues of planning and implementation of innovative projects designed for a significant qualitative leap in

entrepreneurship, production or the social environment of the enterprise (Lehtonen, 2004). Strategic management at the enterprise deals with the process of forecasting global changes in the economic situation, the search and implementation of large-scale solutions that ensure its survival and sustainable development.

According to the definition given by Kotler (2010) marketing it is the process which helps to create value for customers and creates long-term relationship with them. Additionally to that, the strategic management lets managers to apply these strategies into live and achieve information about the marketing environments in a systematic way. Marketing environments it is anything outside the control of the company which can affect its ability to achieve its marketing goals (Brennan, 1995).

Marketing process could be described with its' three main steps: segmentation, targeting, positioning. Modern researches cannot explain customers' behavior over buying new products only using demographic segmentation. However, psychographic segmentation allows us to predict perception of product by the group with similar psychographic characteristics (Nazaykin, 2007). Active buyers have the same psychographic characteristics and preferences about positioning strategies (Kotler, Keller, 2006).

In accordance with the developed theoretical framework, it was determined that for the further research that would be useful to reveal the relationship between type of innovation launched to the market and applied positioning strategy. Discovery of main factors influencing customers' decision (such as psychographic factors) over buying the innovative product can help in development of the tool supporting decision making process of company marketers while planning strategy of innovation product launch to the market.

## **2. OVERVIEW OF DIFFERENT TYPES OF INNOVATIONS**

The following chapter is representing the literature review of the study. In order to understand how to launch new product to the market it is important to determine what type of innovation is it and what exactly is needed to the target audience. It helps to choose the right target segment and to apply appropriate marketing tools.

No company can be successful in the market for a long time without taking action to develop and improve their products. First, each product has its life cycle. Secondly, the consumer needs are constantly changing. Third, external, uncontrollable factors of the organization, such as the economic crisis, are pushing the company to change its activity in the market.

### ***2.1. Classification of innovation by content***

Competition keeps staying the main reason for research and development in many companies. It determines the emergence of innovations. Wish to be the first force companies to develop new products, business concepts and process innovations (Tsvetkov, 2014). Evolution of manufacturing was the base for new technologies which can improve product and cut costs (Steinhoff, Trommsdorff, 2007).

Globalization of the world economy allowed companies learning from others and has a significant influence on changing of consumers' expectations and wishes. Nowadays companies which want to be leaders need constantly create and properly launch innovations to stay market leaders and maintain their clients (Agrakov et al., 2011).

Due to increasing importance of innovations, the issue of effective innovation management is getting crucial (Kandibin, 2005). Effectual launch of innovations needs full integration of strategical and innovation managements (Craven, Percy, 2005).

Different innovations can solve various issues of target audience. Thus understanding main needs of clients bring clearance of what type of innovation should be applied. Types of innovations depend on many criteria. Classification can be done for example by the object of innovation - innovation in socio-cultural systems or in business models, etc.; by the degree of novelty or their content. Figure 3 depicts several possible classifications of innovations (Gonarenko, 2011).

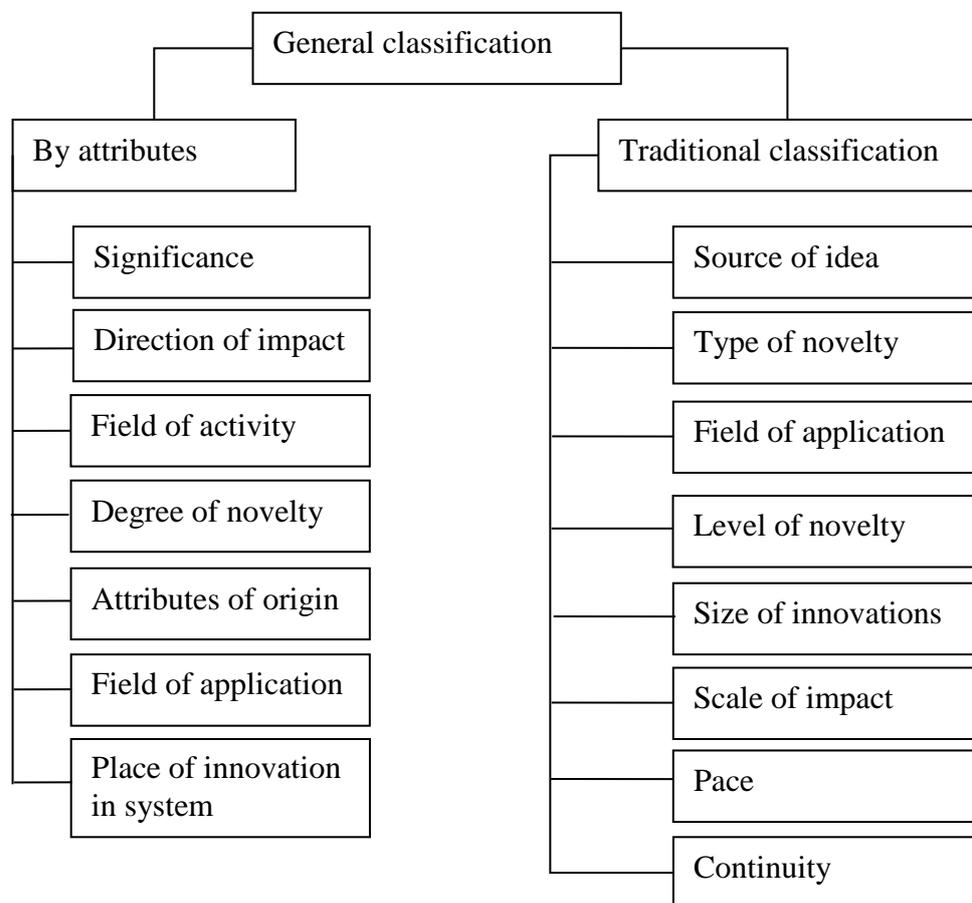


Figure 3: General Classification of innovations (Gonarenko, 2011)

As it is seen from the figure 3 types of innovations are varying from chosen criteria. In the following parts will be described 2 classifications of innovations. First part will give the division of innovations according to its' content. In the following part the categorization will be based on the degree of novelty associated with the innovation (Classification of innovations in the modern economy, 2015).

Product innovations are primarily oriented in the creation of new products or significant improvement of existing products for consumption (Nikitin, 2011). Product innovation has the physical shape of the finished fundamentally new or improved products, which comes in the form of goods outside the company. This type of innovation requires a significant investment, as new product development involves R&D, development of innovation processes (Anshin, 2004).

Process innovations introduce new technologies, standards, corporate governance practices. Process innovation is the technical, production and management improvement, reducing the cost of producing an existing product. Such innovations are less risky than the product innovations, and in some cases they are less capital intensive (Burgess, 1994).

Market innovation. They are opening up new ways to stimulate product sales or even create new markets by resolving arisen problems with old tools. Marketing has big influence over development of market innovations. In the situation when it is impossible to understand and detect problem of the clients, market innovations are released as a concept which can bring something new to the existing market (Lambin et al., 2007).

## ***2.2. Classification of innovation by the degree of novelty***

Henderson and Clark (1990) described four categories of innovation types using the distinction between component and system knowledge. The two dimensional matrix is being used (figure 4). One axis is representing the component changes while other - linkage (i.e. System) changes:

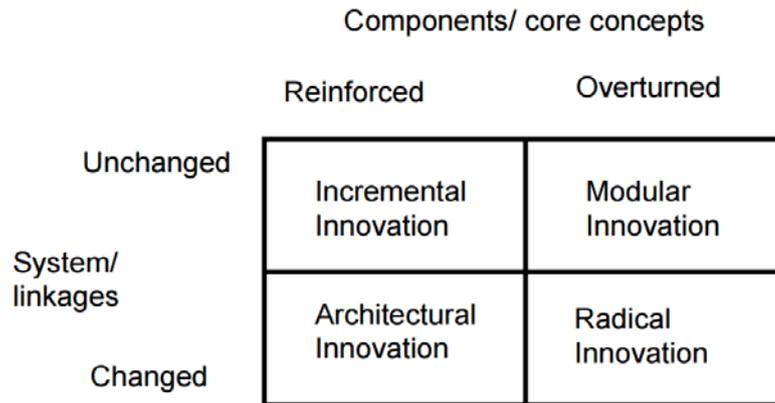


Figure 4: Typology of innovation (Henderson and Clark 1990)

Table 2: Changes according to types of innovations (Henderson and Clark 1990)

<b>Innovation</b>	<b>Components</b>	<b>System</b>
Incremental	Improved	Without changes
Modular	New	Without changes
Architectural	Improved	New configuration/architecture
Radical	New	New configuration/architecture

Table 2 depicts required changes according to the types of innovation. The first type of innovation is incremental. As it can be seen from the table 1 such innovation only improves but does not change the components which lead to the changes in the existing design. It should be noticed that although there are changes they are not radical. The definition given by Christensen (1997) describes

incremental innovations as changes that created based on expertise of a company in component technology within a framework of an established architecture.

This is the most common type of innovations. The reason why such innovations are so used is that all environments keep changing as well: there are improvements in materials and knowledge which play the role of the driving factor. Result of such innovations is not a new product. The result is the next version of already existing product without any differences in architecture of the system but with refinements to particular components.

The opposite is radical innovation. Radical innovation it is not the improvements to existing designs, but a whole new design. They use of new components in a totally new way. That is the most not applied type of innovations. According to the research of Rothwell and Gardner (1989) only 10 per cent of innovations can be called radical. As Henderson and Clark's (1990, p.4) have pointed out:

*'Radical innovation establishes a new dominant design, and hence a new set of core design concepts embodied in components that are linked together in a new architecture.'*

The appearance of a new technology is the best representation of radical innovation.

The top right quadrant is the modular innovation. Such type of innovation uses the architecture and configuration associated with the current system of an existing product, but applies new components with different design concepts.

In the comparison with incremental innovation, a totally new design is not applied in the modular innovation. The main difference from incremental innovation is that modular innovation does involve new or at least significantly different components. The key feature of modular innovation is the use of new or different

components, especially if the new components embrace a new technology. New technology can transform the way in which components inside the overall system operate, but the system and its architecture stay the same. The impact of modular innovation is usually less dramatic comparing to radical innovation (Bessant, Tidd, 2009).

In the last case of architectural innovation, the components and associated design concepts are not changing but the configuration of the system get new linkages. According to Henderson and Clark (1990, p.3):

*‘the essence of an architectural innovation is the reconfiguration of an established system to link together existing components in a new way.’*

There are some changes to components. Producers are able to refine and improve some components, but these changes will be minimal leaving the components to function as they have in the past but within a new re-designed and re-configured system.

While considering general classification it is important to pay attention to practical application of radical and incremental innovations. Their comparison is presented in the table 3.

Table 3: Comparison of radical and incremental innovations (Kumar, 2004)

	<b>Incremental</b>	<b>Radical</b>
Definition	Innovations to improve existing products and processes	Innovations that can significantly change the ratio of values in the market
Aim	Keep or increase market share	Enter from outside to the established markets. Create totally new markets.

Who realize	Previously presented at this market companies	Young companies or new companies at this market
Technical level	They increase complexity and improvement of the product. Adding new functions or qualities.	At the base of the product is a new, very sophisticated technology. The product is simple and easy to use
Quality	Elevation of quality till the “super” level	Low quality. Low price, lack of alternative to this product, ease of use
Price	Expensive	Cheap
Market	Do not change	New markets
Target audience	Former consumers, profitable, demanding and solvent	New consumers; Consumers who do not have an alternative to this product to solve their problems; Unpretentious; Unattractive for market leaders
Impact on innovation process	Pull the curve of the technological cycle upwards	Break the curve of the technological cycle in this market and start it from scratch in new markets

Incremental innovations are significantly improved products, services, processes, or methods. Incremental innovations can be applied in two different ways: an improvement (performance/lower cost) by using higher performance components, or by changes to one of the subsystems of integrated technical system (Schumpeter, 1942).

A radical innovation is able to bring a significant change to a market, change the structure of the market or create totally new According to Schumpeter’s point of view disruptive innovations bring major changes, while incremental innovations continuously advance this changing process (Schumpeter, 1942).

### **3. LAUNCHING OF INNOVATION PRODUCT TO MARKET**

For many years, public and private investments have been directed to the development of the country's scientific, technical and production potential, which led to a significant surge in these areas, an increase in the number of innovative products, and the emergence of enterprises specializing in their production (Bogdanova, 2012). However, the problems of promoting innovative products have for a long time been given insufficient attention, which has led to a situation where the possibilities of the production sphere far exceed potential opportunities for the commercialization of innovations.

Positioning of high technology products is reaching a new level of skills necessary for the successful launch of innovations. In order for innovative products to benefit not only to its potential consumer, but also pay back for the investments, the issue of its sale and promotion should become one of the most important directions of the company's activity (Kolick, 2011).

The difference in the positioning of innovative and traditional products is often hidden in the mind of the consumer. Despite the willingness of consumers to accept innovations, very often they themselves inhibit their distribution and promotion in the market. This may be due to the lack of necessary and sufficient information, both about the product itself and its potential advantages for the buyer (Mozhenkov, Safran, 2016).

Here are some of the reasons why enterprises that are capable of producing science-intensive products are not able to bring innovation to the consumer (Yarotskaya, Krivoruchko, 2013):

1. The initial focus of the company's activities solely on the development of innovative products, does not allow to fully take into account the need to allocate a significant time resource for preparing a positioning

strategy. Thus, after the readiness of the innovation product, enterprises begin to master market technologies independently, which is slower than the process of product novelty loss.

2. Despite the development of marketing technologies when working with product innovations, the promotion of innovative products is often associated with features in positioning that are not familiar to all sales professionals and marketers. The time spent on developing a non-conforming promotion strategy threatens the uniqueness of technology.
3. In some situations, unfinished technologies and goods are offered to the market, which require investments for the work on the final phase. Such an option of bringing the product to the market is possible, however, if the goods or technology are misapplied, a loss of the value of the prototype can occur, both for the potential buyer and for the investor.
4. The novelty product does not differentiate in the minds of consumers. This problem is often encountered when a competitor company simultaneously produces a similar product. That is why the development of a positioning strategy is so important at the stage of product launch.

The combination of these reasons, as well as many marketing faults leads to the fact that the company begins to lag behind competitors or completely loses control over the market situation. This affects the financial situation of the company, and in the case if the company invested a significant part of the funds in product development, the bankruptcy and cancellation of a promising product to the market are possible (Drevetnjak. 2014).

The use of tools and techniques usual for the marketing of non-innovative products cannot fully contribute to the promotion of innovations. In addition to the mistakes associated with the choice of an inappropriate strategy, often innovative enterprises completely shift their attention to the development process

itself, forgetting that the process of consumer perception of the innovation requires a temporary resource that is critically important in a competitive environment (Agarkov S. et al. 2011).

Positioning of innovative products is a process that helps to determine the winning positions for the company in the market. Being an effective tool for the commercialization of innovations, positioning starts the process of strategic promotion, in which the direction for long-term success in the entire industry is being built.

At present, there is a significant increase in the need not only to produce, but also to sell high-end products. Thus, identifying key features of innovative products for the target market, and applying them in developing a positioning strategy, can solve the problem of not demanding new promising products. Choosing the right direction for development through the management of the promotion of science-intensive products provides opportunities for growth and development of the company.

### ***3.1. Factors of success***

Many companies are following the same path while launching new products. Nevertheless, they not always can achieve the same success. The reason why is the factors of success which also should be taken for the consideration.

Factors that increase the chance of success of a new product on the market include (Nordstrom, Ridderstrale, 2008):

1. The study of consumers, a clear segmentation of customers and marketing oriented to the target group.
2. The uniqueness of the proposal and superiority over competitors' products, emphasis on the distinctive properties of the product.

3. Testing of marketing strategy before a large-scale release of the goods.

4. Adaptation of technologies according to market requirements, optimization of production, new technologies.

Studies have shown that the product, which has high rates on any of these factors, in 70% of cases gets a winning position on the market. In case if a product receives high levels of the first three factors which are directly related to strategic marketing in 90% of cases will be successful with customers (Success factors of new products 2012). Therefore, the success of the product is 90% dependent on management and marketing system of the company, rather than the business environment in which the company operates (Romanov, 2009).

The key success factors also include (Thompson, 1998):

- matching product to the advantages and core competencies of the company;
- matching product to the market needs;
- the authority of the company's top management;
- superior of the product technology on the technologies of competing products;
- favorable competitive conditions;
- the intensity of the test marketing;
- high standards of management of the company;

- observance of standards while the development of a new product;
- organization of ideas the selection for new products in the company and the synergy with the production technology and the business environment;
- proper organizational structure that promotes the generation of new ideas, co-ordination units in the development a new product, the credibility and consistency of the top management.

All these factors are related directly to the actions of the organization and processes within the company. Among the environmental factors competition and the attractiveness of the underlying market in terms of growth potential (increase the number of consumers in the future) are distinguished.

### ***3.2. Risk factors***

Risk factors as well as the factors of success are able to make the same algorithms applied by two different companies not equivalent in the terms of achieved profit. Factors which have negative impact on the success of product launch to the new markets are (Cateora, Ghauri, 2000):

- the absence of the distinctive characteristics, product attributes which enable to identify goods to consumers;
- fuzzy representation of the product, its concept and consumer markets before the development phase;
- lack of technological, professional, company production resources required for the implementation the concept;
- overestimation the degree of attractiveness of the market.

These mistakes were described as the most common while launching new product (Evans, Bergan, 2008).

*Administrative mistakes* are associated with increased attention to the management team on the issue of "How to sell?" instead of correct prioritization, evaluation of the possibilities for the company and chose of the products, markets and distribution channels, which will bring the income. Problems also arise when the manager has unlimited authority in the company and make decisions based only on his own experience (Shamina, 2017). This way, a company's staff cannot point out to him all possible problems.

*Focusing on technical problem solving*, rather than consumer needs. Such problem more often occurs in the companies developing the high technological content. Engineers, carried away by searching the technical problem solution, continuous improvement of technology, forget that the main goal of the company is making a profit by satisfying customer needs (Shamina, 2017).

The disadvantages of the positioning are lack of attention to the distinctive characteristics of the goods. While the making new proposal companies often talk about the financial benefits and opportunities that a consumer can get while using it. However, more often to attract and retain the consumer it is sufficient to formulate a clear idea about the differences between the product advantages over competing products companies. Additionally, while launching of the product to the markets it is necessary to analyze the geographic, socio-economic and political features of the market, the demographic component and to set the price correctly in accordance with these characteristics.

*The absence of mobility and flexibility in the decision making process.* Nowadays the competitive environment is such that from the moment of idea generation till the release the product and its copy by other companies, the time lap is very short. Therefore, if a company makes a decision on the release of the goods, it must also

take into account whether it has enough resources to go to this market first (Utkin, 1998).

*Product output without prior market research and as a result - incorrect information about market conditions. No control at all stages of production output, the weak quality control system (Shamina, 2017).*

*Waiting for an instant effect on the launch of a new product to market. Many companies which do not get a quick profit from the new product reject it, as they consider this experience as a failure.*

Often in the launching of a new product, companies are trying to reduce the risk of failure and create a product "for all". Such products are less competitive comparing to products that have a clear target audience.

*Channels for the distribution of a new product are not formed, there is no distribution system. The pricing strategy was chosen wrong. Untimely launch of product to the market - consumer need have not been formed yet or has already disappeared.*

*The absence of the long-term forecast. Obtaining super-profits in the short term does not always guarantee a stable income in the future. Therefore, it is necessary to make forecasts for longer time periods. To do this, it should be taken into account that the demand for goods over time will be reduced, since (Kulikova, 2008):*

- consumer preferences are dynamic, there is no guarantee that at the time when the products reach the market, it will still meet the requirements and needs of consumers;

- technological change leads to a constant renewal of the product range on the market, there is no guarantee that the cost of manufacturing of a new product will have time to pay off before the appearance of new and improved products to market;
- competitors can reproduce the item, copy it, and then profit from the goods will have to share with a competitor;

### ***3.3. Evaluating of target markets***

Evaluation of target market and positioning strategy are the parts of STP process (segmentation, targeting, positioning). This process indicates connections and links between the selected by the company approach of competition and market in general. The objective of STP process is preparing the organization to implement the marketing mix in appropriate way (Panga, 2016).

Evaluation of target markets is one of the key steps while launching new product. It includes examination of different market indicators and comparing them with objectives of the company and available resources. Usually by doing evaluation company check if expanding to new market fits to the general strategy, what is the competing level inside this industry and is the company able to perform successfully there (Cravens, Piercy, 2005).

Main factors which should be considered while evaluating target market are financial issues, structural attractiveness, strategic direction, marketing expertise and opportunity cost (Hopps, 2015). Table 4 describes these factors and their consideration aspects more precisely.

Table 4: Factors of target market evaluation (Hopps, 2015)

<b>Assessment factor</b>	<b>What to consider?</b>
<i>Financial Issues</i>	
Segment size	Size of the segment (unit, revenue sales)
Segment grow rate	Forecast of growth or declining of the segment
Profit margins	Price competitive or high profit margin segment
<i>Structural attractiveness</i>	
Competitors	Strength of existing competitors (dominant)  Possibility appearance of new competitors
Distribution channels	Easiness of access  Level of investments
<i>Strategic Direction</i>	
Strategy	Conformity to the main strategic direction of the company
Goals	High or Low expectations of the firm

<b><i>Marketing Expertise</i></b>	
Resources	Availability of financial and staff resources inside the company
Capability	Capability of company to develop product
Role of brand	Develop new brand  Usage of existing brand  Brand is not important
<b><i>Opportunity Cost</i></b>	
Growth options	Range of opportunities for company to grow

### ***3.4. Positioning strategy***

According to the definition of Kotler and Keller positioning is a set of actions, thanks to which specific product takes its place in the mind of target audience. Positioning promotes differentiation of the company to its main competitors. (Kotler, Keller, 2006).

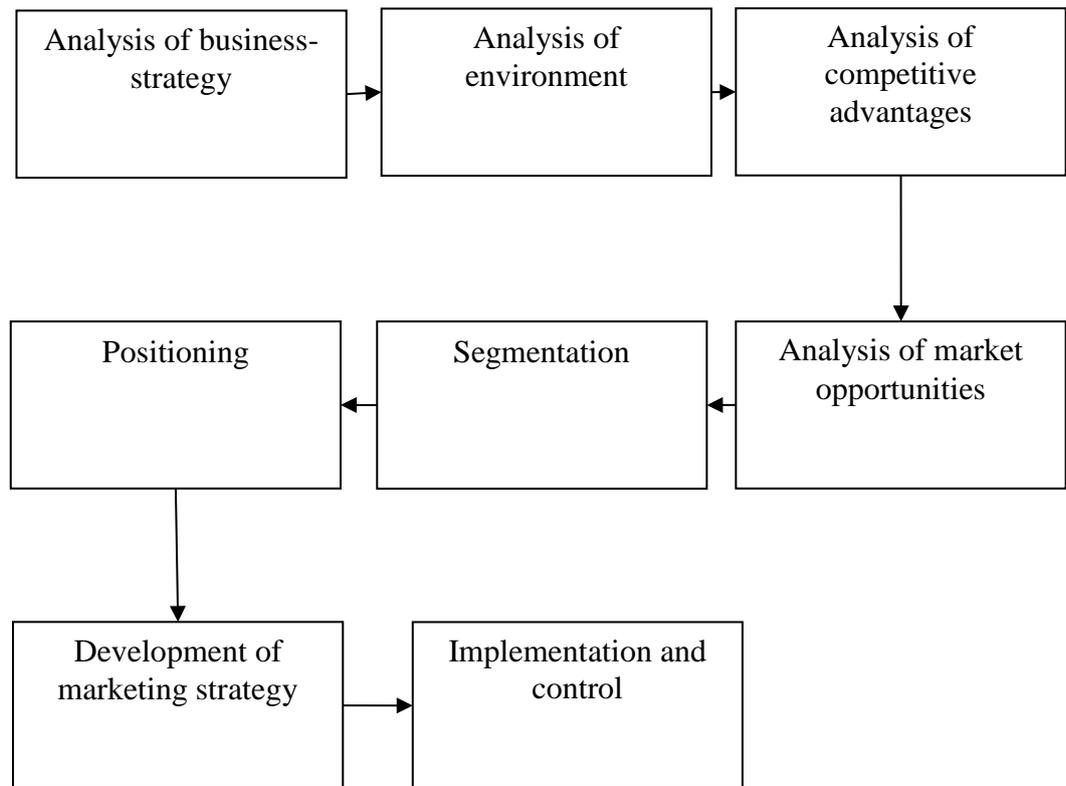


Figure 5: Place of positioning in the marketing process (Walker, 2006)

Positioning process always follows segmentation of a market (figure 5), which is made for market separation to groups of clients with common needs, characteristics and following choice of attractive for a company segment. This process is aiming to determine group of clients for whom company will have advantages comparing to its competitors (Walker, 2006).

Right positioning of the product in the market is the half of the success for the company. International companies are aware that it is not always possible to apply the same strategy in different countries. Before launching the new product company's managers should conduct the long process of finding the right place, scan the environment of the country and the market, and develop the entering or positioning strategy.

The definition of positioning which will be taken for this literature review was

formulated by Fill (2006, p. 373):

*'Positioning is the process whereby information about the product is communicated in such a way that the object is perceived by the consumer to be differentiated from the competition, to occupy a particular space in the market.'*

Over the last 35 years subject of positioning was studied from many perspectives and implemented in different researches. This subject became well known thanks to Trout and Ries (1981, p. 10) who were the first to describe this concept

*'Positioning starts with a product, a piece of merchandise, a service, a company, an institution or even a person. But positioning is not what you do to a product. Positioning is what you do to the mind of the prospect. That is, you position the product in the mind of the prospect.'*

The reason why the positioning theory took place is the desire to find a way to differentiate your product characteristics through the marketing communications among products having similar properties. Positioning theory is saying that the consumer cannot remember all the characteristics of products on the market because of the large scale, so he learns by association, giving each product specific attributes that are important to him while making a purchase (Jansson, Hasselgren, 2008).

Increased interest to positioning is also connected to the globalization trend. Ability of companies to go globally is leading to more tough competition in many markets (Doole & Lowe, 2004). More other, going to new international markets is changing the rules and force companies to change their existing strategies.

Positioning products – is the marketing process which help to determine winning competitive position of the company on the market. Product positioning starts the

process of promotion strategy; it defines direct and indirect competitors and helps to build a clear course for long-term success in the industry.

Competitive positioning is not necessary for the monopolistic markets or the markets in which the characteristics of the goods are not the reason for choice of the product. In all other cases, it is important for the positioning of the company, as it helps to explain to the consumer (Bakaeva, Terentiev, 2007):

- Who needs the product of the company?
- What are the needs of the consumer this product is able to meet?
- How the company's product is different from close products?
- Why it is beneficial to the consumer to buy this product?
- When and under what circumstances the consumer should use the product?

If the consumer can clearly answer these questions by looking at product or viewing the advertising, then the product has a clear positioning concept, and the target audience got your message.

### ***Approaches to positioning strategies***

The main idea of positioning is creating of the good image of the product in the minds of the audience. There are varieties of ways to develop supporting strategy depending on the types of involved consumers, characteristics of the product class, competitors or attributes of the product (Hitesh, 2016). Different types of position strategy approaches are represented in the Figure 6.



Figure 6: Position strategy approaches (Hitesh, 2016)

The first approach is focusing on *the product characteristics or the benefits for customers*. The product can be positioned as the one which include characteristics ignored by the competitors but still which can be useful and valuable. It is also possible to position the product from more than one characteristic.

*Price-quality approach* is used to justify different product categories. Depending if the product is made for mass use or premium categories the price, number of features, service, and performance may change. This approach is based on perception of users, which mostly believe that the higher the price – the higher the quality.

Another common approach is *position-by-use type*. It helps to expand markets by introducing new ways of using. For example, it can be new usage in another time of the year. If for a long time the product has been considered as mostly winter product and after some time it shows how it can be used in summer time also.

*Product process approach* is connecting the product with specific class of users. The main expectation here is that personality of the product user can influence the product's image. Similarly to product-user *product-class approach* associate product with one specific class. This decision can be critical.

One more way to differentiate the product image from competitors is the *usage of cultural symbols* which are meaningful for customers. The last approach of positioning strategy is taking positioning strategy of dominant competitor in the industry as the base to make the similar or totally different strategy.

### ***Positioning Statement***

Clear picture of the positioning process and deep understanding of each step can help companies to create the degrees of certainty (Market Positioning Strategy Guide, 2016). The main idea of market position statement described by Al Ries and Jack Trout in 1981 in article "Positioning: The Battle for Your Mind" is still kept as the base for all new theories and represented on figure 7.

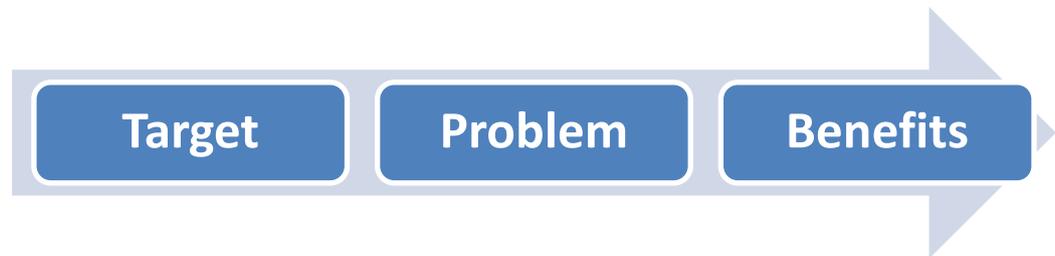


Figure 7: Elements of market position statement

Positioning can be considered as process which delivers key elements (Matteo Fabiano, 2012). The positioning process is the process which helps to find untaken space in minds of consumers but not the blind acceptance of the idea given by CEO or marketing department.

The targeting part is the base of the positioning process. It should be applied not

matter if the product is already on the market or still in the before-sales phase. In the case if the product is already represented in the market, targeting means identification of actual or potential buyers. It can be also extension of the company on the similar markets. In the situation when product is not on the market yet, targeting is aiming to prove the intuitive forecasts.

Clear defining means focusing on very narrow selection. The way to test definition focus is to compare results with segments which you are not going to serve in any case. One of the most important parameters is size of target population. Being aware of this parameter it is possible to measure if available resources are enough to contribute successful market positioning.

The second step is formulating problem which the product or product of competitors are aiming to solve. There are two general tips in problem formulation – narrow definition of target and thinking of problem as of an opportunity. The first tip is useful because the more precisely target is defined; the more convenient it is to deal with needs. Placing opportunity in the position of problem can help when it is difficult to measure the problem to make it more visible.

Thinking of benefit should be in two ways. How does the product address the problem? Why this way is better or worse than competitors? To make it clearer it is recommended to consider competition in terms of replaceable goods. If it does not compete directly from some point it can be competing products for other target consumers.

The final step to get the position statement is the consolidation of target, problem and benefit.

### ***Steps Of The Positioning Process***

The positioning process is an important step which should be followed by the

company which wants to achieve good results from implementing position strategy (Hitesh, 2016). Many sources are giving different information about main steps of positioning process. This number can vary from 4 till 7. Nevertheless, the main idea is always the same; just actions are grouped in bigger or smaller sections.

The first step involves competitors' identification. Competitors do not always belong to the same product class (primary competitors), they also can perform in other class of product (secondary) but still they are able to get your customers.

The second step is the determination of how the competitors are perceived and evaluated. It helps to get relative view on when customers are buying competitors product and to choose the right set of attributes for the product.

The next focus is determination of competitor's brand image. What are the similarities and differences? How brands are positioned one to another?

Analyzing the customer is the fourth step of the process. Market segment is taken for consideration and habits of consumers are analyzed. It is important to make it clear how the product influences the life of the customer, what can motivate consumer.

After 4 steps of analysis the position decision should be done. It is supposed to be based on previous background information. Next step is the monitoring of the position. It can be done in many ways to measure the performance of the decision, for example interviews and surveys are good tools for monitoring.

### ***3.5. Psychographic factors***

Depending on the market, where company plans to launch its innovative products, the psychographic segmentation of consumers is changing. This principle of the

market segmentation is based on criteria that can describe the type of personality and the motivation of the buyer's behavior in the market.

At psychographic segmentation buyers are divided into groups depending on a way of life and specific characteristics of the person. Representatives of one demographic group may have completely different psychographic characteristics. (Kotler, Keller, 2006)

Psychographic analysis allows:

- Segment the market,
- Position and reposition products,
- Develop campaigns for the promotion of products.

Mass media also has its own psychographic characteristics of readers, which allows advertisers to address to them the advertising of their products (Pocheptsov, 2001).

Among the models of psychographic segmentation used in the world practice, the most popular is the VALS model (short for Values and Lifestyles). As a basis for the VALS model, two criteria for the separation of consumers are taken: the buying motive and the manifested character traits (Model of psychographic segmentation VALS, 2015). In response to constant changes in the requirements of the business world, the scheme is constantly updated. In accordance with VALS-2, the entire adult population of the United States by psychographic characteristics is divided into 8 consumer groups (Kotler, Keller, 2006).

The basic motivation for choosing (the motive of buying) is what forms the desire of the consumer to purchase the goods. According to the classification, there are 3 types of motivation:

- Motivation based on the pursuit to ideals;
- Motivation based on the pursuit to achievement;
- Motivation based on the desire for self-expression.

The following classification of VALS is based on possessing the character traits: vigor, self-confidence, and intelligence, openness to innovation, innovation, impulsiveness, leadership and vanity.

The model of psychographic segmentation VALS allocates 8 consumer segments:

- Innovators;
- Thinkers;
- Believers;
- Achievers;
- Strivers;
- Experiencers;
- Makers;

- Survivors.

In addition to VALS, there are other models of psychographic segmentation, based on its basic criteria (Segmentation of the market, 2015). The most frequently used characteristics based on the literature analysis of Kotler (1998), Hansen, Schiffman and Kanuk (2012) are presented in Table 5.

Table 5: Basic criteria of psychographic segmentation

<b>Lifestyle</b>	dynamic, hasteless, rural, urban
<b>Attitude to innovations</b>	Innovators, conservatives, traditionalists
<b>Attitude towards themselves</b>	The consumer is the "victim",  The consumer is the leader;  The consumer "like everyone else";  Consumer is "better than others"
<b>Idol, the leader for the consumer</b>	Peers, famous personalities, friends, parents
<b>Internal motivation to buy</b>	The desire for self-expression; The desire to achieve the ideal; Desire for recognition
<b>Attitude to the</b>	Positive, negative, the desire for foreign

<b>local producer</b>	
<b>Life position</b>	Active, positive, calm, affirmative, passive, aggressive
<b>Values</b>	Health, family and children, home and coziness, intimacy, communication, self-realization, material well-being, spiritual growth, pleasures, stability, freedom, social position

Psychographic segmentation combines three general variables: personality, attitude and lifestyle. Personality is set of characteristics which influence lifestyle. As people with the similar personalities are most likely to make the same choice as customers, this segmentation can be used to predict customer behavior of the group.

Knowledge and experience are forming the attitude, while lifestyle is mainly the behavior in a society. According to researches (Ciribeli, Miquelito, 2015) it was concluded that these variables should be considered while preparing market segmentation, as it allows getting clearer picture of market behavior and predict success of new launched product.

## **4. CASE STUDY**

This chapter gives the general information over the case company and its' product which will be used for testing the proposed positioning strategy. It is explained why case company met difficulties at Russian market and why it is still stays promising market.

### ***4.1. Main characteristics of the case company***

Case company was established in 1902 in USA by five founders as a small-scale mining enterprise. The original goal was to extract a mineral, known as corundum, from a mine called the Crystal Gulf (Campbell, 2011).

In 1910, the case company began to specialize in the development of innovative products. The company developed and commercialized the following innovative products: waterproof sandpaper (1920s), protective tape (1925), materials for protection during World War II and others (Arndt, 2002).

Over the past 100 years, the case company has grown significantly - it employs thousands of researchers and scientists from around the world. Company has offices in 70 countries and sales in 200 countries.

Case company produces 55,000 different products. In general, their products can be classified as: displays and graphics; electronics, electrical engineering and communications; health care; products for home and leisure; production and industry; office; security, protection and protection; transport and industry. Research activity is the main one for the case company (3M Company website, 2017).

The strategy of the case company is based on internalization. Table 6 shows the geographical expansion of the case company for the history of its existence.

Table 6: Geographical extension of the case company (3M Company website, 2017)

<b>Year</b>	<b>Country</b>	<b>Year</b>	<b>Country</b>
1951	Australia, Brazil, Canada, France, Germany, Mexico, United Kingdom	1970	Greece, Kenya
1952	Argentina	1971	El Salvador, Guatemala, Jamaica
1953	South Africa	1973	Costa Rica, New Zealand, Trinidad
1956	Netherlands	1974	Dominican Republic
1957	Spain	1975	Chile, Indonesia, Ireland, Nigeria
1959	Italy	1977	Ecuador, Korea
1960	Japan (Sumitomo 3M), Puerto Rico	1979	Uruguay
1961	Austria, Colombia, Denmark, Hong Kong, Norway	1981	3M Gulf (United Arab Emirates)
1962	Belgium, Sweden, Zimbabwe	1984	China
1963	Peru, Switzerland-Zurich	1988	India, Turkey
1964	Philippines	1991	Czech Republic, Hungary, Poland
1965	Lebanon, Venezuela	1992	Russia
1966	Panama, Portugal, Singapore	1993	Pakistan
1967	Malaysia, Thailand	1994	Egypt, Sri Lanka, Vietnam
1969	Finland, Switzerland-East, Taiwan	1995	Israel, Morocco
		1997	Romania



Figure 8: Case company in the world rankings (Fortune Magazine, 2016)

As it can be seen in the figure 8 since 2010, the case company's brand is constantly in the top 100 best brands (Best Global Brands), and the company is recognized as one of the largest US companies (Fortune U.S. 100).

Office of the case company in Russia was opened in 1991. At present, the Russian division of the company provides a wide range of high-quality products and services to Russian customers through its central office in Moscow and client centers in the regions: St. Petersburg and Yekaterinburg. At the same time, the company's representatives work in all federal districts of Russia.

Case company is constantly expanding the opportunities for working with Russian customers. In 2006, the first technology center was opened in Moscow. This center meets all modern standards. In the fall of 2008, the first production facility in Volokolamsk was opened.

Nowadays the company's main efforts are concentrated in the following business areas:

- Security and graphics;
- Consumer goods;
- Health;
- Electronics and energy;
- Materials for the industry.

2012 year was a changing period for 3M. CEO Inge G. Thulin aimed the company to become more sensitive to the needs of clients. This approach to business was supplemented with following plans (Williams, 2015):

- Convert 100 % of net income to free cash flow.
- Reach ROI capital of approximately 20 %.
- Increase of sales in local-currency 4-6 % per year.

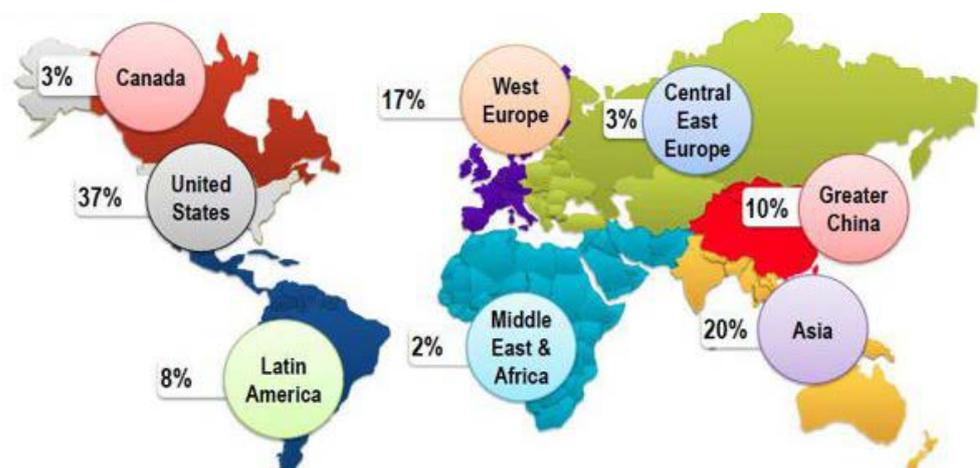


Figure 9: Distribution of case company worldwide sales (Morgan, 2015)

Despite the differences in sales on Russian market comparing to the rest of the world (figure 9) it has always stayed promising market for the case company. During past few years the several positive shifts in Russian economy have recognized. Nevertheless, some problems connected to the administrative barriers, unstable legal framework have occurred (Kusznir, 2016).

Despite all current problems and not positive forecasts for Russian economy world experts keep considering Russia as a promising market for doing business by international companies. New increasing niches are expected to be interesting for foreign investments, as Russian consumers are open for innovations. Thus, despite of problems with sales during previous years, this market keeps staying in the interests of the case company. However, in order to stay competitive in this market right market segmentation and positioning strategy should be developed.

#### ***4.2. Food Safety products of the case company***

An innovative food safety product that needs to be developed a positioning strategy is the ATP luminometer. A system designed to effectively control the cleanliness of surfaces, equipment, personnel hands in real time.

Case company product is used to effectively and quickly control cleanliness in the production of food, beverages, cosmetic and pharmaceutical products. The hygiene control system takes 1 minute to determine the cleanliness of the surface of the production line in the plant. ATP luminometer allows identifying problem areas in the workplace and ensures proper quality control of the product (3M Clean-Trace, 2017).

Areas of use:

- Dairy industry;
- Meat processing industry;

- Brewing industry;
- Non-alcoholic drinks, water;
- Manufacture of juices;
- Confectionery;
- Production of semi-finished products;
- Fast food restaurants;
- Cosmetics;
- Pharmaceutical industry.

*The way of work:*

The technology of the work of the product of the case company is based on the effect of bioluminescence. In certain chemical reactions, living microorganisms release energy in the form of light. Any bacteria, including mold and yeast, have adenosine triphosphate (ATP) in their composition. The release of light occurs during the contact of adenosine triphosphate with the enzymes luciferin / luciferase.

The case company's rapid hygiene control system includes a luminometer and ATP tests. During the test, flushing is carried out from the surface or liquid in the workplace with the ATP test, a reaction occurs in the sample, which is detected by the ATP luminometer, thereby determining the surface purity or the degree of its biological contamination.

The degree of contamination of the surface is estimated in accordance with the intensity of emitting. The higher the degree of illumination, the more polluted the surface. The intensity of luminescence is expressed in relative light units, and it is directly proportional to the degree of contamination of the sample. The hygiene control system allows you to quantify the degree of purity with ATP.

The modern market offers a number of different luminometers. According to independent tests, ATP monitoring provided by the case company product shows the highest sensitivity and reproducibility of the results. These indicators are extremely important when controlling the hygiene of production.

Luminometer of the case company is a portable, light (0.4 kg), convenient and reliable device, easy to use. The device has an autocalibration function and has a large amount of memory (up to 2000 tests). The ATP luminometer is compatible with a personal computer. This function allows you to statistically process the results of measurements and build realistic forecasts of hygiene indicators in the workplace. The case company's product can work both from electricity and from the battery to 10 hours of continuous operation.

### ***4.3. Launching new products in the case company***

As it was discussed before launching new product to the market is complicated process which includes many steps, risks. In order not to avoid mistakes all employees of the case company passed Design for Six Sigma (DFSS) training. The tools of DFSS are widely used while launching new products on all the stages.

The case company is positioning its' products mostly as a LUX-products in a premium segment. This way, the average price for products is higher comparing with main competitors.

***Target customer segment***

The target customer segment for the company itself and for the product of the safety department is large companies operating on the market. The share of such customers is nearly 70% from the overall sales. In the Russian market such companies are the main producers of milk and meat products – “Wimm bill dann”, “Cherkizovo”, “Mirostorg”. The second big niche for the case company is big chain stores. These are stores selling food products – “Metro”, “Lenta”.

The case company is planning to enlarge target client segment by expanding to the niche of cafes and restaurants. The main fast food restaurants operating in Russia are “McDonalds” and “KFC”. Another possible target client is “Shokoladnica”. The network of cafes “Shokoladnica” is one of the largest and fastest growing companies in the restaurant business in Moscow and other regions of Russia.

The most important characteristics of the product for the target clients were discussed. Findings have shown that such characteristics as price of the device, price and speed of making tests are important. Among all the easiness of use was defined as key factor which influence on the decision of buying.

Service center in Russia was depicted as another important factor which customers pay attention while making decision to buy. The case company has such center in Moscow.

After surveys it was concluded that Russian market is representing the high potential for the launching the luminometer device. The amount of companies which are mostly likely to buy the device is growing. It is also connected to the more strict norms of cleanliness applied by government to the food factories.

### ***Advertisement***

Due to the orientation of the food safety department mostly on companies the ordinary ways of advertisement through TV or radio are not effective.

Food safety department is organizing collaborative activities with state agencies responsible for the safety of food (e.g. Dairy Institute). It is made to educate future professionals who will have to deal with the equipment produced by the case company in their work. The other ways of promotion are seminars and lectures for potential clients. It also includes sharing video materials with the usage and characteristics of products.

One of the advertisement ways considered by the case company is the cooperation with bloggers. This way was used by the competitors and helped to make their product well known.

Among all company is collaborating with the main TV channels which have programs connected to the food safety topics. The examples are “CHANNEL ONE RUSSIA” and “NTV”. In such programs the product of the company was shown in actions, all main characteristic were described.

### ***Main problems***

The main source of problem while launching new product was discussed. According to the marketer of the case company it is that all target clients are already using older versions of their products. This way the incremental innovative product which company plan to launch to the market is not presenting the interest for their target customers. High price for the new product and good quality of the old ones are becoming barriers while launching new product.

Despite the fact that the ATP (Adenosine triphosphate) technology which is the base of the device is used in the previous versions of the device it is still not common and not know among Russian customers thus not trusted.

Despite the common opinion that political situation could have influenced the case company, it proved it wrong. Anti-Russian sanctions and the Russian response

with an embargo law have helped the food safety department to increase its' sales. Due to the fact that the competition on the Russian market of dairy and meet product suddenly disappeared, new local factories were organized. Such producers are the main target segment of the case company what became the key factor of sudden growth in sales.

### ***Competitors***

The case company is a big player in Russian market. The brand is well known and recognized. Nevertheless, the luminometer device which is planned to be launch to Russian market already has a strong competitor.

Hygiena Company is providing device based on the ATP technology which allows making quick test of the surfaces. The device of the competitors is targeting the same customer segment as the case company product.

The ways of advertisement applied in the Hygiena Company are very close to ones in the case company: seminars, forums, conferences, exhibitions and representation of product at the famous TV programs.

The main advantage of the Hygiena Company comparing to the case company is their price. The competitor's device is cheaper, so that can attract potential customers. Nevertheless, the price for usage of the devices and making tests is higher, that increases the price of the devices in long-term perspective.

#### ***4.4. Practical application of the positioning strategy an innovative product in local markets***

This part describes the modeling of innovative products positioning on the example of the ATP luminometer of the case company. To begin with, according to the purpose of the study to improve the accuracy of positioning, the basic psychographic characteristics of the markets important in choosing a strategy are determined. The next step was to identify the main drivers of the market and

determine the current position of the goods in relation to competitors. Next, there were considered the most successful product differentiation points, which can become the basis for positioning the company in the industry.

#### 4.4.1. Comparison of local markets psychographic characteristics

In order to develop more accurate positioning strategy in local markets, the behavior of consumers in 3 countries was chosen and analyzed: Russia, America and Finland. Comparison of psychographic characteristics was carried out on the basis of the Santander Trade portal data and presented in Table 7(Santander trade portal, 2017).

Table 7: Comparison of psychographic features of local markets

	<b>Russia</b>	<b>USA</b>	<b>Finland</b>
<b>Main trends</b>	Medicines,  Furniture,  Cosmetics,  Clothes.  Electrical appliances,  Automotive industry.	Computing technology,  Social sphere,  Health care	Telecommunications,  Biotechnology,  Ecology,  Medicine,  Security / security
<b>Factors that consumers</b>	Brands	Convenience	Quality,

<b>pay attention to</b>	Product quality,  Product lifespan		Security  Country of origin of the product
<b>Openness to innovation</b>	More than 75% of Russians are interested in buying innovative products (Nielsen survey, 2016)	+	+
<b>Brand</b>	Strong brand loyalty	Less expensive brands	+
<b>Attitude to the environment</b>	NA	Gradually becoming more concerned about the state of the environment	Consumers are attracted to the product's compliance with environmental protection requirements
<b>Import Export</b>	NA	The American consumer is open to buying foreign products.	Local products, especially with regard to food

Finland is a complex market with a high standard of living and education. This is characterized by an increase in the purchasing power of Finnish consumers, which increased imports to Finland. In general, Finnish consumers are open to new

products and concepts. The main priority of Finnish consumers is quality in the selection of products. Finnish consumers also prefer simple and practical products, as well as products that are not harmful to the environment.

In the case of high quality products, innovative attractiveness and compliance with environmental protection criteria, price is much less important factor for a consumer while choosing.

American consumers usually are relatively wealthy and very diverse in their interests and tastes. In general, they value home comfort, food and cars. However, the economic situation fundamentally changed the behavior of many American consumers, who now learn to live with much less costs.

The Russian consumer often buys products impulsively. The price is often secondary. About 73% of the population lives in urban areas and accounts for a large part (85%) of purchasing power. The Russian consumer values the Western way of life, education. Especially effective are advertising through television and social networks on the Internet.

#### **4.4.2. Current positioning of the case product and competitors**

In order to determine the current position of the company and its competitors in the market, it is necessary to assess how the target audience perceives products of the case company and goods of competitors. This study was carried out in two ways: fast (superficial) and long (high-quality).

The first method was carried out by researching publicly available information about competitors: information on the website, commercial proposals and product descriptions on packaging and in advertising. The information received was formed in the form of key definitions, which are an accent in the promotion of the products. Generalized information is the current perception that the competitor is

trying to form about itself. Similarly, the current perception of the case products was formed.

The second way - marketing survey of the target audience. During the survey of, the case product and the product of competitors were demonstrated (indicating the brand) to the target audience. The target audience gave a description of each product. The peculiarity of this method is that this way of assessing the current position is much more accurate, because it reflects the real perception of consumers, and not the image which is created by the company through advertising.

The obtained results were summarized in the form of tables 8 and 9, taking into account the importance of each criterion. The first recorded definitions are the ones which were most often found in advertising messages and were listed the very first when conducting a marketing survey of the target audience. In the end, all the above definitions were formulated in the form of one sentence, which describes the current positioning of the products.

Table 8: Determining the current perception of the case product and its competitors in the target market (quick way)

<b>Current perception of the case company product</b>	<b>Current perception of the competitor (Hygiena)</b>
Sensitive	<i>The device is cheaper than its competitors</i>
Portable, lightweight	Fast
Tests are cheaper	Accurate

Easy to use	Easy to use
Express control	Portable
Comfortable	The undisputed leader
Reliable	A new generation product
Quantitative assessment of the purity state	Import
Big amount of memory	<i>Imported modern device easy to use, cheaper than competitors</i>
Compatible with PC (statistical processing), Wi-Fi data transfer	
Multifunctionality	
<i>New portable product, superior in quality to competitors</i>	

Determination of the current level of positioning was conducted with the participation of the Russian target audience - employees of food laboratories, dairy plants and meat processing plants. The target audience was interviewed at the international specialized exhibition of Bakery and Confectionery “Market Modern Bakery Moscow 2017” and the International Exhibition of Food Ingredients “Food Ingredients Russia 2017”. During the survey, representatives of the target audience were invited to familiarize themselves with the ATP

luminometer of the case company and its' direct competitor. The results of the survey are presented in Table 9.

Table 9: Determination of the current perception of goods and competitors in the target market (long method)

<b>Current perception of the case company product</b>	<b>Current perception of the competitor (Hygiena)</b>
Tests without activation up to 3 hours (no need to run to the laboratory, no need to carry the device)	Fast
Lightweight	Accurate
Fast	Easy to use
Sensitive	Portable
Compatible with PC (not important)	A new generation product
<i>Cleanliness control technology that does not require the purchase of additional equipment</i>	<i>Quick device easy to use</i>

From all of the particularly liked properties, it was noted that the product of the case company is easy to transport. It is also possible to store tests without activation within 3 hours after taking the sample, which allows the laboratory staff not to carry the test with them, but to conduct measurements directly in the

laboratory. Despite the compatibility of the product with the PC and the presence of the Wi-Fi module for instant synchronization, these characteristics were not noted with attention.

#### 4.4.3. Key market drivers

Next, the most important for the industry product properties were determined. These properties can be used to position the products of the case company. To do this, 4 lists of product properties were compiled in the table 10.

Table 10: Description of product properties

<b>Group of Properties</b>	<b>Description</b>
1 group - Market Attributes	Required properties that make the goods interesting to the consumer
2 group - The properties of the company's product	Properties of the company's product
3 group - The properties of the competitors' products	Properties of the main competitors' products
4 group - Properties of product from consumers	Important product characteristics for the target audience, which determine their choice

All obtained properties were summarized in the table 11.

Table 11. Definition of key attributes of the company goods, competitors, and the market

<b>The properties of the product on the market</b>	<b>1 group</b>	<b>2 group</b>	<b>3 group</b>	<b>4 group</b>	<b>Problems/needs that can be solved with it</b>
Sensitivity	+	+	+	+	
Portability, lightness	+	+	+	+	Easy to carry, do not need charging
Low cost of the test		+		+	Desire to save money
Easy to use	+	+	+		
High speed testing	+	+	+		Do not need to wait long for test results
Convenience		+	+		

Reliability		+			
The quantitative evaluation of the level of ATP	+	+	+		
Large amount of memory		+	+		
Compatibility with PC (statistical processing), Wi-Fi data transfer		+			
Multifunctionality		+			
Low cost of the device			+	+	Desire to save money
Possibility to save tests without activation	+	+	+	+	Do not need to carry the device with you

until 3 hours					constantly
The quantitative assessment of bacteria				+	

In order to determine the true motivation of consumers, the need has been uncovered for basic properties which the buyer is going to solve with their help.

#### **4.4.4. Assessment of the knowledge level of product**

In order to complete the development of positioning, the current level of knowledge about the product was assessed. This step could be omitted if it was necessary to develop a positioning strategy for a new brand. For the case company, the task was to update the positioning for the existing brand, this step was necessary to assess how much the brand of case company is known among the target market.

The case company's brand was tested for compliance with three indicators of awareness of brand awareness:

- With a hint;
- Without a hint;
- Top-of-mind.

Out of 100 respondents, only 10 showed the maximum result of brand recognition on the market, remembering the name of the brand of the case company one of the first, answering the question "What brands of products in the category of food safety products do you know?".

45 respondents included case company brand in the list of brands of food safety control products, but the case company name did not appear at the top of the list. 26 respondents were able to remember the name of the case company after they were given a hint. 21 people did not include the name of the case company even after giving hints.

The problem related to the low recognizability of the case company brand in the food safety market was identified. Case company produces its products under various names, depending on the direction of their activities. Thus, the consumer does not form a connection between the name of the case company and the brand of the purchased product. While developing a positioning strategy the existing perception of case company by the target audience should be taken into account.

#### ***4.5. Model of innovative products positioning on local markets***

According to the theory presented in Chapter 3, while choosing a positioning strategy for an innovative product on local markets, it is worth considering the influence of psychographic factors on purchasing decisions of consumers.

In order to develop a model which contributes increasing of the accuracy of positioning, the criteria influencing to positioning innovative products were considered.

Table 12 shows the values of coefficient for each of the factors, depending on the country to which the new product is being introduced. Coefficients take values from 0 to 1, where 0 is the absence of influence from this factor on the purchase decision, and 1 is the maximum influence of this factor on the consumer at the moment of product selection.

Table 12: Psychographic factors depending on the local market

<b>Psychographic factor</b>	<b>Finland</b>	<b>Russia</b>	<b>USA</b>
Attitude to brands	0,9	0,8	0,95
Attitude to imported products	0,8	0,7	0,8
Attitude to local products	1	0,9	1
Attitude to innovations	0,7	0,5	0,8
Willingness to pay a high price	0,6	0,4	0,7
Preference for better quality	0,8	0,7	0,9
Preference for environmentally friendly / safe products	0,75	0,4	0,65

Presented psychographic characteristics were ranked according to their importance in each specific market. In the table 13 there are presented ratings of these factors for three markets.

Table 13: Ratings of psychographic characteristics depending on local markets

	<b>Rating Russia</b>	<b>Rating USA</b>	<b>Rating Finland</b>
Attitude to brands	3-17,85%	2-21,42%	4-14,28%
Attitude to imported products	4-14,28%	4-14,28%	6-7,14%
Attitude to local products	6-7,14%	3-17,85%	5-10,71%
Attitude to innovations	5-10,71%	5-10,71%	3-17,85%
Willingness to pay a high price	1 -25%	1-25%	1-25%
Preference for better quality	2-21,42%	6-7,14%	2-21,42%
Preference for environmentally friendly / safe	7-3,57%	7-3,57%	7-3,57%

products			
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In addition to the presented psychographic characteristics, it was revealed that the following criteria can change the consumer's decision while thinking of purchase of an innovative product:

- Type of innovation;
- Loyalty to the presented brand;
- Concurrence with the main trend.

The positioning model of innovative products on local markets supposes to improve the accuracy while choosing a strategy by taking into account the psychographic characteristics of individual regions. It is aimed to act as a model of decision support for marketers of the case company.

Changes in each of these factors over time should be added to the model to ensure its smooth operation. Obtaining the values of each of these indicators is possible through sociological surveys, observations, or on the basis of an expert conclusion of the company.

Table 14: Matching the real psychographic characteristics of the local market with the objects of the model in iThink 9.1.3

Name of the object in the iThink software	Reflecting object in the iThink software	Relationship with real object

<b>Converters</b>		
Attitude to brands	Factor influence consumer attitudes to brands (from 0 to 1)	Changing buying decisions based on the commitment of consumers to products with famous brand
Attitude to imported products	Factor influence consumer attitudes to imported products (from 0 to 1)	Change purchasing decisions depending on consumer preference towards imported products
Attitude to local products	Factor influence consumer attitudes to local products (from 0 to 1)	Change purchasing decisions depending on consumer preference towards local products
Attitude to innovations	Factor influence consumer attitudes to innovations (from 0 to 1)	Change purchasing decisions depending on consumer preference towards more innovated products
Attitude to price	Factor influence consumer attitudes to price (from 0 to 1)	Change purchasing decisions depending on consumer preference towards cheaper products

Attitude to quality	Factor influence consumer attitudes to quality (from 0 to 1)	Change purchasing decisions depending on consumer preference towards higher quality products
Attitude to the environment	Factor influence consumer attitudes to environment (from 0 to 1)	Change purchasing decisions depending on consumer preference towards more environmentally friendly products

The obtained simulation model made in “iThink” software for positioning innovative product on local markets is presented in Figure 10.

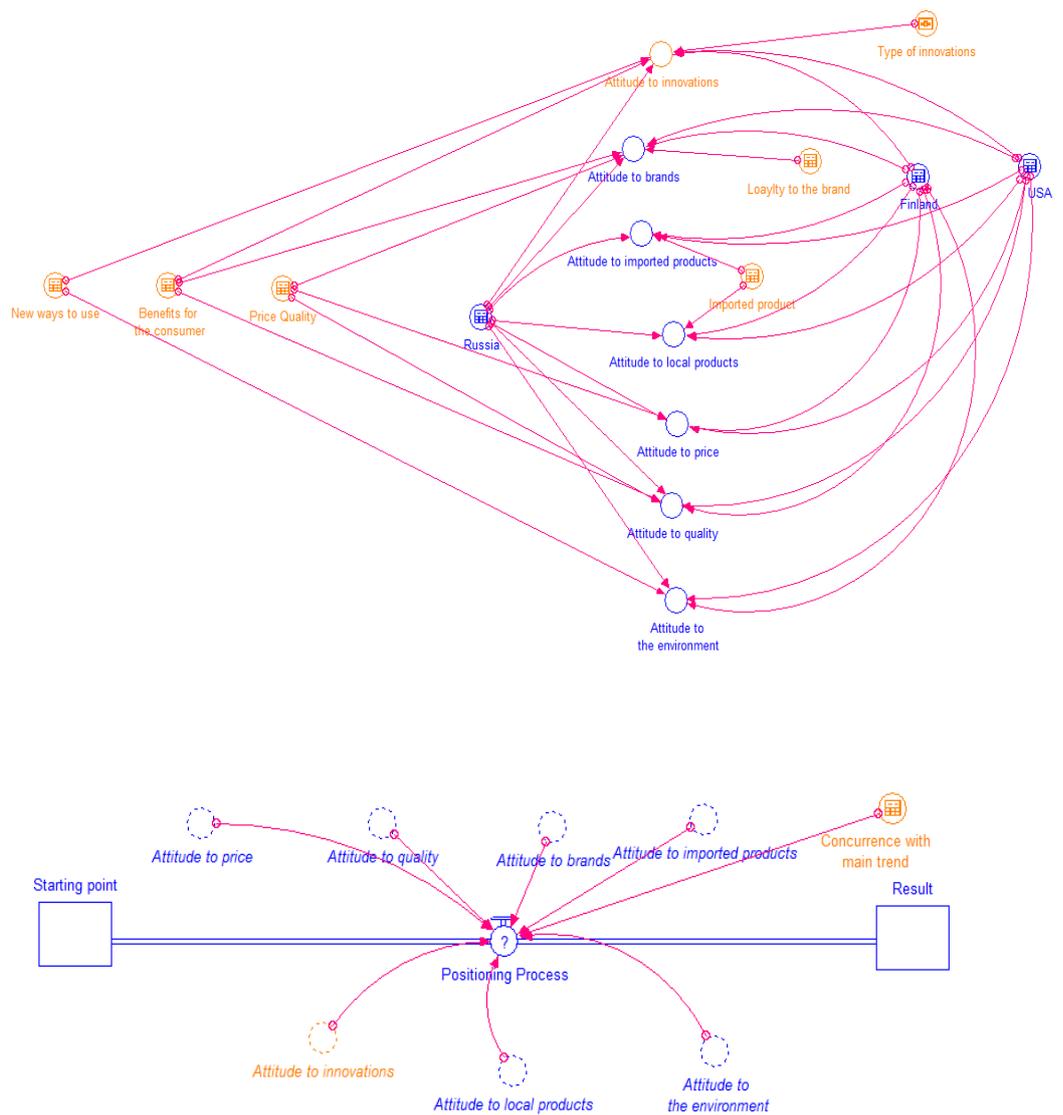


Figure 10: Model for positioning innovative product on local markets

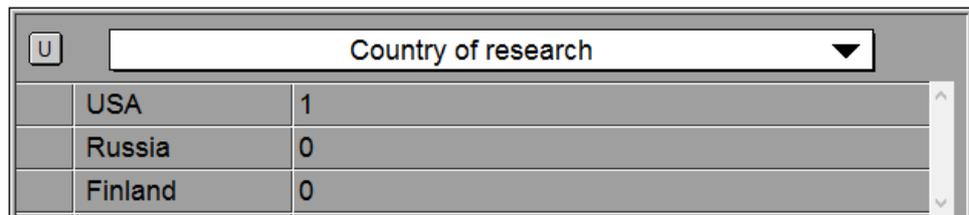
*Description of the model:*

The model includes the values of psychographic factors for three local markets (USA, Russia, and Finland), derived on the basis of expert analysis:

- Attitude to brands

- Attitude to imported products
- Attitude to local products
- Attitude to innovations
- Attitude to price
- Attitude to quality
- Attitude to the environment

To conduct positioning simulations on a specific local market, the user should indicate the region of interest by entering the number 1, as it is shown in Figure 11.



	Country of research	
	USA	1
	Russia	0
	Finland	0

Figure 11: Selection of the local market for modeling

Next, it is necessary to specify the type of innovation brought to the market, according to the instructions in Figure 12. For modeling, the user is offered a choice:

- Radical innovation;

- Incremental innovation;
- Not innovative product.

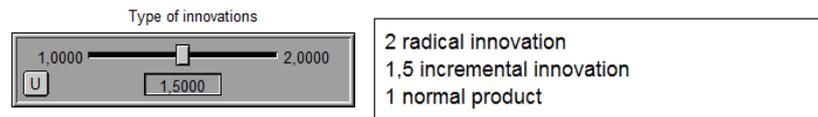


Figure 12: Choice of innovative product type

The final step while preparation for modeling is to determine the values of the additional characteristics presented in Figure 13:

- Imported / local product;
- Concurrence with the trend popular on this local market;
- Loyalty to the brand.

As it was noted in part 4.4.4., after assessing the level of knowledge of consumers about the case product on the Russian market, it was revealed that the brand is not well known to the target audience, therefore, the value of the item "attachment to the brand" should not be high.

Values of additional characteristics	
Imported product	1
Concurrence with main trend	0
Loaylty to the brand	1

Figure 13: Selection of values for additional characteristics

According to the case company from positioning strategies presented in Chapter 3, in practice the company is using only 3 of them:

- Positioning by the use of product properties or buyer's benefits.
- Positioning by price and quality.
- Positioning by use or application.

In order to choose strategy for modeling, researcher should put 1 in front of it as it is shown in the figure 14.

Positioning strategy	
Benefits for the consumer	1
Price Quality	0
New ways to use	0

Figure 14: Selection of positioning strategy for modeling

Each of these strategies affects individual psychographic characteristics. For example, the positioning strategy "by use or application" applied in the case company is aimed at the following characteristics: attitudes towards innovation and attitude towards the environment. Strategy "Positioning by price and quality" affects the attitude towards brands, price and quality. The last positioning strategy "by properties of the product or the benefit for the buyer" affects the attitude to innovation, to brands and to quality.

### **Model verification**

The goal of verification is check if developed simulation model matches a real situation, and can be used for the forecasting of customers' behavior while choosing positioning strategy.

One of the most common ways of formal justification of the developed model adequacy is methods of mathematical statistics. The essence of these methods is to test the hypothesis on the basis of some statistical criteria (Processing and analysis of simulation results, 2013).

The evaluation procedure is based on comparing the measurements on the real system and the results of the experiments on the model and can be carried out in various ways. The most common ways are:

- average values of the model and system;
- variances of deviations of model responses from the average value of system;
- the maximum value of the relative responses of the model from the responses of the system.

In this research the first strategy will be applied. In this case the hypothesis which says that the average value of the observed variable Y is close to the average value of the response of the real system Y \* will be tested.

To verify the accuracy of the simulation model, the data from the case company was collected on the products that were previously exported to local markets. The case company provided data over 16 launches of innovation for the past year (2016). The company's experts provided information on the strategies used; the values of the additional indicators and the results obtained. In order to maintain confidentiality, the ratio of costs to profit was replaced by conditional indicators, where 0.825 and over is absolute success, 0.675- profit exceeded costs, and failure-less than 0.45. The data obtained is summarized in Table 15.

Table 15: Real indicators

<b>№</b>	<b>Type of innovation</b>	<b>Market</b>	<b>Strategy</b>	<b>Import</b>	<b>Main trend</b>	<b>Brand loyalty</b>	<b>Real result</b>
<b>1</b>	1,5	USA	Price – quality	0	1	0,7	0,675
<b>2</b>	1,5	USA	Benefits for the consumer	0	0	0,6	0,55
<b>3</b>	1,5	USA	New ways to use	0	1	0,7	0,675

<b>4</b>	2	USA	New ways to use	0	0	0,1	0,45
<b>5</b>	1,5	USA	Benefits for the consumer	0	1	0,5	0,625
<b>6</b>	1,5	Russia	Price - quality	1	1	0,6	0,75
<b>7</b>	1,5	Russia	Benefits for the consumer	1	0	0,4	0,55
<b>8</b>	1,5	Russia	New ways to use	1	1	0,7	0,675
<b>9</b>	1,5	Russia	Price - quality	1	1	0,7	0,75
<b>10</b>	1,5	Russia	Benefits for the consumer	1	0	0,65	0,55
<b>11</b>	1,5	Russia	New ways to use	1	1	0,5	0,625
<b>12</b>	1,5	Finland	Price - quality	1	1	0,4	0,75

<b>13</b>	1.5	Finland	New ways to use	1	0	0,7	0,75
<b>14</b>	1,5	Finland	Price – quality	1	0	0,7	0,75
<b>15</b>	1.5	Finland	New ways to use	1	1	0,5	0,825
<b>16</b>	1,5	Finland	Benefits for the consumer	1	0	0,4	0,75

Based on the achieved information the simulation was done with the same market conditions as it was described by the case company (table 16).

Table 16: Comparison of real indicators to the simulation results

<b>№</b>	<b>Simulation result Y</b>	<b>Real system Y*</b>
<b>1</b>	0,65842	0,65
<b>2</b>	0,567023	0,55
<b>3</b>	0,661807	0,7
<b>4</b>	0,488733	0,47
<b>5</b>	0,625165	0,625
<b>6</b>	0,709082	0,7
<b>7</b>	0,545268	0,56
<b>8</b>	0,657131	0,65
<b>9</b>	0,729609	0,75
<b>10</b>	0,596323	0,6
<b>11</b>	0,624287	0,625
<b>12</b>	0,740877	0,75

<b>13</b>	0,740541	0,75
<b>14</b>	0,789072	0,8
<b>15</b>	0,822063	0,825
<b>16</b>	0,7122448	0,7

The basis for testing the hypothesis is the t-statistic (Student's distribution). Its value, calculated from the test results, is compared with the critical value  $T(\text{experimental})$  taken from the reference table. If the inequality  $T(\text{experimental}) < T(\text{table})$  is satisfied, then the hypothesis is accepted.

Table 17: Calculation of T (experimental)

	<b>Simulation result Y</b>	<b>Real system Y*</b>
Sample of size N	16	16
Sample mean	0,666727863	0,669063
Standard normal distribution	0,07204922	0,077813
<b>T (experimental)</b>	<b>0,088060839</b>	
Degrees of freedom	30	
P	0,05	
<b>T (table)</b>	<b>2,042</b>	

The value of 0.088 is less than the value of 2.042, hence the significance level is greater than 0.05, the hypothesis is accepted; model can be applied in forecasting of customers' response on positioning strategy.

### *Result*

The obtained data can be interpreted as criteria for assessing the effectiveness of the positioning strategy in the local market (table 17).

Table 17: Criteria for evaluating the effectiveness of a positioning strategy

<b>Decoding of indicators</b>	<b>Model exponent</b>
The failure of the product on the market	<0.45
Costs significantly exceed profits	>0.55
Costs slightly exceed profits	>0.625
Profit exceeded costs	>0.675
Product is successful	>0.75
Absolute success	>0.825

These criteria can later be used to interpret the simulation results when choosing a positioning strategy. This way, the simulation result should at least exceed the value of 0.675 while choosing the right positioning strategy for local market. In the case when values of all positioning strategies are more than 0.675 it is better to choose the maximum one.

## **5. TECHNIQUE OF POSITIONING AN INNOVATIVE FOOD SAFETY PRODUCT**

After completing the preparatory work which consists of determining the current perception of the product, assessing the level of brand awareness, as well as determining the drivers of the market, follows the process of product positioning strategy development. This process consists of identifying differentiation points, constructing perception maps and testing the developed positioning concepts. This stage is based on the data obtained in the previous part with the help of the model.

### ***5.1. Analysis of model data***

The purpose of the constructed model was to increase the accuracy while choosing a positioning strategy in local markets. In order to show the applicability of the model in practice, three local markets were considered - Russia, the United States and Finland. On the example of the ATP luminometer, it could be shown which of the strategies is the best suited for each market.

The product ATP luminometer refers to incremental innovation. For the American market, it is a local commodity, while for Finland and Russia it is an imported product.

The degree of brand loyalty according to the information provided by the case company is the highest in America - 0,8, in Europe it is lower - 0,7, and in Russia according to the results of the survey presented in Chapter 4 it is only 0,4.

Quality control in the food industry is enshrined in legislation in all three markets. Thus, the input data for building the model is following:

Table 18: Initial data for building a model

	<b>Russia</b>	<b>USA</b>	<b>Finland</b>
Imported products	1	0	1
Concurrency with the main trend	1	1	1
Brand loyalty	0,4	0,8	0,7
Type of innovation	1,5	1,5	1,5

The results of modeling the reaction of consumers to the positioning strategies of the ATP luminometer are presented in the table 19.

Table 19: Simulation Results

<b>Strategy of modeling</b>	<b>Russia</b>	<b>USA</b>	<b>Finland</b>
Positioning by product properties or buyer benefits	0.645944	<b>0.705900</b>	0.870075
Positioning by price and quality	<b>0.688554</b>	0.687671	<b>0.907433</b>

Positioning by the use or application	0.624287	0.685209	0.851622
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According to the criteria for assessing the effectiveness of the modeling strategy presented in Chapter 6, it can be concluded that positioning by price and quality is the best suitable for the Russian market. For the American – by the use of properties of products or benefits for the buyer, while for Finland all three proposed strategies are suitable but price-quality approach is giving the best response from customers.

## ***5.2. Points of differentiation***

After selecting the appropriate positioning strategy for the ATP luminometer, it is necessary to continue positioning of the product, specifying possible points of differentiation to determine free niches and to have a diverse view of the market situation. Further positioning of the product of the case company will be considered on the example of the Russian market.

### *№ 1 New sub-category*

The first point of differentiation, presented in Table 20 allocates the product to an entirely new market category.

Table 20: Point of differentiation - new sub-category on the market

<b>Options for improving the product category</b>	<b>Variant 1</b>	<b>Variant 2</b>	<b>Point of differentiation</b>
System of purity control	Security guarantee of purity at manufacturing	The first in Russia automated monitoring purity system maintaining clean level	+-

*№2 Leadership in the problem solving*

In order to consider the second potential point of product differentiation in the market, the key problems of the consumer were checked if the case company can become a leader in their solution.

While testing this point of differentiation, all the main problems of the target audience were listed and the answers to the following questions were analyzed:

- Can current market players contribute to solving of this problem?
  
- Can the case company become the leader in solving this consumer problem?

- Will this solution be potentially attractive to the target audience?

Table 21: Point of differentiation - The solution of consumer needs

<b>Needs and problems of TA</b>	<b>Can competitors solve this problem</b>	<b>Leadership in problem solving</b>	<b>Point of differentiation</b>
Desire to save money	+	+/-	+
No need to wait	+	-	-
No need to carry	+	-	-
No need to buy additional hardware / software	+	+	+
No need to learn additionally	-	+	+

After analysis of the consumer needs, points of differentiation based on the leadership in the problem solving were identified. Differentiation by the cost of the tests produced, no need to purchase additional software and separate training.

*№3 Creating the opposite image*

At this stage, the possibility of distancing from competitors by creating an absolutely new, opposite and vivid image of the product was considered. For this:

- The images and properties of the main competitors were collected;
- Opposite characteristics are created to the perceptions of competitors;
- The attractiveness of the characteristics and the possibility of using them as a point of differentiation are estimated.

Table 22: Point of differentiation - creating the opposite image

<b>Perception and properties of competitors</b>	<b>Contrast</b>	<b>Attractive for TA</b>	<b>Point of differentiation</b>
Products is cheaper than competitors	Products is more expensive than competitors	--	-
Fast	Slow	-	-
Accurate	Work with mistakes	-	-
Easy to use	Need pre-education	-	-
Portable	Work from electricity	-	-

Light weighted	Heavy	-	-
Imported	Russian(local)	-	-

After analysis of the opposite characteristics, it was determined that none of the proposed characteristics could be used as potential point of product differentiation.

*№4 Visibility on the situation of use*

The next step was the search of possible differentiation points in order to create the best experience of using the case company's product in specific situations. The purpose of this point of differentiation - the product, should first come to mind to the buyer in the event of this situation. To search for such points:

- Collected situations and ways to use the product of the case company;
- It is determined whether in each situation the buyer is comfortable and pleasant to use the products of competitors;
- It is determined whether the product of company X becomes the ideal product in this situation - whether there is an attraction for the target audience.

Table 23: Option by the method of the product usage

<b>The method and situation of the need to</b>	<b>Can competitors solved</b>	<b>The point of</b>
--	-------------------------------	---------------------

<b>use the product</b>	<b>this need the best?</b>	<b>differentiation</b>
in manufacturing	+	+
In places of public catering	+	+
In hotels	+	-
At home	-	-
In shop	+	+
In swimming pool	+	-

After analyzing the points of differentiation by the method of using the products, the following were revealed: manufacturing, places of public catering and shops.

#### *№5 Leadership by mandatory properties*

The next considered point of differentiation was the superiority of the case company's product over competitors in performing the basic properties of the product. In order to consider this direction of product positioning the following actions were performed:

- All mandatory market properties of the goods were collected;

- The value of the case company product's leadership for each of the properties were given;
- The existence of leadership of competitor's products for each attribute was considered.

Table 24: Leadership by market properties

<b>Market properties of the product</b>	<b>Will it be valuable for the consumer if the product will perform this property better than others?</b>	<b>Is there a product implementing this property better than others?</b>	<b>The point of differentiation</b>
Sensitivity	+	-	+
Portability, lightness	+	-	+
Easy to use	+	+	-
High speed testing	+	+	-
The quantitative assessment of the purity state	+	-	+

Possibility to save tests without activation until 3 hours	+	-	+
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During the analysis of differentiation points of leadership by market properties, the following features were identified: device sensitivity, portability, lightweight, high speed, quantification and storage of tests up to three hours without activation.

*№6 Distinguishing characteristics*

At this stage, there were distinguished the properties, according to which the product of the case company differs from competitors. The attractiveness of each found feature was assessed:

Table 25: Positioning by distinctive characteristics

<b>Unique properties of the products</b>	<b>Value for TA</b>	<b>The point of differentiation</b>
Low cost of the test	+	+
Reliability	+	+
Compatibility with PC (statistical processing), Wi-Fi data transfer	-	-

Multifunctionality	-	-
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### *№7 Use of hidden demand*

The last points of differentiation considered in the development of the positioning strategy were the points responsible for satisfying hidden demand. These points of differentiation are necessary if the company can become the first in solving the unrealized needs of the target audience, distancing itself from competitors.

Table 26: Hidden demand

<b>Hidden demand (unrealized properties from consumers)</b>	<b>The point of differentiation</b>
Quantification of bacteria	-

Among the hidden needs of consumers only a quantitative assessment of the bacterial level by the device was detected, but at the current moment ATP technology does not allow such assessment.

### **5.3. Perception maps**

The next step after determining the points of differentiation is the construction of positioning maps. Perception cards allow to visualize the segmentation of the market by 2 main parameters and to find a niche in which a product will be the only or better option.

In order to compare the case product with its' competitors 3 represented on the Russian market companies were taken: Hygiena, Charm and BioControl.

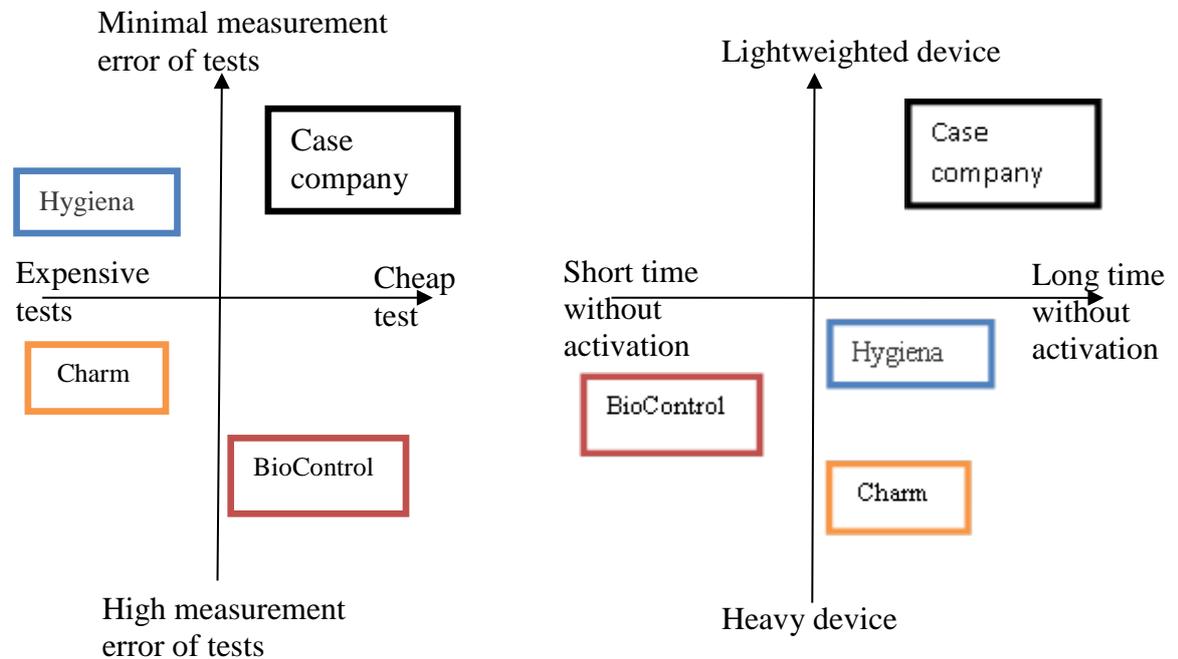


Figure 15: Perception maps

Figure 15 presents the perception maps created with the help of differentiation points that meet the requirements of the positioning strategy for price-quality obtained after modeling and demonstrate the availability of free market niches to which the case company can go.

As according to the simulation results the rice-quality approach was suggested for the Russian market the following parameters satisfying this strategy were chosen: price of tests, errors of tests, weight of the device and time test can be kept without activation. These parameters let the case company to differentiate its' product on the market as these niches are free from competitors and agreed upon the positioning strategy the most suitable on the Russian market.

## **6. DISCUSSION**

The growth of investments in research activities is associated with the development of science, technology, and economics (Tsvetkov, 2014). However, innovations cannot reach the target customer without contribution of right tools to promote it (Drevetnjak, 2014). Marketing tools and techniques common for the conventional products cannot fully contribute to the promotion of innovative products.

In the master's thesis the object of research were the methods of developing an innovation positioning strategy. The analysis of the existing methods of positioning innovative products in companies has made it possible to identify the main problems and shortcomings in their use, as well as the reasons that lead to them.

Analysis of methods of launching innovative products allowed making the conclusion that positioning is an important step in this process, which makes a significant contribution to the successful promotion of the product to the local market. Carried out researches in the field of innovation promotion have shown the topicality of creation an effective positioning technique for the companies producing science-intensive production.

According to the researches made it was clarified that proper client segmentation and marketing which is focused on the target audience make 70% of innovation success on the market. Thus, while developing marketing strategy customer segmentation should be highly important (Evanschitzky et al. 2012).

Positioning of innovative products is a process that helps to determine the winning positions for the company in the market. As an effective tool for the commercialization of innovations, positioning begins the process of strategic promotion of products (Agarkov et al., 2011).

Positioning determines the general marketing strategy of innovation as it deals with customers' perception of a product. Many factors can influence on the way how potential customer will perceive the product. However, after conducting analysis of main innovations types and psychographic characteristics of consumers, it is can be claimed that choice of the positioning strategy depends on the values of these characteristics (Romanov, 2009). Based on this information, there was conducted an analysis of psychographic characteristics of local markets (Russia, Finland, USA) with the correspondence of innovation type of products launched to the markets.

Based on the data obtained, an imitating model for selecting a positioning strategy has been developed depending on local market attributes and type of innovative product. The proposed model helps to improve the accuracy of positioning innovative products on local markets. In order to choose the most appropriate positioning strategy for innovative products, the criteria for evaluating its effectiveness are proposed allowing the quantitative comparison. The accuracy of the model was verified on the basis of data provided by the company.

The data obtained are summarized in the form of a technique for positioning innovative products on local markets (figure 16). The technique is presented to the case company for further use. Comparing to the known marketing strategies this clarifies the actions of the company while developing positioning strategy with the implementation of the simulation model.

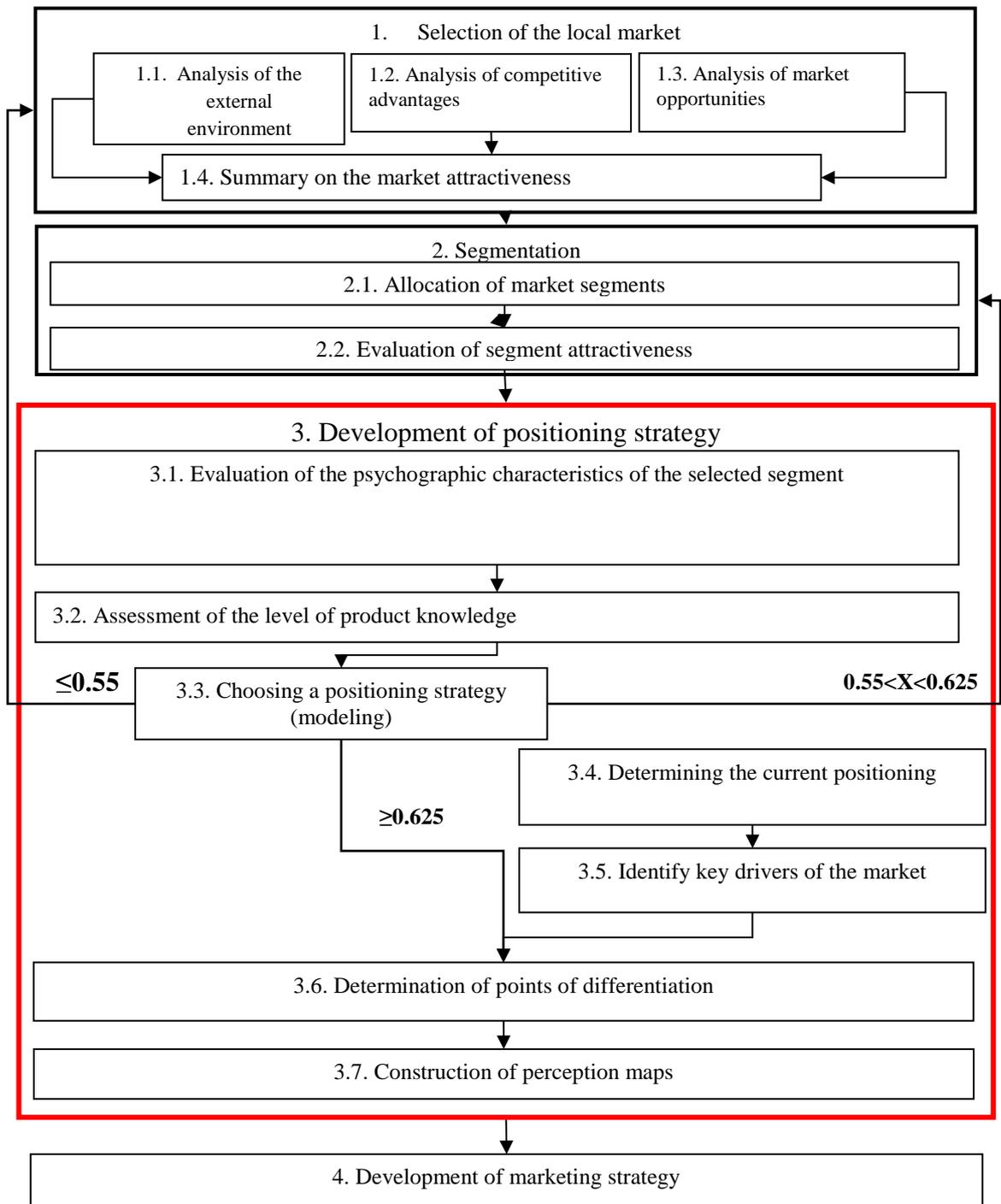


Figure 16: Technique of positioning innovative products in local markets

## 7. CONCLUSIONS

This is the final chapter of the research which gives overall conclusions. The summary of main findings is presented in the first part of this chapter. It gives answers to the main research questions. This chapter describes the main limitations and gives brief suggestions for the future researches.

### *7.1. Summary of main findings*

Initial aim of the research was to provide the proper positioning strategy for the case company innovative product – ATP luminometer which would allow launching it successfully to the Russian market.

The existing strategies for positioning innovative products were considered in the master's thesis. Based on the research of the operating companies, the main problems and shortcomings in their use and the reasons leading to them were identified and analyzed.

Nevertheless, while working on the literature analysis of the positioning strategies and during the pilot interview with representatives of the case company, it was discovered that problem which the case company has faced is very common for international innovative companies. Thus, the initial goal was refined and supplemented by the development of the simulation tool which can support the choice of positioning strategy for the local markets. In order to fulfill the new goal it was planned to explore the influence from the various factors on the customers' perception of the positioning strategy.

Literature analysis has shown that segmentation based on demography does not allow evaluating the attitude of the group to the positioning strategy; as such segmentation combines people with different preferences. Nevertheless, psychographic segmentation brings together people with same preferences over products and positioning strategy applied to it. Thus, evaluation of psychographic

characteristics of the same group can be applied to the development of simulation model which can show close to the real perception of the product.

It was discovered that different nationalities has different position over innovations, some are easily getting attracted by incremental or even radical innovations, while other stay neutral and prefer choosing more known and common products. This way, the second set of variables which can influence customers' decision was chosen.

The analyzed information after interviews allows completing the positioning strategy and getting answers to the research questions which were following:

*What are the main characteristics of Russian market of food safety products?*

The main goal of the first interview (Appendix 1) was to get an insight on the marketing processes inside the case company. During the first interview the following information was discussed: launching new products, competitors, advertising, and target clients.

After conducting interview with marketers of the case company the general overview of the marketing strategy applied in the company was received. The obtained information was about competition inside Russian market of food safety products and most valuable characteristics for the target clients.

The case company is using only 3 of main positioning strategies presented in Chapter 3:

- Positioning by the use of product properties or buyer's benefits.
- Positioning by price and quality.

- Positioning by use or application.

Despite the fact that the case company is positioning its products as lux, for the target client price still stays as one of the priorities while making decision to buy. At the same time this criteria is the weak point for the case company as far as their main competitors are suggesting lower price for the product with close characteristics.

Withal the quality is still playing an important role. Nevertheless, main competitors are also suggesting the high-quality devices, which can check the cleanliness in the factories within short time. Among other factors related features such as maintain price, availability of service centers nearby are helping customers to make the final decisions.

As it was described in the literature review - the one of the most common mistakes which companies make at positioning strategy is the lack of attention to the distinctive characteristics of the goods. Instead of talking about the differences between the product advantages over competing products companies they talk about financial profits and opportunities. The case company is doing this mistake while saying to the potential customers that price for their product in the long term perspective is lower but the characteristics are the same.

Advertisement campaigns applied in the case company and competitors are very close. The main reason why is that target customer segment is the same for the both companies.

*What factors influence on the customers' decision making process over buying?*

Answer to this research question was obtained after conducting interviews with marketers of the case company (Appendix 2) and the target audience of the case product during exhibitions in Moscow (2017). The current positioning of the case

product and its competitors were made, brand recognition on the local market was evaluated.

As it was shown in the research local market attributes, type of innovation and chosen positioning strategy are dependent between themselves. This way, by simulating the local market conditions that is possible to evaluate how different positioning strategies are perceived by the target audience.

The proposed model helps to improve the accuracy of positioning innovative products in local markets. In order to choose the most appropriate positioning strategy for innovative products, the criteria for evaluating its effectiveness are proposed, allowing for quantitative comparison.

The result of the research is a developed technique for positioning innovative products in various local markets. An example of using the technique for positioning an innovative ATP luminometer on the Russian market is considered.

*What characteristics of local market are taken into account in the case company while developing their positioning strategy?*

While conducting the research for the case company three local markets have been analyzed. The main aim of the comparison was to determine psychographic properties influencing the development of positioning strategies. Based on the analysis of basic psychographic characteristics, there were determined those which influence the most the consumer's decision to purchase an innovative product. With the help of the expert analysis, the weights of these characteristics were determined for three local markets:

- Attitude to brands
- Attitude to imported products

- Attitude to local products
- Attitude to innovations
- Willingness to pay a high price
- Preference for better quality
- Preference for environmentally friendly / safe products

On the basis of the obtained data, the imitation model supporting decision-making process of an innovation launch to a market was created and criteria for assessing the effectiveness of the chosen strategy were presented.

The simulation model was applied to choose a positioning strategy that meets the requirements of the Russian market. Possible points for the differentiation of the ATP-luminometer were formulated based on the interviews with the target audience, in order to identify free market niches.

## **8. LIMITATIONS AND THE SUGGESTIONS FOR FUTURE RESEARCH**

Due to the fact that this research is mostly qualitative it does not let to generalize its main finding to other companies. Nevertheless, all processes and activities of the case company in different markets are standardized so that allows other researchers to use these findings as the basis for future researches for the case company on other markets.

This research was based on the data provided only by the case company. Nevertheless, for a deeper research other companies from the same sector could be examined. Multiple case studies would allow generalizing findings on marketing methods from different companies if there would be the same patterns. In case if there would be totally different approaches such research would be very useful to understand the underlying reasons.

The direction of this research can be continued in the following works and researches in order to increase the efficiency of the developed model. Comparison of marketing activities of the food safety department in different countries could also give interesting insights to the industry in general. It could explain country distinctions in the ways of doing marketing strategies. The other findings could be the comparison of customer needs in different countries.

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## Appendix 1

### **Questions for interview - General information:**

- 1) Job title of the respondent in the company:
- 2) Length of work on this position:
- 3) Country and city of work:

### **Information of marketing product:**

- 1) What is the target customer segment for your company?
- 2) What kind of product innovation your company produces?
- 3) What is the share of innovative products among others?
- 4) Do all product innovations have the same brand name?
- 5) What tools your company uses to launch products to the market?
- 6) What challenges your company faces while launching new products?
- 7) What is the difference between products of your company and competitors'?
- 8) What ways to advertise are used in your company?

9) What by your opinion is the reason of failures while launching product innovation?

## Appendix 2

### Questions for interview - Information of local market characteristics.

Fulfill the following table according to the rule:

Coefficients take values from 0 to 1, where 0 is the absence of influence from this factor on the purchase decision, and 1 is the maximum influence of this factor on the consumer at the moment of product selection.

<b>Psychographic factor</b>	<b>Finland</b>	<b>Russia</b>	<b>USA</b>
Attitude to brands			
Attitude to imported products			
Attitude to local products			
Attitude to innovations			
Willingness to pay a high price			
Preference for better quality			
Preference for environmentally friendly / safe products			

Give the rate to each psychographic characteristic depending on the local market.

Fulfill the table based on the information of previously exported to local markets (Russia, USA, Finland) the products of the company: strategies applied, values of the additional indicators and the results obtained. Give the evaluation of the achieved result where 0.825 and more is absolute success, 0.675- profit exceeded costs, and failure-0.45 and less.

<b>Type of innovation</b>	<b>Market</b>	<b>Strategy</b>	<b>Import</b>	<b>Main trend</b>	<b>Brand loyalty</b>	<b>Evaluation of result</b>
		Price – quality				
		New ways to use				
		Benefits for the consumer				