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Master’s Thesis
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RUSSIAN INDUSTRIAL FLOOR MARKET AND ITS POSSIBILITIES AND FEASIBILITY FOR FINNISH SMES

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The research is focused on the Russian concrete floor market and partly considers the industrial floor market as a whole. The main goal of the study was to determine the possibilities of the concrete market and its feasibility for Finnish SMEs to start business operations there. Among intermediate purposes of the research, it was necessary to determine the market size, define its polarization, describe the current legislation, as well as to identify the leading players in the market, including customers, competitors and specifiers. An additional goal of the research was to provide recommendations for interested Finnish companies on how to enter the Russian market. The research analyzes and interprets the information, which was obtained from numerous federal databases, reports and law codes. Information from surveys conducted among market participants is also used. The research has achieved its initial goals, and the results indicate that the Russian concrete floor market is highly attractive for Finnish companies to invest and do business. Based on obtained results, recommendations were formed for interested companies concerning the process of internationalization in Russia.
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1. Introduction

The world is becoming more globalized day by day, as well as countries' economies becoming unified and integrated into each other. Domestic markets are becoming tight for companies quite quickly, so they have to look for new markets. This fact determines the process of a firm's internationalization and its expansion to foreign markets. Thus, this research paper is devoted to the study of the concrete floors market in Russia, which will allow Finnish companies to form a marketing strategy to enter the Russian market in the future.

1.1. Background

In recent years, Russia has become an increasingly attractive market for Finland, especially in the context of the country's economic growth. According to the Finnish Minister of Commerce Anne-Mari Virolainen, there are no Finnish cities, which has such purchasing power as Saint Petersburg (Ognev, 2018). Russia is also a reasonably large market for Finnish companies, according to Vesa Tukiainen (Boyarkova, 2018). This fact, combined with psychological and geographical proximity, makes the Russian market extremely attractive. Among leading companies, investing in the Russian market, are building companies and manufacturing companies. According to the annual report of Trade Representation of the Russian Federation in Finland, about 70% of Finnish investments in the Russian market in 2017 fall precisely in the sphere of production and construction (The Trade Representation of the Russian Federation in Finland, 2018). Players, which specialize in building products, will continue to be interested in Russia. Timo Pietiläinen believes that such interest is caused by the relative simplicity of entering a new market since there already large Finnish construction companies are presented (Ognev, 2018).

This thesis is done in collaboration with Case Company. Case Company is a Finnish company classified as a medium and small business. This company proposes an “Optimal Slab” system for making a polished concrete floor. This system includes the whole floor package from dry shakes to the maintenance system. It also contains a system, which helps to do concrete polishing better, faster and with high quality at the same time. This system can be adapted to every power trowel and consists of different diamond discs, mounting pad and fasteners. While polishing clients can use special chemicals by Case Company to make floors even shinier (Appendix A).
The company has reached a reasonably large level of development by the moment. Since the company's foundation, the staff has grown significantly as well as sales and the product line, which is offered to the consumer. Also, according to the company's representatives, the product specification is suitable for broader markets compared to Finland. Thus, the domestic market has become quite small for Case Company (Appendix A), and it is looking for ways to enter foreign markets. One such market is the Russian market of concrete floors, which is the main object of research in this thesis.

1.2. Scope of the study

Market research, indeed, requires a lot of time and resources (McQuarrie, 2006a). The research involves many specialists from various fields, and the process itself can take months, depending on the desired degree of accuracy of the data. However, there is no need to research the market in frames of this master thesis thoroughly.

In order to narrow the scope of the study and determine its vector, a questionnaire for representatives of Case Company was developed. The results of this preliminary research (Appendix A) revealed the main questions and tasks of the study, as well as determine its theoretical framework (Tashakkori and Teddlie, 2010). Peer-reviewed sources on marketing were used to form the theoretical framework of the study. Among sources of data, which were used in this work, are:

- Companies’ reports
- Reports and databases of government departments and agencies
- Reports and databases of government departments of statistics
- Questionnaires and interviews with directors of companies
- Research companies’ reports

1.3. Research questions and objectives

This study concerns only one of the stages from the marketing strategy development process, namely market research. That is, research involves gathering the necessary information to formulate a future market penetration strategy (McQuarrie, 2006b).

Based on the results of the preliminary research among Case Company's employees, the main research questions were formulated. So, this master's thesis is aimed to answer the following questions:
Q1: What is the market size, its polarization, the leading players and legislative regulations in the concrete floor market in Russia?
Q2: What are the feasible options for Finnish SMEs to start their product-based business operations activities in Russia and why?

The second question is essential for Case Company because the stage of choosing entry mode for the internationalization largely determines the company’s continued success in the new market. So, for example, there are cases when a company suffered tremendous losses in connection with the choice of the wrong strategy and entry mode. Indeed, the choice of entry mode is essential and it depends on the resources of the company and long-term development plans, but equally important factor in making a decision is the current situation in the market that is planned to enter. Based on the previous, the objectives of this study were formed. The objectives of this work are:

1. Investigate the Russian market for concrete floors:
   a. Estimate market size
   b. Assess market polarization
   c. Segment consumers
   d. Analyze competitors
   e. Identify specifiers
   f. Describe legislation on the concrete floor market

2. To formulate recommendations on entering the Russian market of concrete floors and recommendations on choosing an entry mode

As noted earlier, the result of this work does not imply the development of a marketing plan with budget planning and a specific actions algorithm. However, the information obtained during the study can be fully used for the subsequent development of a strategy for entering the Russian market. This fact determines the importance and relevance of this work. Additionally, the study suggests the formation of recommendations on entering the Russian market as one of the results. These recommendations are based on the results of previous research steps and constitute the logical conclusion of the entire study.

1.4. Limitations of the study

According to Creswell (2015), limitations in the research are represented by factors that have an impact on the outcome of the work but do not depend on the researcher himself. The most significant limitation of this study is the availability of relevant market data and
information. Actual and practically applicable market information is often valuable for both the companies, that sell it, and those, that use it to develop their own strategies, as it is a resource-consuming process. That is why most of the data array is not readily available from several open sources. This fact necessitates the search for additional sources, as well as the use of alternative methods of data extraction and processing. The second equally important limitation is the research area itself, which is very narrowly targeted even in the context of industrial flooring. This fact indicates an even narrower range of data available for research.

1.5. Delimitations of the study

The delimitations are seemed to be factors, that influence the result of the research, but which can be regulated by the author himself (Creswell, 2015). The main delimitation in this research is the age of information sources. The situation on the market is continuously changing, and it happens quite quickly. Therefore, in order to obtain relevant and the most accurate information, as well as identify trends in the polished concrete floor market, the study will use sources no older than 6 years. It should be said, that 6-year-old sources are used exclusively for calculating constants and for identifying trends in the previous market development. Otherwise, sources of 1 year old are used. These measures will make it possible to obtain a currently relevant data and assess the situation on the concrete floor market in Russia.

The second major delimitation in the study is the number of companies to be studied. There are a reasonably large number of players on the market; however, to collect the necessary information about the market and identify trends, there is no need to consider each one in the market. That is why companies mainly from Moscow and St. Petersburg are examined in this Master’s Thesis since the leading market players are located mainly in these cities. Companies from regions are not large enough and do not constitute serious competition for companies from St. Petersburg and Moscow. Therefore, such sample for the study is representative and sufficient to obtain reliable results in the study.

There is no doubt, that the choice of research methodology, as well as methods and their tools, also refers to essential delimitations in this study. The choice of a particular research method and tool depends on the formulated theoretical frames of the research and the intended type of data to be collected. An essential component in this choice is the availability of data, as discussed earlier.
1.6. Chapter summary and organization of the study

This chapter examined internal reasons, why Case Company wants to enter the Russian market, as well as the factors, that make the Russian concrete floor market attractive for doing business by Case Company. Also, in this chapter, questions and objectives of the study were posed, the relevance of work for the company was substantiated and the scope of the study was outlined.

The second chapter reviews the literature to form a theoretical framework for the study. The third chapter is represented as a description of the methodology, as well as methods and tools for collecting and analyzing data. The fourth chapter of the current master’s thesis describes obtained results and conclusions, which was drawn during the study.
2. Theoretical review

This section aims to describe theoretical frameworks from the previous chapter. The frameworks, as mentioned above, were defined based on the questionnaire, which was held among the Case Company’s employees. The theoretical part of the research allows to justify the choice of tools and methods for data analysis, as well as the choice of research methodology. Additionally, current theory helps to create a comprehensive description of the research held, and it is also supposed to develop an understanding of the current market situation in the reader’s mind.

2.1 Marketing and marketing research

Regardless of which marketing theory part we consider, it is essential to define «marketing» in the first place. This term encompasses a vast array of activities and is located on the junction of different sciences such as psychology, economics, math and social sciences. Marketing was defined not long ago, and its meaning is changing rapidly. That is why this definition along with its set of functions, is continually extending. The Father of marketing, Phillip Kotler, considers marketing as the satisfaction of needs and requests in the good’s exchange process (Kotler, 1984a). Another eminent scholar, Peter Drucker, in his works points out that marketing nowadays is one of the fundamental business processes in business administration (Drucker, 1954), while American Marketing Association states, that the essence of marketing is the set of processes, which implies the interchange of values between clients, business partners and society as a whole (American Marketing Association, 2007). Thus, marketing is about acquiring customer and market knowledge, sharing that knowledge within the organization and acting upon that knowledge. The ultimate goal is to create value for customers in order to capture value from them in return.

It can be seen from the definition, that marketing is an ongoing process and an inalienable part of the company’s activity. The cessation of the values exchange between customers and the company will make it impossible for the latter to exist. That is why it is vital to build a marketing strategy. The strategy, in this case, is an algorithm of actions, that maintains the ongoing process of values exchange between participants in the process (Kotler, 1984c). The strategy is usually developed based on information about the market that the company plans to enter. This information is needed to meet the market needs in the best way and maintain a constant exchange of values. In this way, we have approached the definition of market research smoothly.
According to Kotler's definition, marketing research is the systematic identification, collection, analysis of the data, which is required due to the marketing situation faced by a firm, as well as reporting about the obtained results (Kotler, 1984a). Market research is a vital part of a company's operations, and the need for market research increases every year due to the complexity of the business environment (McQuarrie, 2006a).

2.1.1. Marketing research definition

Marketing research is a set of measures to study the market for goods and services to reduce risk in the marketing decisions-taking process (Hague, 1988a). Based on the information obtained through market research, the company built its business strategy. Marketing research aims to create an information and analytical base that will allow to make marketing decisions reducing the degree of uncertainty (American Marketing Association, 2004).

2.1.2. Marketing research tasks

Careful analysis of the market allows one to find free market niches quickly, choose the most attractive target audience segment, as well as understand better the consumer of the company's products. The study of market relations with a use of marketing tools also gives an understanding of what competitors are doing, what influence on the market is made by legislative decisions, gives understanding of the market structure and insight of economic trends, technological components and other factors out of which the business environment is built (American Marketing Association, 2004; Hague, 1988a).

2.1.3. Research factors

Researchers name many factors that can be clarified through market research. However, there is no need to consider each of them separately, apart from only those that are applicable in the context of this study. The most comprehensive list of questions that market research can answer was provided by Paul Hague (1988a). Among the factors listed by him, the most noteworthy are followings:

- **Market size estimation.** Knowledge of the market capacity and about ways it can change allows the company to adequately assess the prospects of its presence in a particular market. If the capacity is small and does not correspond to the enterprise's production volume, then such market cannot be considered as a
promising one: the expenditure part for the product implementation and further work may finally not pay off (Aaker and McLoughlin, 2010).

- **Consumer behavior analysis.** Initiating the given research will allow to estimate the extent to which the consumer is loyal to the goods or the enterprise, that makes the given goods, and also will help to answer a question: “Who is the buyer of the goods and why does he purchase it? (Hague, 1988b). This, in turn, will provide an opportunity to identify the competitive value of the product, change its properties, work with the avenues of distribution, improve advertising strategy, i.e., to adjust all marketing components (Weinstein, 2004).

- **Competitors analysis.** If a company knows the specifics of a competing company's product and its marketing policy, then it will be able to better navigate on the market, adjust its products pricing and promotion strategy more quickly, and ultimately win the battle for its customers (Hague, 1988c; Hollensen, 2011a).

- **Sales channel analysis.** This one will help to find the optimal option of product realization, and will also help to create the most effective value-chain (Wright, 1999). Such type of analysis is usually performed after the market segmentation.

- **External environment analysis.** The environmental analysis is a tool used by the strategy developers to assess the factors external to the organization (Gupta, 2013) in order to anticipate potential threats and new opportunities. The analysis of the external environment allows the organization to predict the emergence of threats and opportunities on time, to develop situational plans in the sake of being prepared to the occurrence of unforeseen circumstances, as well as the strategy for achieving goals and turning potential threats into promising opportunities (Perera, 2017a). It allows us to analyze such components of the external environment as a political influence on the firm, the influence of society, economy and level of technology development (Perera, 2017b).

### 2.1.4. Nature of data

If we talk about the types of information that can be collected as a result of market research, there should be mentioned two types of market data, that can be collected: primary and secondary data. Primary data is the initial market data collected directly by the company in direct market research. Secondary data is usually already existing on the market and often
is collected, processed and analyzed by someone else (Kotler, 1984a). In addition to Philip Kotler and other researchers, these data types were described by Mark Saunders, Philip Lewis and Adrian Thornhill (2016b).

Any market analysis should begin with a review of existing secondary market information (Kotler, 1984a). Research companies and government statistics may have already collected information to answer questions in the company’s analysis plan. If this is the case, the company will save a significant amount of time and budget for the study.

2.1.5. Research approaches

In terms of data collection methods, there are two methods of information collection and its analysis: quantitative and qualitative market researches (Saunders, Lewis, Thornhill, 2016a). A group of quantitative research methods provides structured and statistically processed market information. With the help of the group of quantitative methods, it is possible to obtain exact figures, based on which a sales forecast or the market volume estimations can be made. On the other hand, qualitative market analysis methods result in hypotheses, ideas, and individual opinions that are often not clearly structured and cannot be statistically evaluated but can only be analyzed subjectively (Saunders, Lewis, Thornhill, 2016a).

2.1.6. Methods applying in market research

Researchers identify many different research methods, but some of them can be combined into one type, as they have little difference and can be interpreted as the same method of information collection. Thus, Table 1 below shows five main market research methods in marketing: surveys, focus groups, in-depth interviews, field research or experiments, observations. The choice of research method depends on the budget and time resources of the company or a researcher.
### Table 1. Market research methods

<table>
<thead>
<tr>
<th>Research method</th>
<th>Research method description</th>
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<tbody>
<tr>
<td><strong>Surveys</strong></td>
<td>Usually the survey of the target market which supposed to be held according to a strictly defined questionnaire. It can be large or small in terms of size. Sampling is essential in the survey: the larger the sample, the more correct and representative results the researcher will finally get (Saunders, Lewis, Thornhill, 2016c). That is, a quantitative method is used when it is necessary to obtain an exact figure for a specific question (Kotler, 1984).</td>
</tr>
<tr>
<td><strong>Focus groups or group interview</strong></td>
<td>A panel-discussion with a target group of consumers as a participant. There is a moderator who manages the discussion on the given list of questions. The questions are asked alternately from general to more specific ones. A qualitative method is useful for understanding the reasons for behavior, understanding the hidden motives of the consumer, helpful to shape hypotheses. Interviews in focus groups have become one of the key tools of marketing research to better understand the thoughts and feelings of consumers (Kotler, 1999a).</td>
</tr>
<tr>
<td><strong>Personal interview</strong></td>
<td>Interview with one member of the target audience on a specific list of opened questions. The personal interview helps to understand the issue in detail and form a hypothesis (Saunders, Lewis, Thornhill, 2016b). Interviews provide flexibility in obtaining information in contrast to surveys and questionnaires; however, the cost of using this method is quite high and is noticeably slower (Kotler, 1999a). It refers to a qualitative research method.</td>
</tr>
<tr>
<td><strong>Observation</strong></td>
<td>Observation of the target audience representatives in their natural environment (Kotler, 1984a). This method is often neglected and practically not used in practice, but its popularity may increase when technology is developed. The method will be useful if the research objectives and issues, that are related to client behavior (Saunders, Lewis, Thornhill, 2016b). Qualitative research method</td>
</tr>
<tr>
<td><strong>Experiments and field trials</strong></td>
<td>Experimental studies require the selection of comparable subject groups, the creation of different environments for these groups, the control of variables and the establishment of the extent to which observations vary. Such study aims to uncover cause-effect relationships by eliminating conflicting explanations for observation (Kotler, 1999a). It refers to quantitative methods of research.</td>
</tr>
</tbody>
</table>

It rarely happens when a company can afford the allocation of a substantial budget for comprehensive market research of the industry, starting with a search for hypotheses in focus groups, interviews and ending with a large-scale survey with statistically correct data (McQuarrie, 2006a). Often, on the contrary, a marketing manager has to use his or her own
resources to obtain information on the market that will help him or her to develop a company's marketing strategy, i.e. to use secondary data and subject them to further processing. If the source of the primary data is people, then among the secondary data the internal sources and company's reports should be pointed out as the most wide-spread ones, as well as government publications, periodicals and books (Kotler, 1999a).

2.2. Market size

Market size - the size of the market with a particular good or service, expressed in the total volume of sales of goods during the calculation period; also, can be the total demand for a category of goods, expressed in the purchasing power of the population. Marketing often uses synonyms instead of market size: market capacity and volume (Aaker and McLoughlin, 2010).

2.2.1. Types of market size

Global practice (Denault, 2017; Beverly, 2018) identifies three types of market capacity: available, addressable and obtainable. Each type of market capacity can be calculated in different units of measurement: in real terms, in value terms, in product volume.

Total addressable market

Addressable market capacity is the size of the market based on the maximum level of development of demand for goods or services among consumers. The maximum level of demand means that the culture of product use has reached its maximum: consumers consume the product as often as possible and use it regularly. Addressable market capacity is the maximum possible volume of the market, which is determined based on the following assumption: all the potential customers know and use the product (Denault, 2017; Beverly, 2018).

Serviceable available market

Available or real market capacity is the market size based on the current level of demand development for goods or services among the population. Actual market capacity is determined based on the current level of knowledge, consumption and use of goods among consumers (Denault, 2017; Beverly, 2018).
Serviceable obtainable market

Obtainable market capacity is a market size that can be claimed by a company with its own product and its characteristics (distribution, price, audience); or a level of demand that can be satisfied by a company with its own resources. In other words, by calculating the available market capacity, the company narrows the actual market size, considering not all market consumers as potential buyers, but only those who meet its target audience criteria (Denault, 2017; Beverly, 2018).

2.2.2. Market size calculation methods

There are two primary methods for determining the capacity of the target market: the bottom-up method of capacity calculation, the top-down method of capacity calculation and the calculation of market capacity based on actual sales (Denault, 2017). Let’s consider each of the methods for estimating market capacity in more detail. Each method has a universal rule: if the market is split into several segments or submarkets, it is sometimes easier to calculate the capacity of each submarket and then add it up to a market-wide capacity (Jain and Malehorn, 2005).

The bottom-up method

The bottom-up method is the most common way to calculate market volume. It determines the market capacity in terms of the current level of demand. Market capacity, if calculated by the bottom-up method, is equal to the sum of all expected purchases of goods by the target audience during the billing period (in practice, it is customary to calculate the annual market capacity) (Jain and Malehorn, 2005). The formula for calculating market capacity with a top-down approach can be seen as follows:

\[ V = T \cdot N \cdot C_{avg}, \]

where:

\[ V \] – market capacity

\[ T \] – target market audience size

\[ N \] – the rate of consumption of goods for the period

\[ C_{avg} \] – the average cost of 1 unit of production on the market
The top-down approach

The method assumes determination of the market size based on internal sales data of all market players for the billing period (if it is impossible to cover all players - it is enough to take only large ones, which make up 80-90% of the market sales) (Jain and Malehorn, 2005). The formula for calculating market capacity with a top-down approach is the following:

\[ V = \sum_{i=0}^{i} S_i, \]

where:

- \( V \) – market capacity
- \( S_i \) – the sum of the company's sales in the market, expressed in terms of selling prices to the buyer (i.e., not in shipping prices, but retail prices)
- \( i \) – the number of players in the market

The information can be obtained through a survey of significant market players, as a result of public reporting published by players in some markets (Jain and Malehorn, 2005).

2.3. Competitor analysis

Competition in the economic sphere can be defined as competition between market entities for the best conditions of commercial activity (Cambridge Dictionary, 2019). If we take into account more global meanings, we can formulate the notion of competition as a struggle for a buyer (Kotler, 1984b). Therefore, all aspects of the competitive environment and competitive advantage are fundamental indicators that differentiate one firm from another and make it possible to attract the client’s attention.

Market competitor analysis in marketing is the mandatory first step before developing a product marketing strategy (Kotler, 1999b; Hollensen, 2011a). It includes a detailed study of the activities of the leading players in the industry, from price analysis, advertising, assortment to detailed SWOT analysis of competitors. Correct analysis and assessment of a company's competitive environment helps to create a sustainable competitive advantage for the product, select the right channels of communication and reduce operational risks (Hague, 1988c).
2.3.1. The aim of competitors analysis

The primary purpose of competitor analysis in any industry or market is to obtain sufficient information about the strengths and weaknesses of a competitor, his or her strategy, and opportunities to improve the efficiency of own actions (Hollensen, 2011a). The firm's strategic decisions are always guided by competitors' strategies and possible future actions (Kotler, 1999b). It is the competitive environment that dictates whether it is worthwhile to wait a bit or on the contrary, start taking action while competitors give it a chance.

2.3.2. Steps in competitor analysis

In order to conduct a practical competitive analysis of the enterprise, it is necessary to collect detailed information about the key market players. The necessary information can be obtained as a result of the marketing research of competitors. The competitor research in marketing does not differ from the research of consumers. Methods of research, sources of information and types of data collected are described above in the section "Marketing and marketing research".

In its studies, Philip Kotler identifies six key steps in the competitive analysis process (Kotler, 1999b), as shown in the figure below:

![Diagram of competitor analysis steps]

**Identifying the company's competitors** → **Determining competitors' objectives** → **Identifying competitors' strategies** → **Assessing competitors' strategies and weaknesses** → **Estimating competitors' reaction patterns** → **Selecting competitors to attack and avoid**

*Figure 1. Steps in analyzing competitors (adopted from Kotler, 1999b)*

1. **Competitors identification** – first of all, the company should define the range of its competitors for further analysis. Doing that, it is essential to consider not only direct competitors but also indirect ones:
a. **Competition in the market segment.** The narrowest range of competitors. In this case, the company focuses on firms offering similar goods and services at similar prices to the same categories of consumers. Limiting itself to this level, the company is the most vulnerable in the market.

b. **Industry competition.** Analysis of potentially competing products of the same type.

c. **Competition for the satisfaction of similar needs.** Consider as competitors those companies whose products contribute to meeting the same needs.

d. **General competition**

Obviously, it is necessary to find some balance between the need to analyze all competitors that may affect the company and the volume of information to be analyzed. Excessive increase in the number of competitors under consideration leads to the fact that the analysis becomes too cumbersome - it takes too much time and resources, and the conclusions still do not contain most of the information obtained in this way.

2. **Clarification of competitors’ goals** – at this stage, it is necessary to take into account all possible goals of competitors. It means that for complete market picture creation it is not enough to consider profit-making as the main aspiration of the company. It is necessary to analyze the subject of the firm's short policy focus, what are the purposes of marketing campaigns on their product's promotion (fast growth of current sales volumes, increase in loyalty of the consumer or brand-awareness), existing acute problems which can influence their behavior.

3. **Clarification of competitors’ strategies** – the company’s specialists should analyze the power balance in the market in terms of defining strategic groups, i.e., it is necessary to classify competitors according to the nature of their strategies and market positions. This model defines the competitors of the company through the prism of competitive strategies that they use. Such approach is suitable for defining and analyzing competitors, since members of the same strategic group are not only similar but equally susceptible to any changes in the situation in the market. As a result, they are likely to respond equally to competitive risks and actions.
4. **Assessment of competitors' strengths and weaknesses** – the next critical stage of the research consists of a thorough analysis of competitors' strengths and weaknesses: to which extent the opponent can implement his strategies, whether there is a real opportunity to achieve the goals that have been set.

At this stage, it is essential to consider three variables:

   a. Competitors' market share in the target market
   b. Consumer recognition index
   c. Level of loyalty among consumers

5. **Assessment of competitors' behavioral patterns** – at this stage, it is necessary to make a "psychological portrait" of the company: how quickly it reacts to the actions of the competitor, to the attacks in which it is prepared to the greatest extent, what is the nature of its policy.

According to the model of behavior, four main groups of competitors are distinguished:

   a. **A leisurely competitor** is characterized by a slower reaction or even ignores the actions of the opponent. The reasons for such behavior may be connected with the confidence in the loyalty of their consumers, lack of funds for the response.

   b. **Sensitive competitor** reacts only to certain types of attacks. For example, he will immediately respond to changes in prices in the industry, but will not notice an increase in advertising costs.

   c. **Aggressive competitor** reacts to any aggressive actions by competitors. Usually, such a company has sufficient funds for market monitoring and can support the activities of "quick response" units.

   d. **Unpredictable competitor** does not have a particular model of behavior. It is impossible to foresee its reaction, as each time the choice of strategy has a subjective character.
6. **Creating the report** - at this stage, the report with results and conclusions is created: the competitive analysis and competitive strategy are finished, as well as productive marketing decisions for stabilization of a company’s competitive positions are defined and accepted.

### 2.4. Market segmentation

Market segmentation is a term in marketing theory used to describe the process of dividing an entire market or industry into homogeneous parts (segments) by the following principle: similarity of their needs and desires (Pride, Ferrell, Lukas, 2018; Kotler, 1999c). From the definition of market segmentation, it is already clear that this process is one of the first steps in developing a marketing strategy for a product - it helps to make choices about the target market, successfully differentiate the product, and develop a positioning strategy for the product. The selection of the market segmentation strategy is not a fast process and requires an understanding of the industry and consumer behavior.

#### 2.4.1. The aims of market segmentation

The essence of market segmentation is to split all customers into groups and find those with the highest sales potential for the company (Kotler, 1999c). Consumers are grouped by geographic factors as well as demographic, psychographic and behavioral factors. Grouping can be any - it depends on the segmentation criteria chosen: a company can divide the market into large segments or, on the contrary, find profitable micro-niches for the gradual expansion of the market share (Kotler, 1999c). The main goals and objectives of market segmentation are to achieve maximum customer satisfaction, increase product competitiveness, optimize company resources and focus on profitable and growing market segments. Achieving each segmentation goal allows the company to increase its profitability in the industry (Weinstein, 2004).

#### 2.4.2. Criteria for segmenting business markets (B2B)

The rules and requirements for the segmentation of industrial and B2B markets are quite different from the rules for segmentation of the consumer market for goods or services. While in the B2B market the categorization is based on the use of the product, in the B2C market the segmentation is usually based according to the ways the product can be purchased (Wright, 2004a). It should also be remembered that the target audience of a
company in the first case is not individuals, but legal entities: industrial enterprises, commercial and non-profit organizations, companies or firms.

The most detailed criteria for segmentation of enterprises and corporate market were described by Benson P. Shapiro and Thomas V. Bonoma (1984) and look as follows:

- **Demography**
  - Type of company's activity – this parameter gives a deep understanding of customers' needs and perceptions of the appraisement aim, allowing to differentiate companies within the same industry.
  - Company size – an important parameter because small companies are often unable to meet the needs of larger companies due to insufficient production of goods or product specifications.
  - Geography of making business – particularly important, if geographical proximity is required for business development in order to reduce costs.

- **Operational components**
  - The level of technology and automation of the company – the technologies used in the company play a significant role in building a marketing strategy. This criterion allows us to assess the company's need for certain products/services.
  - Product and status of the brand's use – usually, users of a particular product or brand have similar problems that should be satisfied with this product. In some cases, for marketers, this segmentation criterion is the only obvious way of segmentation.
  - Customer opportunities – means separating customers according to the strengths and weaknesses of the technical, operational and financial plan, which will allow to identify problems and the need for a particular product/service

- **Purchasing approaches**
  - Organization of procurement function – determines the size and principle of procurement department work.
  - Power structures
- Customer relationship structures – this parameter helps to determine which department in the procurement chain is dominant, which can develop an approach to the company.
- General procurement rules – separation of clients by the approach to purchasing goods/services. For example, state-owned companies carry out the procurement process through tenders, which should be taken into account when building a strategy. This parameter also helps to assess the price segment and determine how much the company will be able to spend on purchasing a new product.

**Situation factors**
- The urgency of order execution – apparently, every client wants to get the goods as soon as possible, but the urgency is often dictated by the market rules and does not depend only on the customer’s wishes. This criterion should also be taken into account before entering the market.
- Product application - the product specification can play a decisive role in the decision-making process and can lead to an appraisement cancellation.
- Order size - this criterion should be taken into account in case of commodity production, as the sale of small batches can be disadvantageous for the supplier.

**Personal traits of the company**

### 2.5. Market polarization

Since the end of the 1990s, business people have been seriously concerned about one notable trend: market polarization. The market is becoming increasingly polarized: high and low-income groups of customers have been formed, and middle-income customers are gradually disappearing (Kotler and Kartajaya, 2010). McKinsey’s research has shown that market polarization in a particular industry can take place in different ways. It is also worth noting, that markets around the world are also polarizing at different speeds. The market as a whole, if measured by the number of products sold, starts to polarize as profitability in the upper price segment grows (Knudsen, Rugholm and Randall, 2007).
The impact of this trend on market structure and competition is significant. Companies need to decide whether to focus their efforts on the well-off or low-income consumers. But in any case, companies are not freed from the need to take more care about social and environmental conditions. These conditions affect low-income consumers very much but are also becoming increasingly crucial for the high-income group (Kotler and Kartajaya, 2010). Polarization is closely connected with market segmentation in terms of price. The topic of segmentation and the parameters for the segmentation of companies into segments were discussed in the section above. The difference is that, as a result of market segmentation, the researcher receives a set of price segments with a list of companies that are included in the segment. Along with that, while assessing polarization, the researcher evaluates the distribution, according to which these companies are located on the axis of available funds for the purchase of goods. For example, when the degree of polarization is low, the distribution of companies in the market is similar to the gamma distribution, and in case of high polarization, the distribution is U-shaped (Gimpelson and Kapelushnikov, 2015 Market polarization). A clear illustration of the polarization effect is shown in the figure below (Figure 2).

![Figure 2. Polarization effect (Adopted from Jacobson, 2014)](image)

Thus, polarization in the market analysis can help to esteem the size of price segments, as well as reveal general tendencies. Such findings can lead to more precise planning when breaking into the market of interest.
2.6. Specifiers

There is no secret, that the work of any construction teams, regardless of their experience and reputation, is carried out only if the accurate specification is on the place. The main reason for their documentation is the requirements of legislative structures (Kubba, 2012a). That is why they use specifier specialists to develop these specifications.

In the construction industry, specifier specialists are designers, engineers or production workers who determine which materials will be used in a given project (Kubba, 2017b). In addition to product specifications, it is often the case that a specific manufacturer is also specified (Kubba, 2012c). In the project, the specifier specialist is primarily interested in materials and equipment, and his interest is based on the requirements of the project, while the buyer is interested in the cost and timing of delivery. Once the project specifications have been developed, the buyer is looking for the best supplier to meet the specifier’s specifications.

The specifier can be divided into two types: the specifiers in the client company and the industry specifiers. The specifier in the client company is an employee whose task is to choose the best materials and technologies, often taking into account the budget. If we consider industry specifiers, it is usually architects and engineers who work as advisers on a building project. Usually, the company-client addresses to services of branch specifiers when non-standard problems in the project cannot be resolved by own forces. Industry specifiers are also used when it is necessary to gain a competitive advantage or improve performance (Kubba, 2017b).

Thus, the specifier is a very useful intermediary in the transaction between the buyer and the material producer, and also serves as social proof in case the product is brand-new to the market. Having the opinion of industry specifiers increases the chances of success in a new market, which is why they should be seen as one of the channels for promoting a product or service when creating a marketing strategy for the double penetration.
2.7. Legislation impact

The marketing environment study is the subject of the most significant interest while conducting marketing research. The marketing environment is a source of new threats and opportunities. It is essential for each firm to monitor the changes and adapt to them on time continuously or to change the environment in line with a company goals (Kotler and Armstrong, 2010). A marketing environment is a combination of external factors and forces that affect a company's ability to establish and maintain successful customer relationships. Not all of these factors and forces are always directly manageable by the company (Kotler, Armstrong, 2010). A distinction is therefore made between external and internal marketing environments. The external environment, in turn, is divided into microenvironment and macroenvironment (Wright, 2004b; Kotler, Armstrong, 2010).

The macro-environment refers to all objects, factors and phenomena, which are outside the enterprise. They have a direct impact on the company's operations (Young and Pagoso, 2008). The firm's macro-environment is represented by factors that are more common to most firms, which are predominantly social in nature. These include demographic, economic, natural, technical, cultural and political factors (Wright, 2004b; Young, Pagoso, 2008). Let's consider the latter factor in more detail.

Some aspects of the political environment are of particular importance to management. One of them is a state structure and public policy, including foreign and internal policy. The structure of the political system determines its impact on the business activity of business entities: it can contribute to their development or create difficulties for them (Azoev, 2013). Government structure and policies affect government actions such as income taxation, tax exemptions or preferential trade duties, employment practices, consumer protection legislation, safety, environmental standards, price and wage controls (Cavusgil, Knight and Riesenberger, 2017a).

Another element of the political environment is special interest groups and lobbyists. All regulatory agencies are subjects of the attention of lobbying groups, which represent organizations affected by these agencies' decisions. Political stability in society is also outstanding - it defines the level of investments inflow and other resources inflow into the economy of a state or region. The attitude of the state administration towards business can be expressed in the establishment of various benefits or duties that develop or supplant entrepreneurship by creating unequal conditions for different organizations (Efremov, 2014). For a foreign investor or for the export of products, political changes may lead to restrictions on property rights (or even nationalization) or the imposition of special import
duties. Balance of payments or problems with external debt maintenance can make it
difficult to obtain money, which is exported as profit. On the other hand, policies may change
in a way that is favorable to investors, when the country is experiencing a need for a capital
inflow from abroad. Establishing diplomatic relations can open the way to new markets
(Cavusgil, Knight and Riesenberger, 2017).

The government influences organizations primarily through legislative regulation (Kotler,
Armstrong, 2010). The number and complexity of laws devoted explicitly to business has
increased dramatically in recent years. Different forms of reporting by enterprises and
organizations are undergoing changes, as well as tax and customs regulations are
changing. The state of legislation is characterized by complexity and mobility, and often
even uncertainty of laws (Yampolskaya and Zonis, 2003). The uncertainty about the current
influence of government agencies on the business comes from the fact, that the
requirements of some organizations conflict with others, while many organizations are
backed by government agencies that enforce such requirements (Cavusgil, Knight and
Riesenberger, 2017a).

There are plenty of factors that influence the firm's operations. Some factors have a high
impact on the company, while others have a little one. In terms of the impact type, the factors
can be divided into direct and indirect ones. Since business operates in a rapidly changing
environment, each of these factors is relevant to the analysis of the legal and policy
environment in the chosen market. However, the set of these factors for each firm is
different, as well as the degree of factor's influence. Latter depends on which industry the
company belongs to. Researchers identify the most common groups of rules and laws that
should be considered when analyzing the situation in the selected market. S. Tamer
Cavusgil and Gary Knight (2017a) identify the following groups of laws:

- **Foreign investment laws** – this aspect has a strong influence on the choice of
  foreign market entry strategy, as some countries may limit the flow of foreign
  investment in a particular area of activity, pursuing their own goals.

- **Control on operating forms and practices** – this group of laws regulates the
  procedure of how a foreign firm interacts with the business environment within the
  target market. Thus, for example, additional rules may be introduced for foreign
  companies, which significantly complicate the business process or, conversely,
  simplify it.
• **Marketing and distribution laws** – these laws determine what practices are allowed in advertising, promotion and distribution of the company’s products. In many ways, this group of laws is shaped by the culture of the host country.

• **Laws on income repatriation** – partially or entirely prohibit the withdrawal of net profit from the host country in the country of origin for the company in order to keep the money in the country and not to let the national currency fall.

• **Environmental laws** – aimed to preserve the environment and natural resources of the country.

• **Internet and e-commerce regulation** – at the moment, internet trade is not fully regulated, but it is necessary to take into account this aspect when developing a strategy to enter the target market, as it is one of the most rapidly developing areas of legislation.

• **Inadequate or underdeveloped legal systems** – Inadequate or underdeveloped legal systems is an aspect that should be taken into account, since some areas are not fully regulated by the state or some laws can be interpreted differently. This can lead to disputes between the business owner and the state.

• **The foreign corrupt practices act** – a crucial aspect for a company that does business abroad. In the host country, the attitude towards bribery can be very different from the home country. This can lead to either business development or to multi-million-dollar fines.

• **Accounting and reporting laws** – regulate the accounting and reporting procedures in the host country. These regulations vary widely from country to country. It is vital to comply with the rules of the target market; otherwise, the company’s activities will lead to fines or sanctions against it.

• **Transparency in financial reporting** – regulate what information and how frequently should be made available to the public.
2.8. **Foreign market entry modes**

If a company has decided to expand its business and enter external (including foreign and global markets) markets, it has several ways for action. The choice of external market entry method depends on such factors as cost, risk and level of control over the process. This block will consider not only the main forms of access to international markets but also the key motives, stages, benefits and problems of all the described methods.

In the first place, it is worth to consider the main external market entry strategies from three perspectives: the market service process, the level of investment and the degree of control over the process. In the world practice, there are three basic strategic directions of the given process: hierarchical, export and intermediate business formation (Hollensen, 2011b).

![Classification of market entry modes](Diagram)

**Hierarchical modes**  
100% internalizing  
(high control, high risk, low flexibility)

**Intermediate modes**  
(shared control and risk, split ownership)

**Export modes**  
100% externalizing  
(low control, high risk, low flexibility)

*Figure 3. Classification of market entry modes (Hollensen, 2011b)*

2.8.1. **Factors affecting the foreign market entry mode decision**

The Company selects a group of entry modes based on the assessment of the main factors. These factors are: characteristics of the product, description of the management style of the company, as well as characteristics of the internal or external environment. The most substantial factors in the input mode evaluation were formulated by such researchers as Svend Hollensen, Grazia Letto-Gillies, Jaafar Pyeman (Hollensen, 2011b; Letto-Gillies, 1997; Pyeman, 2014; Alon, Jaffe, Prange, Vianelli, 2017). These factors are listed in table 2 below:
Table 2. Factors affecting the foreign market entry mode decision (Hollensen, 2011b)

<table>
<thead>
<tr>
<th>Group of factors</th>
<th>Factor</th>
<th>Internalization process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal factors</td>
<td>Firm size</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td>International experience</td>
<td>Increase</td>
</tr>
<tr>
<td>Product</td>
<td>Product complexity</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td>Product differentiation advantage</td>
<td>Increase</td>
</tr>
<tr>
<td>Desired mode characteristics</td>
<td>Risk-averse</td>
<td>Decrease</td>
</tr>
<tr>
<td></td>
<td>Control</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td>Flexibility</td>
<td>Decrease</td>
</tr>
<tr>
<td>Transaction-specific factors</td>
<td>Tacit nature of know-how</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td>Opportunistic behavior</td>
<td>Increase</td>
</tr>
<tr>
<td>External factors</td>
<td>Sociocultural distance</td>
<td>Decrease</td>
</tr>
<tr>
<td></td>
<td>Country risk/demand uncertainty</td>
<td>Decrease</td>
</tr>
<tr>
<td></td>
<td>Market size and growth</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td>Direct and indirect trade barriers</td>
<td>Increase</td>
</tr>
<tr>
<td></td>
<td>Intensity of competition</td>
<td>Decrease</td>
</tr>
<tr>
<td></td>
<td>Small number of relevant export intermediaries available</td>
<td>Increase</td>
</tr>
</tbody>
</table>

Let's look at each of these ways of expanding the business in more detail and reveal their advantages, disadvantages, risks for the company and the required amount of investments.
2.8.2. Export modes

Export modes comprise the production of goods and services in the primary domestic market of the company (or in a third country or region) and the sale of these goods in the target foreign market (Joshi, 2009; Hollensen, 2011b). If a company chose export as a market entry mode, it has to decide which promotion functions it will retain and which functions it will transfer to intermediaries in external markets. The degree of authority delegation determines the level of responsibility and risk. There are three possible areas of export activity: direct export, indirect export and joint export (Hollensen, 2011b):

**Figure 4. Export modes (Adopted from Hollensen, 2011b).**

**Direct export**

The company sells its products to the external market by signing direct contracts with dealers and resellers in the external market. In this case, the company takes over all operational activities, search for intermediaries, documentation and product certification (Kefalas, 1990; Seyoum, Kaynak, 2000).

**Indirect export**

The company finds a reseller in the domestic market who sells goods to foreign markets. Such an intermediary often knows all the peculiarities of work in the target external market.
and has an established network of dealers to sell goods, which reduces the number of risks and costs (Kefalas, 1990; Seyoum, Kaynak, 2000).

Cooperative export

The company cooperates with other companies in the domestic market in order to organize direct deliveries to the target foreign market. This approach is appropriate for small businesses that do not have enough capital and manufacturing capacity to reach foreign markets. Cooperation helps them to fill the asset gap (Hollensen, 2011b).

The advantages of choosing export activities are the minimal risks and costs that a company faces when implementing this method of entering foreign markets. The main drawback of export activities is the high transaction costs and low level of control over intermediaries (Klug, 2007).

Sometimes, export activities are the first step towards an enterprise’s internationalization and help it determine the potential market for a commodity, consider the product’s disadvantages, taking into account local usage details. If a product becomes in demand, the business may switch to a more regulated foreign market operations (Conconi, Sapir, 2014).

2.8.3. Intermediate modes

Mediation is a type of work with external markets, which implies partial ownership of a company operating in a foreign market but sharing a certain degree of responsibility and control with it. As a result of such interaction, the main company passes to the intermediary’s knowledge, experience, skills and a part of resources, and in return receives a guarantee of broadcasting to the target foreign market of a certain strategy and a certain guarantee of sales. There are four types of cooperation in this area: licensing, franchising, contract manufacturing or joint venture (Klug, 2007; Hollensen, 2011b). Features of these regimes can be seen in the figure below (Figure 5):
Licensing

International licensing is a type of cooperation, where a company in one country transfers the right to use its unique manufacturing processes, patents, trademarks, technological advancements and other valuable skills to a foreign company for a fee that is established by a contract (Klug, 2007).

Licensing allows the company to impose strict conditions for adherence to the processes and marketing policies of the company. It is a convenient way to organize local production in the target external market without high capital investments. The most crucial advantage of organizing such activities is the low cost of organizing, supporting and controlling the process (Murray, 1988).

The main problems, that licensing implies are the loss of authenticity and complexity of control. At the end of the contract, the exchange of unique knowledge turns the partner into a competitor who knows all of the company’s advantages, has gained valuable industry experience and can use it properly. Moreover, establishing control over a partner’s marketing policy is the biggest drawback in a licensing strategy (Murray, 1988).

Figure 5. Intermediate modes (Adopted from Hollensen, 2011b).
**Franchising**

Franchising is a type of licensing activity where a franchisor company grants its intermediary (franchisee company) a license to operate under its own trademark. It is possible to transfer both the possibility of using the trademark and products of the company and the whole business process (Klug, 2007).

In fact, a franchise agreement differs from a licensing agreement by stricter requirements to the intermediary and narrower scope of application. A franchise agreement is created in order to make another branch out of its intermediary, to integrate it into its business processes, imposing its own corporate rules to it. Compared to licensing, there is less freedom to use the company’s intellectual property. The franchisee is more reliant on the franchisor’s (parent company’s) success, while licensee can use the license in entirely different markets, thereby reducing their dependence on the parent company’s success (Cavusgil, Knight and Riesenberger, 2017b).

**Contract manufacturing**

Contract manufacturing implies the transfer of production to the local market and the retention of other functions (marketing, sales, distribution) by the parent company (Murray, 1988). The benefits of this way of gaining access to the foreign market are: low cost of organizing production (no need to develop its own production capacities), maintaining control over the company’s most essential functions (marketing, R&D, logistics and after-sales service), bypassing most entry barriers and preventing problems with adapting prices to market conditions. The disadvantages of this strategy include the difficulty of finding a competent partner (Murray, 1988; Hollenssen, 2011b), the difficulty of shifting the production of high-tech products and the risk of borrowing valuable technologies and skills from the industry in the long term perspective (Hollenssen, 2011b).

**Joint venture**

Joint ventures are independent firms established by two or more companies, in which partners share the degree of responsibility and risk. A company may establish a joint venture with one of the players in the target external market in order to gain access to resources, knowledge, contacts or technology. The company shares the risks with its partner in this situation but also shares the industry's future revenues (Klug, 2007). The main advantage of the joint venture is access to specific market knowledge and technologies. It can be a partner’s distribution network, its knowledge of market specifics,
its production base, patents and technologies. A joint venture is cheaper than acquiring an entire company and bypasses many entry barriers in highly competitive markets. The disadvantage of such a strategy to enter foreign markets is the high cost (in comparison with the methods described above) and the risk of organizational conflicts due to different priorities of partner companies (Murray, 1988). Additionally as at least one of the partnering companies will most likely have to develop their operations, processes, way their business model work and the integration means they use to work with the other joint venture partners, the affect of both the joint venture and the new business model development actions into the organizations culture (Santti et al., 2017), should be also considered with care.

2.8.4. Hierarchical modes

This method of entering foreign markets is also called “business expansion through investment”. It assumes full ownership of facilities in the target country. This type of business construction has quite high risks, but at the same time it allows the company to have a high-level control over the operations, and also let obtain knowledge about the end-user during the penetration into the target market. A hierarchical business structure can take the form of a branch or a separate enterprise, which will be independent of the parent company. There are two main ways of using the investment strategy to enter the foreign market: to buy an existing business or build a new company from scratch (Alon, Jaffe, Prange and Vianelli, 2017).

Brownfield investment

Acquisition of already operating business in the external target market can be achieved through a merging process or purchasing of a control assets share within the company. This strategy is less expensive than building a similar "from scratch" business and can provide a certain share in the target market to the company immediately. Business acquisition also reduces future competition as it is typically purchased as a potential competitor. When buying an operating business, it is necessary to know all the legal restrictions and rules of this process; to have a competent specialists who will carry out the merger and organize the integration processes between the companies correctly; to conduct a full analysis of the purchased object (Alon, Jaffe, Prange and Vianelli, 2017; Johansson, 2009).
Greenfield investment

It implies an expansion of the company's business to the external market through the construction of a new production facility. This way represents minimal risk and maximum level of control for the company (because it can do everything to optimize business processes between the two companies) but is a very costly and time-consuming way to enter the foreign market (Alon, Jaffe, Prange and Vianelli, 2017).

2.9. Chapter summary

First of all, this chapter describes and discusses the concepts of marketing and market research. In a more detailed discussion of the last one, the objectives of the study were described, as well as research approaches, the nature of collected data and methods of its collection. It is also to be mentioned that some of the factors studied in the marketing research were described in detail. Thus, the concept of market size was determined, including its types and methods of calculation. The second described factor was competitor analysis, its objectives and algorithm of its carrying out. The next described marketing research aspect was customer segmentation, as well as its goals and criteria. Also, this chapter describes the phenomenon of market polarization and the possible impact of legislation on running a business in the international market. The final stage of the theoretical part in the present Master's Thesis was the description of entry modes classification, factors influencing the choice of a particular group of modes, as well as the modes themselves. Each of these modes is offered a conceptual work scheme of the main company's departments when entering a new market. Thus, in this chapter, we have reviewed and described the main theoretical points that shape the theoretical framework needed to conduct the research. The selected theoretical aspects do not allow to study the market in the complete way; however, they are enough to start shaping the Russian market entry strategy for Case Company.
3. Research methodology

This section describes the methods that were used in the research. The description contains methods of data collection and analysis. Also, this chapter describes in detail the sources of data and the relevance of the data and the results of the study. It should be said, that data collection and processing methods are described for each of the goals of the study separately.

3.1. Research design

This study aims not only to describe the market but also to give practical recommendations on how to enter it. That is why the goal of the entire master’s thesis can be classified as a combined goal. The research consists of two logically complete parts - phases. If we consider the purpose of the study in the context of each of the phases, then for the first phase of the study it can be classified as descriptive study, and for the second phase - explanatory study (Saunders, Lewis, Thornhill, 2015a; Bernard, 2011). Thus, a descriptive study implies a description of the current market situation, and the result of this phase is a precursor to the phase classified as an explanatory study. The Explanatory study, in turn, implies the establishment of causal relationships to explain the relationship between variables (Saunders, Lewis, Thornhill, 2015a) and provide recommendations on the choice of entry mode.

In order to collect all the necessary data and determine the research methods, the task "market research" was divided into sub-tasks according to the parameters which the management of Case Company needs to know (Appendix A):

- Market size
- Competitor analysis
- Client analysis
- Market specifiers
- Market polarization
- Legislation in concrete floor market
- Assessment of factors influencing the choice of entry mode
Thus, the study used a mixed-method approach. The researcher Mark Saunders and others distinguish concurrent mixed methods approach and sequential mixed methods approach (Saunders, Lewis, Thornhill, 2015a). In this study, a multiphase mixture of these approaches was used. Schematically, the types of methods used in the study are shown in Figure 6. This scheme presents the issues to be studied and the group of methods types used in each phase of the study. The arrows indicate the direction of the data flows: solid ones correspond to the data flows between the phases, dotted arrows indicate that the information flows directly to the conclusions.

**Figure 6. The methodological choice for research**

Such choice of mixed methods approaches allows to obtain benefits from both approaches. The answer to the research questions, in this case, is more complete and exhaustive, thanks to the interpretation of several sets of results at the end of the first phase, as well as the expansion and refinement of the set of conclusions from the second phase. A given set of used methods is the most complete and relevant in the conditions of the stated task.
If we look at the study in terms of time horizons, then the study is a cross-sectional one and is rather a "snapshot" of the current situation (Saunders, Lewis, Thornhill, 2015a) in the volatile concrete floor market in Russia. It is hardly possible to define a study as a longitudinal category - further studies are possible, however, for a short period, as the market research becomes obsolete after a certain period and requires updating and re-examination.

3.2. Data collection methods

As already described above, the task of "market research" was divided into sub-tasks according to the parameters, that need to be learned by the management of Case Company (Appendix A). Each of the sub-tasks requires different from each other methods of data collection. For this study, the following strategies were mainly used:

- Questionnaire survey - this strategy allows to collect a large amount of data in a standardized form, which will subsequently facilitate their processing. In addition, the strategy is cost-effective, which makes it appropriate for the conditions of this research (Saunders, Lewis, Thornhill, 2015a). The nature of the collected data is primary data.
- Archival and documentary research - such data collection strategy is effective and valid in the context of this master's thesis. It provides access to a wide variety of data types and the most representative results (Saunders, Lewis, Thornhill, 2015a). The nature of the data collected by this method is secondary data.

This block also describes the sources from which the data for the research was collected.

3.2.1. Market size

In order to collect data for this question, secondary data from open sources were used, because to obtain a representative picture of what is happening without a large number of resources for surveys and interviews is not possible (McQuarrie, 2006b) in the context of this master's thesis. A strategy using for the data collection at this stage can be described as archival and documentary research.

Relevant information about the size of the market is often considered as a trade secret for most organizations and is not available to the public. Information published in periodicals is
often introductory in nature and the provided data is presented with some approximation. Also, data in such articles are not divided into segments of the industrial floor. Thus, the information on the exact market size from the open sources is not representative and cannot be applied immediately - it requires further processing. That is why market size was calculated by itself basing on data from reports of research company and government services.

Among the data sources used to assess the market size was the website of the Federal State Statistics Service (Rosstat, 2019). This source was used to obtain information on the number of square meters of commercial buildings, which were commissioned in 2018, including separation by types of commercial property.

Also, as one of the information sources for this issue, a report from the conference "Market of finishing and thermal insulation materials in 2012" by the CEO of the "Building Information" at the conference "Market of finishing and thermal insulation materials in 2012" was used (Stroyprofile, 2013). This report provides information on each industrial floor segments with accurate quantitative data. It also should be mentioned, that part of the data was received from this company by a phone call because of the unavailability a part of the necessary data online.

The last source of data in getting information about the market volume was the news on the website of the Metal Info journal (2019). In this news, the authors refer to the statement of Polymer Floor Manufacturers Association representatives, which constitutes a community of the largest polymer floor producers in Russia. The concrete floor segment does not have a similar association.

3.2.2. Clients and competitors

The data collection strategy for this sub-task can also be categorized as archival and documentary research, as this method falls under the description of Lee (2012). For composing lists of clients and competitors, the method implies using such services as Best Base (https://thebestbase.ru) and Export Base (https://export-base.ru). These services allow to collect the most complete list of companies from online catalogs all over the Russian web. Generated lists were supplemented by Google search results from the first 8 pages. Studies show that the majority of users do not go over this number of pages (Alta Vista, 1999; Davis, Iwanow, 2009). For the collection of qualitative descriptive data on companies, sections of "about the company" websites and a list of services or products offered were
used. In turn, the descriptive characteristics of companies were collected through the "about the company" sections of the websites, as well as the suggested services or products.

The full list of clients and competitors with partial results of the analysis can be found in Appendix B. It is also to be mentioned, that the list of competitors was supplemented by the data on the methodology described in the section below, where we discuss data collection to determine the market polarization.

3.2.3. Market polarization

To assess this parameter, a database from the official website of the Federal Tax Service of Russia (2019) was used. The website made it possible to access the database and search for information about the company via its TIN. Restriction of such access is a one-time request for information about only one company. In other words, it is impossible to upload a list of companies' TINs at once and get information about each of them at the exit - this must be done on a manual basis. However, among the documents found on the site was an archive that contains records of almost every company, which refers to small and medium-sized enterprises. The archive contains about 11500 XML files. That is why I created a database in Excel in order to have centralized access to each record by creating a request for all these files at once. After the request to XML files, a database was made, which contains information about more than 2.5 million Russian SMEs, including their annual income and expenses.

To work with the established database, it is necessary to know the company's TIN. Such sort of data is usually can be found in the "contacts" or "about the company" sections. In rare cases, this data had to be searched in documents published on the site or through third-party services. All found TINs have been added to the end table, which can be seen in Appendix B.

After the list of companies with TIN has been formed, a request to the created SME database was made via the VLOOKUP function in Excel, which looks as shown below:

\[ \text{VLOOKUP (lookup_value; table_array; col_index_number; [range_lookup])} \]
where:

lookup_value - is the value to be found in the column with the data.

table_array - a reference to a range of cells. A required value is searched for in the left table column, and the corresponding result is displayed in the columns located to the right.

col_index_number – number of the table column from which the result should be derived.

range_lookup - can take two values: TRUE (looking for a value closest to or matching the criteria) and FALSE (looking for a value exactly matching the criteria).

Thus, the list of companies was supplemented with data on the TIN and annual income/expense for each company, which could be found in the formed database. The supplemented list can also be seen in Appendix B.

3.2.4. Legislation in concrete floor market

To collect data for this sub-task, an archival and documentary research strategy was also used. The source of data in this situation is the official website of the Federal Agency for Technical Regulation and Metrology "Rosstandart" (https://www.gost.ru). Among all of the abundance of norms and laws the following groups were taken into account:

- GOST – is the government standard of the Russian Federation, which formulates the state requirements to the quality of products, works and services having a cross-industry significance (GOST, 2002). It is the most exhaustive system of standardizing documents, that has remained since the Soviet Union. However, at the moment the system does not meet all the criteria of modern society, and therefore new systems, such as TR and TU, are developing actively at the moment.

- SP (SNiP before 2010) – is a system of standardization documents, approved by the federal executive authority of Russia, which contains rules and general principles regarding building processes in order to ensure compliance with the requirements of technical regulations (SNiP, 1988).

These systems of rules and regulations, also regulating the construction sphere, refer to each other inside the documents with the description of rules and regulations. Thus, we have a system of interconnected documents, which allows to receive the most reliable and complete data.

3.2.5. Factors, influencing the choice of entry mode

Factors to be assessed in this regard were listed and discussed in the theoretical part of the master’s thesis. They constitute the most complete list of those factors, which influence the end decision concerning the choice of entry mode for the foreign market.

According to Svend Hollensen (2011b), these factors are divided into four categories:

1. Internal factors
2. Desired mode characteristics
3. Transaction-specific factors
4. External factors

The first group is based on internal company data. The second and third ones are the personal attitude of the company's management. The fourth group of factors is assessed based on market information, which was obtained as a result of the survey.

Svend Hollensen does not provide a precise scale of assessment of any factor in its studies. Therefore, the study of this issue is entirely based on the personal opinion of the management of the company itself, depending on internal data and external data provided after the market research. Thus, it was decided to survey the top management of the Case Company company.

For this purpose, a questionnaire has been developed, which can be observed in Appendix C. In order to create the questionnaire, a Qualtrics tool (https://lutlsb.eu.qualtrics.com) was used. The questionnaire was delivered to the company's management through the Chief Executive Officer of Case Company by sending a link to the questionnaire. This questionnaire contains 14 questions - one for each factor to be assessed, and the time of questionnaire completion is 15 minutes.

For several questions that use market data to be created, the following sources of information were used:

- Q12. Market size and growth – the question is based on the information obtained in the investigation of one of the master’s thesis goals.
- Q13. Direct and indirect trade barriers – the source for this issue is an article in RBC’s (information agency) journal (Makarov, 2018) and the foreign trade product nomenclature of the Russian Federation (Federal Customs Service, 2012).
- Q14. The intensity of competition – the result of processing the list of competitors, which was obtained during the investigation of one of the issues for current work.

As a result, there were obtained 5 completed questionnaires, and the data from them were further processed.

3.2.6. Market specifiers

Initially, it was decided to conduct a series of interviews in order to gather necessary information for this issue. However, in an attempt to conduct interviews with CEOs of desired companies, the number of refusals were received with reference to busyness. That is why it was decided to conduct a short survey among the same CEOs in order to identify the main specifiers in the concrete floor market and not to spend their work time at the same time. The form of this questionnaire can be found in Appendix G.

In order to create this questionnaire, the method also implied using the Qualtrics tool (lutlsb.eu.qualtrics.com). The questionnaire contains only 5 questions and takes 2 minutes to fill in. The questionnaire was sent to potential customers of Case Company by e-mail. The list of these companies can be found in Appendix B. As a result of this survey, 13 completed questionnaires out of 133 e-mails sent were received and subsequently analyzed.

3.3. Data analysis methods

To extract information and then knowledge from the data set, it is necessary to analyze it and then present it in an easy-to-understand way. Data by itself are not useful for the end-user and do not have practical value, compared to the information (Wang and Hjelmervik, 2001). Particularly this section will describe the process of collected data analysis.
3.3.1. Market size

It should be mentioned, that there are many different ways to calculate the capacity of the target market. Some of them were considered in the theoretical part of the current master's thesis, but it is not possible to use one of the formulas presented there for calculation, because of the lack of sufficient reliable data. That is why the following formula was used to calculate the market size and other parameters:

\[ S = \frac{V}{\rho} \]

where:

- \( S \) – an area of commissioned buildings
- \( V \) – a volume of used materials
- \( \rho \) – the average amount of used materials per one square meter

As a result of data collection and processing according to the formula above, a table has been created, which can be seen in Appendix D. All calculations performed during the filling of the table are also given in Appendix D after all tables.

3.3.2. Client segmentation

The most appropriate type of analysis, in this case, is a template analysis, as it most fully satisfies the objectives of the study in particular for this issue. According to this method of analysis, it is initially necessary to create a code tree in order to encode gathering qualitative data in the future (King, 2019; Saunders, Lewis, Thornhill, 2015d). Such method of analysis, in this case, allows to make a system of codes based on market segments, and then determine the company's belonging to a particular segment and make a quantitative calculation within each segment. It is worth noting that the development of the code system was based on the segments, which were described and analyzed in detail in section 2.4 of the theoretical part in the current master's thesis.
3.3.3. Competitor analysis

It was decided to split the issue into two parts:

- Competitor activity analysis
- Identification of the most significant players in the industrial floor market

The first part of this sub-task was analyzed according to the methodology similar to the described one in a section above. In order to identify the most significant players in the market, quantitative analysis was used using data from the created database of SMEs from the Federal Tax Service of Russia. As a result of such analysis, a ranked list of competitors according to their annual income was obtained (Appendix B).

3.3.4. Legislation in Russian concrete floor market

The result of this analysis aimed to describe the legislation in the Russian concrete floor market. That is why the thematic analysis was chosen as the method for analyzing the initial data sets. Although grounded theory could also be suitable to investigate this issue, however, the last method is more stringent and demanding to comply with the procedures. In particular, an inductive approach was chosen in thematic analysis, which implies searching for and correcting topics during the data analysis process (Saunders, Lewis, Thornhill, 2015d).

3.3.5. Specifiers identification

For this sub-task, it was appropriate to use a template analysis primarily, but a quantitative method was also used for one of the questionnaire questions. In particular, the template analysis described in the paragraph above was used to analyze the questionnaire questions with open response fields. At the same time, the method of quantitative analysis was used to analyze question number 3, as the question implies an organized list, which can be processed with the help of numbers. Processing of this list was performed by using built-in algorithms from Qualtrics service (lutlsb.eu.qualtrics.com) through which the questionnaire was developed and distributed.
3.3.6. Market polarization

What is the phenomenon of market polarization, we have already discussed in detail in the theoretical part of this master's thesis in section 2.5. In order to assess the level of market polarization, it is necessary to plot the distribution of income of companies in this market. Since the high polarization of the market implies the disappearance of the middle class due to the simultaneous increase of the rich and poor classes at the same time, we need to estimate the number of companies in each segment depending on their annual income. That is why it is necessary to use frequency distribution (Bajpai, 2009) as a method for data analysis and presentation of results to estimate the effect of polarization. This method will clearly show the form of distribution (Madrigal, 1998), which will help to assess the degree of market polarization.

In order to build the most informative distribution plot, it is necessary first to determine the number of intervals in which the data will be distributed. It is also essential to set the boundaries of the required intervals. There are no universal rules for dividing numbers in a row, but researches agree that the number of intervals is between 5 and 15 (Bajpai, 2009). To determine the number of intervals in this study, the Sturgess formula was used (Sturges, 1926). The formula looks the following way:

$$N = \lceil \log_{2} n \rceil + 1$$

where:

$N$ – target number of intervals

$n$ – the quantity of numbers in the studied row of data

$\lceil \rceil$ – the whole part of the number using rounding up or down according to the rounding rules

Also, charts of other distributions were plotted on the chart with the target distribution in order to compare them and identify the similarities with the investigated number sequence.

The data were analyzed and graphically presented using Stata MP15 (https://www.stata.com). You can observe the log of actions while processing the data in Appendix E. It must be noted, that additional tests were carried out to exclude errors in data analysis. However, it did not significantly affect the results of the study on this sub-task. Logs of additional tests are also provided in Appendix E.
3.3.7. Evaluation of factors influencing on internationalization

Groups of strategies for entering the foreign market were examined and discussed in detail in the theoretical part in section number 2.8. In particular, Figure 5 shows a scale, that is designed to assess the company's commitment to a particular group of strategies. However, the source that describes the factors and entry strategies does not give any strategies for their evaluation. That is why there has been developed its own strategy of factors evaluation, which will be discussed below.

According to the classification, there are three groups of entry strategies, which are located on the directed on the scale. That is, each of the types of modes can be assigned certain numerical intervals on this scale. Similarly, with the coding of questionnaire responses: each response in the questionnaire is assigned a certain number with equal increments - the questionnaire was originally designed such way, that each semantic shade can be estimated at equal numerical intervals. It also should be noted that there are only three groups of modes. However, the number of possible answers for each question is five. It is done for a more accurate estimation of the final band score and taking into account the semantic shades. Thus, the responses from the questionnaire can be evaluated using the following self-developed grading system, as shown in a table below:

\[
\begin{array}{|c|c|c|c|}
\hline
\text{Type of modes} & \text{Answer number} & \text{Weight} & \text{Band score} \\
\hline
\text{Export modes} & 1 & 3 & 42 – 97 \\
\hline
& 2 & 6 & \\
\hline
\text{Intermediate modes} & 3 & 9 & 98 – 153 \\
\hline
& 4 & 12 & \\
\hline
\text{Hierarchical modes} & 5 & 15 & 154 – 210 \\
\hline
\end{array}
\]

Table 3. Grading system
Numerical values for the weighting of the question were chosen in such a way, that the final result was divisible by three and did not produce discrete results when divided by three. The minimum and maximum interval values are calculated based on the number of questions, which are fourteen in the questionnaire.

The total band score for each questionnaire is calculated automatically by the built-in Qualtrics algorithms. In order to calculate the total band score, an arithmetic average of the results for each individual questionnaire was taken.

3.4. Reliability and validity

An essential criterion for conducting research is the reliability and validity of obtained results. There is no objective way to evaluate this criterion, but some forms for its evaluation have been developed by other researchers, which include face validity, content validity, predictive validity, discriminant validity, nomological validity (Netemeyer, Bearden, Sharma, 2003). These validity forms were also described in detail by Sarstedt in his book entitled "A concise guide to market research" (2018).

If we talk about face validity and content validity, then data for current research were taken mainly from public sources or directly from directors of companies, which are studied within the framework of the Master's Thesis. The data about the market does not exceed 6 years in the sense of its age, and the data of 6 years old were taken exclusively to calculate the constants, which is required for assessment of the current situation. The age of the rest data constitutes 1 year. These facts indicate that the initial data for the study are representative and allow to conduct a high-quality study. Also, the research corresponds to the discriminant validity parameter, since for each sub-task it uses different constructs, which excludes the spread of the error (if it is expressed indirectly) to the whole research.

If we consider the validity of the current study from the predictive validity position, then the measured parameters correlate quite strongly with each other and are considered simultaneously. Such approach to the study allows us to obtain the most reliable results due to the absence of a time gap, during which several variables could change their validity. As a result, it is become possible to get the most representative "snapshot" of the current market situation.

In order to minimize systematic and random errors (Sarstedt, 2018), the results were analyzed together to calculate the average for each parameter while collecting the primary data. Thus, the result of primary data collection and processing is representative in the
conditions of this study and indicates its reliability. Moreover, the developed research algorithm can be reused both for checking the obtained results and for updating the information about the concrete floor market after a certain time, what also shows a high degree of reliability.

Also, data was gathered from companies in St. Petersburg and Moscow. This group of companies is more interesting for representatives of Case Company than regional companies. However, this sample does not affect the results of the whole study, as the geographical location of the company is not a variable in any of the sub-tasks of the research.

3.5. Chapter summary

This chapter has described the objectives of the study, as well as the approaches that can be used to achieve established objectives. In addition, the time horizons of the study were defined. It is also notable, that the chapter describes in detail the sources of data for the study, the methods of data collection and tools which made it possible to carry out the collection. An essential part of the chapter is the description of data processing methods for obtaining information from them and presenting it in a convenient for the end-user form. Finally, the reliability and validity of the entire study are justified, as well as the appropriateness of using certain methods and approaches.
4. Results of analysis

This chapter will interpret and describe the results of the study following the research objectives. Conclusions and discussions will be made both for each of the individual sub-tasks and in general. Such separation of the results discussion is necessary in order to understand and evaluate every aspect of the market studied and to look at the situation as a whole. The whole chapter is an answer to the research questions.

4.1. Market size

It is difficult to estimate the volume of commissioned industrial floors in square meters at once. Only a few companies, which produce materials for industrial floors, can indicate the exact amount of executed works in meters. That is why the data on the volume of materials output in tonnage was found, and then the average consumption of materials was used in order to calculate the commissioned floor in square meters.

Within the framework of this master's thesis the industrial floor market in Russia is considered from the point of view of three categories:

1. Industrial floors using polymeric compositions
2. Concrete industrial floors with a hardened top layer
3. Industrial floors using dry high-strength rovers. This group includes magnesium cement rovers, polymer cement rovers, as well as cement rovers.

4.1.1. Material consumption

The market of polymer compositions for industrial floors in Russia is represented by the products of at least 32 domestic manufacturers and at least 14 foreign producers of polymer compositions. The volume of production of polymer compositions for industrial floors in 2012 was about 14.6 thousand tons of products. The share of imports in the consumption of polymeric floor materials was not very high and amounted to about 18%. In 2012, imports grew quite rapidly. According to experts' assessment, in 2012 the volume of imports amounted to about 3.1 thousand tons. Thus, the volume of polymer coating consumption in 2012 was approximately 17.1 thousand tons (Stroyprofile, 2013).

In 2018, we can observe a growth in material consumption of up to 25 thousand tons, what is 31.6% more compared to 2012. According to market participants, the growth in
consumption is associated with the delayed demand of previous years, as well as the fact, that many facilities were to be completed by the World Cup 2018 (Metalinfo, 2019). Another important factor in the growth in the consumption of polymer coating materials is active lobbying of interests from the AsPPP \(^1\) side, what is reflected in updating construction regulations and educational programs for architects (Nosyrev, 2016). For illustrative purposes, the amount of materials consumed for industrial polymer floors in 2012 and 2018 is shown in Figure 7.

In the market of **concrete floors with a hardened top layer** we can observe the production of at least 12 domestic manufacturers and at least 10 foreign brands. According to the data for 2012, the volume of toppings production within the country amounted to around 34 thousand tons of products, while the import of products estimated at 10.4 thousand tons. Thus, the market volume of concrete floors with a hardened top layer in 2012 constituted about 44.4 thousand tons of products (Stroyprofile, 2013). As could be seen, the topping market has a significant share of imported products - about a quarter of the market, but forecasts point on a gradual decrease of this share with a simultaneous increase of domestic production.

In 2018, we can observe a growth in the consumption of products for the concrete floor, which is 57.6 thousand tons of products, what is 23% higher than in 2012. It should be noted, that the balance of forces in the market almost has not changed since 2012, and the leading positions in this industry remain behind INGRI and BASF companies. For illustrative purposes, the volume of materials consumed for making concrete floors with a hardened top layer in 2012 and 2018 is shown in Figure 7.

The market volume of **dry high-strength rovers** for industrial floors is not comparable with the size of concrete and polymeric materials markets. Dry rovers with special properties (cement, magnesium or polymer cement compositions) constitute about 2% of the whole industrial floor market. According to experts' estimates, the special dry rovers market capacity in 2012 was about 7 thousand tons (Stroyprofile, 2013). In 2018, this amount reached 12.3 thousand tons, which means an increase of 44%, however, the market share was not affected by such growth in consumption. For illustrative purposes, the volume of

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\(^1\) The Association of Polymer Floor Manufacturers (AsPPP) is a non-government, non-profit corporate organization that brings together international, national and regional producers of polymer floors and raw materials for their production in Russia. Among the members of the association are leading Russian and foreign producers of polymeric floors and suppliers of raw materials (http://asppp.ru).
materials consumed for making concrete floors using dry high-strength rovers in 2012 and 2018 is shown in Figure 7.

![Bar chart showing material consumption distribution](Appendix D)

**Figure 7. Material consumption distribution (Appendix D)**

### 4.1.2. Market shares

According to the received data, in 2012 approximately 50% of the industrial coatings were made using the technology of concrete floor hardening. About 48% of the industrial floor area is made of polymeric compositions. And only a small part of the floors is prepared with the use of dry high-strength rovers, which is only 2% on the industrial floor market. According to the information from the Federal State Statistics Service, the volume of performed works on laying industrial floors in 2012 was 22300 thousand square meters, and in 2018 this indicator was 30900 thousand square meters (Rosstat, 2019). Based on this information, the average consumption of materials per one square meter of the floors for each type of floor was calculated, as well as the estimated market shares in 2018 in absolute value and percentage ratio. This information is presented in Figure 8 below.
The diagram above shows that the market share of industrial floors using dry rovers did not change in 2018, despite a 44% increase in the absolute value. The situation is much better in the segment of polymer floors, where we see an increase in the absolute value and market share at the same time. Thus, the share of the polymer flooring market in 2018 increased by 3% compared to 2012, and the number of built areas increased by 31.6% and in 2018 it amounted to 15.6 million square meters in real terms. In a case of concrete floors, we can observe a 3% decrease in market share, despite significant growth in absolute terms by 23%. In particular, there were 14.4 million square meters of commissioned concrete floor area in 2018. Absolute growth rates are lower than for polymer floors, which may be due to the construction of stadiums for the 2018 FIFA World Cup in Russia, where polymeric coatings are predominantly used.

Figure 8. Market shares (Appendix D)
4.1.3. When materials are applied

The main volume of hardened with toppings concrete floors falls on new building construction and constitutes about 75%. The technology of polymer coating is mainly used for reconstruction and object maintenance - 71% of the polymer floor area is made during the building's repair. If we consider the total volume of industrial floors (both technologies), it turns out that about half of the industrial floors are carried out in new construction and a half in the reconstruction process (Stroyprofile, 2013).

4.1.4. Distribution of commissioned areas by type of use

Industrial floors are utilized for various types of activities. Thus, the Federal State Statistics Service of the Russian Federation divides the industrial floors into 7 categories, which can be observed in figure 9 below, where each bar corresponds to the type of floor utilization. To make it easier to understand the exact number of square meters per region, the information was placed under the abscissa axis. The information in the diagram shows the situation for 2018:

Figure 9. Distribution of commissioned industrial floors by type of use in 2018 (Appendix D).
This diagram shows that a significant part of the industrial floor in Saint-Petersburg and the Leningrad Region is performed by administrative and industrial buildings, which is 467.4 thousand square meters and 460.9 thousand square meters in real terms, respectively. In Moscow and the Moscow region, such consumers are shopping malls and automobile centers, the annual demand from which is 2155.8 thousand square meters. Among other regions of Russia, most of the floors are being installed on farms.

If we consider Moscow with St. Petersburg and other regions of Russia as two different markets, the first one constitutes 26.5% of the industrial floor market, which is 8197.5 thousand square meters. The share of the second market in real terms is 22 705.4 thousand square meters. If we consider Moscow, St. Petersburg and other regions of Russia as 3 separate markets, we get the following situation as shown in Figure 10 below:

![Figure 10. Distribution of commissioned industrial floors by geographical attribute (Appendix D)](image)

4.1.5. Monetary equivalent of the market size

According to the information collected by Building Information, the market volume of materials for industrial floors in 2012 was estimated at 6 billion rubles. Taking into account the inflation rate, the total industrial floor market size in 2018 constitutes 12.6 billion rubles or 0.17 billion euro according to the average annual exchange rate of euro to ruble in 2018.
Segmentation of market size, in this case, seems to be impossible due to the lack of data in open sources.

4.2. Market polarization

Two tests with a set of data were carried out during the research on this issue, the results of which show the distribution of companies according to their annual income. Log of the performed actions and interim diagrams can be observed in Appendix E.

The first test can be considered unsuccessful, as it does not give an understanding of the picture of what is happening in the concrete floor market due to the fact, that the sample of companies is not representative. The major part of numbers in the array was in the first bar, which is 87% of the total number of surveyed companies. It may be due to the fact, that the list of companies includes groups of companies and stores of goods that offer services on floor arrangement. A group of companies or a store earns an order of magnitude more than a single company. Because of that, we receive unrepresentative data without the ability to differentiate individual companies within the group. In order to eliminate this error and make the data more correct, it was decided to decompile the first bar chart. As a result of the second test and data processing, it was obtained a better and more indicative distribution, which can be observed in figure 11 below.

![Figure 11. Distribution of companies according to income and its classification (Appendix E)](image-url)
The green line in this chart demonstrates how the distribution of companies would look if a row of numbers were normal. It should be noted that the normal-density plot is based on the average value and dispersion of the considered array. Based on the chart, we can conclude that the distribution is not normal.

The red line is the kernel density plot. Kernel density, in this case, is a nonparametric method of estimating the probability distribution in a series of random numbers. In other words, the red line allows to smooth results in the obtained diagram. Such smoothing is necessary, because in this issue we investigate the final data set, which determines the error in measurement and graph formation. With the help of smoothing it is possible to understand how companies are distributed in the concrete floor market, or rather to visualize the form of this distribution.

In order to identify the obtained distribution, a gamma distribution graph is plotted on the same coordinate plane. It is obvious, that obtained distribution is more like a gamma function rather than a normal one and has positive symmetry. For a more detailed consideration of companies’ distribution, let's look at figure 12 below:

![Image of the chart showing distribution of companies according to income and its classification](image)

*Figure 12. Distribution of companies according to income and its classification (Appendix E)*
The obtained distribution (red line) shows that the concrete floor market is not polarized. We can also conclude that there are no prerequisites for increasing market polarization and the market is in its normal state, as the chart shows a downward trend.

The vast majority of potential customers of Case Company are in the economic segment, which is 49.6% of the total number of market participants and is in the range from 1 to 50 million rubles of annual income. The average price segment accounts for approximately 40.6%, while the premium segment accounts for 9.8% of the companies in the concrete flooring market, which are in the range from 50 million rubles to 125 million rubles of annual income and 125 million rubles of annual income, respectively. Information about price segments is presented in Figure 13:

![Figure 13. Consumer segments (Appendix B)](image)
4.3. Clients

During the research, a list of potential clients was formed, which can be fully observed in Appendix B. The segmentation of potential clients was made based on this list. Segmentation criteria were analyzed in detail in the theoretical part of the current Master's Thesis in section 2.4, however, in this study companies were divided into groups only by demographic characteristics and partially by operational components. Such choice of criteria is determined by the availability of data in open sources, compared to other criteria. Non-discussed criteria one requires sensitive information, which constitutes a trade secret for most companies.

4.3.1. Income segmentation

Paragraph 4.2 defines the boundaries of the intervals for segmentation by the level of the annual income of the company, as well as the percentage of classes of companies in the market that can be observed in Figure 12. These interval limits allowed to define a company from the list in Appendix B in a particular segment. It was decided to include the result of this segmentation in Appendix B because of its volume.

4.3.2. Geographical segmentation

From a geographical point of view, companies were divided into three segments:

- Moscow and Moscow region
- Saint Petersburg and Leningrad region
- Other regions

The final list of potential customers in Appendix B includes only companies from the first two segments, as these segments together account for 26.5% of the industrial floor market (figure 10). Also, according to the representatives of Case Company, the first two segments are the most interesting for the company. Probably, such interest is connected with a high concentration of clients in one place. If we look at other regions of Russia, the concentration of customers in this segment is much lower, which imposes several problems when working with this market reflecting, for example, in the cost and time of materials delivery from Finland.
4.4. Competitors

Competitive analysis, as we defined it in the theoretical part of the study, is a time-consuming and resource-intensive task. That is why competitor analysis was conducted in a simplified form. List of industry competitors can be observed fully in Appendix B. It should be noted, that competitors, in this case, are companies, which produce and distribute similar to Case Company's products on the territory of the Russian Federation. The list of competitors does not include specialized stores that are not engaged in production, as they represent products from manufacturers. As a result, the information can be duplicated and it becomes tough to identify the key players in the market, who are the first in the supply chain.

Competitors were analyzed following their occupational characteristics and income. Producers were not divided by region, as unlike clients, the producers are diversified on the country's territory, but are aimed in particular to the markets of St. Petersburg and Moscow. In other words, if a producer's company is not registered in Moscow or St. Petersburg, its products will still be represented in these markets.

4.4.1. Occupation distribution

A simplified analysis consisted of determining the distribution of competitors by type of activity. As a result, the posterior distribution was obtained, as it is shown in Figure 14 below:

![Figure 14. Distribution of competitors according to their occupation (Appendix B)](image-url)
It is clear from this diagram that the most popular type of employment in the industrial floor market is the production of dry shakes and chemicals for industrial floors. The share of such companies among the total number is 35%. The second most popular type of activity among companies is the production of chemicals for industrial floors. In this sector, the vast majority are companies, which produce chemicals for polymeric floors. The third most popular activity is the production of grinders and spare parts for them, including pads. The last of the biggest sectors is multi-functionality, which implies participation in each activity.

There are two reasons for such distribution. First of all, the production of grinders and spare parts is a more sophisticated and technically complex type of production compared to the production of dry shakes and chemicals. The second reason is the low level of trust in specialized equipment produced in Russia - the equipment of foreign suppliers is more popular compared to domestic ones.

4.4.2. Largest competitors

In the market of concrete floors with hardened top layer there are products of at least 12 domestic producers and at least 10 foreign brands, as noted earlier. After a quantitative analysis of competitors, an ordered list of potential competitors was obtained, where distribution was carried according to the company's annual income. This way of ordering competitors allows to identify key competitors, that have the biggest influence on the market (Figure 15):

![Chart: Top 10 companies in industrial floor materials production (Appendix B)]
This chart presents the top 10 largest companies in the industrial floor market in Russia. A green bar indicates the Russian company and blue one indicates foreign companies, including Germany, Italy, Switzerland. The list of Russian companies includes BASF company, which initially has not Russian origin, but the main production and sales market is located in this country. As can be seen from the diagram, the vast majority of the top ten are companies producing dry shakes and chemicals, and only INGRI also produces grinding equipment and spare parts for them. You can find the full version of competitors ranking in Appendix B.

As can be understood from the description above, the list almost does not include competitors in the primary position of Case Company - the production of pads. That is why a separate rating for this position was created (Figure 16):

![Figure 16: Top 10 companies in grinding disks production (Appendix B)](chart)

If to ignore the fact, that INGRI is versatile in terms of production, among which the production of dry shakes and various types of chemicals, then the leading positions in the production of grinders and spare parts are taken by Grost and Splitstone.
4.5. Legislation

The main legislative documents in the building sphere are documents from the SNiP system. As it has already been pointed earlier (par. 3.2.4), the given system of norms and rules regulates the most important and general processes of building processes. That is why this set of rules contains the document "SNiP 2.03.13-88. Floors", which had become the starting point in the study of this issue. "SNiP 2.03.13-88. Floors" extends to manufacturing, warehouse, residential, public, administrative, sports and household flooring design. This document provides detailed guidance on the choice of flooring material according to its use purposes and estimated load. The document also requires the use of flooring materials following GOST (item 3.2.4).

Thus, in Appendix F in Table 1 verbal descriptions of floor loading and their correspondence to numerical indicators are presented. In Table 2 there are guidelines for builders on the choice of technical characteristics of concrete floor materials depending on the type of load, which is described in the previous Table 1. The main characteristic of the concrete floor is its compression strength, which is ranked by classes from B3.5 to B80 and described in GOST documents. Compliance of concrete class, grade and compression strength are presented in Appendix F in Table 3. Other characteristics of floors, such as surface abrasion, wear volume, water-resistance and ground surface category, are optional and are set by the customer depending on the application and purpose of floors utilization. Additional material characteristics for concrete floors are also presented in Appendix F and are listed in Tables 4, 5, 6 and 7, respectively.

It should be said, that the minimum strength of concrete required for the correct operation of Case Company grinding discs corresponds to the concrete class B20 according to GOST 26633-91 (1992). However, for floors with low load-in is recommended to use concrete class B15. All residential buildings fall into the category of low load floors, that is why the sale of grinding technology only is impractical and requires the additional sale of dry shakes for making grinding coverings.

It is also noteworthy, that according to N384-FZ (Russian Federation, 2019) floors must correspond to fire safety and sanitary norms. Concrete is a non-combustible material, so fire safety certification is not required. However, according to Case Company's technology, chemicals are used in the grinding process, so the concrete coating made can emit chemicals into the air. The maximum allowable concentrations of certain substances in the air are listed in GN 2.2.5.686-98 document (this table is quite large and cannot be found in Appendix F or anywhere in this master's thesis).
4.6. Market specifiers

The research on this issue revealed, that mainly companies develop specifications for projects by themselves through employees within the organization. The percentage of this answer in the questionnaire was 77%. Some companies receive ready-made specifications or use third-party services, as indicated by the 23% response rate. There were no situations with the choice of the third answer option, in other words, the specifications are entirely developed by one party and are not developed in turn by several parties at the same time.

4.6.1. Influencers

The scenario, which was described above, was foreseen in advance. That is why participants were additionally offered to evaluate the influencers, which would have an impact on the decision-making process of buying a new product in the market. As a result of the analysis of the answers, a rating of influencers was formed, which can be observed in a picture below (Figure 18).

Figure 17. Rating of influencers in industrial floor market (Appendix G)
From this rating it is clear, that influencers are divided into two main groups, within each of which influencers have small differences in assessment and are almost equal. Thus, the first group includes market-leading companies, architectural bureaus and certification agencies. The second group includes industry journals, experts from national research institutes and industrial exhibitions. Thus, the assumptions made before the study of this issue were confirmed: the most significant influence on the decision making are the actions of competitors and expert assessments of architectural firms, the least influence on the business are assessed by research institutes and industry publications. It is interesting to be noted, that research institutes are certified for compliance with GOSTs, but the opinion of their representatives is not reliable in the real sector, which is due to the wide gap between the scientific and manufacturing spheres in Russia. Prizes at industrial exhibitions in this rating cannot be considered, as not every competition between participants is held at each of them.

4.6.2. Market-leading companies

Based on the most popular answers to question 4, a list of the most influential companies in the concrete flooring market was compiled. These are the most influential companies in the concrete flooring market:

1. INGRI
2. OMEGA STROY
3. PKB NTT
4. VDM Pigment
5. Stratus Pro

The most influential companies, in this case, are companies that set trends in the use of certain materials in industrial floors and are a benchmark in the industry. If we look at Appendix B segmentation results, we can see that these companies occupy leading positions in the lists in terms of their annual income. This fact indicates the reliability of the list of companies obtained as a result of the research mentioned above.

4.6.3. Architectural and project bureau

Due to the specifics of the questionnaire itself, it was not possible to collect sufficient data concerning this particular point. The architecture of the questionnaire only meant that this question would appear if architectural and engineering offices were the first in the
influencers ranking. This logic of the questionnaire was justified in paragraph 3.2.6 of this master's thesis and implied saving time for companies' CEOs.

Despite the lack of data, some of them were still collected. The result was a list of architectural and design offices, but their importance in the market was not known. That is why it was decided to use the method of ordering, which was described above several times: for ranking it was necessary to use the Taxpayer Identification Number (TIN) of companies and a database created on the data by the Federal Tax Service. The resulting ranking of architectural and design offices can be seen below:

1. ISST
2. Prom Project
3. Urbantech
4. ZhilPromProect
5. Geodesign
6. VIK Project

Further information on this list is provided in Appendix G and can be seen in Table 2.

4.7. Entry modes

This issue was studied in order to form recommendations for Case Company to enter the Russian market. During the investigation of this issue, the information accumulated as a result of previous steps of research was taken into account. This fact allowed to test the results obtained at the previous steps for their adequacy even before the completion of the study. Also, the choice of entry mode is the logical conclusion of this research and allows to generalize the obtained results.

4.7.1. Survey results

As a result of the survey among the top management of Case Company, 5 completed questionnaires were received. After calculating the scores for each questionnaire, the average total score was obtained, which is 123.6. According to the developed evaluation system (Figure 19) such band score corresponds to intermediate modes.
The obtained average score shows that the most suitable entry mode for Case Company, taking into account the conditions of the Russian market, is intermediate mode. However, there is a tendency to choose export modes. Probably, such tendency is interconnected with the insufficient amount of free finance for investments, which is indicated by the answers to the question №1 in a developed questionnaire, where the most popular question is "our company is slightly less than average and can afford to export on a regular basis".

Also, the explicit adherence of Case Company to export modes is indicated by answers to questions 3, 6 and 9. Based on the most popular answers to these questions, it can be stated that the company's products are easy to use and do not require post-sale service, what is typical for companies choosing export modes. If we consider the desired level of control over the sales in foreign markets, then the company agrees to a low level of control over operations, however, it is necessary to be able to provide distributors with advice on how to distribute products. Another factor, that reduces the average band score is the fact, that the company wishes to have transaction costs just below average. It is usual for companies to reduce costs, but in this situation, it is related to the fact, that the company does not have enough money, which was discussed earlier in this block.

The predisposition to choose hierarchical modes among Case Company's management is pointed out by questions 2, 7, 12 and 14. Thus, the company has experience in doing
business with psychically distant countries, which, along with low market volatility, according to Case Company, will significantly reduce the risks of entering the market with a hierarchical mode. Low market volatility means that the response time to force majeure situations can be reduced. Also, the choice of investing in production in foreign countries is favored by the large size of the market, which has been assessed in such way by Case Company based on the results of previous studies. In addition to the large market size, the competition is just below average. It means, that the market is in the growth stage and is not yet sufficiently saturated. If we speak the language of the blue ocean theory, the ocean is going to become red, but it is not.

Other answers to the questions indicate a preference for intermediate modes. Thus, Case Company points to the ability to cover absolutely any need in the field of concrete floors. This fact is an advantage against other companies, which can only partially satisfy needs. However, this differentiation is not sufficient for investing in production on the foreign market. The company also points the average use of tacit knowledge during production, what makes it possible to diversify production and share risks with other companies partially. Equally important factor is the country's credit rating, which in the case of Russia is BBB- according to S&P. Such factor evaluation moves the choice from direct investment to export modes. However, in the case of credit rating, we observe its improvement over the last few years and have a stable forecast, so the choice of Case Company, in this case, stops at the choice of intermediate modes.

4.7.2. Recommendations concerning entry mode

As a result of a comprehensive analysis of factors, intermediate modes became the most appropriate group of modes for Case Company to enter the Russian market. This group includes the following entry modes:

- Contract manufacturing
- Licensing
- Franchising
- Strategic alliances

These types of market entry were analyzed in detail in paragraph 2.8.3 of the current Master's Thesis' theoretical part.
Each of these entry modes implies the full or partial transfer of unique knowledge regarding the production of products, as well as ways to promote them in the market. Thus, at the end of the contract, the partner becomes a competitor who knows all the strengths of the company, has gained valuable experience in the industry and can use it (Murray, 1988; Hollensen 2011b). However, the issue of knowledge transfer for Case Company is not sensitive, as the process of production of components for floor polishing systems and the systems themselves are patented, including the Russian Federation territory. Thus, full or partial production in target market territory is acceptable for the company.

The next significant factor is the desired level of control over foreign operations. Regarding this issue, Case Company notes the low desired level of control over foreign operations in the questionnaire. In other words, the company wishes to know about actions in the foreign market and give recommendations regarding current operations. That is, in this case, the marketing and sales functions can also be transferred to a third-party company in the target market.

There is no doubt, that access to the already established distribution network for product distribution will become an additional advantage at the start. Such access will allow to occupy a share in the market of concrete floors quite fast and to save money on the development of the supply chains at the same time. There are multiple ways how, e.g. established distribution networks (Salmela et al., 2011) and readily talented 3PL operators (Salmela and Happonen, 2009a; Salmela and Happonen, 2009b; Happonen and Salmela 2010; Salmela and Happonen, 2011) can help company to enter into new markets, which are not previously too familiar for them. Also, at the start, it would be a great advantage to use the knowledge about marketing and business style in the target country. Such knowledge will allow to distribute products with greater efficiency due to taking into account all the nuances and peculiarities of the foreign market. Thus, taking into account all available data and conclusions, it is possible to formulate recommendations concerning the choice of entry mode for Case Company:

**Option 1**

One of the options for expansion into the Russian market is licensing. Licensing will allow the company to organize production, marketing and sales in the new market with the help of a partner. Also, licensing will allow to establish strict conditions on the observance of processes and marketing policy of the company. Such entry mode is a convenient way to organize local production in the target foreign market without high capital investments. The
most important advantage in such strategy realization is the low costs of an organization, maintenance and control (Murray, 1988). A diagram of a business organization with licensing is shown in the figure below (Figure 19):

![Diagram of business organization with licensing](image)

**Note:** A is the Case Company, B is the partner and C is the customer

*Figure 19. Appropriate entry mode: licensing (adopted from Hollensen 2011b)*

However, licensing implies fewer business opportunities for the parent company. Therefore, if the issue of financing is not acute, it is better to adhere to Option 2.

**Option 2**

The second option for expansion to the Russian concrete floor market is to create a strategic alliance with the existing player in the market. Among the advantages of such alliance is access to specific market knowledge and technologies. It can be a partner's distribution network, its market knowledge, its facilities, patents or technologies. A joint venture is cheaper than acquiring an entire company and it allows to bypass many entry barriers in highly competitive markets. The disadvantage of this expansion strategy is the relatively high cost compared to licensing (Murray, 1988). However, the income from such activities is higher, which in the short term will allow to recover the initial investment. The second advantage of this type of activity is the possibility to diversify production. Thus, some of the products may be produced in the home country, while others in the target market, if the import duties make the sale of a certain part of goods unprofitable.

It is recommended to organize joint ventures with market leaders with a developed distribution and production network. Another important factor in a partner selection process is the degree of its influence on the decision making within other companies. In other words, whether a partner is an industry specifier or not. Nowadays, it would be even better, if the selected partner would also run an efficient fleet management program (Kortelainen et al., 2016; Kinnunen et al. 2019) to support resource sharing between alliance partners to boost up all partners performance in the network. This sort of higher-level digitalization enabled
fleet-level optimization boosts efficiency, but it also generates trust between partners, offering a more open view on what is going on and when. All the parameters described above are compatible with, for example, INGRI. This company can fully or partially take responsibility for all aspects of the business and, most importantly, effectively distribute the product in the market. The proposed internationalization scheme is presented below (Figure 20):

![Figure 20. Appropriate entry mode: strategic alliance (adopted from Hollensen 2011b)](image)

4.8. Chapter summary

In this chapter, the results of market research by the following components have been analyzed and described in detail:

- Concrete floor market size
- Market polarization
- Competitors in the industrial floor market
- Consumer segments
- Legislation in the concrete floor market
- Factors affecting the process of expansion to the Russian market

The last item in this list became the basis for forming recommendations on entering a new market for Case Company. These recommendations are also described in the above chapter and provide two possible scenarios that can be applied depending on the availability of funds for particular scenario implementation.

This chapter is entirely a response to the research questions of this study. In particular, section 4.7 is a response to research question №2, and all previous ones disclose research question №1.
5. Summary

The study focuses on the Russian concrete floor market as a whole, however, some sub-tasks are additionally decomposed by region for comparison and a better understanding of the whole market. The initiator of this work was a Finnish company, which produces and supplies high-performance polishing systems for concrete floors. Such a system is innovative and includes a full range of materials necessary for the floor covering. Obviously, the home market for this technology has become quite tight and the company has decided to expand into new markets, including Russia.

Following the desired parameters to be known by the company’s management, the goals and objectives of the research were formed. These tasks are listed below:

1. Investigate the Russian market of concrete floors:
   a. Estimate market size
   b. Assess market polarization
   c. Segment consumers
   d. Analyze competitors
   e. Identify specifiers
   f. Describe legislation on the concrete floor market

2. To formulate recommendations on entering the Russian market of concrete floors and recommendations on choosing an entry mode

The theoretical basis of the research was formed according to the established requirements. Such theoretical base became the basis for research methods selection, as well as for data collection and analysis tools. It should be noted, that due to differences in the nature of investigated sub-tasks, it was necessary to use different methods and approaches for each sub-tasks.

Among the main sources of data for the study, the following can be pointed out:

- Companies’ reports
- Reports and databases of government departments and agencies
- Reports and databases of government departments of statistics
- Questionnaires and interviews with directors of companies
- Research companies’ reports

It also should be said, that the age of data from these sources in vast majority mass is 1 year. The age of the rest of the data does not exceed 6 years. Using market data with the
age of 6 years is conditioned by the need to calculate constants (Average consumption of materials per 1 square meter by type of floor) for calculating and evaluating data from the first group (Appendix D). Such a dataset allowed to obtain the most representative results and conclusions regarding the market.

As noted earlier, a specific research sub-task requires an individual approach. However, if we consider the study as a whole, we can classify it as a two-phase study using a mixed-method approach.

The results of the study indicate the growth of the whole Russian concrete floor market. Thus, the volume of material consumption in 2018 amounted to 57.6 thousand tons, what is more than the same parameter in 2012 by 23%. Such volume of product consumption constitutes 47% of the industrial floors market or 14.4 million square meters in real terms. The main construction of concrete floors with a hardened top layer falls on new buildings and accounts for 75% of the total commissioned area. At the same time, the leading category of commissioned buildings, according to their purpose, are commercial buildings, which include retail space, parking lots, car centers and so on.

The investigation "Market polarization " issue has shown that the market is not polarized and has no prospects to become polarized. In view of this, the size of consumer segments was determined during the investigation of this sub-task, and all potential customers of Case Company were divided into Premium, Middle and Econom classes. The sizes of these classes are 9.8%, 40.6% and 49.6%, respectively. The fact that the market has no prerequisites to become polarized indicates that consumer classes will not change soon. This, in turn, means keeping the existing sets of requirements for the proposed product and also implies more opportunities for the company to do business, compared to the polarized market. For example, the Econom class is very sophisticated about the product and is quite conservative about innovation with an unwillingness to pay at the same time. If a company does business with a Premium class, it will face high competition in this market. The compromise solution is Middle class. In the case of a polarized market, the company has the ability to work only with Econom and Premium classes, as opposed to the non-polarized, when there is also a Middle class.

Also, as a result of the study, lists of potential customers and competitors were formed. Thus, the first list is separated into classes according to their annual income, as well as by the geography of the business making. Thus, the largest clients for Case Company in St. Petersburg are Ingri, Omega Story and Etalonstroy Rio, and in Moscow - Prime Story, Floortec and Yarus. On the other hand, the list of competitors contains detailed information
about their occupation and level of income, however, it does not contain information about the geographical location, as production is often diversified all over the country, but the target market is entire Russia. Among the most significant competitors are BASF, Sika, Huntsman NMG, Grost, Splitstone and Romex.

Consideration of the legislative framework for the «Legislation» sub-task allowed to form tables, which contain the most significant restrictions applicable for doing business in the Russian concrete floor market. Knowledge of such restrictions will help to avoid many legal conflicts with local authorities, and will also provide space for the implementation of new ideas. For example, the existing legislation regulates the use of B15 concrete for concrete floors in living areas, while for Case Company the minimum suitable sort of concrete for grinding is B22.5. This fact makes it necessary to sell not only grinding discs, but also dry shakes for those, who make floors in living quarters.

Market research regarding industrial specifiers has revealed, that organizations mainly develop specifications on their own, and the final decision to buy goods/services is more influenced by the opinion of market leaders than by architectural and engineering bureaus. Thus, Ingri, Omega Story, PKB NTT, VDM Pigment and Stratus Pro are the most prominent among the leading companies. Among the architectural and engineering bureaus there are ISST, Prom Project, Urbantech and Geodesign.

Factors influencing the decision to choose entry mode to enter the Russian market were also analyzed and evaluated in detail. The factors were considered in relation to the Case Company itself. The result of factors consideration was the most suitable entry modes group determination, which is intermediate modes with a predisposition to choose export modes. More detailed analysis of intermediate modes together, as well as information from Case Company, allowed to form recommendations concerning the choice of market entry strategy. Thus, two variants of market entry were formed, which are the most suitable for the company's needs. The selection of one of them depends on the available finances inside the company.

Thus, as a result of the entire study, the information about the Russian concrete floor market was obtained and interpreted in an easy-to-understand form. The research uses relevant for the present moment data and covers the main substantive issues concerning the new market. It allows to obtain relevant results, which will allow to form an adequate marketing strategy for entering a new market in the near future.
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Appendix A. Preliminary interview protocol

Case Company markets an “Optimal Slap” system, which includes the whole floor package from dry shakes to maintenance systems. It also helps to do polishing better, faster and with high quality at the same time. This system can be adapted to every power trowel and consists of different diamond discs, mounting pad and fasteners. While polishing your clients can use special chemicals to make floors even shinier.

Q1: Do I understand Case Company’s value proposition right?

Q2: Does Case Company propose only components for polishing systems and trainings for clients? Or the company also proposes polishing services by own equipment?

Q3: From previous research, I have noted, that Case Company's innovative products need more exposure and a strong sales network. Is it necessary for clients to attend training to understand how the system works or they can figure out by themselves via instructions?

Q4: What are the typical customers for Case Company? Architects, organizations, private customers?

Q5: On your website it is said, that the company is represented in 40 countries. Which kind of presence does Case Company mean? Singular sale for one company, distribution network, production facilities, etc.?

Q6: Which kind of relationship do you have with your customers? Will this change when going to Russia?

Q7: Comparing to international competitors, what are the key benefits/challenges currently? Why I am asking for that, because on the Russian market I also saw diamond grinders for concrete floors.

Q8: With what channels does Case Company reach the customers in Finland?

Q9: Which questions do you want to receive an answer for through my study concerning the Russian market?
### Appendix B. Clients and competitors

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<th>Phone number 2</th>
<th>Phone number 3</th>
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Appendix B, 3

Continue of Table 1. List of potential clients in Saint Petersburg

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**Continue of Table 1. List of potential clients in Saint Petersburg**

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<td>Alfa-Story</td>
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<td>RPM</td>
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<td>aosps.ru</td>
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<tr>
<td>Ecopol</td>
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<td>Kromvel</td>
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<tr>
<td>Krassnab</td>
<td>+7 (495) 508-72-81</td>
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<tr>
<td>TSZ Group</td>
<td>+7 (985) 428-15-21</td>
<td><a href="mailto:TSZ2016@mail.ru">TSZ2016@mail.ru</a></td>
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### Appendix B

### Continue of Table 2. List of potential clients in Moscow

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<td>Pol Deshevo</td>
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<td>Nalivnye Poly</td>
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<td>TehPolimerStroy</td>
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Appendix C. Questionnaire for Case Company

The purpose of this questionnaire is to assess the factors affecting the foreign market entry mode decision. As a result of the questionnaire and data processing, recommendations will be formed on choosing entry mode in the Russian market for your company.

The questionnaire contains 14 questions - per one for evaluating each factor. Questionnaire completion time - 15 minutes. I kindly ask you to answer questions as honestly as possible, because this will affect the results of the entire survey.

This study is anonymous, and I guarantee that it will be impossible to track any responses back to you and your company.

1. Firm size

The size of the company is an indicator of the resources availability to expand to foreign markets - if the company has more resources, then it will be able to respond to changes in the foreign market more painlessly. Estimate the size of your company in terms of the number of resources:

- our company is small and can only afford to export on an intermittent basis
- our company is slightly less than average and can afford to export on a regular basis
- our company is medium and can afford to take only a part of risks through franchising or licensing
- the company is slightly larger than average and can afford to open a sales office in another country
- the company is large and can afford to open a production and sales office in another country

2. International experience

Having experience in doing business abroad is an important factor when choosing an entry mode. However, not all types of experience are equal and, in many cases, depend on the psychic distance (cultural difference) between countries. Assess the experience of your company in foreign markets in terms of mental distance:

- we do not have an international experience
- we have experience in short-term business with psychologically close countries
- we have experience in long-term business with psychologically close countries
- we have experience in short-term business with psychologically distant countries
- we have experience in long-term business with psychologically distant countries
3. Product complexity
The difficulty of use and the need for post-sales services directly affect the choice of entry mode. Usually, companies tend to invest in the development of capacities in a foreign market, when these indicators are quite high. Rate the complexity of your company's products in terms of their use and post-sales services:

- it's easy to apply products, a post-sale service is not required
- it's easy to apply products, but a partial post-sale service is required (instruction on how to use)
- it is difficult to apply products, a partial post-sale service is required (instruction on how to use)
- it's easy to apply products, but constant post-sales service is required
- it’s difficult to apply products; constant post-sale service is required

4. Product differentiation advantage
The variety of offered products helps in entering the foreign market. So, a wide assortment allows you to reduce the risks of presence in a new market and stay on it in case of force majeure situations. Rate the variety of the company's product line:

- we offer only one product that can solve a strictly defined problem in concrete floors segment
- we offer a range of products that can partially satisfy needs in concrete floor segment
- we offer a range of products that can satisfy any needs in concrete floor segment
- we offer a range of products that can satisfy any needs in concrete floors segment, but we are ready to take another segment during a short timeframe
- we offer a range of products that can satisfy absolutely any need in industrial floors segment, including polymer coatings and dry levelers

5. Risk-averse
The process of entering the foreign market is always fraught with risk, which in turn determines the entry mode. Evaluate the level of responsibility, that your company will assume while entering the foreign market:

- we want to minimize risks
- we are ready to take a small part of the risks
- we are ready to equally share risks with a third-party company
- we are ready to take the most part of risks
- we will take all risks and we are ready to take responsibility in case of force majeure circumstances

6. Control
Decisions on entry mode should also take into account the degree of control, which is required for the management of operations in international markets. Rate the desired level of control over the operations of selling your company’s goods on the foreign market:
Appendix C, 3

- low level of control - the product does not require special conditions of sales
- the level of control is slightly below average - we need to know about actions in the foreign market and give recommendations regarding current operations
- medium level - it is necessary to prescribe the basic conditions for the sale of goods in the contract and monitor the process of their implementation
- the control level is slightly above average - it is necessary to prescribe the basic conditions for the sale of goods in the contract and give recommendations on current operations
- high level of control - it is necessary to constantly monitor the conditions of sale of the product, all decisions should be made by the head office

7. Flexibility

An important factor when entering the foreign market is the level of the company's flexibility. Assess the desired level of the company's flexibility in terms of response time to changing market conditions:
- market changes very quickly, it is necessary to respond to changes immediately
- market changes quite quickly, but the reaction to changes may wait a bit
- market changes with average speed, there is no need to rush to respond to changes, but you should not delay
- market almost does not change, response to many changes is almost not required
- market does not change, reaction to changes is not required

8. Tacit nature of know-how

It is common in the production of a particular product, that tacit knowledge is used. Tacit knowledge is rather difficult to transfer in practice to third parties and explain why these processes work this way and not otherwise. Partly this may be due to the specifics of using the equipment and established approach of work. Assess the level of tacit knowledge usage in the process of your products production and assess the possibility of its production by third parties:
- level of tacit knowledge usage is high, product cannot be produced by third parties
- level of tacit knowledge usage is above average, the product can be produced partly by third parties, additional training is required
- level of tacit knowledge usage is average, the product can be produced on half by third parties, additional training is required
- level of tacit knowledge usage is below average, most parts of the product can be produced by third parties, additional training is required
- level of tacit knowledge usage is minimal, the product can be completely produced by third parties, additional training is not required

9. Transaction cost

Transaction cost = search costs + contracting costs + monitoring costs + enforcement costs.
Where:
search costs are the cost of collecting information to identify and evaluate potential export intermediaries

contracting costs are the costs of negotiating and writing an agreement

monitoring costs are the costs associated with monitoring the agreement for compliance with the terms of the contract

enforcement costs are the costs associated with the sanctions of a trading partner who do not comply with the agreement

Estimate the transaction costs of your company using the example of country, which you have already worked with in export mode:

- low, the final cost of the product is almost the same as the original
- below average, the final cost of the product is slightly lower than the market average
- medium, the final cost of the product is approximately equal to the market average
- above average, the final cost of the product is slightly higher than the market average
- high, the final cost of the product becomes noncompetitive

10. Sociocultural distance

The sociocultural component is a significant factor in choosing an entry mode and can have a significant impact on doing business abroad. Sociocultural distance refers to the difference in mentality, language barrier, principles of doing business, the degree of democracy of the country and others. Estimate the sociocultural distance between Finland and Russia.

- the sociocultural distance is maximum, it is very difficult to do business from this point of view
- countries differ quite strongly in some aspects, it is difficult to do business from this point of view
- countries are half alike, there are difficulties in doing business, but in most cases they are surmountable
- countries are similar in many aspects, there aren't big difficulties in doing business from this point of view
- sociocultural distance is minimal, there are no difficulties at all in doing business from this point of view

11. Country risk

The risk faced by a company when entering a foreign market depends not only on the market conditions and on the company itself but also on the internal factors of the country as a whole. The combination of these factors represents a country risk, which is most often assessed using a credit rating. Thus, the rating agencies Standard & Poor's and Moody's evaluate the credit rating of Russia as BBB- with a stable outlook (Vartapetov and Bhatia, 2019), what corresponds to the average level of attractiveness for investment. How does your company relate to this level of attractiveness?
high level of attractiveness
- attractiveness level is above average
- average attractiveness
- attractiveness level below average
- low attractiveness

12. Market size and growth
Country size and market growth are key parameters in determining entry mode. Thus, the size of the concrete floor market in Moscow and St. Petersburg in 2018 is estimated at 3.8 million square meters and the growth of the segment over the past 6 years amounted to 29.8%. How do you assess this market in terms of commercial interest?

- Small
- less than average
- medium
- above the average
- large

13. Direct and indirect trade barriers
According to the European Commission's annual report in 2017, Russia was the champion in the number of trade barriers in relation to EU countries. Among the potential barriers for Case Company may be the following facts:

- In January 2017 Russian suppliers received preferences for public procurement in the amount of 15% of the contract price. If there is a Russian supplier in competition, then the price of his offer is estimated by the formula "offer minus 15%", but the contract is concluded at the proposed price (excluding 15%); if there is a victory of a foreign participant, then the contract is concluded at the price of "offer minus 15%" (Makarov, 2018)

- The customs duty on the import of building materials is 12% + VAT in the amount of 20% (Federal Custom Service, 2012)

There are no other special trade restrictions regarding dry shakes, grinding systems and other building materials between Russia and the EU. Evaluate your vision of trade barriers between Russia and Finland:

- low, the import is a rather profitable occupation
- below average, the permanent import is not so profitable
- medium, it may be more profitable to organize a joint venture
- above average, the joint venture becomes less profitable
- high barriers, it is most profitable to establish our own production

14. Intensity of competition
As a result of a preliminary assessment of competitors in St. Petersburg and Moscow, the following diagram was created:
Rate the level of competition for your company:

- High
- above the average
- medium
- below average
- low

**Concrete floor competitors**
- Dry shakes
- Chemicals
- Grinding machines and spare parts

Number shows amount of players in this segment

**Table 1. Survey results**

<table>
<thead>
<tr>
<th>Number of question</th>
<th>R1</th>
<th>R2</th>
<th>R3</th>
<th>R4</th>
<th>R5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Q2</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Q3</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Q4</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Q5</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Q6</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Q7</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>4</td>
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<tr>
<td>Q8</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Q9</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Q10</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Q11</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Q12</td>
<td>3</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Q13</td>
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<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Q14</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Band score: 129 120 120 126 123

Average band score: 123.6
### Appendix D. Market size calculation

**Table 1. Market size calculation**

<table>
<thead>
<tr>
<th>Year</th>
<th>Market segment</th>
<th>S, th. m²</th>
<th>Source</th>
<th>V, th. tons</th>
<th>Source</th>
<th>ρ, kg/m²</th>
<th>Source</th>
<th>Market share, %</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>Polymer floor</td>
<td>10700</td>
<td>calculated</td>
<td>17,1</td>
<td>Stroyprofile, 2013</td>
<td>1,59</td>
<td>calculated</td>
<td>48</td>
<td>Stroyprofile, 2013</td>
</tr>
<tr>
<td></td>
<td>Concrete floor</td>
<td>11150</td>
<td>calculated</td>
<td>44,4</td>
<td>Stroyprofile, 2013</td>
<td>3,98</td>
<td>calculated</td>
<td>50</td>
<td>Stroyprofile, 2013</td>
</tr>
<tr>
<td></td>
<td>Dry levelers</td>
<td>450</td>
<td>calculated</td>
<td>7</td>
<td>Stroyprofile, 2013</td>
<td>15,69</td>
<td>calculated</td>
<td>2</td>
<td>calculated</td>
</tr>
<tr>
<td></td>
<td><strong>Total:</strong></td>
<td><strong>22300</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Stroyprofile, 2013</td>
</tr>
<tr>
<td>2018</td>
<td>Polymer floor</td>
<td>15645</td>
<td>calculated</td>
<td>25,1</td>
<td>Metalinfo, 2019</td>
<td>1,59</td>
<td>calculated</td>
<td>51</td>
<td>calculated</td>
</tr>
<tr>
<td></td>
<td>Concrete floor</td>
<td>14472</td>
<td>calculated</td>
<td>57,6</td>
<td>calculated</td>
<td>3,98</td>
<td>calculated</td>
<td>47</td>
<td>calculated</td>
</tr>
<tr>
<td></td>
<td>Dry levelers</td>
<td>784</td>
<td>calculated</td>
<td>12,3</td>
<td>Call to «Build Information» company</td>
<td>15,69</td>
<td>calculated</td>
<td>2</td>
<td>calculated</td>
</tr>
<tr>
<td></td>
<td><strong>Total:</strong></td>
<td><strong>30900</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Rosstat, 2019</td>
</tr>
</tbody>
</table>
Table 2. Additional variables for calculation for 2018 market size by regions

<table>
<thead>
<tr>
<th>Square utilization</th>
<th>Moscow and Moscow region, th. m²</th>
<th>St. Petersburg and Leningrad region, th. m²</th>
<th>Other regions, th. m²</th>
<th>Total, th. m²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative buildings</td>
<td>258,6</td>
<td>467,4</td>
<td>1 175,5</td>
<td>1 901,5</td>
</tr>
<tr>
<td>Healthcare</td>
<td>296,3</td>
<td>139,1</td>
<td>806</td>
<td>1 241,4</td>
</tr>
<tr>
<td>Commercial buildings</td>
<td>2 155,8</td>
<td>350,4</td>
<td>5 328,1</td>
<td>7 834,3</td>
</tr>
<tr>
<td>Industrial building</td>
<td>575,9</td>
<td>460,9</td>
<td>3545,2</td>
<td>4 582</td>
</tr>
<tr>
<td>Farm buildings</td>
<td>562,5</td>
<td>58,9</td>
<td>6 120,2</td>
<td>6 741,6</td>
</tr>
<tr>
<td>Educational buildings</td>
<td>653,5</td>
<td>271,4</td>
<td>2248,1</td>
<td>3 173</td>
</tr>
<tr>
<td>Other non-living buildings</td>
<td>1 621,4</td>
<td>325,4</td>
<td>3 482,3</td>
<td>5 429,1</td>
</tr>
</tbody>
</table>

| Total, thousand m²                 | 6 124,1                          | 2 073,4                                    | 22 705,4              | 30 902,9     |

Information for this table was taken from the website of the Federal State Statistics Service of the Russian Federation (https://www.fedstat.ru/indicator/40560)
<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
<th>Variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$S_{1pf}$</td>
<td>Area of commissioned polymer floors in 2012</td>
<td>$V_{2pf}$</td>
<td>The total volume of consumed materials for polymer floors in 2018</td>
</tr>
<tr>
<td>$S_{1cf}$</td>
<td>Area of commissioned concrete floors in 2012</td>
<td>$V_{2cf}$</td>
<td>The total volume of consumed materials for concrete floors in 2018</td>
</tr>
<tr>
<td>$S_{1dl}$</td>
<td>Area of commissioned floors using dry levelers in 2012</td>
<td>$V_{2dl}$</td>
<td>The total volume of consumed materials for floors using dry levelers in 2018</td>
</tr>
<tr>
<td>$S_1$</td>
<td>The total area of commissioned industrial floors in 2012</td>
<td>$\rho_{pf}$</td>
<td>The average consumption of materials per 1 square meter for polymer floor</td>
</tr>
<tr>
<td>$S_{2pf}$</td>
<td>Area of commissioned polymer floors in 2018</td>
<td>$\rho_{cf}$</td>
<td>The average consumption of materials per 1 square meter for concrete floor</td>
</tr>
<tr>
<td>$S_{2cf}$</td>
<td>Area of commissioned concrete floors in 2018</td>
<td>$\rho_{dl}$</td>
<td>The average consumption of materials per 1 square meter for the industrial floors using dry levelers</td>
</tr>
<tr>
<td>$S_{2dl}$</td>
<td>Area of commissioned floors using dry levelers in 2018</td>
<td>$M_{1pf}$</td>
<td>Polymer floor market share in 2012</td>
</tr>
<tr>
<td>$S_2$</td>
<td>The total area of commissioned industrial floors in 2018</td>
<td>$M_{1cf}$</td>
<td>Concrete floor market share in 2012</td>
</tr>
<tr>
<td>$V_{1pf}$</td>
<td>The total volume of consumed materials for polymer floors in 2012</td>
<td>$M_{1dl}$</td>
<td>Floor using dry levelers market share in 2012</td>
</tr>
<tr>
<td>$V_{1cf}$</td>
<td>The total volume of consumed materials for concrete floors in 2012</td>
<td>$M_{2pf}$</td>
<td>Polymer floor market share in 2018</td>
</tr>
<tr>
<td>$V_{1dl}$</td>
<td>The total volume of consumed materials for floors using dry levelers in 2012</td>
<td>$M_{2cf}$</td>
<td>Concrete floor market share in 2018</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$M_{2dl}$</td>
<td>Floor using dry levelers market share in 2018</td>
</tr>
</tbody>
</table>
Market size calculations (calculations for Table 1)

1: \[ M_{1pf} + M_{1cf} + M_{1dl} = 100 \rightarrow M_{1dl} = 100 - M_{1pf} - M_{1cf} = 100 - 48 - 50 = 2; \]

2: \[ S_{1pf} = M_{1pf} \cdot S_1 + 100 = 22300 \cdot 48 + 100 = 10700 \text{ thousand m}^2; \]

3: \[ S_{1pf} = M_{1cf} \cdot S_1 + 100 = 22300 \cdot 50 + 100 = 11150 \text{ thousand m}^2; \]

4: \[ S_{1pf} = M_{1dl} \cdot S_1 + 100 = 22300 \cdot 2 + 100 = 450 \text{ thousand m}^2; \]

5: \[ S = \frac{V}{\rho} \rightarrow \rho = \frac{V}{S}; V = \rho \cdot S; \]

6: \[ \rho_{pf} = \frac{V_{1pf}}{S_{1pf}} = \frac{17100000}{10700000} = 1.59 \text{ kg/m}^2; \]

7: \[ \rho_{cf} = \frac{V_{1cf}}{S_{1cf}} = \frac{4440000}{11150000} = 3.98 \text{ kg/m}^2; \]

8: \[ \rho_{dl} = \frac{V_{1dl}}{S_{1dl}} = \frac{7000000}{450000} = 15.69 \text{ kg/m}^2; \]

9: \[ S_{2pf} = \frac{V_{2pf}}{\rho_{pf}} = \frac{25000000}{1.59} = 15645 \text{ thousand m}^2; \]

10: \[ S_{2dl} = \frac{V_{2dl}}{\rho_{dl}} = \frac{12300000}{15.69} = 784 \text{ thousand m}^2; \]

11: \[ S_2 = S_{2pf} + S_{2cf} + S_{2dl} \rightarrow S_{2cf} = S_2 - S_{2pf} - S_{2dl} = 30900 - 15645 - 784 = 14472 \text{ thousand m}^2; \]

12: \[ V_{2cf} = \rho_{cf} \cdot S_{2cf} = 3.98 \cdot 14472000 = 57.6 \text{ thousand tons}; \]

13: \[ M_{2pf} = S_{2pf} \div S_2 \cdot 100 = 51 \%; \]

14: \[ M_{2cf} = S_{2cf} \div S_2 \cdot 100 = 47 \%; \]

15: \[ M_{2dl} = S_{2dl} \div S_2 \cdot 100 = 2 \%; \]
Appendix E. STATA log

Figure 1. Test №1 code

```stata
. import excel "C:\Users\email\OneDrive\pA400\crosa\Finland\Studying\Master Thesis\LUF\Data.xlsx", sheet("Excel1") callrange(A1:A > 91) firstrow clear

. summarize

<table>
<thead>
<tr>
<th>Variable</th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>90</td>
<td>1.17e+08</td>
<td>2.33e+08</td>
<td>874000</td>
<td>1.27e+09</td>
</tr>
</tbody>
</table>

. generate N = int(3.322*10^10*(90)+1)

. display N

7

. histogram income, bin(7) frequency fcolor(lavender) icolor(lavender) gap(40) addlabel(ylabel) normalnormopts(icolor(dkgreen)) kdensity
> kdenopty(color(red) widthобще0099000) cosima ytitle(Amount of companies) xlabel(Amount of companies) ylabel(Amount of companies) xlabel(Annual income in $ru
> >) xline(874000 180832571 1266702000, angle(fourty_five) format(10.0f)) graphregion(fcolor(white) icolor(white))
> (Bin=7, start=874000, width(1,0.08e+08))
```

Figure 2. Test №1 result
Figure 3. Test №2 code

```
use "C:\Users\email\OneDrive\Project\Finland\Studying\Master Thesis\LUT\Data\Polarisation.dta"
import excel "C:\Users\email\OneDrive\Project\Finland\Studying\Master Thesis\LUT\Data\xlsx", sheet("Data") callrange(A1:A > 80) firstrow clear

summarize

<table>
<thead>
<tr>
<th>Variable</th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>79</td>
<td>4.60e+07</td>
<td>4.26e+07</td>
<td>874000</td>
<td>1.62e+08</td>
</tr>
</tbody>
</table>

generate N = int(3.322*log(10(79))+1)
display N

histogram Income, bin(7) frequency color(lavender) normalize(0) gap(40) addlabel normal zoom(xmin=10000 xrange=25000)
divide(1000000) ytitle(Amount of companies) xlabel(Amount of companies) ylabel(Annual income in rub) xtitle(Annual income in rub) graphregion(fcolor(white) lcolor(white))

kdensity Income
```

Figure 4. Test №2 result
### Appendix F. Extracts from GOST and SNiP

1 MPa = 10.2 kgf/cm² = 145 psi

<table>
<thead>
<tr>
<th>Mechanical impact</th>
<th>Very significant</th>
<th>Significant</th>
<th>Moderate</th>
<th>Weak</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pedestrian traffic per 1 meter of passage, the number of people per day</td>
<td>-</td>
<td>-</td>
<td>500 and more</td>
<td>less than 500</td>
</tr>
<tr>
<td>Crawler transport traffic on one lane, units / day</td>
<td>10 and more</td>
<td>less than 10</td>
<td>Not allowed</td>
<td>Not allowed</td>
</tr>
<tr>
<td>Rubber transport traffic on one lane, units / day</td>
<td>200 and more</td>
<td>100-200</td>
<td>less than 200</td>
<td>Handcart movement only</td>
</tr>
<tr>
<td>The movement of carts on metal tires in one lane, units/day</td>
<td>50 and more</td>
<td>30-50</td>
<td>less than 30</td>
<td>Not allowed</td>
</tr>
<tr>
<td>Impacts when falling from a height of 1 m of solid objects weighing, kg, not more</td>
<td>20</td>
<td>10</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Drawing solid objects with sharp corners and ribs</td>
<td>Allowed</td>
<td>Allowed</td>
<td>Not allowed</td>
<td>Not allowed</td>
</tr>
<tr>
<td>Work with a sharp tool on the floor</td>
<td>&quot;</td>
<td>&quot;</td>
<td>&quot;</td>
<td>&quot;</td>
</tr>
</tbody>
</table>

Table 1. The intensity of mechanical impacts on the floors (SNiP 2.03.13-88. Floors)
Table 2. Thickness and strength of continuous concrete floor (SNiP 2.03.13-88. Floors)

<table>
<thead>
<tr>
<th>Cover material</th>
<th>The intensity of mechanical impact</th>
<th>Cement</th>
<th>Mosaic</th>
<th>Polyvinyl acetate or latex</th>
<th>Acid resistant</th>
<th>Asphalt-concrete</th>
<th>Steel fiber concrete</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very significant</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Signiﬁcant</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Moderate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Weak</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coating thickness, mm</td>
<td>Concrete class or strength of coating material, kgf/cm²</td>
<td>50*</td>
<td>Not allowed</td>
<td>Not allowed</td>
<td>»</td>
<td>»</td>
<td>40*</td>
</tr>
<tr>
<td>Coating thickness, mm</td>
<td>Concrete class or strength of coating material, kgf/cm²</td>
<td>B40**</td>
<td>30</td>
<td>30</td>
<td>400</td>
<td>40</td>
<td>50</td>
</tr>
<tr>
<td>Coating thickness, mm</td>
<td>Concrete class or strength of coating material, kgf/cm²</td>
<td>30</td>
<td>30</td>
<td>25</td>
<td>300</td>
<td>25</td>
<td>40</td>
</tr>
<tr>
<td>Coating thickness, mm</td>
<td>Concrete class or strength of coating material, kgf/cm²</td>
<td>B30</td>
<td>25</td>
<td>B22,5</td>
<td>300</td>
<td>30</td>
<td>40</td>
</tr>
<tr>
<td>Coating thickness, mm</td>
<td>Concrete class or strength of coating material, kgf/cm²</td>
<td>25</td>
<td>25</td>
<td>B22,5</td>
<td>200</td>
<td>20</td>
<td>50</td>
</tr>
<tr>
<td>Coating thickness, mm</td>
<td>Concrete class or strength of coating material, kgf/cm²</td>
<td>20</td>
<td>20</td>
<td>B22,5</td>
<td>200</td>
<td>20</td>
<td>50</td>
</tr>
<tr>
<td>Coating thickness, mm</td>
<td>Concrete class or strength of coating material, kgf/cm²</td>
<td>20</td>
<td>20</td>
<td>B22,5</td>
<td>200</td>
<td>20</td>
<td>50</td>
</tr>
<tr>
<td>Coating thickness, mm</td>
<td>Concrete class or strength of coating material, kgf/cm²</td>
<td>B15</td>
<td>B15</td>
<td>B15</td>
<td>B15</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* For a concrete floor with a hardened top layer of 70 mm and at least 120 mm when using a concrete coating as a base layer on the ground
** For concrete with a reinforced top layer B22.5
### Table 3. The ratio between classes of concrete in compressive strength and stretching and sorts of concrete (GOST 26633-91. Heavy-weight and sand concretes. Specifications)

<table>
<thead>
<tr>
<th>Concrete strength class</th>
<th>The average strength of concrete, kgf / cm²</th>
<th>Nearest concrete grade for strength</th>
<th>The deviation of the nearest concrete grade from the average strength of the class, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>B3,5</td>
<td>45,8</td>
<td>M50</td>
<td>+9,2</td>
</tr>
<tr>
<td>B5</td>
<td>65,5</td>
<td>M75</td>
<td>+14,5</td>
</tr>
<tr>
<td>B7,5</td>
<td>98,2</td>
<td>M100</td>
<td>+1,8</td>
</tr>
<tr>
<td>B10</td>
<td>131,0</td>
<td>M150</td>
<td>+14,5</td>
</tr>
<tr>
<td>B12,5</td>
<td>163,7</td>
<td>M150</td>
<td>-8,4</td>
</tr>
<tr>
<td>B15</td>
<td>196,5</td>
<td>M200</td>
<td>+1,8</td>
</tr>
<tr>
<td>B20</td>
<td>261,9</td>
<td>M250</td>
<td>-4,5</td>
</tr>
<tr>
<td>B22,5</td>
<td>294,7</td>
<td>M300</td>
<td>+1,8</td>
</tr>
<tr>
<td>B25</td>
<td>327,4</td>
<td>M350</td>
<td>+6,9</td>
</tr>
<tr>
<td>B27,5</td>
<td>360,2</td>
<td>M350</td>
<td>-2,8</td>
</tr>
<tr>
<td>B30</td>
<td>392,9</td>
<td>M400</td>
<td>+1,8</td>
</tr>
<tr>
<td>B35</td>
<td>458,4</td>
<td>M450</td>
<td>-1,8</td>
</tr>
<tr>
<td>B40</td>
<td>523,9</td>
<td>M550</td>
<td>+5,0</td>
</tr>
<tr>
<td>B45</td>
<td>589,4</td>
<td>M600</td>
<td>+1,8</td>
</tr>
<tr>
<td>B50</td>
<td>654,8</td>
<td>M700</td>
<td>+6,9</td>
</tr>
<tr>
<td>B55</td>
<td>720,3</td>
<td>M700</td>
<td>-2,8</td>
</tr>
<tr>
<td>B60</td>
<td>785,8</td>
<td>M800</td>
<td>+1,8</td>
</tr>
<tr>
<td>B65</td>
<td>851,3</td>
<td>M900</td>
<td>+5,7</td>
</tr>
<tr>
<td>B70</td>
<td>916,8</td>
<td>M900</td>
<td>-1,8</td>
</tr>
<tr>
<td>B75</td>
<td>982,3</td>
<td>M1000</td>
<td>+1,8</td>
</tr>
<tr>
<td>B80</td>
<td>1047,7</td>
<td>M1000</td>
<td>-4,6</td>
</tr>
</tbody>
</table>
Continue of Table 3. The ratio between classes of concrete in compressive strength and stretching and sorts of concrete (GOST 26633-91. Heavy-weight and sand concretes. Specifications)

<table>
<thead>
<tr>
<th>Concrete strength class</th>
<th>The average strength of concrete, kgf / cm²</th>
<th>Nearest concrete grade for strength</th>
<th>The deviation of the nearest concrete grade from the average strength of the class, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Axial tension</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B₁0,4</td>
<td>5,2</td>
<td>P₁5</td>
<td>-3,8</td>
</tr>
<tr>
<td>B₁0,8</td>
<td>10,5</td>
<td>P₁10</td>
<td>-4,8</td>
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<tr>
<td>B₁1,2</td>
<td>15,7</td>
<td>P₁15</td>
<td>-4,5</td>
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<tr>
<td>B₁1,6</td>
<td>21,0</td>
<td>P₁20</td>
<td>-4,8</td>
</tr>
<tr>
<td>B₂2,0</td>
<td>26,2</td>
<td>P₁25</td>
<td>-4,6</td>
</tr>
<tr>
<td>B₂2,4</td>
<td>31,4</td>
<td>P₁30</td>
<td>-4,5</td>
</tr>
<tr>
<td>B₂2,8</td>
<td>36,7</td>
<td>P₁35</td>
<td>-4,6</td>
</tr>
<tr>
<td>B₃3,2</td>
<td>41,9</td>
<td>P₁40</td>
<td>-4,5</td>
</tr>
<tr>
<td>B₃3,6</td>
<td>47,1</td>
<td>P₁45</td>
<td>-4,5</td>
</tr>
<tr>
<td>B₄4,0</td>
<td>52,4</td>
<td>P₁50</td>
<td>-4,6</td>
</tr>
<tr>
<td><strong>Bending tensile</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B₄b0,4</td>
<td>5,2</td>
<td>P₄b5</td>
<td>-3,8</td>
</tr>
<tr>
<td>B₄b0,8</td>
<td>10,5</td>
<td>P₄b10</td>
<td>-4,8</td>
</tr>
<tr>
<td>B₄b1,2</td>
<td>15,7</td>
<td>P₄b15</td>
<td>-4,5</td>
</tr>
<tr>
<td>B₄b1,6</td>
<td>21,0</td>
<td>P₄b20</td>
<td>-4,8</td>
</tr>
<tr>
<td>B₄b2,0</td>
<td>26,2</td>
<td>P₄b25</td>
<td>-4,6</td>
</tr>
<tr>
<td>B₄b2,4</td>
<td>31,4</td>
<td>P₄b30</td>
<td>-4,5</td>
</tr>
<tr>
<td>B₄b2,8</td>
<td>36,7</td>
<td>P₄b35</td>
<td>-4,6</td>
</tr>
<tr>
<td>B₄b3,2</td>
<td>41,9</td>
<td>P₄b40</td>
<td>-4,5</td>
</tr>
</tbody>
</table>
Continue of Table 3. The ratio between classes of concrete in compressive strength and stretching and sorts of concrete (GOST 26633-91. Heavy-weight and sand concretes. Specifications)

<table>
<thead>
<tr>
<th>Concrete strength class</th>
<th>The average strength of concrete, kgf / cm²</th>
<th>Nearest concrete grade for strength</th>
<th>The deviation of the nearest concrete grade from the average strength of the class, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>B₉ 3,6</td>
<td>47,1</td>
<td>P₉ 45</td>
<td>-4,5</td>
</tr>
<tr>
<td>B₉ 4,0</td>
<td>52,4</td>
<td>P₉ 50</td>
<td>-4,6</td>
</tr>
<tr>
<td>B₉ 4,4</td>
<td>57,6</td>
<td>P₉ 60</td>
<td>+4,2</td>
</tr>
<tr>
<td>B₉ 4,8</td>
<td>62,9</td>
<td>P₉ 65</td>
<td>+3,3</td>
</tr>
<tr>
<td>B₉ 5,2</td>
<td>68,1</td>
<td>P₉ 70</td>
<td>+2,8</td>
</tr>
<tr>
<td>B₉ 5,6</td>
<td>73,3</td>
<td>P₉ 75</td>
<td>+2,3</td>
</tr>
<tr>
<td>B₉ 6,0</td>
<td>78,6</td>
<td>P₉ 80</td>
<td>+1,8</td>
</tr>
<tr>
<td>B₉ 6,4</td>
<td>83,8</td>
<td>P₉ 85</td>
<td>+1,4</td>
</tr>
<tr>
<td>B₉ 6,8</td>
<td>89,1</td>
<td>P₉ 90</td>
<td>+1,0</td>
</tr>
<tr>
<td>B₉ 7,2</td>
<td>94,3</td>
<td>P₉ 90</td>
<td>-4,6</td>
</tr>
<tr>
<td>B₉ 8,0</td>
<td>104,8</td>
<td>P₉ 100</td>
<td>-4,6</td>
</tr>
</tbody>
</table>

Axial tension
### Table 4. Concrete abrasion (GOST 13015-2012. Concrete and reinforced concrete products for construction. General technical requirements. Rules for acceptance, marking, transportation and storage)

<table>
<thead>
<tr>
<th>Concrete class of abrasion</th>
<th>Abrasion, g/cm²</th>
<th>When to apply</th>
</tr>
</thead>
<tbody>
<tr>
<td>G1</td>
<td>0,7</td>
<td>In products for structures operating in conditions of increased traffic intensity (slabs of road and airfield coatings, slabs of sidewalks on main streets, etc.)</td>
</tr>
<tr>
<td>G2</td>
<td>0,8</td>
<td>In products for structures operating in conditions of medium traffic intensity (elements of stairs of public and industrial buildings and structures, floor slabs in underground passages, etc.)</td>
</tr>
<tr>
<td>G3</td>
<td>0,9</td>
<td>In products for constructions operating in conditions of low traffic intensity (elements of stairs of residential buildings, slabs for covering roads and sidewalks in intra-quarter driveways, etc.)</td>
</tr>
</tbody>
</table>

### Table 5. Concrete classes by deterioration (GOST 31358-2007. Dry building flooring cement binder mixes. Specifications)

<table>
<thead>
<tr>
<th>Class</th>
<th>A22</th>
<th>A15</th>
<th>A12</th>
<th>A9</th>
<th>A6</th>
<th>A3</th>
<th>A1,5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The extent of deterioration, cm³, no more</td>
<td>22</td>
<td>15</td>
<td>12</td>
<td>9</td>
<td>6</td>
<td>3</td>
<td>1,5</td>
</tr>
</tbody>
</table>
### Table 6. Water resistance concrete grade (GOST 12730.5-2018. Concretes. Methods for determination of water tightness)

<table>
<thead>
<tr>
<th>Water resistant sample series, MPa</th>
<th>0.2</th>
<th>0.4</th>
<th>0.6</th>
<th>0.8</th>
<th>1.0</th>
<th>1.2</th>
<th>1.4</th>
<th>1.6</th>
<th>1.8</th>
<th>2.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waterproof Concrete Brand</td>
<td>W2</td>
<td>W4</td>
<td>W6</td>
<td>W8</td>
<td>W10</td>
<td>W12</td>
<td>W14</td>
<td>W16</td>
<td>W18</td>
<td>W20</td>
</tr>
</tbody>
</table>

### Table 7. Characterization of concrete surfaces of different categories (GOST 13015-2012. Concrete and reinforced concrete products for construction. General technical requirements. Rules for acceptance, marking, transportation and storage)

<table>
<thead>
<tr>
<th>Concrete surface category</th>
<th>Mode of usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>A glossy surface that does not require finishing construction site coatings</td>
</tr>
<tr>
<td>A2</td>
<td>A surface prepared for improved painting (without putty at the construction site) or high-quality painting (with one coat of putty at the construction site)</td>
</tr>
<tr>
<td>A3</td>
<td>The surface prepared for decorative decoration with pasty compositions (without putting on the construction site); for improved or high-quality painting (respectively with one or two layers of putty on a construction site)</td>
</tr>
<tr>
<td>A4</td>
<td>The surface prepared for gluing with wallpaper, linoleum and other roll materials; for tiling with adhesive materials</td>
</tr>
<tr>
<td>A5</td>
<td>The surface prepared for facing with tiled materials on the mortar</td>
</tr>
<tr>
<td>A6</td>
<td>A surface prepared for simple painting, as well as a non-removable surface, to which quality requirements are not imposed</td>
</tr>
<tr>
<td>A7</td>
<td>Invisible surface</td>
</tr>
</tbody>
</table>

Helpful reference: Floor. Set of rules (as development of SNiP 2.03.13-88 "Floors" and SNiP 3.04.01-87 "Insulation and finishing coatings")
Appendix G. Questionnaire for Russian concrete floor companies

The purpose of this questionnaire is to identify the main industry specifiers in the industrial flooring market, which are more likely to influence the final decision regarding the use of certain materials and technologies.

The questionnaire contains 5 questions that you have to answer. Application completion time - 2 minutes. I kindly ask you to answer questions as honestly as possible, because this will affect the results of the entire survey.

This study is anonymous, and I guarantee that it will be impossible to track any responses back to you and your company.

1. Who most often develops and provides specifications for the building project you are working on?
   - Employees of our company
   - Third-party organizations
   - The basis is developed by third-party organizations, but improvements are made by our employees

2. If specifications for the project are developed and provided by third-party organizations, which of them do it more often?

   Point the names of these organizations:
   __________________________________________________________

3. Let’s imagine, that you are faced with a completely new product, service or technology in the industrial flooring market. Which of these will have a greater positive effect on the end decision to purchase a product/service?

   Just drag the labels up or down to create your personal rating. Higher label position corresponds higher influence of this source on the final decision

   - An industry magazine review article
   - Certificate of compliance with GOST
   - The opinion of market-leading companies
   - Expert evaluation of the architectural/engineering bureau
   - Expert evaluation of the national research institute
   - Prize in the competition at the industrial exhibition
4. [In order not to take enough respondents' time, system choose a question from the list below according to the first-place principle in the list of labels above]

- Which industry magazines do you think are the most popular and reliable?
  Point the names of these magazines:

- Which certification organizations are more authoritative for you?
  Point the names of these organizations:

- Which architectural or engineering bureaus are reputable and have a big impact on the industrial flooring market and why?
  Point the names of these architectural bureaus:

- Which national research institutes are reputable and have a great influence on the industrial flooring market?
  Point the names of these research institutes:

- What annual industry exhibitions are important for you?
  Point the names of these exhibitions:

5. Which companies in the industrial flooring market, in your opinion, are leaders in the industry? In other words, which companies set trends, like Apple in its segment?

  Point the names of these companies
### Table 1. Leading companies

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Website</th>
<th>TIN</th>
<th>Income in rubles</th>
</tr>
</thead>
<tbody>
<tr>
<td>INGRI</td>
<td>ingri.ru</td>
<td>7716565004</td>
<td>797173000</td>
</tr>
<tr>
<td>VDM Pigment</td>
<td>promlkm.ru</td>
<td>7840494284</td>
<td>632851000</td>
</tr>
<tr>
<td>OMEGA STROY</td>
<td>nw-omegastroy.ru</td>
<td>7802711097</td>
<td>302647000</td>
</tr>
<tr>
<td>Stratus Pro</td>
<td>stratus-trade.ru</td>
<td>7804394887</td>
<td>21129000</td>
</tr>
<tr>
<td>PKB NTT</td>
<td>pkbnnt.ru gksom.com</td>
<td>7710320086</td>
<td></td>
</tr>
</tbody>
</table>

### Table 2. Architectural and project bureau

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Website</th>
<th>TIN</th>
<th>Income in rubles</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISST</td>
<td>isst.su</td>
<td>7804068555</td>
<td>201290000</td>
</tr>
<tr>
<td>Prom Project</td>
<td>promproektir.ru</td>
<td>3525300539</td>
<td>66114000</td>
</tr>
<tr>
<td>Urbantech</td>
<td>urbantek.ru</td>
<td>7842399004</td>
<td>56835000</td>
</tr>
<tr>
<td>ZhilPromProject</td>
<td>zhilpromproekt.ru</td>
<td>7842494385</td>
<td>19888000</td>
</tr>
<tr>
<td>Geodesign</td>
<td>geo-design.ru</td>
<td>7840435426</td>
<td>9364000</td>
</tr>
<tr>
<td>VIK Project</td>
<td>vikproject.com</td>
<td>7810863960</td>
<td>8804000</td>
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</table>