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**ANALYSIS OF GREEN MARKETING IN RUSSIAN LARGE INTERPRISES: A CASE
STUDY OF COMPANY VKUSVILL**

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Dissertation

ANALYSIS OF GREEN MARKETING IN RUSSIAN LARGE
INTERPRISES: A CASE STUDY OF COMPANY VKUSVILL

In partial fulfilment of the requirements for the degree of Master of
International Business Administration

Ivan Rozhko

September, 2017 ©

Declaration

I declare that I have worked on my dissertation titled "Analysis of green marketing in Russian large enterprises: case study of company VkusVill" by myself and I have used only the sources mentioned at the end of the thesis. As the author of diploma I declare that the thesis does not break copyrights of any other person.

In Prague on 31.03.2018

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Analysis of Green Marketing in Russian Large Enterprises: Case Study of Company VkusVill

Abstract

This research examines the components of green marketing practice implemented in company VkusVill, which represents a chain of health food stores.

The main objective of this work is analysis of company VkusVill from the perspective of green marketing and consequent proposals for its improvement.

Research survey and official company's data are used for the purposes of current research. Similarly, there were implemented relevant practical instruments (matrix McKinsey / General Electric, PSM) for evaluation of different aspects of company's activities. In particular, marketing study included analysis of consumers, competitors and marketing mix. Based on information received from the analysis, it was revealed that VkusVill has certain shortcomings in their marketing approach. On the ground academic information provided in literature review and existing green marketing practice, study gives recommendations concerning improvement of company's green marketing strategy.

Key words: Green marketing, Marketing mix, Consumer behavior, Green consumers, Segmentation, Ecolabelling, Survey, Moscow Oblast

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1 Introduction

"Sustainable development", "sustainable business", "responsible consumption" or "protection environmental and social environment" are not just the terms of activists and non-profit organizations anymore. These terms have already become part of modern business philosophy, one of the instruments related to these concept is called green marketing.

Every organization has to face and respond to increasing and more frequent external changes, which world experiencing over the last decades. The growing public concern about the future of the planet is one of these fundamental changes. Consumers are getting more and more aware of environmental problems, consequently their sensitivity towards ecological and social responsibility of the companies is as strong as never before. Thus, green marketing is appearing to be one of the best instrument for satisfaction of interest of the all stakeholders involved and creation of long-term competitive advantage that leads to increasing market shares and profits.

Today it is not a secret, that importance of sustainable practices continues to grow under influence of difficulties connected with consequences of the global economic crisis of year 2008. By implementation of green marketing into company's activities and marketing practices, the company can achieve not only high and long-term sustainable performance, but can also contribute to ecological and social improvement the environment in which it operates, including positive influencing the lives of individuals, society, and the entire planet.

The reason for choosing the topic of the thesis is included in growing importance of green marketing in modern business strategies and in the fact that it will likely become more developed and widespread in the near future. The premises for such perspectives are also included in values which green marketing promotes: honesty, sincerity, freedom, respect for the environment, respect for people, cultures and the environment. Planet and society face a number of serious problems and green marketing can be a mean to better the lifestyle of modern civilization and to promote sustainable values for future generations.

At the same time, in Russian Federation the importance of green marking is not fully realized yet, however, starting from year 2009 the conception of heathy food started to

emerge and gained certain popularity among consumers. Unfortunately, companies that are using green marketing practices concentrated in Moscow city area and not widespread beyond the boundaries of Moscow Oblast. One of these companies is a young firm, which is called VkusVill, during the last 8 years this company is growing fast and conquers market in Moscow. Furthermore, it is considered to be one of the drivers of growing green market in Moscow Oblast. That is main reason why this company is interesting for research from the prospective of green marketing and its implementation.

2 Objectives and Methodology

Objectives

Theoretical part aims to provide detailed literature review about green marketing and consumer behavior in terms of green market.

The purpose of practical part is analysis of company VkusVill within the framework of its green marketing policy and consequent proposals for its improvement.

Research questions:

- 1) What are main consumer in green market of Moscow Oblast?
- 2) Is VkusVill competitive enough in green market of Moscow Oblast?
- 3) Is marketing of VkusVill in accordance with existing green marketing theory?
- 4) How to improve green marketing strategies for VkusVill?

Methodology

In order to achieve desired objectives, from methodological point of view the dissertation is divided on two parts: theoretical and practical.

In theoretical part will be presented and analyze all the aspects of green marketing and consumer behavior found in academic literature. In the first part will consistently be considered attributes of green marketing: its emergence and evolution, objectives, definitions, principles (5 I's, rules), green marketing mix, existing problems (myopia, greenwashing) and further related topics (such as ecolabelling). In the end of theoretical part will be explored consumer behavior on green market and given general overview of green consumers.

The practical part will consist of four chapters and be based on data received from survey research, internet analytics and company's official sources. The data of survey research will be received from a questionnaire that consumers could fill in on Google Forms and in health food stores.

The first chapter will provide general overview about VkusVill company, including its historical development, mission, values and principles. The second chapter will cover consumer study of green market in Moscow Oblast (sex, age group, food preferences,

weekly expenditures, etc.) with aim to identify main consumers segments. The third chapter will analyze competitive environment of Moscow Oblast green market in order to define competitiveness of VkusVill within its market sector. The fourth chapter will be dedicated to state of VkusVill marketing mix with specific focus on every component in terms of 4 P's model (Product mix, Price mix, Place mix, Promotion mix). At the same time, based on company's values, principles and marketing mix studies can be given a conclusion regarding accordance between VkusVill marketing practice and existing green marketing theory.

Lastly, on the ground of theoretical knowledge provided in literature review and results, which were received in practical part, will be constructed SWOT analysis and made some strategic recommendations in the field of green marketing that would make VkusVill greener, more sustainable and effective.

3 Literature review

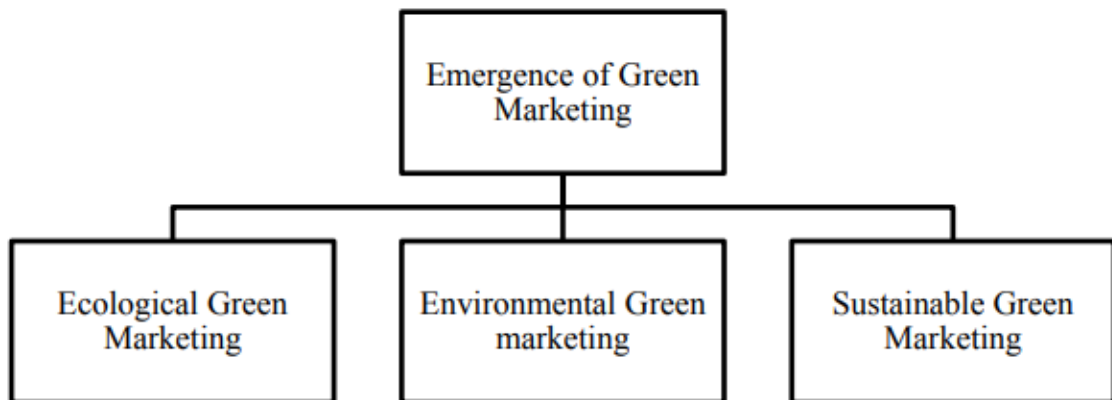
3.1 Emergence and evolution of green marketing

According to the definition of American Marketing Association, green marketing is considered as the efforts practiced by organizations to promote, produce, package, and reclaim goods in a manner that is responsive or sensitive to ecological concerns (APA Dictionary). The concept of “Green Marketing” emerges for several decades after the CSR formalization, when in the mid-1970s the American Marketing Association (AMA) organized a workshop called "Ecological Marketing" with the participation of both academics, experienced marketers and general public. (Mishra & Sharma, 2012).

In 1976, the authors Henion and Kinnear published a book where they defined green marketing as: *“the study of the positive and negative aspects of marketing activities on pollution, energy depletion and nonenergy resource depletion.”* (Henion and Kinnear, 1976)

Peattie (2001) claims that green marketing has evolved through several phases.

Figure 1: Evolution of green marketing by Peattie (2001)



Source: PEATTIE, K. *Towards Sustainability: The Third Age of Green Marketing*, 2001

Ecological green marketing.

According to Peattie (2001) ecological green marketing can be described as the first phase of the evolution of green marketing where companies looked for remedies for environmental challenges and problems. This term was developed during 1990’s, as a

marketing approach, which highlight production and product that were able to improve environmental performance, solve environmental problems and further ecological causes. Ecological marketing works on biodegradable and nontoxic claims.

Environmental green marketing.

In the second evolutionary phase of green marketing the focus was shifted on clean technologies that involved design of new innovative products, which take care of water issue and pollution. Furthermore, this phase also led to the invention or the discovering products that would improve the environmental situation or at least not worsen the already existing problems. In contrast to ecological prospective, environmental marketing was not only connected with a concern about the depletion of natural resources, but also with poverty in developing countries, destruction of ecosystems and loss of species (Belz and Peattie, 2012)

Sustainable green marketing.

According to Polonsky and Charter (1999) the third phase of green marketing is associated with sustainability and refers to the development of sustainable relationships with the social environment, the natural environment and customers. In other words, current green marketing practice, which aims at socially responsible and marketing sustainable services and products that are environmentally friendly and nontoxic, has become the new dominant paradigm for marketers. It allows them in on hand to satisfy the needs of consumers and on another hand to get profit and successfully perform (Mishra and Sharma, 2012).

3.2 Objectives and definitions of green marketing

Ottman (1993) considers Green Marketing as a tool, which fulfil the following two key objectives:

- It must invent, develop and promote the products that include consumer's needs for affordable pricing, convenience and performance with having a minimal harmful impact on the environment and all stakeholders involved.
- It has to project an image of high quality, incorporating environmental aspects, both in relation to product or service attributes and the producer's track record for environmental fulfilment.

Mishra and Sharma (2012) offer a little bit different view on the objectives of green marketing. According to their vision green marketing has goals as follows:

- ☑ Eliminate the concept of waste;
- ☑ Reinvent the concept of product;
- ☑ Make prices reflect actual and environmental costs;
- ☑ Make environmentalism profitable;
- ☑ Bringing out product modifications;
- ☑ Changing in production processes;
- ☑ Packaging changes;
- ☑ Modifying advertising.

Polonsky (1994) described green marketing as a quite large term; he does not only refer to the promotion of products with certain environmental characteristics, he is sure that green marketing is a broad concept that can be referred to industrial goods, consumer goods and even services. An example could be ecotourism, more and more resorts around the world are starting to position and promote themselves as "ecotourism" facilities. These facilities try to attract new customers through experiences with nature or "exotic" practices and implement measures that minimize their environmental footprint (Ingram and Durst, 1989).

Nowadays, there many definitions of green marketing appeared. The American Marketing Association itself has identified it from three angles:

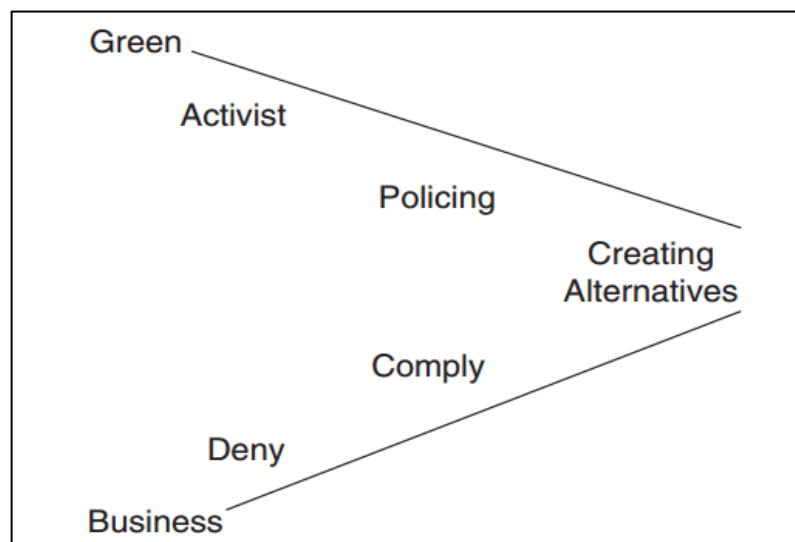
- 1) **Retailing definition.** Means that it is marketing of environmentally friendly products.
- 2) **Social marketing definition.** Refers to development and marketing of products produced with a goal of minimizing environmental impacts or their improving.
- 3) **Environments definition.** This definition includes the effort of organizations to develop, produce, promote, package and recycle products in a way that is sensitive

and responsive to the environmental concerns. (American Marketing Association: Dictionary, 2017)

What distinguishes the last angle from others is that it takes into account the whole life cycle of the product - development, production, promotion, sales, packaging, and subsequent consumption and recycling. From a different point of view, the Business Dictionary, describes Green Marketing as: “*Promotional activities aimed at taking advantage of the changing consumer attitudes toward a brand. These changes are increasingly being influenced by a firm's policies and practices that affect the quality of the environment, and reflect the level of its concern for the community.*” (Business Dictionary: Green Marketing, 2017)

Although the subject of this definition is "promotional activities", the second part shows a deeper connection with the overall corporate policy and its activities in environmental and social areas. John Grant (2010), in his Green Marketing Manifesto, sees two opposing thoughts, commercial and "green," but intersecting at the "Creating Alternatives" section. He describes it as a place where everyone cooperates and does not look back at the previous conflicts - a place where business leaders and advocates of environmental movements and sustainable development should go.

Figure 2: Phases of thinking which lead to creating alternatives by John Grant (2010)



Source: Grant, John. *The Green Marketing Manifesto*. 2010.

Grant's greatest risk of green marketing is the uncertainty of the concept in combination with the level of knowledge in a typical advertising agency and marketing

department, especially in creative teams.(Grant, 2010) While in 1996, every major Western brand established websites, in the 21st century they were trying to defend the interests of the environment and society. The threat of an unreasonable and painstaking effort to "re-color the company logo into green because it is mainstream", without any strategic intent and deeper sense, appears to be a serious problem. In this case, it is not just a waste of money and the credibility of the brand, but also a problem of greenwashing (false claims about environmental / social activities, brand / product qualities).

3.3 Principles of Green Marketing

Although Green Marketing is somehow related to CSR they represent different concepts. Whilst CSR aims to minimize negative impacts in the pursuit of business, consistent with the sustainable development of the company and the environment, the aim of green marketing is to influence consumers, their purchasing behavior and the whole value chain - to create a new, more respectful, greener lifestyle across the whole company.

3.3.1 5 I's of Green Marketing

John Grant (2010) suggests to look at the problem of marketing from a prospective of 5 "I", which present following points:

- **Intuitive**

In order to make better alternatives available and easy to grasp - "green" products must be equally usable and available as normal goods; more ideas such as "Organic", "Recycled", "Fair Trade" and "Carbon neutral" are highly desirable.

- **Integrative**

Here must be combined trade, technology, social aspects and ecology - the key term is "sustainability" - an approach for improving the quality of life for present and future generations by combining economic, social and environmental development; at the same time, it is also a breakthrough for marketing, which has taken minimal account in relation to the green and social themes.

- **Innovative**

Creating new products and new lifestyles - the term e-commerce is replaced by the concept of g-commerce (green commerce), companies are taking advantage of the opportunities to redesign their products (for example Procter & Gamble, Ariel, Campaign Go to 30 ° - saving environment and consumer wallets).

- **Inviting**

In the late 80s and early 90s there was a previous cycle of disappointment and hype around green movement. The limited number of products that targeted green consumers often represented a compromise between saving environment and quality of the green products. Subsequently, it has created a feeling of difficulty, awkwardness and sacrifice; green products face a big challenge - be more effective, healthier, more affordable, more durable and, which is more important featuring a lifestyle full of joy and fun.

- **Informed**

Lack of knowledge affects human behavior the most - the brand can be a stimulus for the ignorant people when they are about to buy wine, clothes or electronics - brand simplifies people's thinking about the quality of a particular product, green marketing is trying to do the opposite; knowledge and true information should be more important than an artificially constructed image.

3.3.2 Green Marketing Grid

In accordance with environmental, social and commercial interests, John Grant (2010) also distinguishes three phases of green marketing:

- Green** - *introducing new rules - communication*: it has only commercial goals; product or brand are greener than alternatives, but the marketing is direct about foundation of this difference.
- Greener** - *sharing responsibility - cooperation*: it has ecological and social goals as well as economic goals; marketing itself also fulfills environmental goals, for example by teaching consumers how to use another product.
- Greenest** - *encouraging innovation - transforming culture*: it has cultural goals as well, helps to promote new ways of life and making new business models become "normal" and acceptable.

Taking into consideration the division of society, culture and marketing between public (companies, markets, their cultural values), social (brands and belongings) and personal (products and habits associated with their use) dimensions, Grant (2010) compiles Green Marketing Grid:

Figure 3: The Green Marketing Grid by John Grant (2010)

	A. Green	B. Greener	C. Greenest
1. Public Company & Markets	<i>Set an Example</i>	<i>Develop the Market</i>	<i>New Business Concepts</i>
2. Social Brands & Belonging	<i>Credible Partners</i>	<i>Tribal Brands</i>	<i>Trojan Horse Ideas</i>
3. Personal Products & Habits	<i>Market a Benefit</i>	<i>Change Usage</i>	<i>Challenge Consuming</i>
	Set new Standards Communicate	Share responsibility Collaborate	Support Innovation Culture Reshaped

Source: GRANT, John. *The Green Marketing Manifesto*. 2010.

For each of these nine branches, two contrasting strategic approaches are defined in the second matrix:

Figure 4: The Contrasting Strategies Grid by John Grant (2010)

	A. Green	B. Greener	C. Greenest
1. Public Company & Markets	<i>Framing vs Pointing</i>	<i>Educate vs Evangelise</i>	<i>Social Production vs Property</i>
2. Social Brands & Belonging	<i>Eco-labels vs Cause Related</i>	<i>Exclusive vs Inclusive</i>	<i>Tradition vs New cool</i>
3. Personal Products & Habits	<i>Less vs More</i>	<i>Switch vs Cut</i>	<i>Treasure vs Share</i>
	Set new Standards Communicate	Share responsibility Collaborate	Support Innovation Culture Reshaped

Source: Grant, John. *The Green Marketing Manifesto*. 2010.

By combining both matrices can be achieved 18 different approaches for implementation of green marketing providing standard framework. Building an image using

traditional marketing tools was the marketing approach of an old school that tended to balance at the edge of greenwashing. Fresh approach to green marketing counts with intelligent and creative people using the latest models and resources. This is the only way the organization can succeed - the success itself redefining and dividing into three following sub-sections which include commercial success, green (ethical) success and cultural success. (Grant, 2010) However, this combination can only be achieved by changing ideas and changing lifestyles, which is a major challenge for marketing departments.

3.3.3 Rules of green marketing

Jacqueline Ottman (2010) in her book *New Rules of Green Marketing* describe 8 fundamental points which describe an outline for companies which would like to implement green marketing practices or moving towards more sustainable marketing practices.

1. *Being genuine*

Basically, being genuine means that either you are literally doing what you declare to be doing during your marketing campaign or that your other business policies are in accordance with whatever you are doing that's environmental friendly. These conditions must be accomplished in your company in order to create environmental trust, which will help a green marketing campaign to be successful.

2. *A life-cycle approach is necessary:*

Classic attributes of green product such as organic, recyclable, or energy-efficient matter a lot, however they do not mean that a product is totally green. In spite of having such trait as recyclability products still can create waste, organic food can cross thousands of miles before being delivered while energy saving lamp can contain mercury. That is why carbon based or life-cycle approach is highly needed.

3. *Knowing the Customer:*

There has to be confidence that the consumer is concerned about and aware of the issues that the product tries to address. The confidence in this point is very important element, if it will be neglected and forgotten without success in green marketing unlikely to be achieved.

4. *Educating the customer:*

Purpose of green marketing is not only protection of the environment but also

educating the customers, letting them know about green products, why they are important and how they can solve the environmental problems which humanity facing. Neglecting by this rule leads to the ignoring green campaign by some of the customers who will not understand how it matters to them.

5. *Reassure the Buyer:*

Consumers have to be reassured about products quality, attributes and its ability to perform job it is supposed to do. In spite of being convinced about environmental problems, consumers remain to be egoistic and are not willing to sacrifice product quality because of environmental concerns.

6. *Consider Your Pricing:*

If a company charges a premium for its product - which is actually a case for environmentally preferable products since they cost more due to economies of scale and utilizing ingredients that have higher quality – it should be confident that its consumers could afford to pay premium and feel that it is worth it.

7. *Authenticity:*

It is not enough to focus on a green logo, traits or ability of a product to be biodegradable. In most of the cases, brands are perceived as the most sincere integrate relevant sustainability traits in their product. An example could be HSBC and Stony field Farm, which are heading towards diminishing the carbon impact from their operations.

8. *Keep it simple:*

Environmentalism can be traced from the time of Plato, who once said that: “*Simplicity is elegance*”. Contemporary consumers try to avoid unnecessary and useless purchases. They are also cutting out the gadgets that are needless and do not represent any additional values for their lives. This is one of the reasons, which encourage them to choose brands that represent these values (Ottman, 2010).

3.4 Green Marketing Mix

Like in any other type of marketing, there is a serious need of marketing mix for promotion of green products. Marketers deal with a marketing mix in order to improve sales, profitability and branding (Gittel, Magnusson, & Merenda, 2012). Traditionally marketing mix consists of the 4 P's; product mix, price mix, place mix, and promotion mix.

Figure 5: 4 P's of marketing mix



Source: marketingmix.co.uk

Although Liu et al. (2012) offer other categorizations, which define marketing mix, for instance 7P (product, promotion, price, place, participants, physical evidence, and process) and 6P (product, promotion, planning, process, people and project) the 4P approach is customized to this study of green marketing. The following parts of this chapter provide an analysis of each 4P category in particular.

3.4.1 Product Mix

Green products can be considered as green for a number of reasons, which include being produced in a green way or product contributing to a greener way of life

(Mohanasundaram, 2012). Mishra and Sharma (2012) in their book summarized some qualities and characteristics of green product provided in the Table 1.

Table 1: Characteristics of Green Product by Mishra and Sharma (2012)

Characteristics of Green Product (Mishra and Sharma, 2012)
Originally grown products,
Recyclable, reusable and biodegradable products,
Products with natural ingredients,
Products that are nontoxic chemical and containing recycled contents,
Products contents under approved chemical,
Products that do not pollute or harm the environment,
Products that are not tested on animals,
Products that have eco-friendly packaging i.e. refillable, reusable containers etc.

Source: Own Work

It is clear that producer should offer products that would not harm the environment (Patil, 2012). There should be more attention towards sourcing of ingredients and materials used, and the manufacturing of the product. This process incorporate using all organic and natural materials, sourcing local or fair trade suppliers, purchasing environmentally friendly materials, and utilizing distribution methods and lean manufacturing that reduces the company's environmental impact. For instance, company Unilever (the corporate owner of Ben & Jerry's) has committed that all ingredients that are used in Ben & Jerry's ice cream are sourced from fair trade suppliers and certified as such by 2013 (Magnusson, Gittel& Merenda, 2012).

3.4.2 Price Mix

According to Mohanasundaram (2012) Green pricing takes another 3P into consideration: people, planet and profit.

Pricing strategy is very important from a revenue-generating standpoint. It is considered as the only component of 4P strategy that is not cost based for an organization. There can be found numerous pricing strategies for different kinds of organizations,

including for example, skimming pricing, penetration pricing, premium pricing and bundle pricing (Kotler & Armstrong, 2010). The main problem of green pricing is whether industrial consumers and customers would be willing to pay premium price for green products. Another problem, which is related to microeconomic pricing strategy, is inclusion of ecological externalities into pricing mix. However, this may be solved through the consideration of life cycle pricing (Grimmer et al., 2014).

Pricing for green products can be little higher than their non-green counterparts on the other hand quite often green products have higher initial costs and lower long term costs. Green pricing considers the people, planet, and profit in a way that takes care of health of employees and ensures the efficient and effective productivity (Patil, 2012). Usually, transportation and manufacturing costs can also be higher. For example, if the transport has higher cost but uses less harmful fuel source (biofuel), this will be reflected in higher prices. For the vast majority of consumers, if they will not receive additional value from a green product (in the form of reduced energy consumption or longer product lifecycle), they will not be willing to pay more money for the sustainable product. The price barrier can be lowered by setting new price, which would be closer to the price level of competitors with conventional goods, another option is using marketing tools in order to raise perceived value. The price gaps can also be minimized by targeting those with better financial performance or by targeting super green markets (Magnusson, Gittel & Merenda, 2012).

One the instruments of price mix is considered to be PSM (Price Sensitivity Meter) model, this approach has been used for addressing pricing issues for last 20 years.

The basic assumption in PSM is the fact, that respondents are capable of imagining a pricing landscape and that price is an internal measure of utility or value. Participants in a PSM survey are asked to indicate price levels at which they can imply a particular value to the service or product under study. According to Roll et al. (2010) PSM aims to capture the extent to which a product has an inherent value designated by price.

- 1) For what price on the product would you decide that it is too expensive and refused to purchase it? (Too expensive)
- 2) For what price on the product would you start to doubt its quality and refused to purchase it? (Too cheap)

- 3) For what price would you be ready to buy the product considering it as advantageous purchase? (Not expensive)
- 4) For what price would you buy a product thinking that to the certain extent you overpaid? (Not cheap)

3.4.3 Place mix

As for place mix, an efficient distribution channel is one of the crucial and the most important tasks. Place mix aspiring to provide the product for easy access and incorporate selective distribution, exclusive distribution, intensive distribution and franchising (Kim, 2002). In green place mix it is vital to understand how firm's decisions depend on where green consumers reside, the relationship between green retailing system and green consumerism, and the size management of the retail outlets regarding geographic regions.

Green place mix aspiring towards local purchases of ingredients products and materials. According to Nielsen global online consumer survey, which was conducted in 2011, the strongest belief in the positive qualities of local products was registered in North America, where 65% of consumers were sure that local products positively affect the environment. For example, an increase in number of local retailers and their preference by the local consumers, is often determined by the confidence that it reduces carbon emissions from transportation (Magnusson, Gittel and Merenda, 2012). Moreover, there is trend towards more intensive demand for such devices as Kindle and iPad, because it saves forests through lesser paper utilization. The same trend is applicable for different periodic, journals, magazines and newspapers which experience decline in "physical" demand, but hold their auditory through web versions of their medias.

3.4.4 Promotion mix

In green promotion mix it is vital to use communication in order to establish the path with the elements and aspects of the environment. It is hard to overestimate importance of promotion mix because green brands should have such product/service image, which would have a positive impact on people's perception and the environment. An example could be brand positioning of Stonyfield, which comes from company's vision "Healthy food, healthy

people, healthy environment” (Gittel, Magnusson, & Merenda, 2012).

According to Harrel (2008) promotion mix has such tools as: advertising, public relations, personal selling, consumer and trade promotion, social media, and mobile marketing. For better understanding marketing tools are depicted at Figure 6.

Figure 6: Marketing promotional tools (Harrel, 2008)



Source: Own work

In the process of choosing appropriate tool, marketer must take into account budget, marketing objectives and probable coverage of these tools in relation to targeted group. Gittel, Magnusson and Merenda (2012) point out that separate using of marketing tools will be useless, promotional effectiveness can be achieved only through using the mix of marketing promotional tools that is the best way to maximize awareness and improve branding.

However, advertisement is still considered as one of the most powerful promotional tools (Harrel, 2008). The purpose of advertisement is increasing awareness and boosting purchases of a particular service or product. Companies advertise through television, newspapers, internet, radio, billboards and cinema.

Pirakatheeswari (2017) specifies that in green marketing exist 3 types of green advertising:

- 1) Ads that deal with a relationship between a service/product and the environment.
- 2) Those that advance a green lifestyle by highlighting a service or product.
- 3) Ads that represent a corporate image of environmental responsibility.

For example, Nike has used green marketing during its advertisement campaign, this company was a pioneer in recycling television advertising. Over the years Nike has been remixing and reusing ads, films and movies from their previous advertising campaigns in order to create a new commercial in terms of Better world campaign. Thanks to this approach, Nike saved a lot of money and energy on production a new ad, which, nowadays is a good example of green advertising (Gittel, Magnusson, & Merenda, 2012).

Public relations (PR) is another important promotional tool, it is implemented with a purpose to influence a consumer. PR helps companies to get a big coverage and become well established in specific sectors. As a successful example on green market can be mentioned Japanese company Toyota and its model Toyota Prius, one of the first hybrid cars. Shortly after introduction of the new model, Toyota managed to receive endorsements from eco-friendly organizations like the Sierra Club. Consequently, this helped to establish and promote Toyota's green brand image.

Personal selling is an effective tool from the prospective one-on-one selling. This type of promotion can attract an instant fame and credibility for a company.

Consumer and trade promotions are programs that influence consumer's decision to purchase certain products through application of some price incentives (Gittel, Magnusson, & Merenda, 2012). In the case of green marketing, incentives normally involve a donation that helps people around the world and the planet itself (Gittel, Magnusson, & Merenda, 2012). For example, when company Toms Shoes was established, it promised that for every pair of shoes sold, one pair will be donated for the children in need. For customers this action created a feeling of involvement and altruism in relation to those who need help, eventually this feeling kept them coming back.

Social media marketing is a relatively new promotional tool, which is connected with

involvement of social media networks (Facebook, Twitter, VK, Instagram, etc.) into process of promotion (Gittel, Magnusson, & Merenda, 2012). This helps to keep certain type of “relationship” between consumers and brand, moreover consumers feel more comfortable, because they think that they have control over their exposure to the advertising.

The last form of promotion, which will be considered in this chapter is mobile marketing. This promotional tool is on the rise because of the share increase of smartphone owners. Nielsen Company revealed that smartphone household penetration is at the level of 40 percent, but it is growing very quickly (Gittel, Magnusson, & Merenda, 2012). Currently, mobile advertising and the utilizing of QR (quick response) codes is an effective way to attract new consumers (Gittel, Magnusson, & Merenda, 2012). QR codes are those codes, which have two-dimensional (2D) matrix barcodes that can keep thousands of alphanumeric characters of information (Gittel, Magnusson, & Merenda, 2012). When consumers activate them by their smartphones, the QR codes can address them to a special mobile version of a web site that provides its content and incentives to promote a product. It is clear that in today’s digital world of immediacy, consumers want to have instant access to what’s relevant and mobile marketing techniques are developing in order to make that possible (Gittel, Magnusson, & Merenda, 2012).

3.5 Ecolabelling

The Federal Trade Commission (FTC) in 1992 created certain rules for the usage of ecological marketing. The U.S. Environmental Protection Agency and FTC defined "ecologically preferable products" as services and products that have a diminished or lesser effect on environment and health of the people in comparison to other services and products that have the same goal. This labeling takes into account the way of materials acquisition, production, manufacturing, packaging, distribution, reuse, operating and maintenance, or how the service or product is managed (Patil, 2012).

From the first phase of green marketing - the introduction of new rules and communication in the middle dimension - the brand dimension - is closely related to the topic of ecolabeling. The Global Ecolabelling Network (GEN) determines Ecolabelling as: *"Ecolabelling" is a voluntary method of environmental performance certification and labelling that is practiced around the world. An ecolabel identifies products or services*

proven environmentally preferable overall, within a specific product or service category. GEN members operate some of the world's strongest ecolabels... In contrast to "green" symbols, or claim statements developed by manufacturers and service providers, the most credible labels are awarded by an impartial third party..." (Global Ecolabelling Network, 2017)

However, Ecolabel is not meant always in the true sense of the word - there are countless eco-labels and other labels that only seemingly remind it. The International Organization for Standardization (ISO) therefore defines 3 categories of environmental labels which are represented in the Table 2 (ISO Centrale Secretariat, 2009):

Table 2: Categories of environmental labels

TYPE 1	A voluntary certification program based on multi-criteria assessment by an independent organization, often at a national level, on which basis the product can obtain an ecolabel.
TYPE 2	The informative labels used by the manufacturers themselves for their products must be accurate, verifiable and justified - it is governed by ISO 14 021.
TYPE 3	Labeling based on the voluntary assessment of quantified environmental performance data on the production and product lifecycle, verified by an independent third party, is governed by ISO 14 025.

Source: Own work

Thus ISO 14 000 is a comprehensive set of standards for environmental management and environmental labeling of products. It can be used by organizations of any size, from any field. The main benefits of the application include reduced waste management, energy and materials savings, lower distribution costs and improved image of the company in the eyes of regulatory authorities, customers and the general public (ISO: ISO 14000 Environmental Management, 2013). The combination of the product mark and the ecolabel is called "compositioning", which is very important marketing tool. It can bring a significant increase in the consumer's positive perception (Grant, 2010). Ecolabelling is also one of the forms of symbolic differentiation that helps the customer to distinguish an environmentally friendly product from a conventional one. It helps to compensate the lack of knowledge, because it would probably not be possible to be aware of the entire production process objectively (Boström and Klintman, 2008).

It is essential that the customer becomes confident in the label itself and in the organization that provides it. Moreover, Polonsky (1994) drew attention to the fact that governments also try to protect consumers from misleading “green” claims through implementation of certain policies on labeling within particular states.

Ecolabelling remains the top of the iceberg what is shown in Grant's grid where labeling is placed in the first phase in the brand dimension - in order to fulfill the mission of green marketing in changing the mindset and the whole value scale of the company, the other phases must be taken into account as well. Furthermore, environmentally friendly products should have features which would make them attractive themselves - eco-labeling replaces thinking and blurring perceptions, but the good feeling of placing one Fair Trade sticker in an overflowing shopping cart is only a dangerous, false illusion.

3.6 Green Myopia

One of the most important green marketing objectives is focusing on customer benefits, in other words the primary reason of consumer's decision to buy certain products in the first place. In order to motivate consumers to change brands or even pay a premium for the green alternative, customer's benefits should be analyzed in first place and in proper way. However, it will not help if a product is well developed and totally green in different aspects but cannot pass the criteria of customer satisfaction. Eventually this will lead to green myopia (Smith et al., 2009).

In order to go deeper into problem of myopia, should be mentioned similar concept, which was firstly introduced in 1960 by Harvard business professor Theodore Levitt (1960) under the name of “marketing myopia” in one of the most influential and famous article in the Harvard Business Review. The cause of myopia in terms of green marketing can be concluded in misjudging some fundamental point of green marketing. It is known, from the previous chapters that green marketing must satisfy two basic objectives: improvement of environmental quality and satisfaction of consumer's needs. Underestimating either or overemphasizing the latter at the expense of the former can be termed as “green marketing myopia” (Smith et al., 2009).

An example of green marketing myopia could be a case, which, took place in 1994, when generally known Dutch company Philips brought to the market its new product. This

product was an energy-efficient compact fluorescent light bulb (CFL) with a shape that was not compatible with the most of conventional lamps, had strange packaging and very high selling price compare to the regular bulbs provided by their competitors. Consequently, sales dropped dramatically and Philips reintroduced the product six years later (2000) under the new name “Marathon”, which could emphasize bulb life longevity constituting 5 years of exploitation. A new design looked very similar to previous model but got universality of conventional bulbs. During promotion campaign, Philips was keeping promise \$20 of savings per every bulb over its lifecycle. They also got credibility through support of Energy Stared, which was labelled on a redesigned package. Eventually, all these undertaken measures changed value proposition and triggered a significant sales growth of 12% in a market, which was relatively flat. This example provides a good instruction regarding ways of avoidance of the common “green marketing myopia” pitfall. While the environmental positioning of the original CFL bulb appealed mostly to the segment of the greenest consumers the majority of consumers will ask, “If I use green product, how will it benefit me?”(Ottman, 2006).

3.6.1 How to avoid green myopia?

According to Ottman (2006) numerous studies showed that successful green products have managed to avoid green marketing myopia through adherence to three important principles represented in Figure 7.

Figure 7: Principles of avoiding green myopia by Ottman (2006).



Source: Own work

According to Figure 7 the most important principles for green myopia avoidance are consumer value positioning, calibration of consumer knowledge, and the credibility of product claims. In the further part these principles will be described in details.

Consumer Value Positioning

- Target only relevant consumer market segments (such as market health benefits among health-conscious consumers) by delivering and promotion the consumer-desired value of green products.
- Design green products to perform as well as (or even better than) possible alternatives.
- Broaden mainstream appeal by adding (or bundling) consumer-desired value into green products (for example fixed pricing for renewable energy subscribers).

Calibration of Consumer Knowledge

- Educating consumers through marketing messages that can connect green product attributes with desired consumer value (for instance, “energy-efficiency saves money”; “pesticide-free produce is healthier”; or “solar power is convenient”).
- Green product attributes must be offered as “solutions” for the needs of consumers (for example, “rechargeable batteries are going to perform longer”).
- There have to be created educational and engaging Internet sites with the content describing

environmental products and promoting desired consumer value (for instance, Tide Coldwater's has an interesting Web site that allows potential consumers to calculate their probable annual money savings based on their utility source (gas or electricity), laundry habits and zip code location).

Credibility of Product Claims

- There should be made such green product and consumer benefits claims that are meaningful, specific, qualified and unpretentious (i.e. compared to likely usage scenarios or comparable alternatives)
- Purchasing eco-certifications or product endorsements is crucial point, they have to be provided by trustworthy and impartial organizations. Afterwards there should be undertaken educating measures that would explain consumers the meaning behind those eco-certifications and endorsements.
- Social and Internet communication networks should encourage, help and guide consumer evangelism via consumers. These networks are supposed to include interesting, convincing and entertaining information about green products, which boost discussion and informational exchange about these products (again a good example could be Tide's "Coldwater Challenge" web site, where is installed interactive map of the United States, that map allows Tide's consumers to watch and track their personal influence coverage when friends ask for a free sample) (Ottman, 2006).

3.7 Greenwashing

Although the purpose of green marketing is to become an asset for a company, economy, society and the environment, Levy (2007) points out that: "*Companies might find it easier and cheaper to construct themselves and their products as green rather than undertake expensive and risky investments in equipment and processes to reduce environmental impacts...*" (Levy, 2007)

This results in greenwashing, defined by Oxford English Dictionary as: "*Disinformation disseminated by an organization so as to present an environmentally responsible public image.*" (Oxford Dictionary, 2017)

The first evidence of greenwashing anxiety appears in the late 1980's when green marketing movement faced a serious problem connected with false claims about the products, which were positioned as "green". Moreover, there was lack of awareness among consumers about truly green services and products without environmental labeling standards (Patil, 2012). The media made the expression "green washing" to depict cases when organizations misdirect purchasers to trust they were more environmentally responsible than they really were.

The University of Oregon, in collaboration with Enviro Media Social Marketing, creates the Greenwashing Index - an index for honest promotion. Greenwashing is considered as serious problem, which, accordingly with website Greenwashing Index (2017), damages:

- 1) The environment – it is damaged by misleading advertising, which encourages consumer to buy products that are actually environmentally hostile.
- 2) The people – it is expressed in the fact that consumers in good faith spend money on bad products and services.
- 3) The organizations - since their image and sales are fundamentally affected if greenwashing will be revealed by general public.

The greenwashing index is based on several criteria, which absorb data from questionnaires filled in by customers. The main criteria for the greenwashing index include:

- Deception by false claims;
- Visual deception;
- Deception by untrue claims;
- Deception through exaggerated claims;
- Deception by distraction, obscuring the truth.

The higher a final score the less it is desirable for advertiser.

An instance of greenwashing can be illustrated by a claim, which was made by Kimberly Clark's about "Pure and Natural" diapers in green packaging. The product consists of organic cotton on the outside, but leaves the same petrochemical gel on the inside. Pampers also advertises that "Dry Max" diapers diminishes littering by using less amount of

paper, which is fluffed in the diaper, which actually is a way for saving money (Jeremiah, 2012).

3.8 Green Market

3.8.1 Consumer behavior

Consumer behavior has been a subject of interest for researchers for more than 300 years when such economists as Nicholas Bernoulli, John von Neumann and Oskar Morgenstern did some observations in this field. (Richarme, 2005)

Bernoulli first explained purchasing behavior, later his theory was developed by Neumann and Morgenstern and called "Theory of Utility". Within this framework the customer is understood as a rational thinker, who is capable of estimating the potential utility of possible alternatives and trying to maximize this utility. In the 1950s, Nobel Prize Laureate Herbert Simon came up with the "Theory of Bounded Rationality" – the theory says that it is not in the consumer's power to objectively compare and analyze all the variants to find the best option, therefore consumer chooses alternative, which is sufficient to satisfy his needs. However, it is clear that these two theories are not sufficient for a comprehensive analysis of consumer behavior.

Kotler and Keller (2009) note that consumer behavior helps to understand how groups, people and organizations can select, buy, use and dispose services, goods, ideas or other ways to satisfy their needs.

In year 1979, Daniel Kahneman and Amos Tversky, developed the "Prospect Theory" which represents the best from two previous models. The essence of the theory is that utility is replaced by the value and qualities of the product, at the same the likelihood of possible gains and losses from that decision should be taken. One of the contemporary definitions then describes the purchasing behavior itself as *“is the study of the processes involved when individuals or groups select, purchase, use or dispose of products, services, ideas or experiences to satisfy needs and desires.”* (Solomon et al., 2006)

There are then five theoretical approaches for studying consumer behavior:

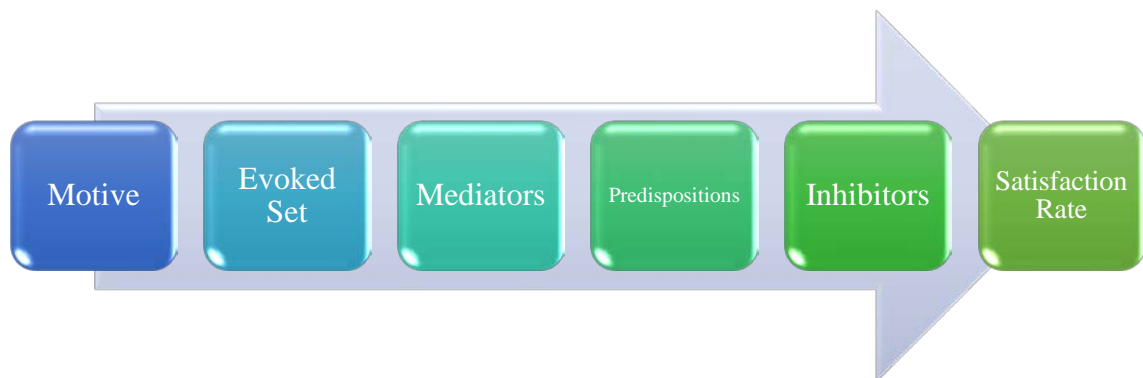
Table 3: Theoretical approaches to the study of consumer behavior (Bray, 2008)

Economic Man	Connected with Utility Theory;
Psychodynamic	Behavior is affected by biological factors, instincts, not rational;
Behaviorist	Behavior is affected by external factors;
Cognitive	Besides external factors, is affected by personality, experience and other internal factors;
Humanistic	Develops cognitive approach into further not rational factors

Source: Own work

According to Howard and Sheth Model (1969) (in terms of the cognitive model) consumer behavior subsequently involves 6 thinking constructs in the purchasing process which can be observed on Figure 8.

Figure 8: 6 thinking constructs in the purchasing process (Howard et al, 1969)



Source: Own work

From figure depicted above it is possible to see that that purchasing process includes: motive, evoked set, mediators, predispositions, inhibitors, satisfaction rate

The more routine the purchase is, the less constructs the consumer uses for decision making. The influence of exogenous variables (importance of purchasing, personal values, social class, culture, organization, timeliness, financial status) cannot be ignored. Slightly different view of the cognitive approach is offered by the Engel-Blackwell-Miniard model which was originally developed in 1968 and later went through some revisions (Blackwell and alt., 2001) - external stimuli are grouped into environmental influences (culture, social class, personal influence, family, situation) and individual influences (customer resources, motivation and involvement, knowledge, attitudes, personality, values, lifestyle).

In 2000s, research on green marketing, and consumer behavior among green consumers attracted more attention and interest. With the beginning of the new millennium, citizens and consumers started questioning fuel consumption, eating habits, car usage, recycling methods and energy saving, supported by a movement toward a ‘less is more’ or a lifestyle which tends to be balanced in sense of material consumption. (Gerzema 2010).

In order to provide an idea about the logic of individuals behind getting “greener” marketing theory considers study of Maslow (1967) on understanding the needs of the consumers (Prothero, 1990). According to Maslow (1967) as individual’s needs of self-actualization are satisfied, metamotives or metaneeds start to be very influential. Metamotives or metaneeds are referred to issues other than those influence people individually, such as goods with mental value rather than materialistic value (Prothero 1990). Environmentally concerned goods can be qualified as goods that have mental value with an influence on entire society rather than only individuals.

Apart from these factors, previous experience also affects the process of decision making which is not ended by purchase but continues to be evaluated from the prospective of either satisfaction or dissatisfaction affecting the future purchasing paradigm.

3.8.2 Green Consumers

This definition of the consumers appeared mainly in 1990s, so called the “decade of the environment” or “the Earth decade” (Brown and Wahlers, 1998). During that period of time, environmentally conscious consumers were particularly keen on their green purchase decisions (Menon et al. 1999). Consequently, many companies were trying to balance corporate objectives (in order to survive) in one hand and growing concern of the consumers about environment on another hand (Rivera-Camino, 2007).

According to academic surveys, which were conducted in 1990s, although not reflected to the real figures, it was found that green consumers have great potential. For example, it was proved that 93% of adults take into account environmental impact of a product. Peattie (2001) notes that up to 75% of the population in developed countries considers environmental criteria in purchase decisions.

In order to determine green marketing strategies, green consumers should be analyzed and understood. In general terms; green consumers are people who are internally-

controlled and driven, they adopt prefer green products over the regular ones as well as adopt environmentally-friendly behaviors (Boztepe, 2012). It is believed that green consumers are more tolerant and open-minded for new ideas and products, which direct them to accept green behaviors and products (Shamdasani et al. 1993). Green consumers try to support the environment through their consumption and purchasing behavior. That is why companies and marketing managers particularly, have to take into consideration environmentalism as an influential factor, which affects green consumer purchase decisions.

Without any doubt, consumers are under the focus of all strategies in the business world. Since the consumers, getting more and more aware and concerned about the environment where they are living in, the companies will have to convert their strategies in order to meet such concerns and needs. According to Polonsky (1994), green marketing should generate, facilitate and design any exchanges with an aim to satisfy human wants and/or needs with minimal harmful effect on the natural environment (do Paço et al. 2009).

Contemporary consumers are much more conscious about the environment and the purchasing decisions they make that affect the environment. Taking it into account more companies are trying to meet consumers' needs and desires for products that are not/less harmful to the environment (Mishra & Shirma, 2012).

For instance, 77% of consumers believe that they can make a positive contribution just by purchasing products from environmentally and socially conscious companies.

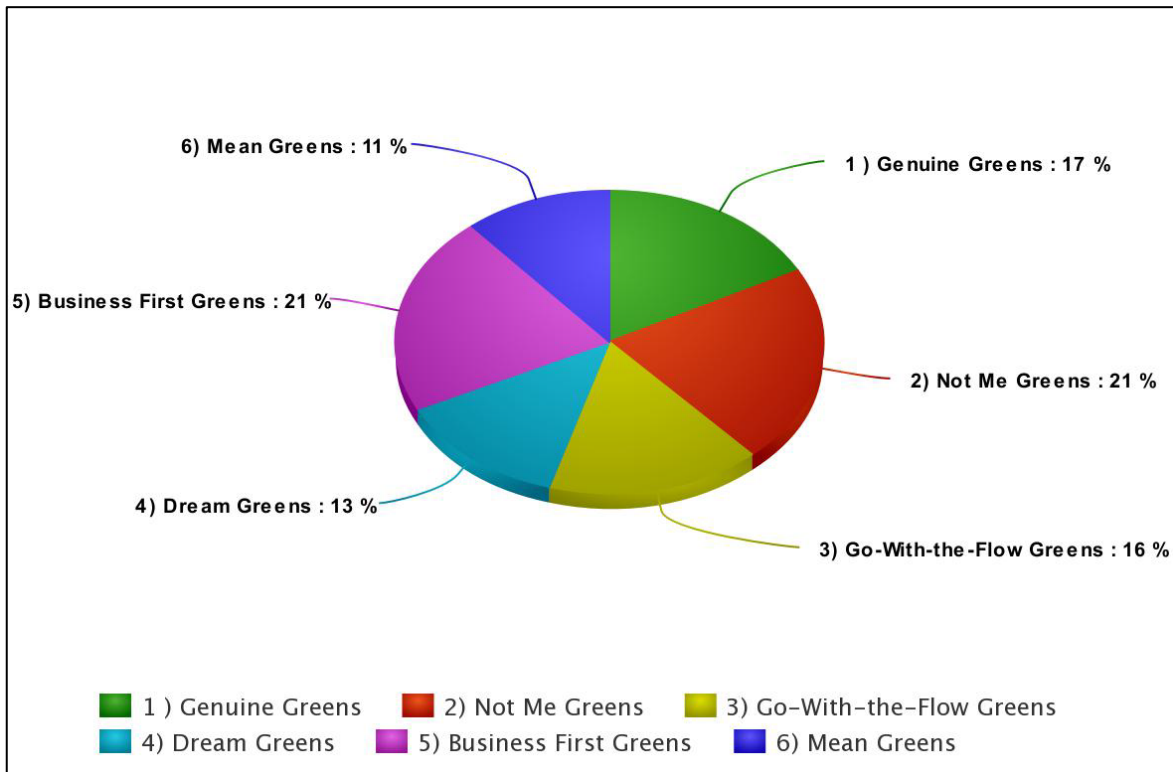
Jacquelyn Ottman (2010) in her book *The New Rules of Green Marketing* classified green consumers into 4 groups:

- **Resource conservers:** They hate waste, wear classic clothes, use fabric shopping bags, carefully recycle, saving shower heads, the most economical LED light sources, do not buy products which have with excess packaging material.
- **Health fanatics:** do not eat pesticide-free food, boycotting toxic detergents, buying organic food, and natural products.
- **Animal lovers:** are likely to be vegans, boycott products containing fish and animal skin products, they are often members of some of the environmental organizations and avoid plastic shopping bags.

- **Outdoor enthusiasts:** They spend free time on camping, rock climbing, skiing, or hiking, trying to minimize the impact of their activities on nature, searching for FSC products, purchasing outdoor equipment from recycled materials.

There are many groups of customers based on the sensitivity of their perceptions of environmental and social factors and their subsequent behavior. In year 2008 the GfK Roper Consulting separated these groups in terms of its report Green Gauge:

Figure 9: Shares of different green consumers groups by GfK Roper Consulting (2008)



Source: Own work

Genuine Greens (17%) - real activists, do not feel any obstacles or limitations in their green approach.

Not Me Greens (21%) - they have strong attitudes and involved in recycling and other simple operations, nevertheless, there is sense among this group that the issue is too difficult to handle by one person.

Go-With-the-Flow Greens (16%) - they participate in recycling, but they are less concerned about global environmental issues, such as greenhouse effect and etc.

Dream Greens (13%) – they tend to be green and their attitudes towards green behavior is stronger than majority of the populations, the main obstacle for them to become greener is the lack of information.

Business First Greens (21%) – this group demonstrates lack of interest in relation to environmental issues, they also believe that industry should not take a lead in issues connected with an improvement of the environment.

Mean Greens (11%) – as for environmentalism these people show cynical and skeptical attitude. They believe that environmental movement is based on political lobbyism of certain interested groups.

Finally, Young et al (2010)'s research found that green products purchase only those consumers for whom the green value is strong (previous purchase experience, awareness of the environmental issues etc.). Moreover, it is important that these products are affordable and available for the consumers. That is why the motive behind becoming a green consumer is the value perception as well as product being available, affordable and convenient.

4 Practical Part

4.1 Historical background of VkusVill

The network of shops VkusVill and Izbenka is a large retail chain that sells natural products for healthy nutrition. On their web site is written that their stores are working for those people who know the quality of healthy products and believe that in Russia you can do honest business. As for 2017, VkusVill is conquering the food market in Moscow and becoming a reliable and strong company.

The success of the company is based on a single idea. They wanted to prove that even in a metropolitan area, products with an honest composition can be made available to the majority of the consumers.

The first shop opened by the company was Izbenka it started to work on May 12, 2009 in Strogino district. The assortment of the shop consisted only of natural dairy products.

However, from the beginning the company was keeping a distance from individual farmers and did not associate itself as a seller of farmer's production. VkusVill was pointing out that it promotes production which is certified, passed through the necessary checks under thorough monitoring.

In year 2010, VkusVill started to explore the new ways for communication with the customers. They opened a hot line, launched a simple website and created groups in social networks (Facebook, VK). It gave to the management a valuable feedback, which helped to reorient their business and expand their product line.

With this purpose on June 15, 2012 the Izbenka team opened the first four VkusVill stores. The management decided that all non-dairy products will be sold under the trademark VkusVill, and all dairy products will remain under the brand Izbenka.

2014 the stores Izbenka took their back seat, because in the company decided to focus on VkusVill stores and determined it as primary business. In autumn of the same year, Russia imposed an embargo on a number of imported products. Against this background, the topic of Russian natural products is more topical than ever. People who still did not know about

the existence of the shops Izbenka and VkusVill finally learned about them. Many of them became new clients and gave to the company new impulse.

In year 2015 the company stopped to open Izbenka stores, however the number of VkusVill stores increased by a half. Every week more than 100 thousand customers were coming to these stores for products.

Year 2016 was very intensive for VkusVill because every month it was opening 20-25 stores and increased total number of VkusVil stores from 100 till 300, on another hand the number of Izbenka stores decreased from 300 till 125.

In the same year Andrey Krivenko, the founder of VkusVill and Izbenka, became the "Entrepreneur of the Year" according to RBK (authoritative Russian media conglomerate focusing on business). This award is very honorable and emphasizes the fact that the company is becoming more visible.

4.2 The mission, values and principles of “VkusVill”

Mission of VkusVill

The mission of the company VkusVill is based on a statement that they offer people natural healthy foods, honest attitude, and give positive emotions. Moreover, they are proud and enjoy working, and also help their partners to develop together with us.

Values of VkusVill

1) Honesty

- Appreciation of openness and sincerity;
- The intentions correspond to words, the words correspond to reality

2) Trust

- The company respects the opinion of its customers and trust them;
- VkusVill believes that its employees and partners do their work in good faith, at the same time the company takes responsibility for their selection, proceeding from the need to obtain an impeccable final product by our customers.

3) *Responsibility*

- Each member of VkusVill contributes to the overall result and understands its significance.

4) *Good relationships and mutual help*

- In order to achieve results, the company maintain good relations within the team, with partners and buyers.

5) *Decent work*

- VkusVill appreciate its work as it gives the opportunity for self-realization and self-development.

6) *Social importance*

- Our work benefits and develop society

Principles of work

- The team of VkusVill is used to solve problems together, together rejoice in success and experience defeat. Members of the team help each other, understanding that most and foremost good and well established teamwork is more important than someone's individual work.
- Members of the team do not stop improving, so they read, travel and communicate with clever people. In the first place for company's members - self-development and spiritual values, and all material - on the second.
- Regardless of the position held, everyone in the company is opened and always ready for dialogue. A high position is not a reason to feel superior to other employees.
- VkusVill is careful and save oriented about the nature and material using. For the members of the team is important, in what country and in what world their children will live, egoism is not acceptable.

4.3 Consumer Study

As it was already mentioned in theoretical part today's consumers are more and more interested in green products. In professional literature these consumers are marked as "green".

In theoretical part was described that green consumers are such consumers who prefer purchase, products and goods, which are manufactured in the ecological or sustainable

way. In this section of practical part will be determined the existing segments of green consumers within Moscow city and Moscow Oblast. In order to study the consumers in a proper way there will be proposed some hypothesis about current segments on the market. These hypothesis are based on analysis of the consumer's references regarding products and services provided by VkusVill. Finally, proposed segments look as follows:

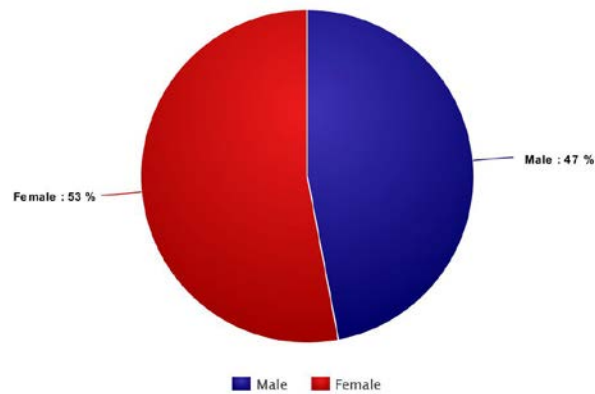
- 1) People, who have a general idea about advantages of ecological products.
- 2) Allergic individuals who are not allowed to consume products, which were manufactured with using different chemical elements.
- 3) The followers of anthroposophy.
- 4) Eco-mothers and eco-fathers

In order to verify or refute each of this hypothesis there was conducted online survey where participated 175 people. On the first two figures are represented the descriptive characteristics of the respondents.

4.3.1 Quantitative stage of consumer study

The first question, which was posed in the questionnaire, concerns the sex of the respondents. Thus, the Figure 10 represent the first data received from the survey, and depicts sex composition of the respondents.

Figure 10: Sex composition of the respondents

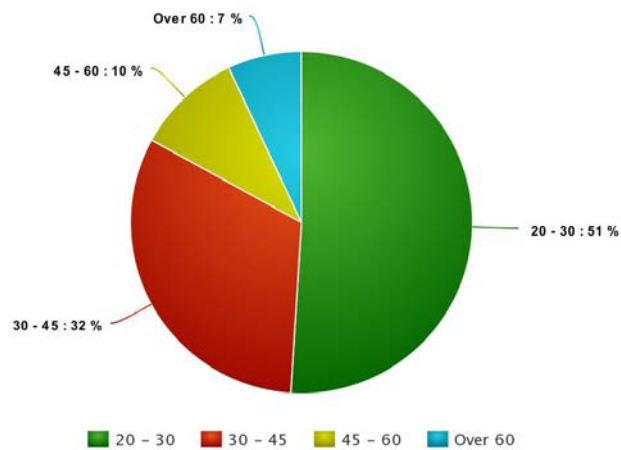


Source: Own work

According to this pie chart men and women participated in the survey on equal basis, nevertheless, women (53%) have a little advantage against men (47%).

The second pie chart shows age composition of the respondents participated in the survey.

Figure 11: Age composition of the respondents

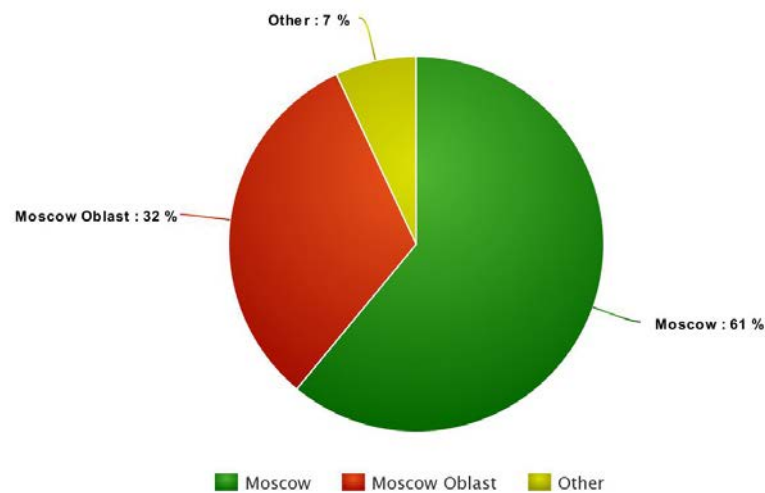


Source: Own work

The Figure 11 shows that the majority (51%) of the consumers participated in the survey were 20-30 years old. The second largest age group (32%) involved in the survey is people, who belong to the age between 30-45 years old. The people who are 45-60 years old has the share of 10% participants. Finally, the least represented age group is associated with aged people (over 60) and constitutes only 7%.

The next question of the survey was posed to reveal the place of the residence of the participants. In the Figure 12 is shown the composition of the answers of the respondents regarding this question.

Figure 12: Places of residence of the respondents

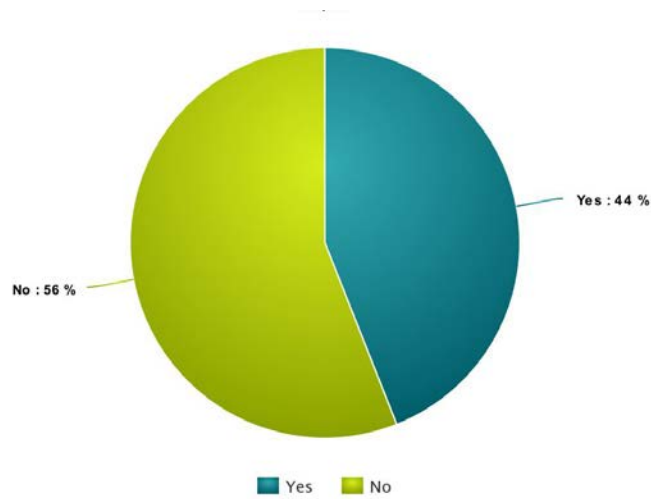


Source: Own work

In the pie chart shown above can be seen that 61% of the respondents reside in Moscow, while 32% belongs to inhabitants of Moscow oblast. The rest of the respondents (7%) related themselves to the other cities and regions, however they are located not far from Moscow Oblast and Moscow itself. Mainly these localities are situated in Ryazan Oblast, Vladimir Oblast, Tula Oblast and further neighboring regions.

The Figure 13 represents the data about composition of the respondent's families, in other words, whether they have children or not.

Figure 13: Families with and without children



Source: Own work

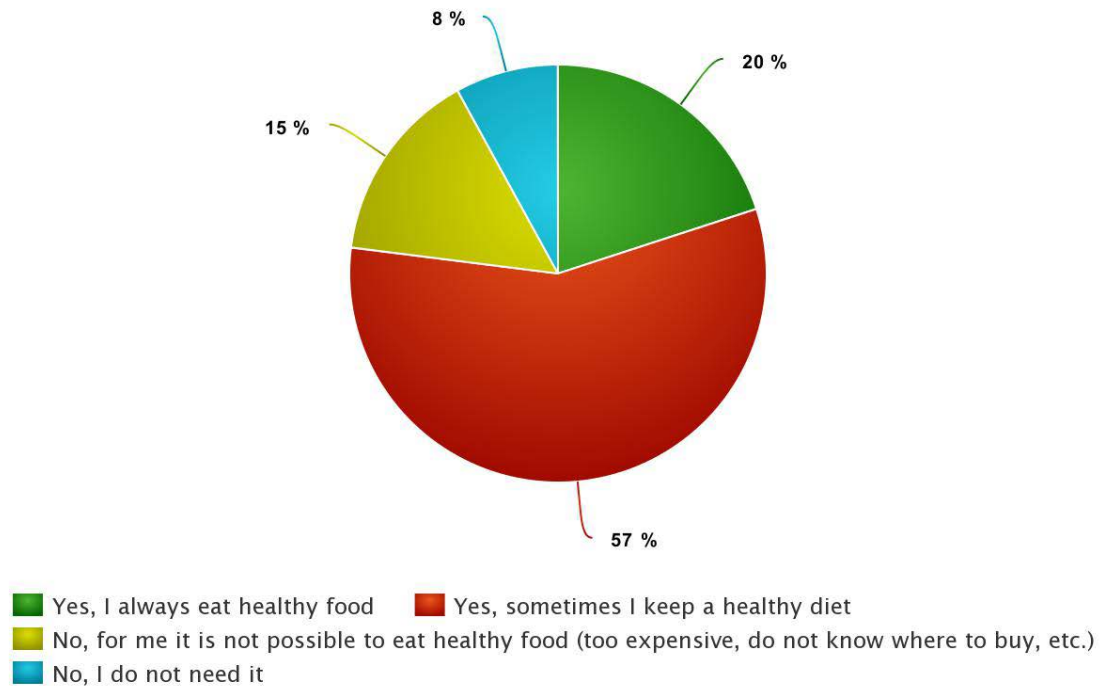
As for results represented in Figure 13, majority of the consumers do not have children. At the same time, the share of people who have children is significant enough and constitutes 44%. It allows to claim that segment of eco-fathers and eco-fathers is taking place and should be taken into account.

One of the questions, which was posed during the survey concerns the food preferences of the consumers. Results received from this question are very important, from the prospective of refutation or verification of the two hypothesis related to consumer segments that were mentioned at the beginning of this chapter. In particular, should be proved or concealed existence of such segments as:

- People, who have a general idea about advantages of ecological products.
- Allergic individuals

The Figure 14 provides the answers of the respondents regarding this question and present them in percent distribution.

Figure 14: Food preferences of the respondents



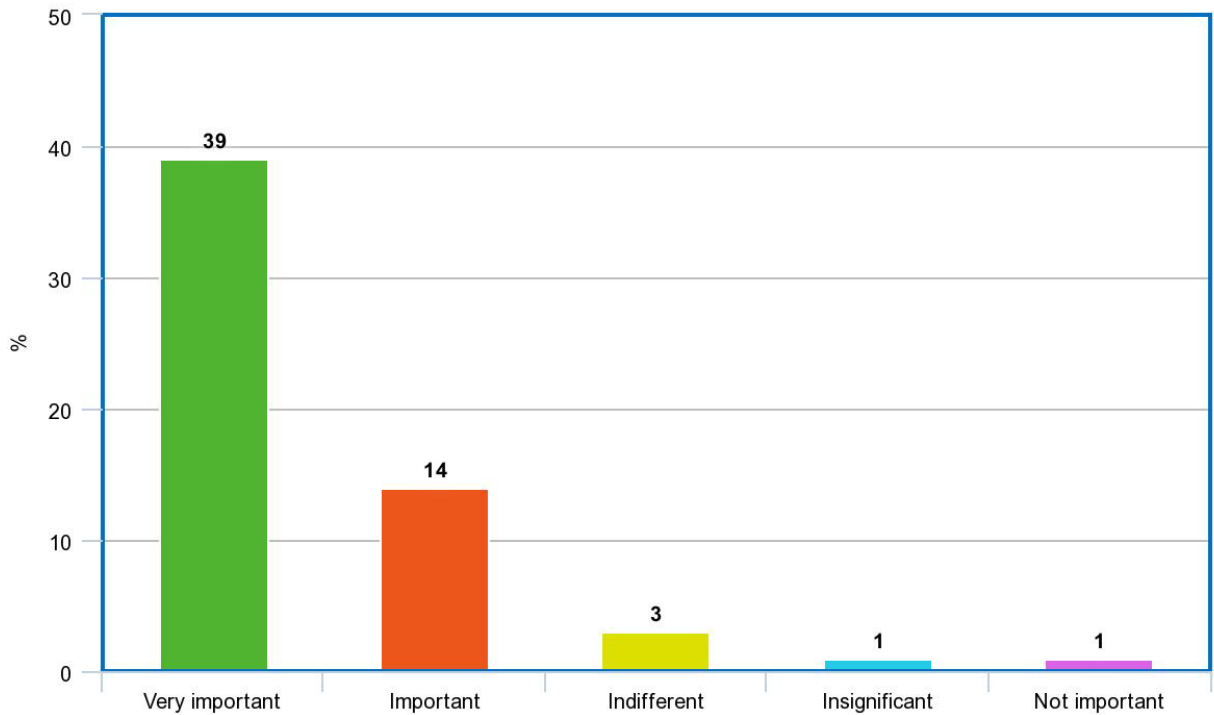
Source: Own work

The most of the people participated in the survey adhering the principles of healthy diet, they also aware of shops with green food.

The quarter of the respondents follow the diet based on healthy food, hereby is possible to conclude that allergic individuals represent one of the existing consumer segments at the market. By the study was also revealed that 33% of the people related to those who do not buy ecological goods (total share 43%), would tend to buy them if they had more knowledge and money. It means that overall, 83% of questioned people are buying or would like to buy green products, which witnesses a big potential of the green market at least in geographical terms of Moscow and Moscow Oblast.

The next bar chart, constructed below, provides the information about consumer's utility perception of eco-products.

Figure 15: Perception of utility of eco-products.



Source: Own work

The Figure 15 shows that majority of the people involved in the survey marked the green products as very important. Healthiness was ranked as the primary criteria for the product purchasing.

It is proved that according to opinion of 53% of the consumers, healthiness of a product – is important or very important criteria. At the same time only 10% of the respondents consider buying ecological products from the fashionable point of view, while 24% appreciate green products from the medical point of view, which confirm the importance of the segment associated with allergic individuals. Moreover, only 21% of the people appreciate elaborated logistics of green shops and 12% count the logo or motto as the reason for eco-product purchasing. Finally, it was revealed that 14,6% of the respondents buy green products because they would like to positively affect the health of their children , which means that segment of eco-mothers and eco-fathers is confirmed (however it is not crucial sector for VkusVill).

Accordingly with the results of the survey it is possible to do some conclusions concerning hypothesis that were proposed at the beginning of this chapter. The conclusion can be observed in the Table 4.

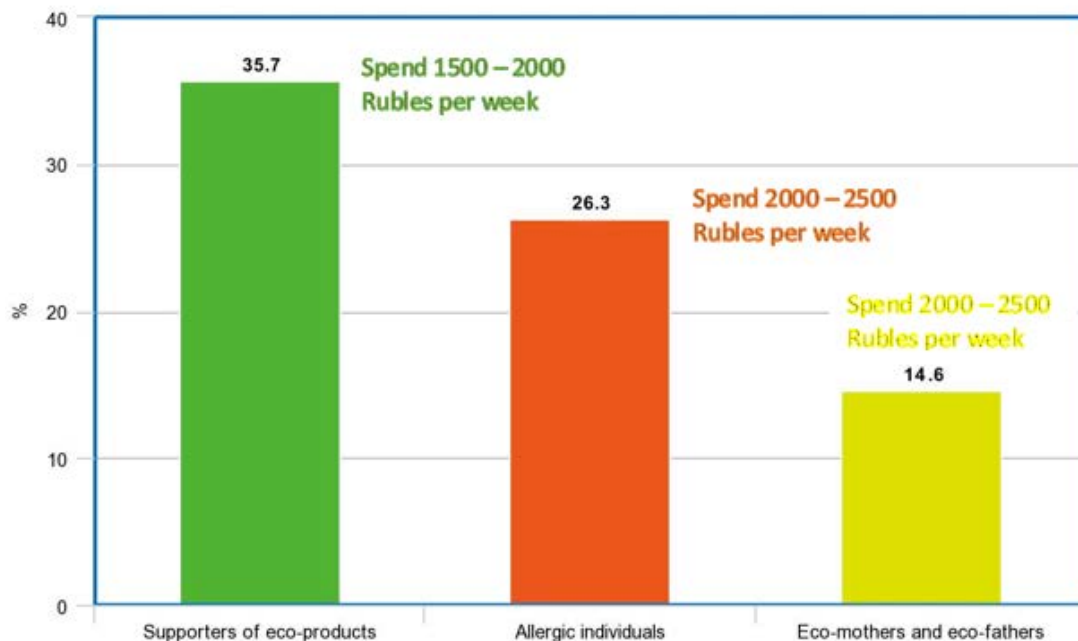
Table 4: Conclusion about posed hypothesis.

People, who have a general idea about advantages of ecological products.	Verified
Allergic individuals who are not allowed to consume products, which were manufactured with using different chemical elements.	Verified
The followers of anthroposophy.	Refuted
Eco-mothers and eco-fathers	Verified

Source: Own work

In the survey, was also asked the question about expenditures by every segment within green market in Moscow and Moscow oblast. The results are available on the Figure 16.

Figure 16: Shares and expenditures of the segments in Moscow and Moscow oblast.



Source: Own work

The further data represented in Figure 16, show that the consumers from the largest segment (supporters of ecological products) spend less money than people from the segment

of allergic individuals, however the first segment makes the biggest contribution into company's income.

By using special values of every segment it is possible to build matrix McKinsey / General Electric. The values relating to the weigh and expression of the factors were given, based on conducted survey and data provided by the company. The first step for creation the matrix concerns evaluation of business unit strength and applicable on the Table 5.

Table 5: Evaluation of business unit strength

Criteria of competitiveness	Weight of the factor	Segment 1	Segment 2	Segment 3	Final evaluation (Segment 1)	Final evaluation (Segment 2)	Final evaluation (Segment 3)
Product of the company has advantages	20%	10	9	9	2	1,8	1,8
Product satisfies the needs of the consumers	40%	9	7	7	3,6	2,8	2,8
Company has enough of resources in order to function on the market	15%	7	4	6	1,05	0,6	0,9
The company has flexibility and adaptability	12%	9	9	9	1,08	1,08	1,08
Segment has low competitiveness	8%	3	4	6	0,24	0,32	0,48
Slow reaction from competitors on company's activities	5%	2	3	4	0,1	0,15	0,2
	100%				8,07	6,75	7,26

Source: Own work

The second step for creation the matrix is connected with evaluation of segment attractiveness. The calculation of segment attractiveness is represented at the Table 6.

Table 6: Evaluation of the segment attractiveness

Criteria of attractiveness	Weight of the factor	Segment 1	Segment 2	Segment 3	Final evaluation (Segment 1)	Final evaluation (Segment 2)	Final evaluation (Segment 3)
Sales in the segment are high	20%	9	6	4	1,8	1,2	0,8
Rapid growth of the segment	12%	5	3	3	0,6	0,36	0,36
Low expenses on advertisement or their absence	8%	7	8	8	0,56	0,64	0,64
There are opportunities for increasing number of products in the segment	10%	10	9	9	1	0,9	0,9
Low cultural level for product using	15%	8	8	8	1,2	1,2	1,2
The strength of competing brand is not so big	8%	6	7	7	0,48	0,56	0,56
Long-term growth of the segment is expected	15%	8	8	8	1,2	1,2	1,2
Risk of being affected by external factors	12%	10	9	9	1,2	1,08	1,08
	100%				8,04	7,14	6,74

Source: Own work

Based on results received from the Table 5 and Table 6 it is possible to create a summary table that would include values for every segment from the prospective of both competitiveness and attractiveness. The summary table is represented in the Table 7.

Table 7: The summary table

People, who have a general idea about advantages of ecological products.	Allergic Individuals	Eco-mothers and eco-fathers
Criteria of competitiveness – Final result		
Final evaluation. Segment 1	Final Evaluation. Segment 2	Final evaluation. Segment 3
8,07	6,75	7,26
Criteria of attractiveness – Final result		
Final evaluation. Segment 1	Final Evaluation. Segment 2	Final evaluation. Segment 3
8,04	7,14	6,74

Source: Own work

The results shown in Table 7 can be used in order to build final matrix McKinsey / General Electric from the view of business unit strength (horizontal scale) and attractiveness of the segment (vertical scale). The matrix itself and positions of the segments are shown in the Table 8.

Table 8: McKinsey/General Electric matrix

		Business unit strength		
		Low (0 - 3)	Medium (4 - 7)	High (8 - 10)
Attractiveness of the segment	High (8 - 10)	/	Allergic Individuals	People, who have a general idea about advantages of ecological products.
	Medium (4 - 7)	/	/	Eco-mothers and eco-fathers
	Low (0 - 3)	/	/	/

Source: Own work

From the McKinsey / General Electric matrix becomes clear that all of the three segments of green market rated as “medium” and “high” from the position of both attractiveness and competitiveness. However, people who have general idea about advantages of ecological products are considered to be as the best segment. Comparing the segments of allergic individuals and eco-parents, it is necessary to emphasis that the first segment is better from the position of attractiveness, while the second is better from the side of competitiveness. Overall, the results, which were received from the matrix, will help to define general outlines and strategies for each of the main segments in green market.

4.4 Analysis of the competitors

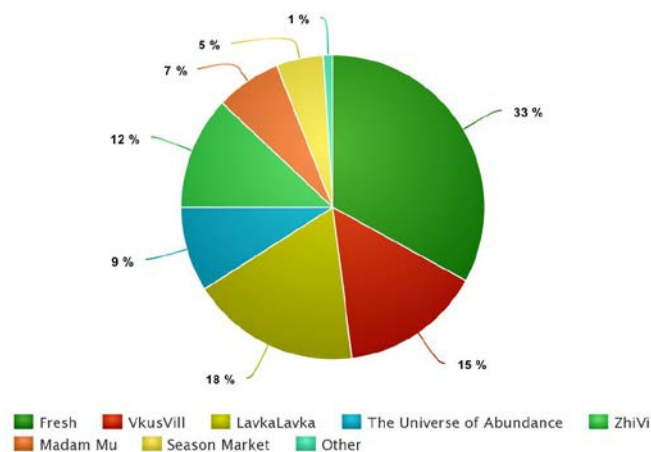
In order to define direct competitors of the company VkusVill, was conducted a study of the green market which included:

- 1) Search request in the internet about such key elements as: “shop of the natural goods in Moscow”, “shop of green products in Moscow”, “buy eco-products in Moscow”, “farmer’s products in Moscow”, “buy natural products” and “market of the natural products in Moscow”.
- 2) Analysis of the secondary data, including different surveys related to the market of green products and further articles about this topic.
- 3) Analysis of the consumer’s references on the company’s websites.

According to the qualitative data gathered during the study, was determined a number of shops that are specialized on selling green products. The list of the companies is following: Fresh, LavkaLavka, The Universe of Abundance, ZhiVi, Madam Mu and Season Market. These companies were chosen accordingly with a number of indicators, which allow to conduct a comparison with company VkusVill. Among the indicators are listed such as: region (Moscow, Moscow Oblast), size, products variety and popularity (how frequently is a company mentioned in researches and surveys, consumer’s references, ranking in browser).

Based on data provided by the questionnaire it is possible to do a pie chart (Figure 17) representing the fame and popularity of the mentioned companies.

Figure 17: Awareness of the respondents about the main companies on green market



Source: Own work

By examination of some signs and traits it is possible to rule out some of the VkusVill competitors mentioned in the list. For example, “The Universe of Abundance and Season Market cannot be considered as the main competitors because these companies do not provide such variety of the products as VkusVill does. Particularly speaking, they do not sell dairy products. Moreover, companies operate merely in online sales and do not have classic, offline shops, this fact exclude these companies as competitors in offline sales. “Madam Mu” has positioned itself as distributor solely dairy products, while VkusVill tries to diversify its goods from the variety point of view.

ZhiVi could be counted as indirect competitor, this company does not supply products for “every day” consumption i.e. they do not sell dairy or meat production. However, ZhiVi distributes some kinds of natural, healthy products and nutritional supplements, which means that they compete with VkusVill at least in the segment that is oriented on allergic individuals.

At the same time there can be possible competitors, which are not mentioned in the initial list. Firstly, this possibility concerns big hypermarkets which are currently tend to create an image of markets, where can be found eco-products. For instance, a company called Perekrestok redone their advertisement by adding green background and undertakes some steps in order to target green consumers. However, such kind of hypermarkets compete with VkusVill only within separated segments of the green market and, compare to VkusVill have different purposes in terms of consumer’s segments.

Thus, as result of the study and analytical work, for further analysis are chosen companies Fresh and LavkaLavka, which appeared to be the strongest competitors of VkusVill both in online and offline sales.

In the Table 9 is provided brief description of the both competitors, data for the table were constituted based on information provided by official sources of “Fresh” and LavkaLavka.

Table 9: Brief description of main competitors

	Fresh (33% of respondents)	LavkaLavka (17% of respondents)
Strengths	<ul style="list-style-type: none"> -Reputation, loyalty of consumer -Worldwide suppliers (quality) 	<ul style="list-style-type: none"> -Modern company (involving internet for promotion, convenient interface of web site, style) - Active promotion (promotion mix) -Well established processes inside of the company (including interaction with suppliers) -Quality control (inner license which was approved by LavkaLavka)
Weaknesses	<ul style="list-style-type: none"> -High prices -Small number of the shops -Focus on the shop itself, but not on the company (absence of mission and values) -Foreign suppliers (risk with exchange rate) 	<ul style="list-style-type: none"> -High prices -Modern shop (can an obstacle for the conservative consumers)

Source: Own work

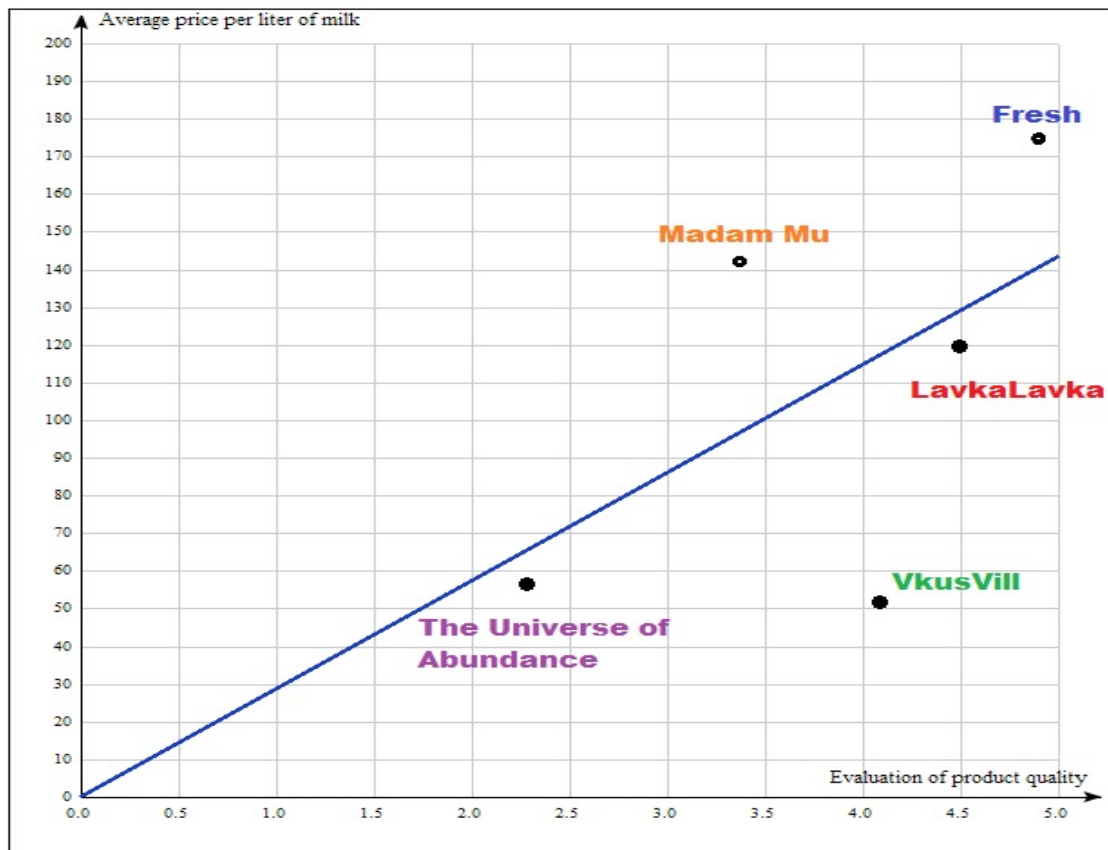
In one of the parts of the survey the participants were asked to evaluate (from 1 to 5) the quality of milk in VkusVill and its competitors: Fresh, LavkaLavka, Madam Mu, The Universe of Abundance. The reason why milk was chosen is the fact that it is one of the few, which all mentioned companies sell in their stores. Moreover, it is everyday product for majority of consumers.

On the ground of results received from the survey, the positioning map was built (Figure 18) . The blue line represents the level of fair price where is the best optimum ration

Price-Quality. The average evaluation of milk quality was discovered to be at the level of 3,8, while the average price per milk was calculated at the level of 109 rubles.

The regression model represented in Figure 18, demonstrates that VkusVill has one of the best positions among its competitors. In terms of Price-Quality ration it is the best company in the market, however its quality has worse perception compare to LavkaLavka and Fresh.

Figure 18: Positioning map



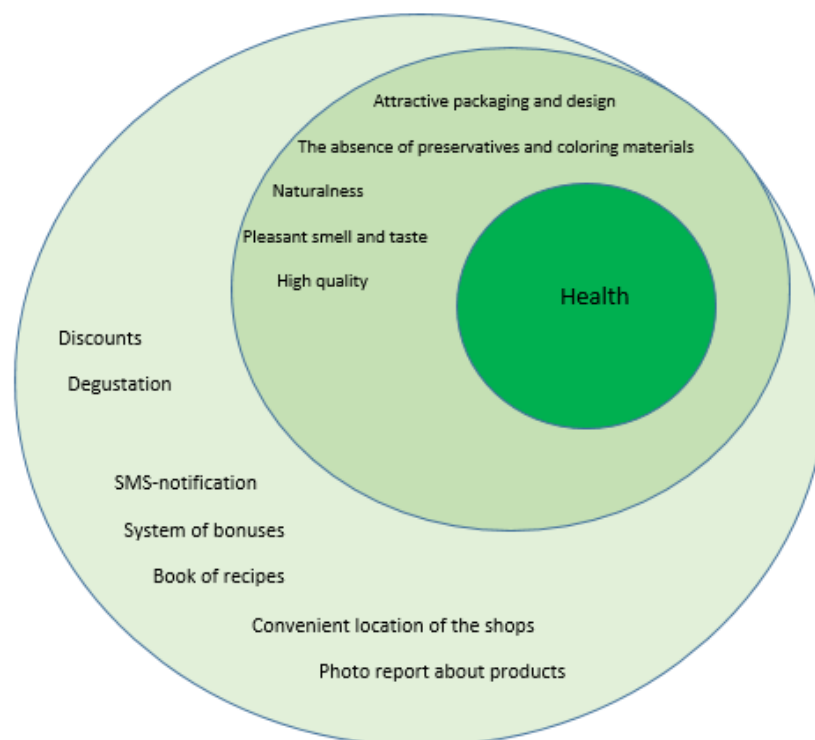
Source: Own work

4.5 Green Marketing Mix Analysis

4.5.1 Analysis of product policy of VkusVill

First of all, for good analysis of product policy it is necessary to select a good and consider its commercial characteristics. It can be done through the implementation of a multilevel model elaborated by Kotler. According to this model, good is considered as the set of benefits for satisfaction of consumer's need, the model itself consists of three levels. In the center of this set of attributes is located the core benefit or service, while the other characteristics are directed towards the satisfaction of secondary needs of the consumers. For the company VkusVill, this model will look as it is shown in Figure 19.

Figure 19: Product multilevel model by Kotler, an example of VkusVill.



Source: Own work

- The first level

The good represents not just healthy good, but the health itself. Thus, the greatest benefit which consumer is going to take from the good is its own health.

- The second level

At the second level are considered physical values of good, which can be described by the set of five attributes related to the product. For company VkusVill quality of the product is one of the main characteristics, the packaging and design are not so rich but quite attractive, the brand is easily recognizable (particularly by the targeted segment), the set of further attributes (pleasant taste and smell, naturalness, the absence of preservatives, coloring materials and allergens) also satisfies consumer's needs.

- The third level

This level includes a combination of general product, factual product and supplementary benefits (services and incentives). VkusVill such additional benefits as delivery, convenient location of the shops (close to home), discounts, system of bonuses for regular customers, SMS-notification, possibility to return the product (if it appeared to spoiled or have bad quality). These supplementary benefits are in accordance with the expectations of the consumers and, in most of the cases can be found in policy of company's competitors. However, degustation, contests, gifts and photo reports about the products on company's website excess the expectations of consumers, moreover it can differentiate VkusVill in relation to their competitors. In the other words, such supplementary benefits can be counted as competitive advantage of the considered company.

VkusVill carefully follows the quality of the all products supplied. In order to guarantee the quality, there exist three level control system:

- in conditions of manufacturing it is certification (including state standard)
- in conditions of retail controlling is ensured by vendors and technologists
- regular analysis of the all production in an independent laboratory.

Eventually, the buyers can return the product if it has not satisfactory state.

Another, competitive advantage of VkusVill is variety of the products proposed – there are around 500 names for them.

However, in product policy some improvements are required. It is obvious that company needs to increase supply of the products, mainly, in terms of their variety. In future it can bring competitive advantage in the market of eco-products. In this sense VkusVill

already competes with LavkaLavka, on another hand it is quite hard to compete with Fresh because this company has variety of 4 thousands products.

Nevertheless, it is possible to expand the supply through penetration into other or new markets of eco-products. For example, it is possible to expand the supply of household products or natural cosmetic, eventually it can change the association of VkusVill as a seller of dairy production. According to the words of the management of VkusVill, for the most of consumers the company is associated with brand Izbenka, under which VkusVill supplies dairy products.

On another hand, it is necessary to increase brand recognition, in particular it regards creation of new, simple but unified package for all the products. It is normal practice which is used in LavkaLavka and Fresh. Such large companies as Auchan and The Seventh Continent implement the same approach.

As for quality of the products, it is important to find and maintain permanent suppliers in order to have reliable and constant supply. Experience of LavkaLavka can be analyzed for introduction of labelling and carry out inner certification of the product, it would definitely improve the quality of a good and enhance trust from the side of the consumers.

4.5.2 Analysis of pricing policy of VkusVill

VkusVill positions itself on the market of green products as a company, which provides not expensive ecological products, thus there should be conducted some research about its pricing policy.

Pricing of VkusVill was analyzed through research, where were found prices of the main products from food basket in every of the mentioned bellow companies. In order to find these data there were explored pricelists on the websites of VkusVill, LavkaLavka and Fresh. Prices for each of these product and final values of food basket are represented in the Table.

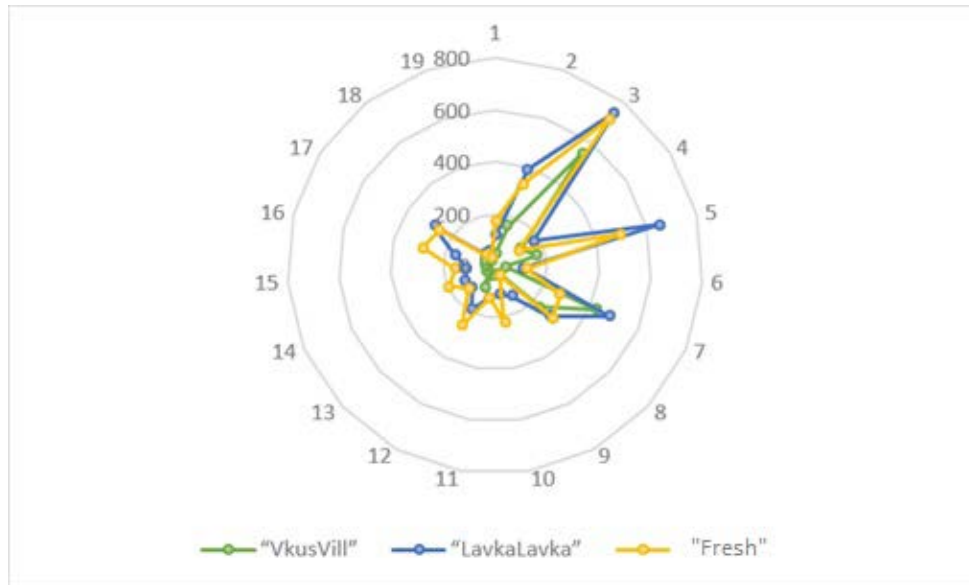
Table 10: Prices of main products for VkusVill and its main competitors (August, 2017)

Food Basket				
	Name of the product	VkusVill	LavkaLavka	Fresh
1	Milk (1 l)	52	120	175
2	Butter (250 g)	160	392	333
3	Cheese (1 kg)	550	750	720
4	Eggs (10 pieces)	120	180	109
5	Chicken (1 kg)	170	650	500
6	Potatoes (1 kg)	38	110	123
7	Tomatoes (1 kg)	420	480	274
8	Cucumbers (1 kg)	235	285	298
9	Onion (1kg)	32	130	42
10	Red potatoes (1kg)	40	110	220
11	Carrots (1 kg)	38	125	123
12	Apples (1 kg)	90	190	263
13	Rice (1 kg)	28	120	135
14	Oatmeal (1 package)	36	130	192
15	Millet (1 kg)	28	105	152
16	Buckwheat (1 kg)	38	160	286
17	Spaghetti (1 package)	42	280	250
18	Bard “Borodinsky” (1 piece)	26	60	53
19	Sliced Brad (1 piece)	38	60	37
	Value of food basket	2181	4437	4285

Source: Own work

The price ratio on the same products in three competing companies are depicted bellow at the Figure 20. The numbers from 1 to 19 correspond to every single number from the previous table, the prices in rubles are aligned to the primary y-axis.

Figure 20: Price comparison of main products for “VkusVill” and its competitors.



Source: Own work.

It is easy to notice that prices VkusVill are lower than prices of the competitors. In order to estimate the difference quantitatively in the Table 11 was calculated the relative price of the baskets.

Table 11: Estimation of value for food basket in VkusVill and its competitors.

Name of the product	VkusVill	LavkaLavka	Fresh
Value of food basket	2181	4437	4285
% in relation to VkusVill	100%	203%	196%

Source: Own work

According to the results received from the table, price of food basket, which VkusVill has is two time fewer than its main competitors have.

In online survey were also posed some questions in order to estimate price with using PSM (Price Sensitivity Method) method. It is very simple theoretical concept, which is based on principle: for product must be set a price that consumers would not perceive as too low or too high.

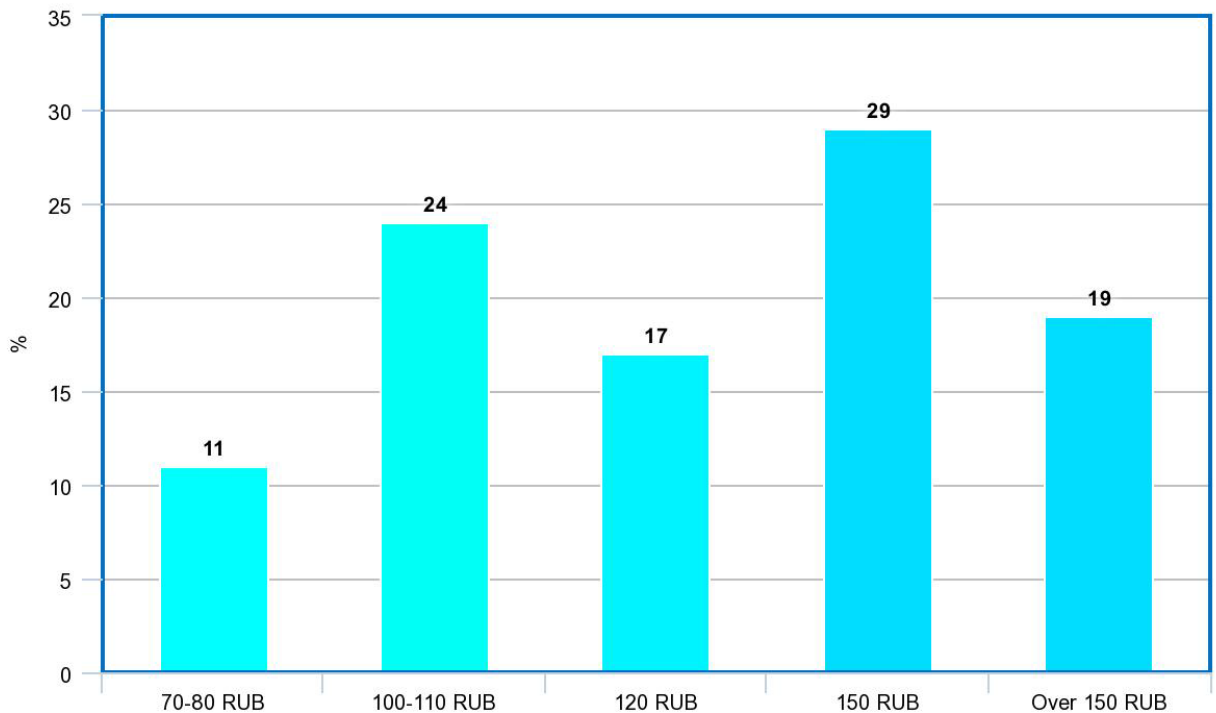
Subsequently, respondents had to answer on the following 4 questions:

- 5) For what price on the product would you decide that it is too expensive and refused to purchase it? (Too expensive)

- 6) For what price on the product would you start to doubt its quality and refused to purchase it? (Too cheap)
- 7) For what price would you be ready to buy the product considering it as advantageous purchase? (Not expensive)
- 8) For what price would you buy a product thinking that to the certain extent you overpaid? (Not cheap)

Accordingly with the results from a questionnaire, on the Figures 21 and 22 are represented answers of the respondents for every price interval, measured in percent.

Figure 21: Distribution of prices, in which respondent will refuse to purchase liter of milk.



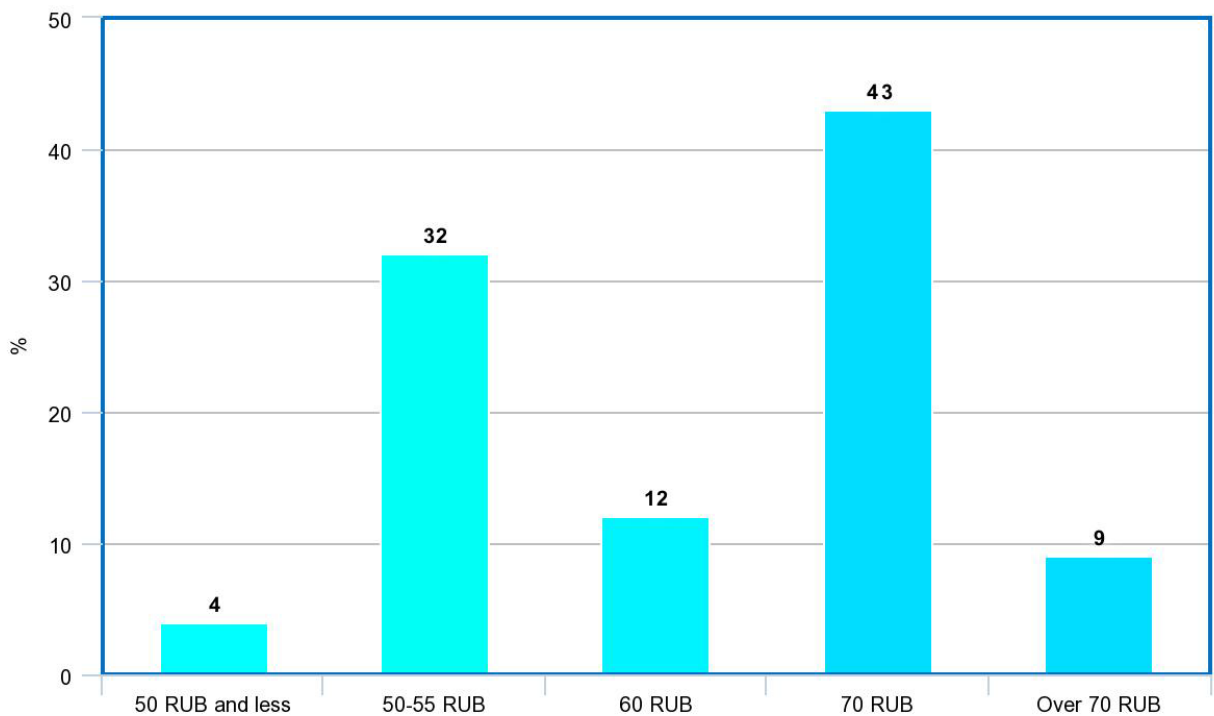
Source: Own work

The first bar chart that shows the distribution of prices, in which respondent will refuse to purchase liter of milk. The outcomes of the chart are following:

- 11% of the respondents will refuse to pay if price of milk will be between 70-80 rubles per liter.
- The second largest group of the respondents (24%) will not pay liter of milk, if its price will be within the interval of 70-80 rubles.

- At the same time, 17% of the consumers are not ready to pay at the price level of 120 rubles.
- The largest group of the questioned consumers (29%) consider 150 rubles as expensive and stop buying at this point.
- The rest of the respondents (19%) will not buy milk, if it will cost more than 150 rubles.

Figure 22: Distribution of prices in which respondent is ready to buy liter of milk.



Source: Own work.

The second bar chart illustrates the distribution of prices in which respondent is ready to buy liter of milk. The results depicted on the chart are following:

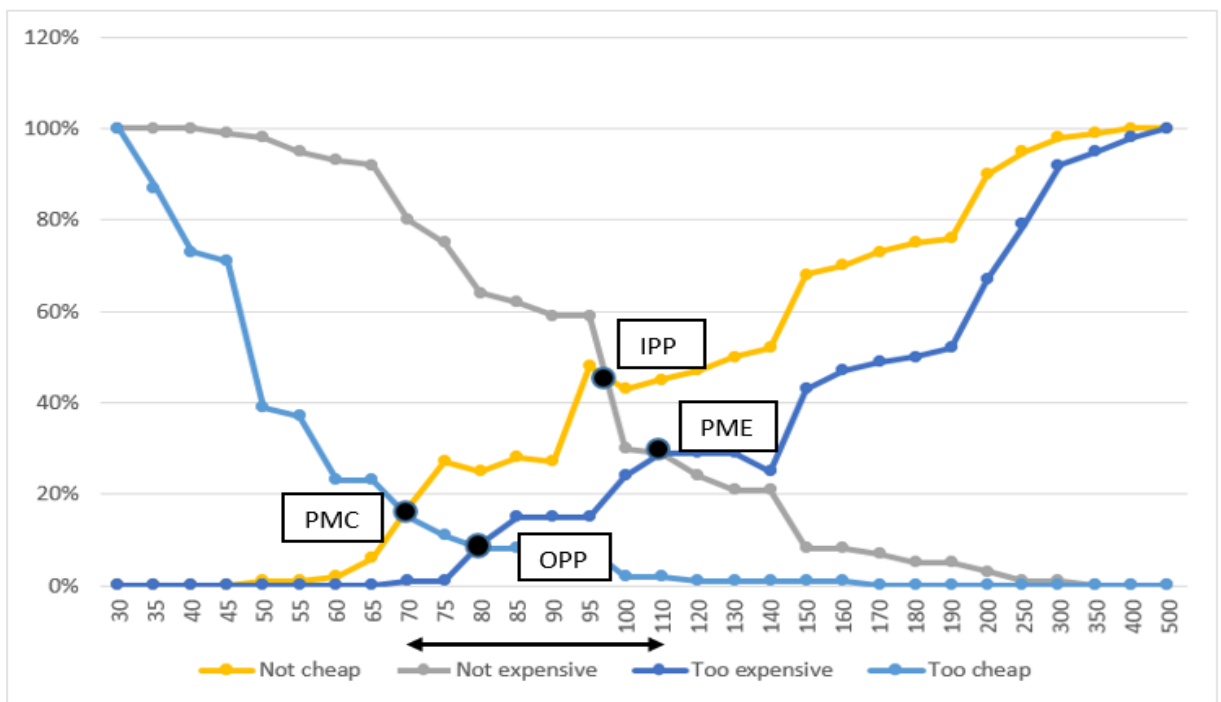
- Only 4% of the respondents will buy liter of milk if it will cost 4 rubles and less.
- The second acceptable price for purchase in the survey is 50-55 rubles, it was chosen by 32% of the asked people.
- 12% of the consumers consider price level of 60 rubles as the minimal amount of money that they will pay for liter of milk.
- Majority of the respondents think that 70 rubles for the product is the most acceptable minimal price (43% of the respondents).

- At the same time 9% of the consumers will buy milk that cost more than 70 rubles.

Overall, starting from 100 rubles per liter of milk most of the respondents would refuse to make a purchase. However, majority of them consider 70 rubles as a beneficial purchase.

In order to analyze the results more thoroughly it is needed to construct a PSM model in a form of a graph, where can be seen extreme cheap or expensive prices. At the same time, it makes possible to found an optimal price for a product (milk in this case). This PSM that allows to analyze prices depicted on Figure 23.

Figure 23: Cumulative lines in PSM model (the table with data available in Appendix 2).



Source: Own work

According to PSM analysis the range of acceptable price is from 70 to 110 rubles, where:

- 70 rubles is point of marginal cheapness (PMC)
- 110 rubles is point of marginal expensiveness (PME)
- 95 rubles is point of indifferent price point (IPP)
- 80 rubles is considered as optimum price point (OPP)

From PSM model becomes obvious that the optimal price for liter of milk is 80 rubles, while the selling price of VkusVill is 52 rubles.

These data mean that management of the company can raise the price till optimal value of 80 rubles, in spite of being more expensive the demand for milk should not go down and will remain the same.

In order to boost the strategy of low prices the company needs to elaborate and realize a program that would cut its expenses. First of all, it is necessary to introduce and practice batch pricing, this will allow to sale several products at once. It supposed to be very convenient measure not only from the company’s point of view, but also from for the consumers allowing them to save money and time for their purchases. Similar program is already successfully practicing in LavkaLavka, however VkusVill will have a competitive advantage by offering certain baskets of products distributed accordingly with the three main segments of consumers. For example, “basic basket” for the first segment of the people who are who have a general idea about advantages of healthy food, “basket for entire family” with increased number of goods determined for the segment of eco-parents and with a set of healthy breakfasts for pupils, where can be put fresh fruits, small portion of milk and cookies. For the last segment (allergic individuals) the most convenient would be offer of a basket with fixed positions represented at Table 12.

Table 12: Basket for allergic individuals

Cereals	Vegetables	Meat
Buckwheat	Tomatoes	Chicken
Rice	Cucumbers	Other products
Oatmeal	Carrots	to choose from
Millet	Onion	

Source: Own work

At the same time, if the price of selected basket will be more than 2500 rubles, should be provided a discount. Once company uses batch pricing it can also include in the baskets those products that have low demand, which is certain advantage from the position of sales.

4.5.3 Analysis of promotion

It is necessary to mention that companies that target green market and consumers do not use advertising as often as they use PR campaigns and direct marketing.

As for period of research (summer 2017), VkusVill used the following instruments and means of promotion:

- 1) Advertising is not used, obviously it is connected with the fact that this way of promotion requires a lot of investments and appears to be too expensive.
- 2) As far as public relations are concerned, there were found two instruments
 - 2.1) Children's painting competition (rarely).
 - 2.2) Photo report of production process (rarely).
- 3) As for sales promotion there are used:
 - 3.1) Bonus program: system of discounts that is based on point scoring for regular customers.
 - 3.2) Up to 10 % from the price of a product including into promo is transferred on a bonus card of a client.
- 4) In direct marketing VkusVill puts an emphasis on:
 - 4.1) SMS-notification for clients in order to let them know about their bonuses and promo in the shops.
 - 4.2) Gifts for regular customers.
 - 4.3) Forum on a company's website (for comments and recommendations of the clients).
 - 4.4) Well established system of feedback.
 - 4.5) Newspapers, implementation of so called POS-marketing.

Based on the measures described above it is possible to undertake certain number of steps towards improvement of already existing instruments.

First of all, there should be drawn more attention on advertising activities, VkusVill avoids tradition advertisement on television and in journals, nevertheless they should not

neglect by advertising in social networks. If it is properly targeted it can be very effective and not as expensive as its TV counterpart.

As it was already mentioned, there are three main segments of the consumers, unfortunately, according to existing information, VkusVill does not use full potential of these segments. Mainly, it concerns the segments of eco-parents and allergic individuals.

The advertising for eco-fathers and eco-mothers has to have its own specific traits. The advert must focus on the children's benefits in on had from the prospective of the health on another hand from prospective of positive influence on growth and development. For promotion in social networks must be chosen those groups that correspond with the topic of healthy food.

For the segment of allergic persons naturalness of a product is highly important, that is why, in this case must be provide all the information connected with a product, its origin, way of farming and content (flavors and appearance are not significant for this segment). The advertisement through social network can be effective in the group associated with allergic problems. Histories of personal experience can be also very valuable source of promotion.

As far as green consumers are concerned, there must be done an emphasis on the balance between qualitative and pricing characteristics of a product. In this case the most optimal would be advertising through the groups with the prevalence of young people, about Moscow or local food.

In terms of public relations there can be organized lotteries and games for the consumers. For segment of eco-parents these activities must include participation of the children. The best option would be organization of special events or shows (for example "Day of Health"). As gifts can be given t-shirts, caps, bags, pens, notebooks and other thing with the logo of VkusVill. It will not only help to attract the new consumers but also strengthen the loyalty of regular consumers. Another option is to organize tasting of the products in hypermarkets and participate in different fairs and exhibitions.

There also can be encouraged "grapevine" through realization of a promo "invite your friend and get a discount". In order to reach this purpose there can be used interactive

advert in the shops. The presence of interactive kiosks, displays and holographic adverts in the shops gives a possibility to inform the consumers about place, method and time of production for each group of products. It is also important to mention the ingredients and further information about content, it is necessary in order to meet the needs of the segment related to allergic individuals. A client can get more information not only about the company or the products, but also about advantages of healthy food over fast food, harm of smoking and sedentary lifestyle, healthy habits, delicious recipes, effective physical activities and etc. This kind of promotion will be the most effective for the biggest consumer segment of the company. At the same, there are also required entertaining activities content and activities for children. They can watch informative movies about domestic animals inside the farms, get to know interesting facts about plants and animals, while their parents make purchases.

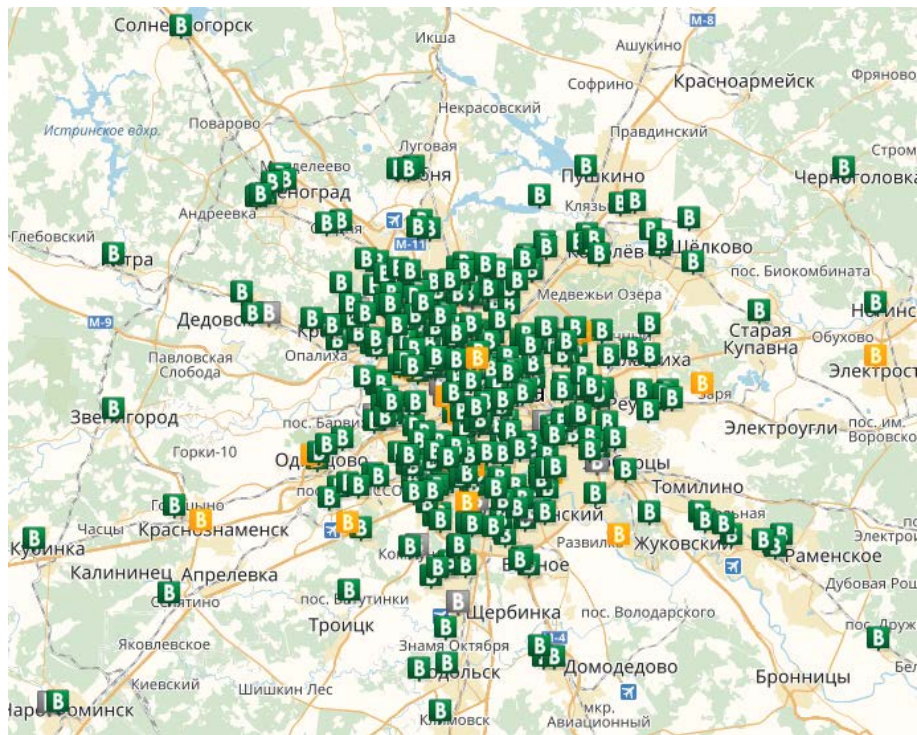
Promotion one of the most important instruments of marketing. That is why in the table are considered promotion approaches of the main competitors LavkaLavka and Fresh.

4.5.4 Analysis of place policy

As for distribution channels, VkusVill uses two of them: offline shops and internet web site with delivery service. According to the most relevant information, in year 2016, the company had 300 supermarkets and was opening shops with frequency of 25 per month. At the same time management of the company is planning to open new shops and expand within Moscow and Moscow oblast. As for 2017, management does not consider the expansion to the other Russian regions, cities and foreign countries.

On the Figure 24 is presented the geographic location of opened shops (green) and shops that are about to be opened in a short span of the time (yellow).

Figure 24: Geographic location of supermarkets VkusVill in Moscow and Moscow oblast



Source: VkusVill.ru

The company has large list of the requirements for its current and potential suppliers, however there are the most important conditions:

- 1) **Naturalness** – the most important requirement.
- 2) **Technologies and sanitary conditions** - The second important issue is the equipment on which the products are manufactured and the sanitary situation in the workshops.
- 3) **The volume of production** – the third important issue. If a company is able to produce daily declared volume of the products without harming the quality and naturalness – cooperation begins. In a case if a company is not able to so – cooperation is refused.

The status of the production places is not essential. The company works with all types of producers, from large manufacturers that produce a lot to very small farmers that can supply only one product. The management of VkusVill tries to build constructive partnership relations with all manufacturers one the basis of mutual benefits. Moreover, every single producer that works with VkusVill has all the necessary documents and certifications.

Since the company works in sphere of eco-products, there appears a misunderstanding that all the products for sale come from the farmers, which is fundamentally wrong. When it comes to farmers (not even the farms, namely family farmers), the question of quality, volume and supply comes up. When it is about supply of only one product, everything is alright, however once the volume increased - quality starts to suffer a lot. The reason of such kind of problem is that farmers are not experienced with production of big volume of goods. Generally, they can make, for example, 15 kg of butter per day and this is their plateau, which they are not capable to break.

VkusVill does not have own vehicle fleet and storage facilities, moreover the management of the company does not want to have them. In the case of green logistics, option to outsource these services appeared to be more convenient. Since VkusVill has daily deliveries of products to all stores (70% of the goods are sold on the first day), the dependence on “in time” logistics of the goods is too high.

The transportation itself takes place at night: supply starts from the production facilities, which are usually located from Moscow at a distance of 300-400 km. Goods are delivered by car by the morning of the next day when it comes to Moscow to the distribution center. Once the goods are received at distribution center it is passed to technicians for the general checking. If the quality and documents are in accordance with requested standards, the products start to be distributed to the shops and outlets. In general, the delivery ends before the morning traffic jams in Moscow. This model of distribution is in process every day, without holidays and weekends.

VkusVill also has delivery service that was launched in 2013 and successfully operates till this moment. The company delivers the products in Moscow and around Moscow oblast, the prices are vary depending on the distance from Moscow city center. On the VkusVill web site is written that the cheapest delivery tariff is 150 rubles, while the most expensive is 400 rubles. Based on comparison with its main competitors it is possible to say that VkusVill has the cheapest delivery service, one of the most significant pluses of company's delivery system is that there is no minimal price for delivery

5 Results and Recommendations

5.1 Results

Consumer study provided many interesting results regarding general attributes of green consumers. At the beginning of the chapter were put following hypothesis concerning green consumer segmentation in Moscow Oblast:

- 1) People, who have a general idea about advantages of ecological products.
- 2) Allergic individuals who are not allowed to consume products, which were manufactured with using different chemical elements.
- 3) The followers of anthroposophy.
- 4) Eco-mothers and eco-fathers

During the study was also revealed that men and women composing almost equal groups of environmentally concerned consumers in Moscow Oblast (53 and 47 % respectively). It was also shown general compositions of the consumers based on their attitude towards green food. For example, 20% of the consumers in Moscow can be identified as “genuine green”, 15% belong to the group of “dream greens” and 11% can be related to “mean green”. The rest of the consumers (57%) can be distributed between groups “not me greens” and “go-with-the flow greens”. The first group of the consumers (those who always keep healthy diet) besides relation to genuine green can be also indirectly associated with individuals who have allergic problems. That fact proved existence of one of the segments (allergic individuals) proposed in a form of hypothesis №2 at the beginning of consumer study. On another hand, the fact that for majority of the consumers (53%) such quality of product as “healthy” is very important or important provided the evidence about existence of one more segment (people who have general idea about advantages of green products), thus proving hypothesis №1.

It was also revealed that big share of the green consumers in Moscow have children in their families (44%), that result from the survey proved existence of hypothesis №4 associated with another green consumers segment (eco-parents). At the same time, there was not found any evidence of significance segment №3.

Going back to the results of the consumers study, people who belong to the age group

between 20 and 30 years old constitute 51% of respondents and represent the largest age group of the consumers.

At the end of consumer study all found consumer segments were evaluated through matrix McKinsey / General Electric. The final matrix showed that people who have general idea about advantages of ecological products are considered to be as the best segment. Comparing the segments of allergic individuals and eco-parents, it is necessary to mention that the first segment is better from the position of attractiveness, while the second is better from the side of competitiveness.

The further stage of practical part, which dealt with analysis of the competitors, provided valuable information about main competitors of VkusVill, their strength, weaknesses and positioning in the market.

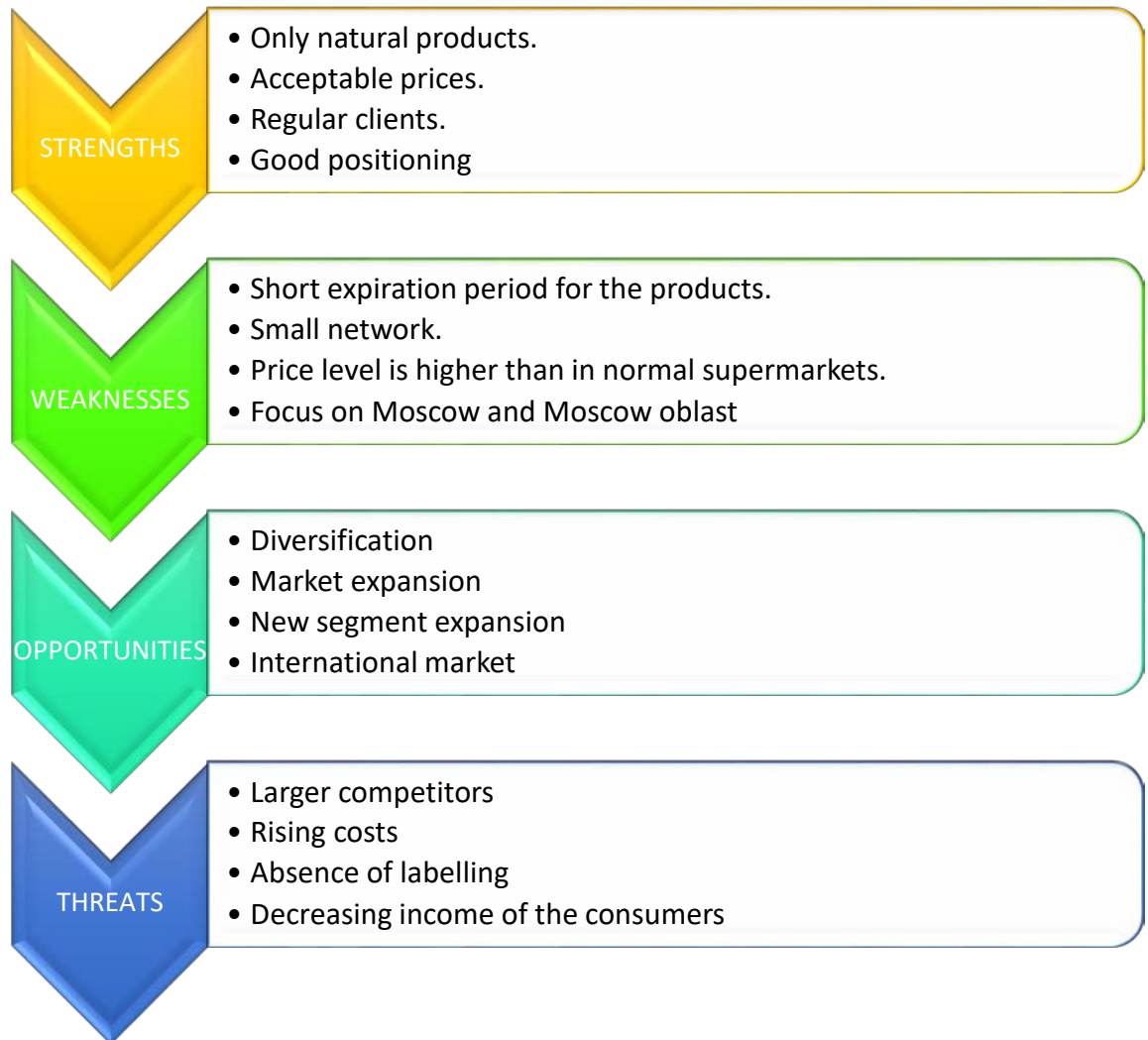
The companies Fresh and LavkaLavka were found to be the main competitors of VkusVill in Moscow Oblast. The main advantage of Fresh appeared to be excellent quality of the products, while the undisputed advantage of LavkaLavka is own labelling system, which increase trust from the side of consumers.

Overall, analysis of competition in Moscow green market proved that VkusVill is very competitive company, which manages to balance good quality of the products and not expensive prices compare to main competitors.

Finally, the last chapter of practical part, where marketing mix of VkusVill was analyzed, demonstrated that there are certain shortcomings, which has to be improved or diminished. Firstly, in product policy the company experiences lack of product variety and absence of labelling. Secondly, the price mix should be revised because PSM method showed that price of the liter of milk can be increased from current 52 to 80, or at least 70 rubles. Moreover such an increase will not affect demand for product and contribute to an improvement of VkusVill positioning compare to their competitors. Promotion mix is well balanced, however there is evidence that VkusVill does not use full potential of existing segments. That is why certain improvements can be recommended. Lastly, there was not found any problems in place mix, study indicated that supply chain and logistics of VkusVill is well established and does not require significant improvement.

Based on the results of practical part and with aim to facilitate strategic recommendation planning, on Figure 25 was created SWOT analysis of VkusVill.

Figure 25: SWOT analysis of VkusVill.



Source: Own work

5.2 Recommendations

Based on comprehensive marketing analysis there are created strategic recommendations for company VkusVill. Proposed strategic recommendations are the following:

- 1) Introduction of new and advanced products for existing markets, in other words the company needs to decrease the share of dairy products and introduce new products that would bring variety in goods composition. Among these products can be kvass, pate, tea with cinnamon, ginger or other natural supplements. It also could be creation of absolutely new product line for home care (household products) and natural cosmetic. Another option is launching of such products which does not have main competitors, it can be for example cheese parmesan, green bamboo beer, apple and vegetable crisps, etc. Special attention must be given to creation of “food baskets” for every segment of the consumers. In this work was proposed to do “basic basket”, for the 1 segment of the consumers (basic content of products), “basket for entire family” that would target the 2nd segment (content depends on the size of a family) and “basket for allergic individuals” (content can be customized on individual basis). Such batch pricing is profitable for both consumers and the company, for the first, from the prospective of time and money saving, for the second from the prospective of inventory optimization and sale.
- 2) Increasing market share (boosting sales of already existing products) and attraction of new clients through advertisement, underlying the competitive advantages (prices, natural local products). One of the crucial purposes is brand recognition, which can be improved through special events and competitions for buyers.
- 3) There are different ways for brand recognition improvement in every segment. For example, for the segment of eco-parents it is possible to do children’s competition, where they can win prizes in a form of notebooks, pencils and backs with VkusVill logo. For the segment of people who generally know about advantages of green goods there can be organized different quizzes about healthy products; winner will get a book with healthy recipes for cooking VkusVill products. For the segment of allergic individuals there can be undertake promotion in policlinics that are specialized on problems connected with allergy. The promotion can be in a form of

a flyer with information about advantages of VkusVill products with mentioning the addresses of the shops and etc.

- 4) Try to find producers, which would be able to supply such products that looked similarly with existing European analogues (from technical and marketing point of view). In other words, look for Russian suppliers, which produce such products as French Camembert, Brie or Roquefort; Chinese dumplings, cooked on steam, with different fillings; natural analogue of American burgers. Additionally, this strategy can attract new consumer segments and diversify sales.
- 5) Contextual advertising on the internet can be a measure for improvement of promotion mix. In Russia, this type of promo can be done through two the most popular search engines – Yandex and Google. Surprisingly, Yandex charges more money for advertisement than Google does (minimal budget for advertising – 21 thousands and 13,7 thousands rubles respectively), however, the total expenses are difficult to calculate because the main principle of contextual advertising is Pay Per Click (PPC), i. e. transfer to the company's web site through an advert. Advertising agency can ensure promotion on the internet for as minimal payment as 50 thousands rubles per month. Such amount of money can be considered as acceptable for VkusVill and going to be the best available option.
- 6) Expansion through the boundaries of the market, which includes geographic expansion (shops in new districts of Moscow and other cities), conclusion of the supply contracts with private kindergartens and schools. Moreover, it is possible to attract the new segments of the consumers, an example could be launching of product line associated with natural feeding of domestic animals. In this case, new attracted segment would be pet-owners.
- 7) Geographic expansion should not be limited by Russian boundaries. VkusVill can use its experience in countries that close to Russia from the prospective of mentality, consumer behavior, general culture and business culture. In other words, the post-soviet countries could be the best option for implementation of green conception. The first country for expansion could be Kiev the capital of Ukraine, which is together with Belarus are the closest countries to Russia from the point of view of the factors that were mentioned above. Unfortunately, current political situation does not allow to do it immediately, but it can be done in the long-term perspective. The most real foreign cities for VkusVill expansion can be Minsk in Belarus, Almaty in

Kazakhstan and Bishkek in Kyrgyzstan. All these cities are located in countries that are incorporated into Eurasian Custom Union, this fact will facilitate work of VkusVill in these states.

- 8) While in the European Union eco-labeling exist at the level of legislation, Russian Federation does not have this kind of regulations. Basically it means that in Russia is no state regulated eco-labeling standards that would guarantee consumers protection from greenwashing. However, VkusVill could introduce its own eco-labeling that would provide consumers this kind of guarantee and confidence in purchased products. The system of own eco-labeling is successfully implemented by LavkaLavka (one of the main VkusVill competitors) and considered as one of the most significant advantages of this company.
- 9) The last strategic recommendation would be to increase the prices for the products, this advice is based on results received from construction of PSM model, which showed that optimal price of liter of milk is as high as 80 rubles, while VkusVill sells it for 52 rubles. There should be made PSM analysis for further product because it likely show that prices can be increased for the other products as well. If the company does want to lose image of cheap eco-product seller it still can gradually increase prices till point of marginal cheapness, which was 70 rubles per liter of milk. The new prices will increase revenue and income of VkusVill which will help to invest more money in promotion and other strategically important activities.

6 Conclusion

In contemporary fast changing world, in condition of total common interdependence, it is very hard to find approaches or conceptions that could be relevant for a long time period without losing its actuality. Currently, the ideas that only appeal to such things as wealth, unrestrained consumption and further material values cannot be considered as the most influential and long-living. On the contrast conceptions that encourage business to be honest, genuine, responsible, transparent and respect environment, can be considered as those that are in accordance with present agenda. Beyond all doubt, green marketing could be attributed to this kind of notion, moreover its significance in entire world can rise dramatically over the next decade.

In spite of the fact Russian understanding of green marketing is mostly limited by the boundaries of Moscow Oblast, enterprise in this country has not remained indifferent towards this progressive marketing approach. An example of such enterprise can be Russian company VkusVill that is supposed to be one of the pioneers of green marketing in Moscow and its surroundings.

In this regard, the main objective of this work was to analyze the company VkusVill within the existing theory of green marketing.

After detailed research of aspects connected with the company and comprehensive research in practical part it is possible to answer research questions.

- 1) What are main consumer segments in green market of Moscow Oblast?

There were found three main segments:

- People, who have a general idea about advantages of ecological products.
- Allergic individuals
- Eco-parents

Additionally, matrix McKinsey / General Electric demonstrated that the first segment is the best for further expansion.

- 2) Is VkusVill competitive enough in green market of Moscow Oblast?

VkusVill has only two direct competitors (LavkaLavka and Fresh), however it is competitive enough from the angle of quality and recognition among the consumers.

3) Is marketing of VkusVill in accordance with existing green marketing theory?

Generally, declarations of the company, which were found in its mission, values and principles are in accordance with green marketing principles described in the literature review chapters. However, there are certain shortcomings in product, price and promotion mixes that should be improved. At the same time, study did not find any problems in place mix. Absence of ecolabelling, similarly can be seen as problem that contradicts green marketing theory, nevertheless this problem is mostly connected with Russian legislation. Essentially, these shortcomings in marketing mix are not critical and do not mean that VkusVill neglects by green marketing theory.

4) How to improve green marketing strategies for VkusVill?

In the chapter dedicated to strategic recommendations, the measures for improvement were described in details. In general terms, the most important recommendation for the company is introduction of internal ecolabelling that would attribute VkusVill goods. The second important recommendation is revising green marketing mix towards improvement of product, price and promotion mixes. Thirdly, the company should attempt to penetrate in international market of green products, mostly it concerns opening shops in large cities of post-soviet countries where is similar consumer behavior and that close culturally (Belarus, Kazakhstan or Kyrgyzstan). Lastly, VkusVill needs to attract new consumer segment through new created and targeted promotion activities.

Overall, it is possible to say that in spite of having certain problems and shortcomings connected with green marketing practice, the company VkusVill certainly remains one of the best examples of socially responsible company in Russia and tries to satisfy all stakeholders involved.

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8 Appendix 1

Questionnaire

Dear participants,

I am student of Catholic University of Lyon, France. As a part of study, I am conducting a research on food preferences among consumers in Moscow. You are requested to take 5 minutes from your busy schedule to complete this anonymous questionnaire. The results of this survey will be determined for academic purpose only and no information will be leaked out to any source. Your cooperation is highly appreciated. If you need the results of this research please contact me via e-mail _____.

1) Do you eat healthy food?

- Yes, I always eat healthy food
- Yes, sometimes I keep a healthy diet
- No, for me it is not possible to eat healthy food (too expensive, do not know where to buy, etc.)
- No, I do not need it.

2) Do you know about the health food stores?

- Yes
- No
- I cannot answer

3) Are you on a diet because of health issues?

4) Do you buy eco-products? (If not go straight to question 7)

- Yes, I buy only them
- Yes, I periodically buy eco-products
- No, but I would to buy them
- No, I am not interested in it

5) Why do you buy healthy products?

	Very Important	Important	Indifferent	Insignificant	Not Important
This is tasty	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
This is healthy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

This is mainstream	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have health problems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Convenient location of store (Close to home or working place)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I like their advert / motto / logo / promo.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am follower of anthroposophy.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I often travel abroad where this industry is very developed and where I got to know about eco-products.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6) Where do you buy eco-products?

- At food market
- In normal super or hyper markets
- In specialized shops
- I go to village in order to buy it from framers
- Other

7) Which health food stores do you know?

- Fresh
- VkusVill
- The Universe of Abundance
- ZhiVi
- Season Market
- LavkaLavka
- Madam Mu
- Others

8) How do you evaluate the product quality (milk) of the following companies?

	1	2	3	4	5
VkusVill	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
LavkaLavka	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fresh	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The Universe of Abundance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Madam Mu	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

9) How much rubles per week do you spend in order to buy eco-products (per family member).

- Less than 300 rubles
- 301 -1000 rubles
- 1000 - 2000 rubles
- More than 2000 rubles

10) Do you have children?

- Yes
- No

11) Do you monitor nutrition of your children?

- Yes, I buy only natural food for my children.
- Yes, I buy food in supermarkets and make them avoid eating fast food.
- Sometimes I allow them to eat fast food.
- My children often eat in fast food, I think this is normal

12) Do you think that 70 rubles per liter of milk is acceptable price?

- It is too expensive, I cannot afford that
- It is expensive, I would like to pay less
- It is acceptable for quality product

- It is acceptable

13) For what price will you buy a liter of natural milk and consider it as bargain?

14) For what price will you refuse to buy a liter of natural milk, thinking that it is too expensive?

15) Your sex

- Male
- Female

16) Your age

- 20-30
- 30-45
- 45-60
- Older than 60

17) Your monthly income

- less than 20000 rubles
- 20-40 thousands rubles
- 40-80 thousands rubles
- 80-120 thousands rubles
- More than 120000 rubles

9 Appendix 2

Data for Price Sensitivity Method (PSM)

30	100%	100%	0%	0%
35	87%	100%	0%	0%
40	73%	100%	0%	0%
45	71%	99%	0%	0%
50	39%	98%	1%	0%
55	37%	95%	1%	0%
60	23%	93%	2%	0%
65	23%	92%	6%	0%
70	15%	80%	17%	1%
75	11%	75%	27%	1%
80	8%	64%	25%	9%
85	8%	62%	28%	15%
90	8%	59%	27%	15%
95	8%	59%	48%	15%
100	2%	30%	43%	24%
110	2%	29%	45%	29%
120	1%	24%	47%	29%
130	1%	21%	50%	29%
140	1%	21%	52%	25%
150	1%	8%	68%	43%
160	1%	8%	70%	47%
170	0%	7%	73%	49%
180	0%	5%	75%	50%
190	0%	5%	76%	52%
200	0%	3%	90%	67%
250	0%	1%	95%	79%
300	0%	1%	98%	92%
350	0%	0%	99%	95%
400	0%	0%	100%	98%
500	0%	0%	100%	100%

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