



**Incorporated in 1993 in Moscow, Russia**

Now a major Russia's  
**distributor**  
of  
**ice creams**  
and  
**frozen foods**

**W**e are a good, perhaps the best, distributor of frozen foods and ice creams in Russia. We have experience and dynamite. We have excellent infrastructure and aggressive team.

We are young and ambitious, we are hard workers and achievers. And we learned to marry Western expertise with local knowledge. Learned it the hard way.

We are flexible... and tough: out of several companies that tried their hand in this business in 1993 we are the only survivors.

We value our integrity, good partnerships with Western and Russian manufacturers, distributors, and bankers.

**And we are looking for reliable partners!**

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**UNIA managers**

***Your partners in Russia  
for years to come!***

### ***UNIA in a nutshell:***

Line of business:	<b>distribution of <i>ice creams &amp; frozen foods;</i> sale and rent of <i>refrigerators &amp; freezers</i></b>
Annual sales:	<b>\$17,000,000</b>
Personnel:	<b>200</b>
Clients:	<b>460 in Moscow and 18 regions</b>
Freezer vans	<b>30</b>
Low-temp. warehouse:	<b>800 sq.m</b>

# Contents

<i>Introducing UNIA.....</i>	<i>4</i>
<i>Marketing .....</i>	<i>8</i>
<i>Financial.....</i>	<i>10</i>
<i>Suppliers .....</i>	<i>10</i>
<i>Refrigerators/Freezers.....</i>	<i>11</i>
<i>Clientele .....</i>	<i>12</i>
<i>Low-temperature warehouses .....</i>	<i>13</i>
<i>Transport .....</i>	<i>14</i>
<i>Sales in Moscow .....</i>	<i>15</i>
<i>Personnel.....</i>	<i>16</i>
<i>Advertising .....</i>	<i>17</i>
<i>Plans.....</i>	<i>18</i>
<i>Company structure .....</i>	<i>19</i>

*Russia's just so full of opportunity.  
It's like (being) a kid in a candy store.*

William G. Lowrie  
President of Amoco Production Co

## Introducing UNIA

**W**e are a young and aggressive private Russian company specializing in distribution of a wide variety of European and Russian ice creams and frozen foods. In our time, we were real trail-blazers in the Russian market for many brands of Western ice creams and frozen products.

### ***Started on a shoe-string...***

We started out three years ago virtually on a shoe-string, without capital, without experience. We were, and are, young, ambitious, and eager to take advantage of the situation that made private enterprise possible in Russia after decades of Communist rule. We were full of gusto and worked like crazy.

To begin with, we became the first authorized distributor of Mars, Inc., and continue to be the company's largest partner.

### ***Now a major operator in the Russian market***

Now we are a major Russian distributor of ice creams and frozen foods. We have been the first channel for many Western brands to be launched in Russia. We can boast long-term partnerships with blue-chip European manufacturers.

Now we have large low-temperature warehouses, a 30-strong fleet of freezer vans, and all the qualities that go with an efficient Western-style company. Our annual sales are \$17,000,000.

### ***Product line***

We began with ice creams, and still they are the mainstay of our business. We market about 200 brands of European-made ice creams from some of the largest manufacturers and around 30 Russian brands.

Later on we branched out into frozen foods. At the moment we sell more than 100 brands of frozen vegetables, vegetable mixes, mushrooms, potato, & berries, sea foods, meat products, pizza, and fast food. We plan to expand some of our lines, especially fishes and meats.

We also sell and lease chest freezers and refrigerators, and provide warranty and postwarranty service of them.

### ***Partners***

We are distributors of Mars, Nestle, Dr. Oetker, Fredericks, Norsk Iskrem, Unifrost, Ysco, Botterbloom, Langnese-Iglo, Aviko, Guzepe, Ardo, Hortex, Delta, Schöller, Lutosa, Picken Pack, White Mountain, and Liebherr (refrigerators and freezers), and 13 Russian manufacturers of ice creams and frozen foods.

We enjoy the support of Moscow Mayor's Office, Moscow Government and Rosmyasomoltorg (a chain of state-own foods stores). We are members of the Moscow Chamber of Trade and Commerce.

### ***Prices & payments***

Current Russian markets are extremely price-conscious. Therefore, price is an extremely important consideration when assessing proposals.

With inflation in Russia as it is, the only realistic WIN-WIN situation is for us to take goods on consignment, exactly the procedure we use with most of our Western and Russian suppliers. Our credit history with them is impeccable.

## ***Operations***

Every week we receive 6-8 trucks (33 or 36 pallets each) at our low-temperature warehouse. We custom-clear the goods and promptly distribute them through our network.

## ***Clientele***

We have around 460 clients (650 marketing outlets) in Moscow and 18 regions, some of them as far afield as the Caucasus and Siberia. We are constantly expanding our network of dealers and clients. We have the most efficient door-to-door deliveries of frozen products in Russia.

We have an efficient client support program and continue to improve on it.

## ***Learning on the fly***

In the Russian situation the name of the game has been learning on the fly. What other market economies have accumulated over centuries, we have to gain in a matter of years, even months. And so we are diligent attendees of all sorts of courses, seminars, and exhibitions in Russia and abroad. We are constantly improving everything, sometimes by trial and error. We still have to learn very much.

## ***Management and marketing methods***

We have accumulated a wealth of experience in marketing, promotion, advertising, exhibition management, etc. One thing we had to learn the hard way was Western-style management, from inventory management to telephone manners. After much trial and error, we have now achieved, we believe, the optimum structure of the company.

We analyze a stream of feedbacks from the field and adjust our practices accordingly. We always market-test new brands.

## ***Consultants***

Our Western marketing consultants are Dun & Bradstreet and Ernst & Young. Our Russian consultants are Mekka Advertising, which also do most of our advertising and PR.

## ***Personnel***

UNIA is a team of 200 self-motivated young Russians, we have no ex-Soviet has-beens. We educate our managers in Russia and abroad. When considering a new partner we always discuss possibilities of some crash courses and hands-on training in the partner's environment.

## ***Our plans***

We are on the move. Our plans for 1996-97 are first and foremost to increase our sales 1.5 times. We want to have more refrigerator trucks, construct a 1000-ton low-temperature warehouse. We also plan production of some low-price frozen foods for the low-end market.

## ***Memberships***

We are members of the International Ice Cream Association and the American-Russian Chamber of Commerce & Industry.

# Marketing

Several years ago Russia made an U-turn and began to drift to a market economy, mostly without any idea of what real market economy was about. There were hordes of bureaucrats, but no managers; thousands of planners, but no marketing and sales people. The Russian market was right in the middle of its teething problems. Among these were instability of legislation, political strives, corruption of civil servants, inflation, and so on. But we managed to survive in this all.

Until fairly recently the word “marketing” was virtually unheard of in Russia. Decisions used to be made without any marketing analysis. But quite soon self-made Russian businessmen began to understand that without modern methods there would be no progress, that Western-style management and marketing were powerful weapons.

We too established a marketing section. It studies demand, carries out a multilevel analysis of prices, etc. The results are employed to optimize the product line and pricing. The following is a glimpse of the Russian market and our marketing techniques.

## ***Western companies in Russia***

Western newcomers to this marketplace, especially consumer market, are surprised not to find here buyers' groups described in academic marketing texts. One strange thing is that at the moment **there are practically no middle classes** in Russia. The Russian society breaks down into **the very rich** (fairly quality-conscious) and **the very poor** (extremely price conscious), which accounts for the behavior of Russian buyers.

Among the other departures it is worth mentioning the important role still played by the state, and differences in business culture, legislature, mentality. It is only at one's peril that one would apply to this tricky marketing philosophies tested elsewhere, or practice a “big brother” approach. The shrewder ones normally seek advice.

Advice comes in two forms: Western consultants with adequate expertise but no feel for local markets; or local one-hundred-odd-ball fixers who have no idea of internationally accepted norms and methodologies. **We try to take advantage of the two worlds: Western expertise and our knowledge of local ways.**

## ***Ice cream and frozen foods***

Russians are known as ice cream lovers. Foreign visitors in Moscow marvel at Moscovites consuming ice cream at  $-20^{\circ}\text{C}$ . Therefore, converting them to Western ice cream brands with their bright packing and new tastes was a fairly easy task.

**With frozen foods, situation was different.** The market is extremely immature. The Russian housewife was, and still is, quite suspicious of things frozen. The fact is that for decades the Soviet government would dump into retail chains frozen meats from the so-called strategic reserves, where they had been kept for years. Other prejudices are concerned with lack of education. People simply do not know about the advantages of frozen foods: their high nutritional quality, convenience, environmental value, etc. This educational gap will have to be filled.

## ***Brand awareness***

Russia is an **uncharted land for many brands** that are household names in the West. Mars was a pioneer of bringing Western brands to Russia. The company invested heavily in **advertising campaigns** and seems to have achieved an unparalleled awareness of its name and its brands in Russia. Other manufacturers came in the wake but without such a spectacular success. They either underinvested their entrances, or again their advertising was not adapted. One reason is that entrust their advertising to local offices of international chain advertising agencies, which produce routine, unselling and expensive advertising.

## ***UNIA marketing methods***

Initially our marketing methods were quite simple. We mostly relied on **canvassing**. Our sales agents visited hundreds of stores and other outlets talking to managers and leaving behind brochures. We were quick to understand that the only way for us to remain in business was also to start **selling and leasing refrigerators**, which we did.

Bit by bit our approaches became **more sophisticated**. Now we **flexibly adjust products** and prices for each region depending on the economic situation, shortages and living standards there.

We have established **close ties with the Moscow Government** and Rosmyasomoltorg, which helps us enormously.

# Financial

Since we were **incorporated in April 1993**, we have been **growing on average by a factor of 1.4 every half-year**. According to annual corporate financial statements validated by the State Taxation Service, the capital assets have been growing on average by a factor of 1.3 every half year, with the result that now they have grown 3.6 times as against 1993. By the end of 1995 the company had sufficient internal funds, including **\$501,220 of capital assets**.

The corporate **financial position is quite stable**, UNIA is solvent, i.e., the company's assets are higher than external liabilities, and it has sufficient stocks of commodities, receivables and cash resources to settle its debts. The dynamics of the development since 1994 suggests that the corporate financial position will improve

We plan to increase the pure circulating capital or internal funds in the turnover to make the company **more attractive for partnership and cooperation**.

## **Bankers**

UNIA's bankers are **Promstroibank** of Russia. We have a hard currency and a rouble account with them. UNIA's monthly rouble transactions are around Rb5.5-6,0 billion. The bank provides rouble and hard currency credit lines. Our history with the bank is long and stable, all credits and interests are repaid without delays.

# Suppliers

Our European suppliers are **Mars, Nestle, Dr. Oetker, Fredericks, Norsk Iskrem, Unifrost, Ysco, Botterbloom, Langnese-Iglo, Aviko, Guzepe, Ardo, Hortex, Delta, Schöller, Lutosa, Picken Pack, White Mountain, and Liebherr**, and a forwarding company **Niinivirta**.

When recently some segments of the Russian market began to favor Russian-made ice creams and traditional Russian foods, we began to market products of 13 major Russian manufacturers.

## ***Relations***

Overall, we are satisfied with our relations with the suppliers. But from time to time shipments arrive with a wrong assortment of goods or **inadequate packing**. Some shipments are **delayed**. Some partners give us **inadequate advertising support**.

## ***Credit and payment terms***

With different partners we have different arrangements. For the most part we work on consignment or credit conditions with both Western and Russian suppliers. On the Western side the only exception is perhaps Fredericks.

## ***Routine operations***

Every week analysts make estimates of the sales dynamics for each brand. Every month sales managers coordinate purchasing plans with the clientele.

## ***Terms***

With **European** suppliers delivery term is **1-4 weeks**. It takes a week to get a certificate from the Russian competent authorities. **Russian** partners supply goods **daily**.

# Refrigerators/Freezers

**W**hen we discovered that we have no future in the Russian market of ice creams and frozen foods without giving our customers the hardware and know-how in refrigerating equipment, we reacted immediately. We started to offer for rent or sale a wide spectrum of refrigerators/freezers of different manufacturers.



## ***Sale***

We sell 7 models of **Liebherr** refrigerators and freezers, upright and chest units. Capacity from 170 to 564 liters.

**Monthly sales volume is 50-70 units.**

## Lease

To increase ice-cream sales UNIA rents and subleases more than 1200 of various models of **Derby, Alfa (Delta)** and **Caravell** sales freezers. When subleasing freezers UNIA stipulates in the leasing contract with the client:

- \* Term of lease;
- \* Sales per fridge;
- \* Absence of “foreign goods.”

Sales freezers are given over to clients on signing an acceptance act that records their technical conditions. Every week **managers control** the performance of **fridges** using a special-purpose computer program. If the performance is below the mark, the respective client is warned about this. Then the freezer may be removed and the contract canceled.

## Service

To improve the availability of our installed base of refrigerators/freezers we established in 1994 a service center for warranty and postwarranty service. The team is quite professional now. Their **response times** are several hours, repair taking up no more than two days; and replacement, one day.

# Clientele

Our clientele varies widely both in size and line of business. We have **30 major wholesalers** in the City of **Moscow** and in **18 regions** of Russia. Also in Moscow there are nearly 400 smaller accounts. These are different businesses:

<b>Food stores .....</b>	<b>72%</b>
<b>Major supermarkets &amp; delicatessens.....</b>	<b>13%</b>
<b>Greengrocers .....</b>	<b>7%</b>
<b>Cafes, restaurants.....</b>	<b>8%</b>

## ***Client support***

We train and consult our clients. We organize regular tasting sessions for them to select products that suit the tastes of their buyers. Also they receive from us point-of-sale-advertising articles.

## ***Routine operations***

UNIA's dispatcher service receives orders from Moscow clients, whereas clients from outside of Moscow are taken care of by Wholesale Department. The flows of papers and products are computerized throughout, for which purpose UNIA's programmers have developed adequate programs.

# Low-temperature warehouses

**W**e hold on lease one-tier low-temperature storage capacities of **800 sq. m** from Koloss (a food processing factory) in the neighborhood of Otkrytoye Chosse. The warehouse is on the 3rd floor.

## ***Technical data***

- \* Two freight elevators;
- \* Three storage-battery trucks;
- \* Two hydraulic trucks;
- \* Terminal area for up to 7 cars.

## ***Flexible hours***

Our warehouse works around the clock on a three-shift basis:

**Night shift** makes up batches for each zone using bills of lading provided by the office and loads refrigerator trucks (their refrigerating systems are activated in advance). In the morning forwarder drivers accept the goods and go out.

**Morning shift** services self-loaders.

**Evening shift** accepts goods from the suppliers.

Both morning and evening shifts handle large shipments to other regions of Russia.

## **Services**

- \* Exit/entrance control service;
- \* Garage;
- \* Service center for warranty and postwarranty service of refrigerators/freezers.

## **Plans**

1. Conversion of current facilities into multi-tier storage using modern technology.
2. Construction of a one-storey computerized warehouse with a 15-20-car terminal to European standards. The pallet and forklift system will handle up to 8 meters of headroom.

# Transport

In order to be competitive we invested heavily in a fleet of freezer vans, which enables us to have perfect door-to-door deliveries, the best in Moscow. All in all, we have **30 freezer vans** and 9 passenger cars.



## **Truck models**

MACKs, IVECOs, and Mercedeses. Unit capacity from 3 to 15 ice-cream pallets.

## **Service**

We have a team that services and repairs the vehicles.

# Sales in Moscow

Moscow provides the bulk of **UNIA's billings**. Therefore it is extremely important for the company. Moreover, it is an ideal place to experiment with novel sales methods and marketing techniques.

## ***Territory management***

We have divided the City of Moscow into **9 areas** based on the municipal administrative division. Each area has attached to it **one salesperson** and **one forwarder team**. The selling force control the flow of goods through refrigerators, the regularity of orders from permanent clients, and look after the repayment of credits. In addition to that, they are charged with the recruitment of new clients in their areas and promotion of new products offered by the company.

The forwarders ship to clients batches of ordered products, take orders for the next shipment, collect money for the goods supplied (if the client is not on credit).

## ***Territory managers***

There are **three territory managers, each looking after three areas**. Their brief is to control and analyze. More specifically, they:

- ✧ Make decisions concerning installation and removal of leased freezers;
- ✧ Make decisions to credit clients in their areas (within agreed credit limits);
- ✧ Control the repayment of debts and credits;
- ✧ Plan, control and coordinate the work of the selling force and forwarders;
- ✧ Analyze the trends in the areas.

## ***Target figures***

Target sales volumes in specific areas are established depending on the size of the area, and the amount of credits made. Normally, **weekly area targets are Rb70-150m**.

# Personnel

From the very beginning we understood that in a market economy **team spirit** and *esprit de corps* were key to success. But getting skilled personnel in the post-Soviet era for a dynamic Western-style company is no easy task. On the other hand, some people simply cannot adapt to the new ways, and leave the company. We had to master the arts of **personnel management**, which was a new idea to most of us. We have been learning very much from Western and Japanese experience.

And now we are safe to say that we have a **good team of 200**.

## ***Recruitment***

We **hand-pick** our workers. All of them fill out various questionnaires and are interviewed by various managers. They are carefully instructed and then apprenticed to recognized professionals. After a test period they either settle down in their jobs or leave.

## ***Training***

It is only rarely that we get ready-made professionals. And so we have to **train** them at all sorts of courses both in-house and elsewhere. Our people learn product knowledge, selling and computer skills, elements of management, marketing, advertising, legal aspects, etc. **Top managers are trained abroad**.

We also expect from our Western partners some assistance in exposing our personnel to their respective methods. This could be done in the form of **crash courses and seminar, on-the-job training, literature**, and so forth.

## ***Compensation packages***

To calculate salaries and wages we have developed a **system of levels and points**. For each position there are **three levels** of compensation with a certain number of points assigned to each level. In addition, we have a **system of bonuses** to encourage good workers. These may be financial bonuses, paid vocations abroad, etc.

# Advertising

From the very beginning we understood the importance of advertising. At first we had very simple brochures produced for our selling force, and they proved to be of much help. Ever since we have paid much attention to advertising and have learned much. The advertising budget is generally approved by the Board. In 1995 it was **\$120,000**.

## ***End-user advertising***

We expect our European suppliers to run printed advertising campaigns and TV spots. Guaranteed advertising support is an important consideration when we assess potential partners. If only the advertising of our Western partners could be more **fine-tuned to this market**. This would make it more efficient. (We could give some advice.)

Also we expect our Western partners to provide us point-of-sale advertising articles, such as posters, banners, stickers, umbrellas, etc. Now we are producing some end-user ad products ourselves, e.g., educational leaflets promoting to the end users some **frozen foods**, most of which are still to this market. We also plan to run **editorials in magazines** read by housewives, posters, **point-of-sale interactive touch screens, demo seminars**, etc.

## ***Distributor-to-client advertising***

Our Western partners have a sorry gap in their marketing strategy in this country: they have no advertising programs targeting wholesalers, shop-keepers, and other **clients of their distributors**. These people do not consume the products but **make money** by reselling them. They are interested in the quality of products all right (they can never sell junk), but their **major concern is profit**.

And so we have our partners Mekka Advertising develop and produce black-and-white and **full-color brochures** (some examples are attached at the back of the package) addressed to this segment.

We regularly run **press advertisements in specialized press**. The campaigns are normally timed with seasonal changes in the product line, launches of new brands, and promotions. In addition, we distribute calendars and other souvenirs.

We take part in many **exhibitions** in Russia and abroad, such as **WorldFood, Prodexpo**, etc. We have designed a stand, and trained a team to man the stand.

# Plans

Our plans for the years 1996-97 are quite ambitious. First and foremost, we plan to increase our sales 1.5 times with the same cost structure and personnel. To make this possible we work on the harmonization of our product line, introduce technological improvements, and train our personnel.

## ***Marketing effort***

We want to have our marketing and advertising program **better coordinated**. Also we want to make use of present-day advertising media, e.g., interactive advertising with touch screens, on diskettes, CD-ROMs, and also to begin using Internet and World-Wide Web.

## ***Low-temperature storage capacities***

We plan to up-grade our current facilities. We also want to construct a 1000-ton low-temperature warehouse and refurbishing of the warehouse leased from Koloss.

## ***Production***

There are long-term plans to start our own production of meat semi-finished products to attack the segment of lower-priced products for lower-income buyers.

## **UNIA. Your partner in Russia!**

We are on the move.

The Russian market is extremely dynamic, and so we need new partners, new suppliers, new brands.

**We welcome any proposals.**

Our Purchasing Department will carefully analyze them.