



Report on the Entry Market Test done for the Russian market for the company XXXX

Company Name XXX

Product Ceramic chimneys

Date _____

The goal of the Entry Market Test is to investigate the following areas:

1. The general overview of the market (publicly available data on market)
2. First impression of your product suitability to the market needs
3. Legislation including certificates required to sell your products in Russia
4. Customs procedures: customs codes and duties
5. The brief overview of the competition (potential competitors presenting in the Russian market and their price range)
6. Internet inquiries analyse: how many inquiries for this type of product/services and their substitutes are there from the Internet users per month and their trends.
7. Possible distribution channels evaluation
8. Business opportunities/General recommendation

1. The general market overview

The Russian market of chimney flues is not developed yet. A lot of projects are still executed based on the chimneys made by bricks. There are two main segments of products: steel and 3-layers ceramic chimneys. The major producers of steel chimneys presenting on the Russian market are: XXXX (France), XXXX (Germany), XXXX (Belgium), XXXX (France), XXXX (Russia). The 3-layers ceramic chimneys producers are XXXX (Germany), XXXX (Germany), XXXX (Germany).

2. First impression of your product suitability to the market needs

Russia's lagging behind the developed countries in the implementation of modern smoke removal systems in the construction is 30-40 years. In Western Europe, the share of brick chimneys' appliance in new construction is 10%. In Russia, the share of brick chimneys' appliance is about 60%. In the next 5-7 years, Russia will switch to the usage of modern heating systems and modern chimneys will be necessary devices for their operation.

3. Legislation including certificates required to sell your products in Russia

The sales/installation of chimneys in Russia is controlled by the official documents: SNIP 2.04.05-91* (the building norms and rules) and the GOST P 53321 – 2009. The fire certificate is the mandatory document to be obtained for chimneys. It can be obtained rather for the whole system or for the separate elements. The sanitary-and-epidemiologic letter is not mandatory for this kind of product but it's a kind of advantage. The certificate is valid for 5 years and cost about XXXX Euro. The lead-time for its obtaining is 3 months.

The recommendation: to get the certificate of the MCS as it's a kind of "passport" to the Russian building market.

4. Customs procedures: customs codes and duties

Ceramic chimney flues - 69059000; Sealant - 38160000; Silicone - 39100000

customs duty is 20%; VAT – 18%; the full track cost is 3 500 Euro; the broker's fee is 300-400 Euro;

5. The brief overview of the competition (potential competitors presenting in the Russian market and their price range)

The major market share in the ceramic chimneys segment is occupied by XXXX company. They presented in the Russian market starting from 2003. Have the representative offices in Moscow, Saint-Petersburg and Krasnodar and the sales representative in Yekaterinburg. Have warehouse facilities: Moscow, Saint-Petersburg, Torzhok (Tverskaya region). Have a wide network of distributors (about

150) through the Russian Federation. Have the local production of the cement blocks. Keep the whole assortment of chimneys available in Moscow. Give the strong marketing and technical support to the distributors.

The retail price for the chimney Model X (6 m height, 140 mm diameter) is XXXX rubles which is equal to XXXX Euro.

6. Internet inquires analyse: how many inquiries for this type of product/services and their substitutes are there from the Internet users per month and their trends

Что искали со словом «керамический дымоход» — 5 213 показов в месяц		Запросы, похожие на «керамический дымоход»	
Статистика по словам	Показов в месяц [?]	Статистика по словам	Показов в месяц [?]
керамический дымоход	5 213	дымоход тона	108
керамический дымоход купить	916	дымоход авт	100
керамические дымоходы цена	790	дымоход awt	408
керамическая труба +для дымохода	769	wolfshoher tonwerke	118
производство керамических дымоходов	376	schiedel kerastar	44
российские керамические дымоходы	344	керамический труба	4 458
керамический дымоход российского производства	329	дымоход керамика	268
керамический дымоход российского производства цена	276	дымоход блок	928
керамические трубы +для дымохода цена	198	дымоход schiedel uni	259
керамическая труба +для дымохода купить	187	дымоход калининград купить	146
монтаж керамического дымохода	175	дымоход перметр	162
керамический дымоход +для бани	172	шидель дымоход купить	243
керамические дымоходы awt	151	купить камин дымоход	699
		schiedel uni	563
		дымоход schiedel	1 564

7. Possible distribution channels evaluation

The chimneys are sold and promoted through the following possible distribution channels: 1) distributors of building materials; 2) distributors of fireplaces; 3) distributors of saunas; 4) building companies; 5) projecting and architectural companies; 5) retail chains such as Leroy Merlin, Castorama and etc. The distributors are located in all the Russian regions.

8. Business opportunities/General recommendation

To make a thorough competitors' analyses and identify the unique selling point to enter the Russian market. To formulate the business model depending on the targets and budgets available. To undertake the business partner search and set up a distributors' chain all over the Russian Federation: 2-3 in Moscow, 1-2 in Saint-Petersburg, 2- the South region, 1- Ural, 1-2 – Siberia; I would recommend while planning the distributors' network to implement the criteria of geographical division instead of market segmentation. The reason is that the Russian building market is a “closed” one and actually all large trading companies compete for the same final consumers and for the same small wholesalers.

Best Regards,
Oksana Evdokimova
CEO Prospectrus