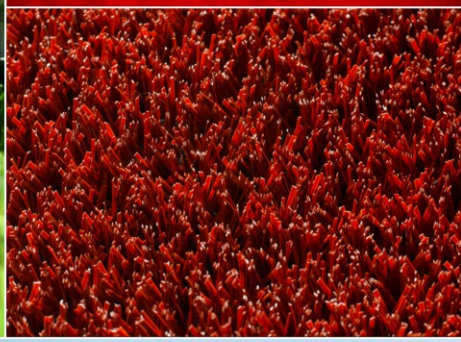
The Russian synthetic turf market

Bachelor assignment 2013



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TenCate Grass - July 2013

TENCATE

materials that make a difference

Bachelor Thesis

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Preface

Present report contains a study about the Russian synthetic turf market, which I have written in order to finish my bachelor graduation project of the Business Administration program of the University of Twente.

For three months I have worked at the TenCate Grass group in Nijverdal, where I did my research. I worked at the sales department, where I had a great time because of the positive attitudes of all colleagues. The Russian synthetic turf industry appeared to be a very complex area, which made the research very interesting. I hope this thesis will be of benefit for the company.

I would like to take the opportunity to thank the people that made this study possible. First of all I want to thank Antoine Engels for all the effort and time he has made to support me in my research. Without the valuable information, given feedback and meetings with other companies that Antoine has arranged, this research wouldn't have been possible. I also want to thank Anouk Breukers, who arranged all the peripheral issues at TenCate Grass.

Special thanks to my supervisors at the University of Twente, Mariska Roersen and Raymond Loohuis, for the time and effort they have made to support me in my research.

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Abstract

The Russian synthetic turf market

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Key words: internationalization, entry strategy, market analysis, marketing strategy

TenCate Grass has a leading market position (yarn fibers and backing) worldwide in synthetic turf systems. While having a leading market position worldwide, TenCate Grass does not have enough knowledge about the Russian market for synthetic turf systems. In the current situation they are a small player on the Russian market and the purpose of this study is to provide TenCate Grass an in-depth analysis of the Russian market and a strategic advice to increase their market share. Therefore, the main question in this study is:

"In what way can TenCate Grass penetrate the Russian market for synthetic turf systems?"

Combining different literature, a model has been developed to do an in-depth analysis of a country and industry. The data to complete the information needed for the model is retrieved by doing a case-oriented analysis. For this research primary as well as secondary information is gathered.

The Russian synthetic turf industry appears to be a rapidly growing industry because of the investments made in the past years and the upcoming big events such as the Olympic Games 2014 and the FIFA World Cup 2018. The country's climate also provides a constant need for artificial turf and as the economy in Russia continues to grow this rapidly, more budgets will be available for implementing synthetic turf pitches.

For successful business in Russia it is important to find local partners that can support you. The Russians have a complex bureaucratic system and a local partner can do the certification and registration work for you. Another advantage is they have knowledge and specific understanding, which can help building your network in Russia.

If TenCate manages to exploit their partnerships' activities in Russia and to create more brand awareness, the next step would be setting up a local office, for better control in Russia. In this way growth, production and marketing activities can be controlled.

Samenvatting

De Russische kunstgrasmarkt

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TenCate Grass heeft wereldwijd een leidende marktpositie (vezels en backing) voor kunstgrassystemen. Ondanks dit wereldwijde marktleiderschap, heeft TenCate Grass niet genoeg kennis van de Russische kunstgrasmarkt. Op dit moment zijn ze in Rusland slechts een kleine speler op de markt en het doel van dit verslag is om TenCate Grass te voorzien van een uitgebreide analyse van de Russische kunstgrasmarkt en een strategisch advies om hier actiever te worden. De hoofdvraag luidt als volgt:

"Op welke manier kan TenCate Grass doordringen op de Russische kunstgrasmarkt?"

Door verschillende literatuur te combineren is er een model ontwikkeld om een grondige analyse te doen van een industrie in een bepaald land. De data om het model te vullen is verzameld doormiddel van een casus georiënteerde analyse. Voor dit onderzoek is er gebruik gemaakt van zowel primaire als secundaire data.

De Russische kunstgrasindustrie blijkt een snel groeiende industrie te zijn vanwege de investeringen die de afgelopen jaren zijn gemaakt en de aankomende grote evenementen zoals de Olympische Spelen en het WK voetbal. Het klimaat in het land voorziet van een aanhoudende vraag voor kunstgrassystemen en Rusland kent een sterk groeiende economie, waardoor er meer geld beschikbaar komt voor het aanleggen van kunstgrasmatten.

Om succesvol zaken te kunnen doen in Rusland is het vinden van lokale partners die je kunnen ondersteunen van groot belang. De Russen kennen een ingewikkeld systeem en een lokale partner kan helpen bij certificering en registratie van documenten. Een bijkomend voordeel is dat deze partners kunnen helpen bij het uitbreiden van je netwerk in Rusland, door de specifieke kennis die ze hebben van de markt.

Als TenCate Grass er samen met hun partners in slaagt om hun activiteiten in Rusland uit te breiden, is de volgende stap het opzetten van een lokaal kantoor. Dit is nodig om gecontroleerd door te groeien en meer controle te houden over marketing activiteiten.

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1. Introduction

1.1 Introduction

International strategy is concerned with the way firms make fundamental choices about developing and deploying resources internationally. International strategy involves decisions that deal with which products or services to offer, which markets to enter, and how to compete. The goal is often to achieve and maintain a unique and valuable competitive position, in other words, to create a competitive advantage. This can be done by performing activities different from competitors or perform the same activities in different ways. When entering foreign markets companies often get confronted with a set of complex environmental factors that influence their strategy. (Ball, Geringer, Minor, & McNett, 2010)

Entering a complex industry in a complex market requires a strategic plan, to make sure there is understanding of the business, the strategy, the assumptions behind the strategy and the environmental pressures. To capture the process of entering a complex foreign market and developing a competitive strategy, this report will focus on the case of TenCate Grass entering the synthetic turf market in Russia. The research objective is to gain better insight in the Russian market and to give a strategic advice on how TenCate Grass can become more active on the Russian market for synthetic turf.

1.2 Synthetic turf

The global synthetic turf market has been growing and developing over the last 50 years and nowadays the current products are approaching, or sometimes even exceeding, the performance of natural grass. Synthetic turf brings together processes with issues related to sport, leisure, climatic challenges, urbanization, personal fitness and changing lifestyle choices. Out of this mix emerge great opportunities for a broad range of participants in the entire value chain. (AMI consulting, 2012)

Synthetic turf is increasingly being defined by its end application and this leads to, for example, other requirements in sports and in landscaping. Differences in the requirements exist because of special demands regarding the used yarn, the way of backing the yarn and the infill that is used. The next figures show an example of a landscape synthetic turf system and a sports synthetic turf system.

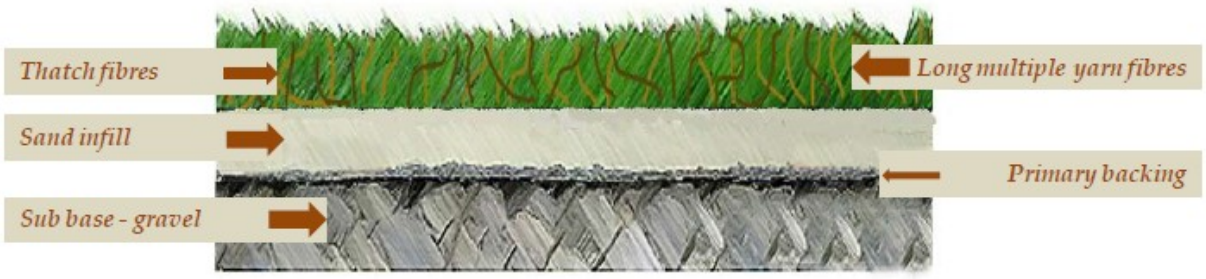

Figure 1: Example of a landscaping system (AMI consulting, 2012)

Figure 2: Example of a sports system (AMI consulting, 2012)

The figures show that a synthetic turf pitch consists of several different layers and in each layer there are many options to choose from. The big amount of different combinations that can be used makes it possible to create a suitable solution for nearly each purpose. The figures also show where the cooperation of a broad range of participants starts, regarding the production and installation of a synthetic turf pitch. There are only a few companies that active trough the entire value chain of synthetic turf, in other words, there are a few companies that produce the needed yarn, provide the backing, produce the infill and install the whole pitch. Therefore, cooperation within the value chain is necessary.

1.3 TenCate Grass

Royal TenCate is a multinational company which combines textile technology with chemical processes in the development and production of functional materials. TenCate is divided into two sectors:

1. Advanced Textiles & Composites (spinning, weaving, coating, fabric impregnation and laminate pressing)
2. Geosynthetics & Grass (extrusion of synthetic fibers such as PP and PE, weaving and non-woven technology).

The sectors are subdivided into market groups. Each market group is a cluster of subsidiaries which co-operate in research & development, production, end-user marketing and sales. The focus of this report will be on the TenCate Grass sector.

TenCate Grass has a leading market position (yarn fibers and backing) worldwide in synthetic turf systems. In the value chain, the upstream activities of TenCate Grass are positioned almost at the beginning. Strategy reinforcement takes place continuously in all cornerstones of the strategic framework (value chain management).

Figure 3: Value chain TenCate (Royal TenCate, 2012)

The industry is in a phase in which the supply and demand sides of the market are developing strongly. To maintain the leading position on the market, TenCate Grass pursues an active strategic policy. With production

facilities in the United States, the Netherlands and Dubai, TenCate Grass has established a cost effective way of production, with a focus on volume production in the Middle East. Within this strategic policy, TenCate Grass also has paid a lot of attention to downstream activities. Part of these downstream activities is the establishment of several strategic alliances with key suppliers of synthetic turf systems (Greenfields, Edelgrass, and Tigerturf). Efforts to achieve collaboration within the value chain allowed greater control of the entire manufacturing process. Quality assurance throughout the entire chain is of prime importance in this, as there is growing awareness of quality in the marketplace. This collaboration has also made a joint contribution to such aspects as environmental impact and sustainability concepts and to the recycling of sports fields. Companies within the downstream activities of TenCate retained their commercial identity, because to an increasing degree market segmentation is being determined by technical characteristics, quality, price, etc. By maintaining these strategic alliances, TenCate also aims to achieve optimum geographic coverage with a broad product portfolio based on a differentiated brand policy for all sports and landscaping markets, thus ensuring that a direct relationship is maintained with end-users. (Royal Ten Cate, 2013)

1.4 Performance TenCate Grass

The TenCate Grass sector has been growing for several years, but shows a small decline in revenues the past few years. This is partly due to a decrease in sales in the European sports market. The southern European market in particular fell sharply as a result of the economic problems.

A positive factor is that the market is increasingly distinguishing and appreciating quality differences. The strong and reliable distribution channel of TenCate Grass is an important factor for success. As a quality brand, TenCate pursues continuous improvement in the quality and sustainability of synthetic turf pitches. Thanks to innovative solutions TenCate can meet the worldwide structural growth in demand for synthetic turf.

Although the overall market situation in most countries in Europe and elsewhere remains sluggish, the market is developing steadily. It is expected that the synthetic turf industry will consolidate further with a growing emphasis on quality and durability, as the level of knowledge among end-users is rising. Further penetration of the synthetic turf market is expected, partly having regard to the considerably lower maintenance costs compared to natural grass. The landscaping market is also growing steadily. Water scarcity and ease of maintenance are key drivers in this market.

To maintain the strong position TenCate Grass has worldwide a slight shift in strategy can be identified. Figure 4 shows the strategic developments in the past years:

Figure 4: TenCate - Strategy, Focus, Product (Royal Ten Cate, 2013)

Because of the growing emphasis on quality and the increasing knowledge among end users TenCate Grass needs to adjust their strategy to keep meeting the needs of customers. The current strategic shift TenCate Grass finds itself in is a shift from a buy & build strategy to a Marketing & Sales strategy.

1.5 Thesis overview

An overview of the thesis is presented to simplify the reading:

- *Chapter 1: Introduction*
  This chapter contains an introduction of the topic of this report and a brief description of the company division, TenCate Grass.
- *Chapter 2: Problem analysis*
  In this chapter the research problem will be presented. The research questions will be introduced and the research objective will be discussed.
- *Chapter 3: Theoretical framework*
  Literature about Russia, entering foreign markets, analyzing markets and strategy will be discussed and combined in an operational framework that can be used as a tool to gather the needed information before entering the synthetic turf market in Russia.
- *Chapter 4: Methodology*
  The way of gathering, analyzing and processing information will be discussed in this chapter. The methodology will describe in what way the research problem will be tackled.
- *Chapter 5: Findings & discussion*
  In this chapter the gathered information will be thoroughly discussed. This chapter contains the analysis of the situation of TenCate Grass, the Russian synthetic turf market, environmental factors and possible strategic decisions.
- *Chapter 6: Conclusions & recommendations*
  This chapter will present the conclusion of this report. Research questions will be answered and a strategic advice will be presented to TenCate Grass and possibilities for future research will be discussed.

2. Problem analysis

2.1 Research problem

While having a leading market position worldwide, TenCate Grass has not enough knowledge about the Russian market for synthetic turf systems. In the current situation Bamard is the market leader in the Russian synthetic turf market. Bamard started turf production in early 2010 and also has in-house yarn capability. They are not dependent anymore on yarn components offered by other companies, because of their own production capability. Being a Russian company with in-house production and operating in Russia, they have a big advantage on the Russian market. Besides Bamard, there are many other (smaller) players involved in the Russian synthetic turf industry. TenCate Grass wants be more active on the Russian market and searches for possibilities to increase their market share.

The research objective is to gain better insight in the Russian market and to give a strategic advice on how TenCate Grass can become more active on the Russian market for synthetic turf systems. The main research question can be formulated as follows:

"In what way can TenCate Grass penetrate the Russian market for synthetic turf systems?"

To answer this question a thorough analysis is needed of TenCate Grass, the Russian synthetic turf industry, cultural aspects regarding the Russian country and developments of the competition.

The current synthetic turf market can be segmented within different parts of the value chain and as TenCate Grass is active in more than one part not only resellers should be considered, but also the end-user application. The current situation of TenCate Grass must be examined thoroughly to have a clear view of what their current market share is and how they have realized this.

To have better understanding of the position of TenCate Grass and their possibilities, there is also knowledge needed about the Russian environment. The Russian country and synthetic turf industry should be analyzed to determine what factors may affect the strategy of TenCate Grass. The aim of this part is to provide information about the different competitors and their relations within the value chain.

Summarizing the information about TenCate Grass and the Russian environment, a comparison can be made to see in what way TenCate Grass can compete in this industry. Strengths and weaknesses can be compared to determine whether TenCate Grass already has, or could create, a competitive advantage. To get a clear picture of the whole situation the role of alliances will also be included. TenCate Grass has established certain alliances and they can play a role in strategic development.

The following questions will be used to answer the main research question.

- *SQ1: What is the current situation of TenCate Grass in the Russian synthetic turf market?*
- *SQ2: What environmental factors affect the strategy of TenCate Grass in Russia?*
- *SQ3: What is the added value of TenCate Grass, compared to competitors in the Russian synthetic turf market?*
- *SQ4: What role can alliances play in the strategic developments at TenCate Grass?*

3. Theoretical framework

3.1 Market analysis and strategy

There are many different models that can support analyzing a certain market and industry and help developing a strategy. Each model has its own area of focus and therefore not all models are suitable for each case. To find the right framework that covers all the company's needs for information, a clear problem analysis (as presented in the previous chapter) is needed.

TenCate Grass needs an analysis of the Russian synthetic turf market to develop a suitable strategy. This means that the Russian country, the synthetic turf industry and TenCate grass must be analyzed. In other words; an external and internal description is needed. The companies' strategy should also be reviewed. As described in the previous chapter, TenCate Grass tends to a marketing/sales strategy. Developments in marketing/sales strategy should be examined, to see whether TenCate grass needs to change on specific points.

To combine the market analysis and strategic advice, a model should be developed that covers internal and external information about the Russian synthetic turf industry and pays attention to marketing strategy.

The next paragraphs describe different models that partially describe the needed information in this case. In paragraph 3.5 the final theoretical framework will be presented, which will be used to describe the Russian synthetic turf market.

3.2 Market screening

Market screening is a method of market analysis to determine the attractiveness of entering a new market, but also provides better understanding of an existing market. The attractiveness is measured by subjecting the market to a series of screenings based on environmental forces. (Ball, Geringer, Minor, & McNett, 2010)

This series of screenings can be divided into the following steps:

- *Initial screening:* In this screening the basic need potential of a market must be analyzed. This can be dependent on various physical forces, such as climate, topography and natural resources.
- *Second screening – Financial and economic forces:* In this screening the financial and economic forces must be analyzed. This can be done by collecting economic data to measure the relative market strengths in various areas. This is often followed by a trend analysis, to see whether future growth can be forecasted.
- *Third screening – Political and legal forces:* The elements of political and legal forces that make a market attractive (or not) are numerous. Entry barriers, profit remittance barriers and policy stability should all be considered.
- *Fourth screening – Sociocultural forces:* Sociocultural components affect businesses in several ways. To what extent it is affected depends on the country's culture. Knowledge about the culture is for example needed to prevent miscommunication in the intents of a company towards the people in a certain country.
- *Fifth screening – Competitive forces:* In this screening the market must be examined on the basis of elements of the competitive forces. Competitors, market shares, strategies, quality and pricing are factors that must be examined.

The market screening method is an effective way to analyze the attractiveness of a market, but remains very basic and besides the fifth screening it doesn't provide specific and measurable information about the competitiveness in a certain industry. Also the different screenings show big similarities with other business models:

- **First four screenings:** these screenings are comparable to a PEST analysis (Johnson, Whittington, & Scholes, 2011) and are a good way to describe the external environment.
- **Fifth screening:** a popular way of describing the competitive forces is by using the "five forces of Porter" (Porter, 1985).

3.3 Reinventing Porter's five forces model

Michael Porter's five competitive forces model has been a most influential model within business schools, but has had less appeal to practicing managers. Traditionally, Porter's five competitive forces model is very static, which diminishes its usefulness. To use this model in a more practical way, it should be combined and interrelated with other analysis tools, such as growth drivers, SWOT analyses and PEST factors. Also more attention has to be paid to market segmentations. (Grundy, 2006)

Figure 5 shows an onion model format, where Porter's five forces are integrated with growth drivers, PEST factors and the competitive position of a company.

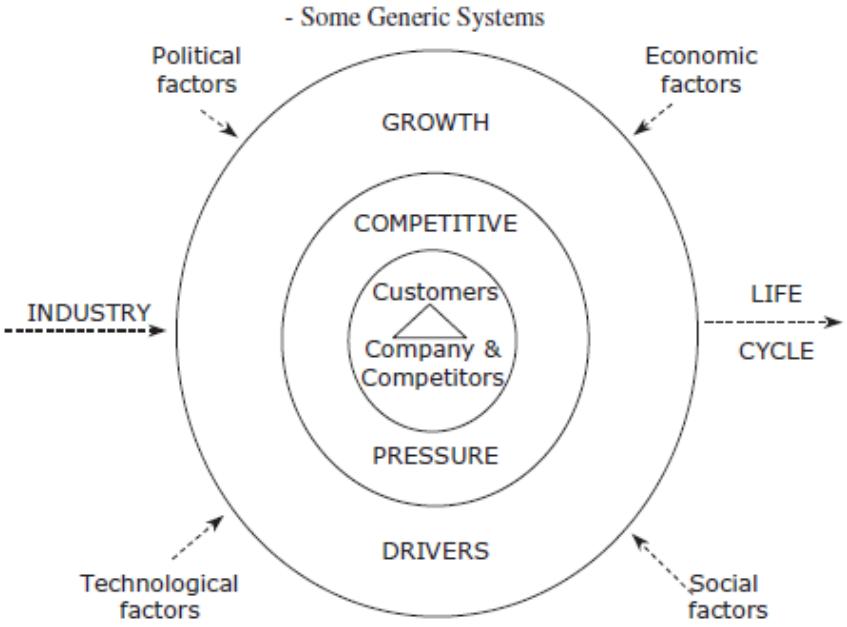

Figure 5: Onion model of the competitive climate (Grundy, 2006)

The layers in the onion are highly interdependent, which might be a very useful phenomenon for managers to learn about and to apply. For example, where the PEST factors are generally hospitable, growth is encouraged and the full impact of the five competitive forces may not be felt and may thus be latent. However, where the PEST factors become inhospitable, this will clearly dampen the growth drivers, and if the growth drivers within a particular market are themselves tightening, for example due to life-cycle effects, then this will put a disproportionate and adverse pressure on Porter's five forces, particularly in the bargaining power of buyers, and

also upon rivalry. Furthermore, a high growth environment may encourage entrants and a low one will discourage these. (Grundy, 2006)

Grundy shows that Porter's five forces can be used in a more dynamical way, by combining it with other internal and/or external factors or making the five forces part of a bigger model. Combining Grundy's findings, porter's five forces, and the market screenings leads to an extensive description of an industry and the external factors that influence it. What remains for TenCate Grass is to develop a suitable strategy that fits into their policy.

To support TenCate Grass, tending to a marketing/sales strategy, developments in the marketing/sales area must be examined. The most recent discussions in this area are about a new dominant view. This discussion started because of the findings of Vargo & Lusch.

3.4 New dominant logic for marketing

The traditional goods-centered dominant logic is losing its added value because of growing importance in major areas as market orientation, services marketing, relationship marketing, quality management, value and supply management, human resource management and network analysis. New thoughts about marketing logic show that a service-centered view identifies operant resources, especially higher-order, core competences, as the key to obtaining competitive advantage. According to Vargo & Lusch this new view on marketing logic is becoming a dominant view. (Vargo & Lusch, 2004)

Six differences between the goods- and service-centered dominant logic, all centered on the distinction between operand and operant resources, are presented in the next figure.

	Traditional Goods-Centered Dominant Logic	Emerging Service-Centered Dominant Logic
Primary unit of exchange	People exchange for goods. These goods serve primarily as *operand resources*.	People exchange to acquire the benefits of specialized competences (knowledge and skills), or services. Knowledge and skills are *operant resources*.
Role of goods	Goods are *operand resources* and end products. Marketers take matter and change its form, place, time, and possession.	Goods are transmitters of *operant resources* (embedded knowledge); they are intermediate "products" that are used by other operant resources (customers) as appliances in value-creation processes.
Role of customer	The customer is the recipient of goods. Marketers do things to customers; they segment them, penetrate them, distribute to them, and promote to them. The customer is an *operand resource*.	The customer is a coproducer of service. Marketing is a process of doing things in interaction with the customer. The customer is primarily an *operant resource*, only functioning occasionally as an operand resource.
Determination and meaning of value	Value is determined by the producer. It is embedded in the *operand resource (goods) and is defined in terms of* "exchange-value."	Value is perceived and determined by the consumer on the basis of "value in use." Value results from the beneficial application of *operant resources sometimes* transmitted through *operand resources*. Firms can only make value propositions.
Firm–customer interaction	The customer is an *operand resource*. Customers are acted on to create transactions with resources.	The customer is primarily an *operant resource*. Customers are active participants in relational exchanges and coproduction.
Source of economic growth	Wealth is obtained from surplus tangible resources and goods. Wealth consists of owning, controlling, and producing *operand resources*.	Wealth is obtained through the application and exchange of specialized knowledge and skills. It represents the right to the future use of *operant resources*.

Figure 6: Six differences between goods-centered and service-centered logic (Vargo & Lusch, 2004)

The six attributes and eight foundational premises (FPs) help present the patchwork of the emerging dominant logic. The authors present the following foundational premises:

- *FP1:* The Application of Specialized Skills and Knowledge Is the Fundamental Unit of Exchange
- *FP2:* Indirect Exchange Masks the Fundamental Unit of Exchange
- *FP3:* Goods Are Distribution Mechanisms for Service Provision
- *FP4:* Knowledge Is the Fundamental Source of Competitive Advantage
- *FP5:* All Economies Are Services Economies
- *FP6:* The Customer Is Always a Coproducer
- *FP7:* The Enterprise Can Only Make Value Propositions
- *FP8:* A Service-Centered View Is Customer Oriented and Relational

Companies developing a marketing strategy should take these developments in marketing logic in account and see if it is possible to adapt this new mindset on marketing logic.

3.5 Theoretical framework

As described before, TenCate Grass finds itself in a shift from buy & build strategy to a marketing & sales strategy. To maintain their strong position further penetration in the worldwide synthetic turf market is expected. The Russian synthetic turf market could possibly be an interesting market to penetrate or to gather a stronger position in. Combining different market analyzing theories and the new logic for marketing strategies, the framework in figure 7 is presented. Using this framework a thorough description will be given of the Russian synthetic turf industry, the micro and macro elements that can play a role when doing business in Russia and how to apply the new marketing logic in the strategy of TenCate Grass, so the company can strengthen its position on the Russian synthetic turf market.

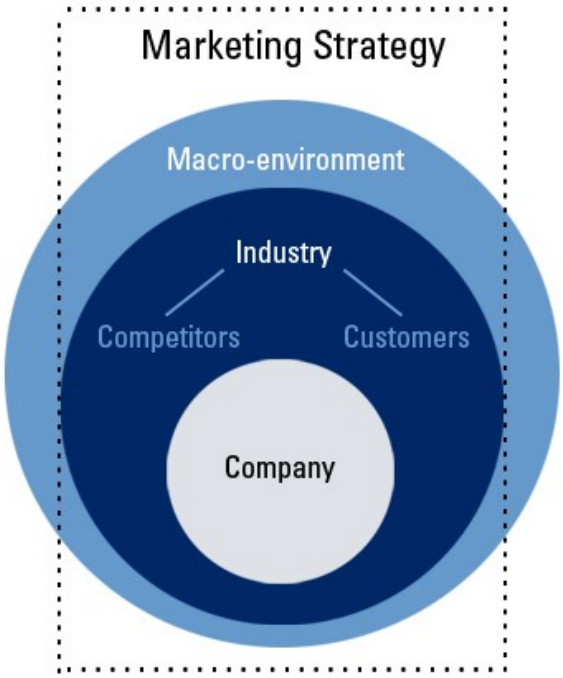

Figure 7: Theoretical framework

This framework is presented as an "onion model". The different layers represent parts that can be described separately and the marketing strategy is active throughout the different layers. The marketing strategy is dependent on the outcomes of the different layers; therefore it captures the whole "onion". This is displayed by the black dotted line around the model.

To complete the information needed for a suitable strategy, an extra dimension has been added to the industry onion; Customers. The different analyses of the internal and external environment don't provide enough information on customer's needs, which are important to develop a strategy.

For better understanding a description is given of each layer in the model:

- **Macro-environment:** The macro-environment contains external and uncontrollable factors that influence an organizations decision making and strategies. These factors can be analyzed by doing a PEST analysis. In this case the Russian country will be analyzed and factors that influence the synthetic turf market will be highlighted. Aim of this layer is to give a description of the environment a company has to operate in and to find out the need for a company's product, based on the country's climate, technology and natural resources. This layer is comparable to first four screenings (Ball, Geringer, Minor, & McNett, 2010) and the PEST factors in Grundy's model (Grundy, 2006).
- **Industry:** Aim of this layer is to describe the industry a company operates in. In this specific case the synthetic turf industry in Russia should be analyzed. Information about the industry can be completed by analyzing customers and competitors. Porter's five forces is a useful tool to provide information about the developments in the industry. To get a good overview of the competitors, market segments and cooperation within the value chain must be clarified. Analyzing competitors, their customers and using data retrieved from previous analyses form a good basis for developing a strategy. The final important part of strategy development is the customer's needs. This layer is completed with the information about the different customers, market segmentation and specific needs of customers in a certain industry.
- **Company (in this case, TenCate Grass):** Analyzing your own company can bring up the factors your company excels in and this can be used to meet certain needs within the industry. This can lead to a competitive advantage and that is what companies should aim for, when carrying out their strategy. (Vargo & Lusch, 2004)

4. Methodology

4.1 Research design

The research will be a qualitative analysis, supported by quantitative data. The purpose is to gather information about the Russian synthetic turf market and to give a strategic advice. The information about the Russian market will be gathered by doing a case-oriented analysis; an analysis that aims to understand a particular case by looking closely at the details. This kind of qualitative research involves a continuing interplay between data collection and theory. (Babbie, 2007) This type of research is different than a case-study, because here the focus will be on one particular case, namely the position of TenCate Grass in the Russian synthetic turf market.

For this research primary as well as secondary information will be gathered. Primary information can be defined as the information gathered from primary sources, which are the people within TenCate Grass, potential customers, suppliers and competitors. Secondary information will be gathered from secondary sources, such as reports, articles and other statistics about the operators in the market.

4.2 Theoretical framework: indicators

To effectively collect and process information, the developed model in the previous chapter will be used. This framework is accomplished by doing a literature review and the outcome, after adding the needed information, will be a structured analysis of the Russian synthetic turf market.

The developed theoretical framework (figure 7) contains different layers and each layer plays its own role in the complete market analysis. To process all the gathered information, each layer needs measurable indicators that describe the layer. These indicators are described per layer:

The macro-environmental layer

This layer contains information about external and uncontrollable factors. In this case; the Russian country and factors that can influence the scientific turf industry will be analyzed. The macro-environment can be described using a PESTEL analysis. The following information will be processed:

- **Political:** The stability and structure of a country's government gives a basis for interpreting future changes in the region's political environment. Policy at the local or federal level can differ dramatically. Factors that should be considered and can somehow be connected to the scientific turf industry are: bureaucracy, corruption, government type and stability, tax policy and trade restrictions. (Communication18 Ventures, 2013)
- **Economic:** Economic indicators such as GDP, GNP, interest rate, consumer sentiment and others provide understanding of the risks and opportunities available within a region. (Communication 18 Ventures, 2013)
- **Social/cultural:** Understanding the social dynamics of the region to enter will enable more efficient communication with the natives, accessing target markets, building a labor force and successfully managing teams. Knowledge of the social aspects and cross-cultural communications is important in face to face situations as well as virtual interactions. (Communication 18 Ventures, 2013)
- **Technological:** The level of technological advancement in a region can positively or negatively affect the opportunities available for a business. The proliferation of mobile technology, wireless internet,

access to electricity, internet access and transportation networks all influence the ease of doing business. (Communication 18 Ventures, 2013)

- **Environmental:** Environmental analysis involves aggregating and analyzing weather patterns and climate cycles. Environments vary drastically in different areas of the globe depending on the ecosystem of the region. Some examples are tundra, forests, deserts, grasslands, and wetlands. Also attention to the government's position on environmental issues must be paid. (Communication 18 Ventures, 2013)
- **Legal:** Legal factors embrace legislative constraints or changes such as health and safety legislation or restrictions on company mergers and acquisitions. Also laws about consumer protection and copyright/patents may play a role. (Johnson, Whittington, & Scholes, 2011)

The industry layer

In this layer information about the synthetic turf industry in Russia will be summarized. The goal is to find out what type of industry TenCate has to cope with and in what stage the industry finds itself in. A useful tool for understanding the industry is the Porter's five forces model. The following forces within the industry can be identified:

- **The threat of entry:** The threat of entry is based on barriers that need to be overcome by new entrants. High barriers mean lower threat of new entrants. Typical barriers are: industry scale, access to distribution channels and differentiation. (Johnson, Whittington, & Scholes, 2011)
- **The threat of substitutes:** the threat of substitutes is based on the amount of products or services that offer a similar benefit to an industry's products or services, but by a different process. To measure whether a product really can be considered as a substitute two factors play a role: the price/performance ratio and extra-industry effects. (Johnson, Whittington, & Scholes, 2011)
- **The power of buyers:** Buyers are an organization's direct customers, not necessarily the end-users. The power of buyers is dependent on the following factors: buyer concentration, switching costs and buyer competition threat. (Johnson, Whittington, & Scholes, 2011)
- **The power of suppliers:** The suppliers supply an organization with what it needs to produce a product of service. The next factors influence the supplier's power: concentration of suppliers, switching costs and the supplier competition threat. (Johnson, Whittington, & Scholes, 2011)
- **Competitive rivalry:** Competitive rivals are organizations with similar products or services aimed at the same customer group. This is different than substitutes. The following factors affect the degree of competitive rivalry: competitor balance, industry growth rate, height of fixed costs, high or low exit barriers and the amount of differentiation. (Johnson, Whittington, & Scholes, 2011)

After identifying these elements, the stage in the industry lifecycle can be determined. Porter's five forces give a good description of an industry, but doesn't provide the desired information for TenCate Grass in this case. As mentioned before the synthetic turf market is growing and competitive and much cooperation within the value chain exists. For better understanding of this it is needed to zoom in on two important parts of the industry, namely the competitors and customers.

Industry; Competitors

This layer identifies the different competitors in the industry. The value chain, strategic groups and existing alliances will be clarified.

- **The value chain:** An analysis of the value chain and the organization's position must be done to find out where exactly the organization finds itself in the value chain and who their direct competitors are.

- **Strategic groups:** Strategic groups are organizations within an industry or sector with similar characteristics, following similar strategies or competing on similar bases. Factors that should be identified are: the extent of product diversity, geographical coverage, vertical integration and technological leadership. (Johnson, Whittington, & Scholes, 2011)
- **Alliances:** In complex markets strategic alliances can exist, where companies in different levels in the supply chain cooperate. These alliances must be clarified for better understanding of the activities in an industry.

Industry; Customers

To successfully operate in a market, the needs of customers should be clear. Customers exist in each phase of a value chain, driven by end-user application. These end-users may have different wishes per market segment.

- **Customer types:** The different types of customers in the industry should be identified. Organization's goals should be to focus on acquiring loyal customers (especially in the synthetic turf industry). Loyal customers provide repeating income and often are a small part of customers that make up for a big part of the sales. Acquiring loyal customers is not always possible in highly competitive markets and therefore it's important to also identify the other types of customers and see whether there are possibilities to expand the business towards them.
- **Market segmentation:** All the different market segments should be clarified. Market size and expected growth rates are good indicators to measure the demand in certain segments.

Company

The previous layers provide a lot of external information. This should be completed with internal information about TenCate Grass. TenCate Grass has established several partnerships within the value chain. This is part of the downstream activities of TenCate Grass. To find out what the exact position of TenCate Grass in the value chain is including the collaborations they have established and how this relates to the Russian synthetic turf market (part of the competitors layer), interviews will be held with people from TenCate Grass, but also from Greenfields and Edel (downstream collaboration within the value chain have been established with these companies). The type of interviewing will be the general interview guide approach. The guide approach is intended to ensure that the same general areas of information are collected from each interviewee; this allows a degree of freedom and adaptability in getting information from the interviewee. The goal is to find out how the mentioned companies relate to each other and what their combined position on the Russian synthetic turf market is. Furthermore, these interviews offer a good possibility to ask about the current strategy and why certain choices have been made. The gathered information will be supplemented with data retrieved from existing reports. Summaries of two interviews with the sales managers of Greenfields and Edel can be found in Appendix A.

4.3 Strategy

To determine the strategic position of a company, a SWOT analysis can be helpful. This analysis shows what factors a company excels in and where there are possibilities to expand. The analysis also useful as a basis against which to generate strategic options and assess future courses of action.

- *Strengths & Weaknesses:* Internal factors, meant to measure the strength/weaknesses of an organization, their products and their services.
- *Opportunities & Threats:* External factors, these influence the organization. Developments in the industry are often the cause of opportunities and threats.

The analysis will provide a clear context in which TenCate Grass operates: information about TenCate Grass, the current situation, the industry they operate in and the strength and weaknesses of competitors compared to TenCate Grass. This structured information will be used to give TenCate Grass a strategic advice to become a bigger player on the Russian synthetic turf market and increase their market share.

For the strategic advice the new marketing logic view developed by Vargo & Lusch will be used. The authors radically reformulated the existing marketing logic and this attracted a lot of interest and caused a lot of discussion very quickly, but is regarded as a possible future view of marketing logic.

The strategic advice will be partially based on the extent TenCate Grass has adapted to the new view of marketing logic, because, according to the authors, adapting to this new view can strengthen their position and create a competitive advantage.

4.4 Methodology overview

The next figure provides an overview of what factors within each layer of the framework will be examined and how this will be done.

Macro environmental	PESTEL	Secondary sources: Websites, articles, reports
Industry	PORTER	Secondary sources: Websites, articles, reports
Industry; competitors	Strategic groups, alliances, direct competitors within value chain segment	Primary as well as secondary. Interviews, websites, articles, reports and other statistics
Industry; customers	Customer types, market segmentation	Primary as well as secondary. Interviews, websites, articles, reports and other statistics
Company	Position, downstream activities	Primary. Interviews with TenCate employees.
Strategy	SWOT, marketing strategy, company view	Primary as well as secondary. Interviews, websites, articles, reports and other statistics

5. Findings & discussion

In this chapter the information gathered in the different layers of the theoretical framework will be processed. Each paragraph zooms in on a layer and provides information that is needed for the complete analysis.

5.1 The macro environment

5.2 Industry

5.3 Company: TenCate Grass

5.4 Strategy

5.1 The macro-environment

Politics

In Russia, formally known as the USSR, the Communist Party ruled from 1922. In the 80s the Communist Party began to lose power and prestige, this was mainly because of a political and economic crisis. This finally led to the fall of the system in 1990. Nowadays the Russian Federation is structured as a multi-party representative democracy, containing 49 oblasts (districts), 21 republics, 10 autonomous okrugs (areas), 6 krays (territories), 2 federal cities and 1 autonomous oblast (region).

Bureaucracy

In studies by KPMG and the FIAC, foreign companies indicated that they often experience issues when doing business in Russia, caused by inconsistent, lengthy and non-transparent bureaucratic procedures. Industrial firms encountered problems around a lack of transparency during large scale investment projects. (KPMG, 2013) Another example is Stephen Dalziel, Executive director of the Russian-British Chamber of Commerce. When he asked members of the Chamber, what the biggest problem of doing business in Russia is, the most frequent answer was "bureaucracy". You have to have forms for this, forms for that, stamped and signed by the right authority, often in triplicate. (Gvazava & Ogneva, 2013)

The Russian government is aware of these problems and has suggested the creation of an anti-bureaucracy filter for business legislation as part of the country's long-term economic policy objectives. (KPMG, 2013)

Western companies like TenCate Grass may not have experience with these bureaucratic issues when doing business. It is advised to seek for people with experience to deal with these kinds of issues.

Corruption

Another known barrier to do business in Russia is the fear for corruption. Despite Russian government`s efforts to

fight corruption, its level in Russia is still extremely high. The country is on the 143rd place out of 182 countries in Transparency International's Corruption Perceptions Index of 2011 (Gvazava & Ogneva, 2013).

KPMG's study revealed that corruption is more widespread at a federal level (70% of cases) whereas it was far less at a regional level (30% of cases). A common problem for foreign businesses in many regions is that government repeatedly expects them to make further direct investments in the region, despite there being no business incentive for the firm to do so. Tax incentives are often tied to compliance with these requests, making many investors suspicious of such incentives. Some companies have even experienced government dictating which investments they have to make. (KPMG, 2013).

These numbers are alarming for companies that are planning to do business in Russia.

Regarding the situation of TenCate Grass, corruption and bureaucracy are definitely issues that can play a role. Doing business with governmental instances may lead to bureaucratic delay and corruption issues.

Hopefully in the next few years the situation in Russia will strongly improve. Upcoming big sport events, such as the 2014 Winter Olympic Games and the 2018 FIFA World Cup, attract billions of viewers and many companies are involved in engineering construction and transport. Foreign investments are welcome and such big events can lead to less bureaucracy and corruption, because of the huge amount of stakeholders. For example: the government started a program on anti-corruption monitoring for the Olympic Games from different angles (Panfilova, 2011). The pressure that the rest of the world brings on such an event makes it necessary for Russia to tackle corruption. Expectations are that the FIFA World Cup will have the same effect.

Another possible positive factor for TenCate Grass is the current Netherlands-Russia year, a year in which the Netherlands and Russia emphasize their long bilateral relations. Improving the Dutch – Russian relation with a variety of economic, cultural and social activities should lead to better cooperation between Dutch and Russian companies. Successful Dutch projects in Russia are highlighted throughout the year and this may have a positive effect on welcoming more Dutch expertise into Russia.

Economy

Currently Russia is the world's 9th largest economy, in terms of nominal GDP. The Russian economy is highly based on natural resources such as oil and natural gas, a growing consumer market and investments. To be less dependent on natural resources, Russia has invested a lot in technology, but up until now this has lead to few results. The growing consumer market has lead to an emergence of a middle class and analysts expect that this class will more than triple in the next eight years. According to these numbers, Russia is expected to become the largest consumer market in Europe by 2020. (KPMG, 2013)

GDP	2.555 trillion (USD)	**Inflation rate**	5.1%
GDP – per capita	18,000 (USD)	**Imports**	335.4 billion (USD)
GDP – per sector	Agriculture: 7.9% Industry: 36% Services: 64,7%	**Main import partners**	China 15.5% Germany 10% Ukraine 6.6% Italy 4.3%
Investments	19.7% of GDP	**Exports**	530.4 billion (USD)
Taxes and other revenues	20.9% of GDP	**Main export partners**	Netherlands 12.2% China 6.4% Italy 5.6% Germany 4.6% Poland 4.2%

Figure 8: Key facts about the Russian economy (CIA the world factbook, 2013)

Taxes

The rate of foreign investment in Russia has grown steadily in recent years. While the Russian taxation system continues to evolve and foreign investors still face various challenges in navigating the system, it has become more stable for foreign investors. (KPMG, 2013)

Exporting to Russia remains expensive, because the government prefers in-house production. Exporting to Russia often means dealing with high duties. This way the Russian government protects its own economy without being too much dependent on other countries. For TenCate Grass this means that it should consider whether local production is an option.

Challenge

The Russian economy is growing and becoming less dependent on natural resources alone. Not only the consumer market is growing significantly, but also governmental budgets rise. Special economic zones are in construction and foreign companies are becoming more welcome than ever. Russia is becoming more attractive for many European companies, and it will be a challenge for TenCate Grass to also benefit from these developments.

Opportunities for TenCate Grass may lay in the fact that the Russian government invests a lot in technology and that the results are not yet as expected. TenCate Grass, an innovative Dutch company, may have the technology to boost the Russian synthetic turf market.

Social/cultural factors

Although there are countless definitions of culture, anthropologists view culture as the sum total of the beliefs, rules, techniques, institutions and artifacts that characterize human populations. These factors also influence business and to operate successfully in a Russian business environment, understanding of the Russian mindset on certain issues is needed.

Education

Russia has one of the most highly educated populations in the world. The country has more than 70,000 primary and secondary schools and more than 82,000 pre-schools. One of the strongest facets of the Russian education system is that a majority of the schools are in rural areas rather than urban areas, making education accessible to all areas of the country. Furthermore, the literacy rate in Russia is one of the highest in the world, at 99.4% for the total population. This high literacy rate signifies that there is a large educated workforce in the economy.

In the case that TenCate Grass chooses for local production, it should be able to find well-educated local workers. It is a positive thing that the Russians are this well educated, it makes finding the right employee easier.

Hierarchy

Like mentioned before, the country has a very hierarchical structure and this kind of structure is also found on a business level. Most companies are top-down oriented and the hierarchical structure in Russian business practices means that the decision makers higher up have authority over their subordinates. In addition, Russians are very status conscious and believe in co-equals. A “deal” is often thought of from the perspective of equally shared benefit. (Communicaid Group Ltd., 2009)

As a Western company, when looking for cooperation with Russian companies it is of high importance to know with whom you are speaking. The higher the person in function is, the higher the chance is that you will get things done faster.

Individualism

The USSR was a very nationalistic country and nowadays the Russians can still be seen as a nationalistic nation. Collectivity is a big thing and for Russians there is a big distinction between "us" and "them". Within the group of "us" Russians are concerned about each other, take care of each other and show unconditional loyalty (Ketting, 2011). In the business context this means that relationships are crucial in obtaining information, getting introduced or successful negotiations. KPMG's research shows that important decisions are often taken during personal meetings and therefore partnering up with Russians and building a good relationship is crucial (KPMG, 2013). This is in line with the "us" and "them" theory.

The biggest mistake Western companies make in Russia, is taking the arrogant position of "it will be done the way we say it". This will definitely fail in Russia. Your goal should be to become (in their eyes), one of them. Only then they will fully accept you. Building relationships is crucial.

Western influence

As a consequence of nationalistic beliefs and thoughts in favor of the Russian collectivity, combined with trade barriers, bureaucracy and risk of corruption it is extremely difficult for Western companies to compete in Russia and maintain their own way of doing business. As mentioned before, the government tries to facilitate Western influence, but building relationships and joining the Russian way of doing business seems the key for being successful in Russia.

Technology

Traditionally, Russia has a good reputation on their technology sector. They achieved a lot of impressive results in the fields of mathematics, chemistry and aerospace engineering. Having this good base and remarkable success in technology, it somehow doesn't contribute much to the Russian economy yet. Nowadays, compared to the former Soviet Union, the technology of Russia is far behind other countries and the economy is too much depending on natural resources. The government invests a lot in technology, to become less dependent on these natural resources.

The science and technology system in Russia has been falling short of international standards, mainly due to the structures of the old Soviet system exerting control over scientific streams. The chief problems include language barriers, a weak network and co-ordination of activities, the lack of an active presence in international meetings, discrepancies in intellectual property rights and policies, and various political obstacles and differences among scientific bodies. (MarketLine, 2011)

The Russian government seems to be aware of this and started investing in many different projects. Besides the Skolkovo project, the government has also invested a lot in Nano technology the past few years. With all the work of science from years ago, it is very positive that Russia will take back its place of leading in the technology industry. (UKessays, 2011)

For foreign innovative companies, like TenCate Grass, it can be an advantage that the Russian technology is not as far as the western yet. Although Russian technology is growing very fast, Western expertise is welcome. Getting involved in big projects with innovative solutions can be a good way to become more active on the market.

Environment

Pollution

Russia has been suffering from the problem of environmental pollution for quite some time. In the 1990s, Russia suffered from a deep socioeconomic crisis that resulted in an industrial output decrease of 50% with no sign of any upsurge. However, contrary to the expectations and forecasts of many scientists and economists, the drop in production has not been accompanied by corresponding reductions in pollution and contamination, and the environmental situation has shown no signs of improvement. Russia is now the third largest emitter of carbon dioxide in the world, behind only China and the US. Although the government is taking environmental protection measures, Russia's nuclear reactors and the waste they produce pose a major threat to the surrounding regions. (MarketLine, 2011)

Policy

Environmental regulations have only been taken seriously in Russia since 1991. Since then, several laws have been passed, such as the Law on Environmental Protection (1991), the Law on Environmental Impact Assessment (1995), the Law on Conventional Shelf of the Russian Federation, the Law on Use of Atomic Energy, and the Law on Protection and Use of Fauna. Furthermore, the country also ratified many international conventions during this period. The government's environment policy focuses on the following areas: (MarketLine, 2011)

- strengthening the legal and regulatory framework
- fostering international co-operation and integration in environmental conservation
- building an effective compliance and enforcement system
- encouraging public participation in environmental activities
- directing investment towards environmental management and control
- incorporating advanced technologies to set standards for pollution control
- strengthening environmental monitoring systems.

For TenCate Grass it is a positive thing that the Russians started to pay more attention to pollution and environmental issues. TenCate Grass provides durable solutions for synthetic turf systems. Innovative technology has made it possible that their synthetic turf pitches can be almost completely recycled.

Climate

Russia is geographically the biggest country in the world, covering 9 different time zones and having different weather conditions throughout the country. The climate ranges from steppes in the south through humid continental in much of European Russia; subarctic in Siberia to tundra climate in the polar north; winters vary from cool along Black Sea coast to frigid in Siberia; summers vary from warm in the steppes to cool along Arctic coast.

The different conditions in the country should theoretically establish a need for synthetic turf. The country obviously has locations that are too cold or too hot to maintain natural turf pitches and synthetic turf (able to resist different weather conditions) is a possible solution for those locations.

Legal

On the way of developing and transforming itself from a communism to a capitalist country, Russia also changed its law in order to match with the new regime. The new law has a more Western approach, very systematic and market oriented. The system is not yet as desired and that also contributes to corruption issues. Russian authorities tend not to follow a consistent approach to competition, mainly due to the influence and corrupt

practices of large monopolies, which often wield power among the country's authorities. As a result, smaller companies with less influence face tough competition laws. The selective application of these laws often results in the restriction of competition. Furthermore, on a number of occasions foreign investors have experienced discrimination when attempting to obtain licenses from local authorities. In some situations, local interest groups have influenced authorities, while foreign investors have been forced to pay various fees by local governments, and have been offered less favorable terms to develop their projects. In addition, many criminal organizations in Russia have gained access to sensitive information from companies and used it against them, leading to the failure of products. These unfair practices have become a barrier to investment in the country.

Ralph Teunissen, Senior Area Sales Manager of Edel Grass, admits that winning tenders in the synthetic turf industry in Eastern Europe and Russia is highly influenced by knowing the right people.

Improvement

An interesting law for foreign companies is the next one: In order to attract more investment, the government introduced a law which makes no difference between foreigner investors and national investors. Even though there remain areas that need approval of the government in order to join a business. (UKessays, 2011)

The next step Russia has to take to become more transparent and open towards foreign companies is the reduction of bureaucratic instances. The big amount of instances that get involved in relatively simple things as signing one document are typical issues that can be covered by improving the legal system.

5.2 Industry

Synthetic turf in Russia

Worldwide the demand for synthetic turf is growing and although demand in Europe declined slightly (due to the crisis), demand in the Middle-East and Asia is growing rapidly. Expectations are that the European market will recover soon. European demand will be supported by worn out installations that need replacement. In Asia and the Middle-East, demand is forecast to grow at rates of 10% yearly.

Demand in Russia is growing strongly and much of the demand is generated by government funding. The next figure shows general data about the Russian industry. The expected growth can be found in Appendix B.

Number of natural turf pitches:	19,000
Number of artificial turf pitches:	525

Figure 9: Synthetic turf in Russia (2011)

Due to improving technology and product quality, and consequent regulatory changes, there has been significant development in the application of synthetic turf in football. In Europe there is a tendency of larger teams being willing to own their stadiums with the aim of having more control over one of their key revenue generating assets. Nevertheless, the overwhelming majority of football stadiums are publicly owned in most countries. While changing to synthetic turf often provides financial and strategic benefits relevant to both public and private owners, managers of privately-owned stadiums tend to be more focused on commercializing their facilities, so they are more open to considering the switch. Currently in Russia private ownership of stadiums is less than 10% (KPMG commissioned by ESTO, 2012), but because of the upcoming FIFA world cup in 2018 there will be more investments of the government, soccer clubs and private investors. This is a positive movement that contributes to the growth in the Russian synthetic turf industry.

Football in Russia

Football is becoming a bigger sport in Russia. Many investors get involved in restructuring the football programs in Russia. We all have seen the results on the highest level, where big clubs in the Russian football competition invest a lot of money in abroad players, to strengthen their teams and become a bigger club in Europe. These clubs also started investing in youth academies and football schools.

Another fact is that in the past 8 years the Russian national team had two Dutch football trainers, which have tried to restructure football in Russia and implemented the Dutch youth scouting system and made the government and football union invest in youth academies. The Russian climate contributes to the need for synthetic turf in these kinds of facilities.

All these investments and facilities have contributed to a growing synthetic turf market. Not only football, but other sports also started investing in better facilities.

With these developments in the past years and the upcoming events in the future, the expectation is that there will be a big growth in the demand of synthetic turf pitches. Appendix B shows that in football there will be a growing demand for synthetic turf of different instances.

FIFA world cup 2018: Responsible bodies

Regional organizing committees will be established in the majority of the regions hosting the 2018 FIFA World Cup. Up until now the committees were established only in some of the host cities. The responsibilities of the regional organizing committees are still to be clearly defined.

After the federal program of preparations for the 2018 FIFA World Cup is adopted, it is expected that the structure of responsible bodies will be streamlined. Also the division of responsibilities among the federal and local authorities and non-commercial bodies will be made clearer. An overview of what is known about the responsible bodies and their relationships can be found in Appendix C.

The FIFA world cup 2018 will definitely cause a boost in the synthetic turf industry; it's only hard to measure right now what exactly the effect will be. One thing is sure and that is that there will be many new pitches installed. According to Sergei Fursenko, head of the Russian Football Association, there will be drastic changes. The changes include upgrading existing stadiums and building indoor football arenas and reserve stadiums with synthetic turf systems suitable for hosting games throughout the year. The estimated budgets for these upgrades are 324m dollars (CCGrass, 2010).

According to Ben aan de Stegge (sales manager Greenfields), expectations are that after the Olympic Games in Sochi (2014) there will be more clarity about the preparations for the World Cup 2018. This is because the staff organizing the World Cup 2018 will mostly consist of the same people that are organizing the Olympic Games in Sochi (Russian Football Union (RFU), 2013).

Customers

Market segmentation by end-user application

The following major end-use application of synthetic turf can be defined (AMI consulting, 2012):

- Non-contact sports which is defined to include hockey, tennis, paddle tennis, baseball, golf, indoor sports
- Contact sports, which includes soccer, American football, rugby

- Leisure which is defined as residential applications and product brought through "do it yourself" channels. Installation may either be paid or self-installed
- Landscaping which is defined as municipal and commercial applications. This can be hotels, schools, institutions, sports landscapes

Customer types

The biggest end-user customer group of TenCate Grass is governmental (Figure 10). Governments mainly invest in sports and landscaping.

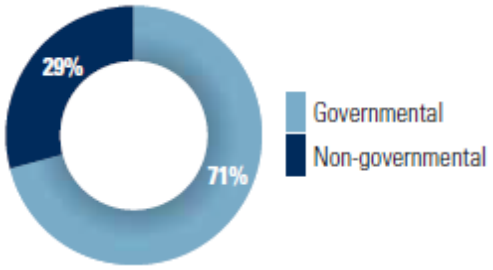

Figure 10: Revenues by customer group (Royal Ten Cate, 2013)

The customers TenCate Grass deals with in this industry are loyal, need-based customers. These customers are product specific and only tend to buy items to which they are habitual or have a specific need for them. These customers revisit the organization over times hence it is crucial to interact and keep in touch with them on a regular basis and invest much time and effort with them. These customers should be handled positively by showing them ways and reasons to switch to other similar products and brands and initiating them to buy these. These customers could possibly be lost if not tackled efficiently with positive interaction. (Management study guide, 2013)

To convince customers of switching to newer and better products, constant innovation is necessarily. Up until now the Russian customers tend to choose for cost-effective solutions. In the Russian football industry quality is important, but as long a pitch meets the FIFA standards, its fine. This may change because of growing needs in durable and recyclable products. The end-user may not experience any difference between the durable and less durable synthetic turf pitches, but the governmental instances are the ones that decide on what pitches to install. If the country really is going to consider environmental issues, an advantage may arise if companies can offer durable and recyclable synthetic turf pitches.

Power of buyers

Buyers are the organization's immediate customers, not necessarily the ultimate consumers. TenCate Grass finds itself at the beginning of the value chain and their direct customers are mostly tufters, weavers and value added resellers (e.g. installers, marketing organizations).

There are many companies active in the synthetic turf industry and therefore it is easy to switch between suppliers. Still, this doesn't make the buyer power very big in this industry, because the buyers are not concentrated and in this growing environment, suppliers will find another buyer easily.

What does bring a big risk is that buyers start to supply themselves. This happened with a very big customer of TenCate few years ago, namely Bamard. Bamard started in-house tufting in 2010 and this made them independent of TenCate Grass. TenCate lost a big customer and Bamard (a Russian company), started taking over the Russian synthetic turf industry.

It is very difficult to measure the exact power of buyer in the Russian industry, because (as mentioned before) your network in Russia plays a big role. Many relationships between companies are built on trust and this makes the chance that a buyer chooses another supplier relatively small.

Power of suppliers

There are few possibilities to acquire the needed raw materials to make synthetic turf yarn. But prices for this seem to remain constant for years. Because of this, the power of suppliers of raw materials is not really important in this industry. The next step in the value chain is the supplying of yarn.

As TenCate Grass finds itself nearly in the beginning of the value chain, it may be considered as a supplying company itself. TenCate usually provides the yarn needed to make synthetic turf pitches.

Competition

Current situation

The Russian synthetic turf market is dominated by Bamard and Fieldturf seems to have a relative big market share also. Bamard is a Russian company with in-house tufting. This is definitely an advantage on the Russian market, where governmental instances prefer Russian companies. Fieldturf is originally an American company. They established their market share in Russia trough partnering with a Russian company that has good connections with the RFU (Russian Football Union), namely: Intersportstroy. Other foreign companies also seem to partner up with local companies. Greenfields, partner of TenCate Grass, has a small share in the Russian market and cooperates with several local companies, namely: Adiana Sport Stroy, Most City, Crumb, Alpha Engineering. (Greenfields, 2011)

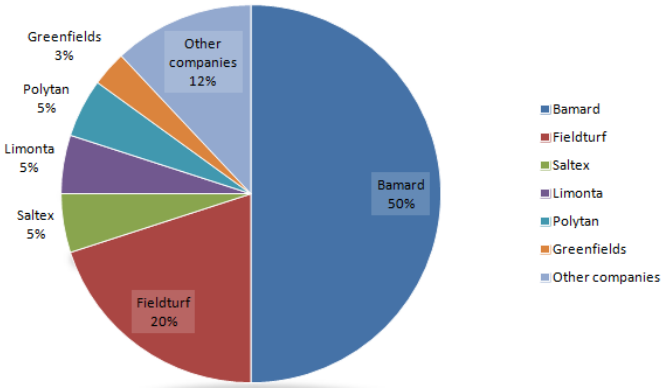

Figure 11: Market shares in Russia (Greenfields, 2011)

In the figure, Edel (another partner of TenCate Grass) belongs to the "other companies" with a share of 2%.

Numbers are based on a research by Greenfields in 2011. According to Antoine Engels, Senior sales manager of TenCate Grass, the numbers haven't been subject to big changes and are still credible.

Threat of new entrants

The current developments in Russia cause a high growth environment and this is often attractive for new entrants to the industry (Grundy, 2006). The numbers show that there are a few big companies that dominate the market right now. Other smaller players in Russia, but bigger players worldwide, have achieved small shares on the Russian synthetic turf market. Although the synthetic turf environment can be considered as a high growth environment due to the upcoming events, completely new entrants into the industry are unexpected. Like mentioned before there is no company that is active trough the entire value chain, in other words, there is no company that produces the needed yarn, provides the backing, produces the infill and installs the whole pitch. Cooperation and partnering within the value chain is necessary and the way of business in Russia (knowing the right people) makes cooperation even more important. Because of the established partnerships, the need for cooperation and the growing market, new entrants are unexpected and the focus for TenCate should be on exploiting current activities of their partnerships.

Threat of substitutes

Synthetic turf is, in most cases, a substitute for natural grass. It is increasingly becoming popular because of its added advantages and low maintenance features.

Managing the grass for sports purposes is becoming tougher because of its rough use. Watering and cutting huge grass playgrounds from time to time demands a good amount of human labor and time. Soil quality and water resources are necessary essentials that are required to maintain the grass lawns. With increasing sports events and little time to restore the grass growth it becomes tougher to maintain it.

Whether it is maintenance sports grounds or landscaping artificial turf lawn is becoming more popular as a substitute to natural grass. (arturf, 2012)

There is no threat of substitutes for synthetic turf. Synthetic turf is becoming more and more a substitute itself for natural grass.

Competitive rivalry

Though there are no substitutes for synthetic turf, there are differences in the different kinds of synthetic turf. Not only different market segments exist, but also different solutions for same purposes.

- **Competitor balance:** There is already a big amount of companies that are competing on the Russian market and this amount will only be growing, because being involved in the organization of a FIFA world championship is a very attractive foresight. This makes the competition very rivalrous. Expectations are that companies will try to dominate through aggressive price cuts for example.
- **Industry growth:** As mentioned before, the industry is growing rapidly worldwide and synthetic turf is becoming more and more a substitute for grass. The upcoming events in Russia will contribute to this growth and give a boost to the Russian synthetic turf industry.
- **Exit barriers:** The exit barriers in the synthetic turf industry are high especially when companies have invested in plants that produce turf. This usually increases rivalry in declining industries.
- **Differentiation:** There is a lot of choice in the type of synthetic turf and each has his own advantages. In football, synthetic turf pitches often have to meet FIFA standard qualities, but nowadays most companies can meet these standards. Most companies are constantly innovating to increase the quality of their pitches, for the best experience of end-customers. Still, competing on price remains the most competitive way. Especially during the crisis, this has been key to get more customers.

Challenges in Russian football about synthetic turf

In Russia, nearly all youth football teams play and train on synthetic turf pitches. More premier league clubs start to tend to synthetic turf, because it's playable throughout the year. The pitch is ideal in the strong winters in Russia, but since 2010 problems arose in the summers. In 2010 the Russian footballers' association requested the Russian football association to stop planning matches on synthetic turf in tropical heat. Russia had experienced very hot months of July and August. In this hot weather, the temperature on synthetic turf increased to almost unbearable heats. Since then more attention is paid to suitable pitches for all kinds of weather conditions. (FIFPro, 2010)

5.3 Company: TenCate Grass

TenCate Grass has a leading market position (yarn fibers and backing) worldwide in synthetic turf systems (Royal Ten Cate, 2013). TenCate Grass can be considered as a production company and needs downstream activities. Collaboration further in the value chain makes it possible to strengthen their position and to get closer to the end-user. Combining the upstream and downstream activities made their current strong position possible.

The company and the market keep growing and (in cooperation with three employees from TenCate Grass) the following SWOT analysis is made. The SWOT analysis is focused on the Russian synthetic turf market.

Strengths	Weaknesses
• Product quality • Partners have a little share in Russia • Highly innovative products • Durable, recyclable pitches	• High price • No clear strategy • No local production • No partners in Russia
Opportunities	**Threats**
• More cooperation between different TenCate business units • Exploitation of partnerships • Upcoming big events may boost the industry	• Partners competing against each other • Bureaucracy, corruption

Figure 12: SWOT analysis

The analysis shows that TenCate Grass produces high quality products which are almost completely recyclable. Because of constant innovation TenCate Grass is able to reduce the heat on the pitch in the summers and make the pitches playable under different circumstances.

The brand awareness in Europe is strong because of the involvement of TenCate Grass has in the football world. Being the main sponsor of Eredivisie club Heracles Almelo and recently winning the tender to provide football clubs of the Jupiler League (Dutch second division) with synthetic turf pitches contribute to this. The Jupiler league is maybe not that popular in Russia, but it does show the ability and experience in big projects from TenCate Grass. The cooperation within the value chain can also be seen as strength, in this way TenCate expands its business and gets closer to the end-user. These partners are already active on the Russian market, which is positive. There is also a threat because of these partnerships. The threat is that the partners of TenCate Grass target the same customer group and in this way, are sometimes competing against each other. Another general threat in doing business in Russia remains the bureaucratic issues and corruption.

The main weak point is that there's no clear strategy for penetrating the Russian synthetic turf market. This is mainly because of the different stakeholders involved in decision making. This is a consequence of the partnerships and a clear strategy would reduce the effects of this.

Another weakness regarding the Russian market is that TenCate Grass can't compete on price, but is very innovative and able to offer higher quality products. In times of crisis, this is difficult, but as the economy gets stronger more budgets come free for quality products.

Opportunities lie in strengthen the strategy and exploiting the partnerships. Streamlining activities of partnerships with TenCate Grass would make the brand awareness even stronger. Also, TenCate Grass should cooperate more with other TenCate divisions. To name an example related to this research: TenCate Geosynthetics already has an office in Russia and have some experience in doing business in Russia. Cooperation would make starting business activities in Russia easier for TenCate Grass.

5.4 Strategy

Doing business in Russia

"This is Russia—things are different here" is a magical statement that every foreign executive daring to operate in Russia hears every day. Employees, suppliers, customers, government officials, and consultants repeat that a different business logic rules in Russia and thus doing business there requires a special approach. Research shows that foreign companies trying to create Russian-specific operating models by copying local business often fail, while foreign companies that intelligently apply (with some local adaptation) the business models that have helped them to succeed elsewhere more often flourish. Foreign businesses cannot beat the Russians at their own game but should be aware how the Russian game is played to be able to protect their right to play their game on the Russian field. (Fey f & Shekshnia, 2008)

It is obvious that Russian business culture is quite distinct from that in western nations. This is due largely to a history of collectivism, which has shaped a nation where co-operation and collaboration are standard practice in businesses. There are two main options for successful business in Russia. Cooperation with a local importer or acting as own importer and wholesaler. The biggest advantage of cooperation with a Russian partner is that he can do all certification and registration in the complex market. (Lakhtikova, 2011) This specific understanding of the market is a big advantage. On the other hand, conducting business through your own importing company also has advantages. The main advantage is that you decide your own selling strategy and that the control of marketing and distribution remains in your own hands. (Dutch Embassy Moskou, 2011)

A popular strategy of companies entering Russia is to set up a representative office in Russia, which supports the importer during the marketing process and acquiring clients. In this way, advantages of both strategies are combined. Although it must be said that this is a strategy that is usually utilized by big companies that expect to have success in Russia.

In all cases the most important factor that remains is finding a reliable partner, which can help dealing with authorities and other problems.

Corporate strategy TenCate

The shift from a buy & build strategy to a marketing strategy has caused the following implications: Every new product which TenCate develops must be linked to prevailing customer demand or new national or international standards, laws and regulations. The specifications are agreed or developed at an early stage with the customer and / or end-user. Customer demand can be met on a targeted basis thanks to the acquired expertise and technological base. The ability to anticipate changing specifications is an important competitive advantage. Ever-higher standards can be attained by exerting wide-ranging influence on decision-making units in end-markets with regard to standardization. This also has the positive effect that customers and prospects look to TenCate to fulfill new demands and requirements. Market potential is key to the solutions which TenCate supplies. The following are important indicators:

- Customer satisfaction

- Market share
- Sale volume
- Customer retention (share of wallet)
- Number of complaints and complaint handling
- Brand recognition and image

In a number of cases, TenCate operates through its customers, such as tenders. The image, reputation et cetera can therefore sometimes only be measured indirectly in the end markets. End-user marketing has among other the objective to make the contribution of TenCate and its value for end customers more visible. (Royal Ten Cate, 2013)

Marketing strategy

For TenCate Grass, part of the marketing strategy is the cooperation with Edel and Greenfields. These so called downstream activities lead to closer contact with the end-users and a bigger coverage of their market share in the synthetic turf market. As a highly innovative company, worldwide market leader and marketing oriented company TenCate should practice their marketing activities further into the value chain.

Especially in Russia, TenCate Grass won't be able to compete on price, but there is no other company in Russia that can provide the innovative yarn that TenCate Grass can. Being able to customize the yarn and providing durable solutions are examples of that. The growing economy in Russia will in time provide the possibility to choose for the best quality instead of the cheapest product. As the economy keeps growing, more budgets will come free for reorganization. To get a stronger position, TenCate Grass should practice their marketing activities through the entire value chain.

Over the past several decades discussion aroused on what defines a good market strategy. Recent literature shows that there is a shift to a new marketing logic. An important distinction within this new marketing logic is the distinction between *operand* and *operant* resources. Operand resources are defined as resources that act as primarily goods. Operant resources are resources that act upon operand resources, to create benefit. (Vargo & Lusch, 2004)

According to Vargo & Lusch, adapting to the new marketing logic is key in obtaining a competitive advantage. For TenCate Grass, which shifted to a marketing strategy, this means the following:

TenCate Grass should switch to a more service-centered view of exchange. This implies that the goal is to customize offerings, to recognize that the consumer is always a coproducer, and to strive to maximize consumer involvement in the customization to better fit his or her needs. To some extent, TenCate Grass is already doing this. Innovative products are for example tested by sports players. The cooperation with Heracles Almelo is a nice example of where players get involved into testing the synthetic turf. Only now this is a "closed" process which can be much more transparent to the outside world. The focus shouldn't be bringing a new product into the market, but the service-centered view points to opportunities for expanding the market by assisting the consumer in the process of specialization and value creation. Only together with the consumer products can achieve new heights of quality.

The service centered view also challenges marketing to become more than a functional area and to represent one of the firm's core competences; it challenges marketing to become the predominant organizational philosophy and to take the lead in initiating and coordinating a market-driven perspective for all core competences. Marketing must play a critical role in ensuring that product development management, supply chain management, and customer relationship management processes are all customer-centric and market driven. If firms focus on their core competences, they must establish resource networks and outsource necessary knowledge and skills to the

network. This means that firms must learn to be simultaneously competitive and collaborative and they must learn to manage their network relationships (Vargo & Lusch, 2004). This would mean for TenCate Grass that their strategy should be expanded through their partners Edel and Greenfields. When TenCate Grass tries to get closer to the customer, Greenfields and Edel should also make efforts to establish this.

Involving customers' needs into product innovation ultimately leads to the end-users demanding your services. This is great for brand awareness. In the Netherlands TenCate Grass has booked great marketing results because of cooperation with the Dutch hockey league and recently the Jupiler league.

In the synthetic turf industry not only cooperation with the end-user is needed. TenCate Grass is a production company and finds itself in the beginning of the value chain. Their downstream activities are crucial. TenCate Grass needs collaboration with each step further in the chain. This makes it less attractive for customers to choose for another supplier, because meeting their needs would become more difficult for other companies.

6. Conclusions & recommendations

By thoroughly describing the different layers in the onion model, a clear situational analysis has been made of the Russian synthetic turf industry, environment and strategic issues TenCate Grass has to cope with. The information leads to the next answers on the sub questions.

SQ1: What is the current situation of TenCate Grass in the Russian synthetic turf market?

TenCate Grass has a small market share through their partnerships in Russia. The Russian synthetic turf market is dominated by Bamard and Fieldturf seems to also have a decent market share. Bamard was a big customer of TenCate Grass, but since they started in-house tufting, the services of TenCate Grass were less desirable. For backing solutions Bamard still uses services of TenCate Grass, but this happens on a low level.

When TenCate lost Bamard as their big customer, they also lost a big part of their share in Russia. As a Russian company, with local production, Bamard has better connections in Russia and in a few years they managed to take over the market.

The situation now is not desirable and there are opportunities for TenCate Grass to get more active on the market. The upcoming events possibly provide a bigger need for quality, which TenCate Grass can provide.

SQ2: What environmental factors affect the strategy of TenCate Grass in Russia?

The business environment in Russia has been steadily improving since the transition from a centrally controlled planned economy to a free market, though the economic crisis has had a significant impact on the business climate. In recent years, many reforms have been implemented, the tax system has become fairer and more transparent, Russia has become increasingly integrated with global markets, and customs have improved appreciably. At the same time, the operating environment remains hazardous on a number of fronts, with many foreign investors scared off by poor legal safeguards, as well as high levels of bureaucracy and corruption. The government does try to tackle this, but still has a long way to go.

The planned economy's collectivism is still to be found in Russian business and Western companies entering the Russian market must adapt to this to achieve successful business in Russia. The main area where Russian business is centralized is in Moscow and Saint Petersburg. Western companies often set up an office in these cities, to control their activities in the Russian country.

SQ3: What is the added value of TenCate Grass, compared to competitors in the Russian synthetic turf market?

TenCate Grass delivers high quality products which meet the FIFA standards. On top of that, TenCate Grass has invested a lot in innovative solutions like 3d weaving technology and reducing the heat on the synthetic turf pitches during hot summers. These constant innovations lead to customizable end-products which can meet the most variable specific wishes. One recent example: TenCate Grass is the first company in the world that made a football/rugby field possible. It is a great example of how specific wishes can be met; two different sports that can be played on the same top quality pitch. Being able to customize their yarn and meet the high quality worldwide standards and offering constant service makes high quality a competitive advantage for TenCate Grass. This does come with a higher price, but as the market keeps growing the demand for sustainable and high quality products will rise.

Another advantage for TenCate Grass is their experience in the "football world". Winning the tender for the Dutch Jupiler League demonstrates the capability to guarantee top quality pitches and helps improving brand

awareness. With the upcoming FIFA world cup 2018, football will receive a lot of attention in Russia. More budgets will be available for investments in pitches and chances for TenCate Grass are that they will be one of the few parties that can offer the best quality.

SQ4: What role can alliances play in the strategic developments at TenCate Grass?

Alliances play a huge role in further strategic development. TenCate Grass has established collaboration within the value chain, but Greenfields and Edel kept their identities and still have their customers, which are now indirectly customers of TenCate Grass. Both companies are active on the Russian synthetic turf market and have different companies in Russia they work with. TenCate Grass should seek for possibilities to cooperate with these companies first. This can be by themselves, but also through Greenfields or Edel. Finding partners and collaborating appears to be the most effective way to do business in Russia and approaching existing partners may be the first step to realize this.

Concluding proposition

The research objective was to gain better insight in the Russian market and to give a strategic advice on how TenCate Grass can become more active on the Russian market for synthetic turf systems.

"In what way can TenCate Grass penetrate the Russian market for synthetic turf systems?"

The Analysis shows that there definitely are opportunities in the Russian synthetic turf market. The Russian economy is growing, governmental budgets rise, big investments occurred in Russian football in the last few years and with the upcoming international events such as the Olympic Games and the FIFA World cup 2018 the expectations are that business will become more transparent and the demand for synthetic turf will keep rising. Russia is becoming more attractive for Western companies and the best way to be successful is to partially adapt to, but at least understand the Russian way of doing business.

TenCate Grass should try to exploit its activities in Russia and also stimulate Greenfields and Edel to do this. The aim should be to somehow get involved in the organizations for the FIFA world cup 2018. This will cause huge brand awareness. Organization of this event will start after the Olympic Games in 2014. Until that time, TenCate Grass, Edel and Greenfields need to search for partners and possible cooperation in Russia.

Greenfields and Edel both find themselves further in the value chain than TenCate Grass. Both are dependent on production from TenCate. If TenCate Grass searches for partners in Russia (whether by themselves or through Greenfields or Edel), it should aim on finding a company with production capabilities in the ideal situation. Local production is cheaper than exporting because of the high duties the government has set to protect its own economy and makes it easier for Edel and/or Greenfields to expand their market activities. Important factor when finding these Russian partners is to convince them of the benefits in cooperation. Russian business is very focused on relationships. Building trust on short-terms may be crucial to find the right partner. TenCate Grass needs to convince their partners of the short term benefits of a cooperation which ultimately will lead to long term benefits for TenCate Grass. The upcoming events (especially the FIFA World Cup 2018) are a good short-term reason where TenCate Grass can support the Russian partner with innovative solutions for high quality systems.

Having a reliable partner in Russia also brings other advantages. These partners know how to operate in Russia and can help with the certification and registration work. They can also help in acquiring better contact with the instances that will make decisions on the big amount of synthetic turf pitches that are going to be installed in the near future. Because of the current situation in Russia, where Bamard is dominating the market, expectations are that others will be open for collaboration to strengthen their positions. Offering high quality pitches with help of TenCate Grass may be a possible way for them to achieve this.

Finding a reliable partner and cooperating gives time to create brand awareness and to expand the network in Russia. To keep control on marketing activities it is advised to visit the partners often. This helps building a good relationship and trust, which is necessary to do successful business in Russia.

In the future TenCate Grass should consider setting up a representative office in Russia. Whether it's an office of TenCate Grass, Greenfields or Edel depends on the partnerships in Russia. But setting up a local office makes contact with the Russian partners easier and gives more control on marketing activities. It also helps building trust when searching for new connections.

TenCate Grass has the experience, product quality and capacity to expand their activities to the Russian synthetic turf industry. To become more competitive in Russia they need to create more brand awareness which, in cooperation with partners, will lead to more marketing in Russia. Growing in this industry will lead to a stronger position because of the expected shift to high quality products demand, which TenCate Grass can deliver.

Recommendations for further research

The findings are based on literature, known statistics, opinions of Dutch managers that have experience in doing business in Russia and information from the Dutch embassy in Russia. Discussion may arise on the fact that this is mainly the use of one-sided information. The findings show that doing business in Russia comes together with understanding the Russian business culture and, in the best case, adapt to it to some extent. The results of the analysis show that cooperation with local distributors is necessary, but how to find these partners and whether the possible Russian partners are open for collaboration with Western companies remains a question.

Because of the current situation in Russia, where one company is dominating the market, expectations are that others will be open for collaboration to strengthen their positions. But this remains an assumption and further research for this is needed. The findings can be completed with information directly from the Russian companies, to see where and how exactly partnering is possible.

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Appendix A | Interviews with partnerships

INTERVIEW SUMMARY: Ralph Teunissen – Sales manager Edel Grass

Edel Grass

Edel Grass has over 30 years of experience in the market for artificial grass pitches and sports fields. As a seasoned player from the very outset, we provide the market with high quality systems for both sport and leisure purposes. Our artificial grass pitches for hockey, tennis and football meet the most rigorous play specifications. Together with our partners, we supply innovative and sustainable system solutions, creating an environment in which top performances and relaxation are central and talent can flourish (Edel, 2013).

Situation in Russia

The situation in Russia is very comparable to that one of Eastern Europe. Having a small share, we try to maintain our relations and we are looking for possibilities to become more active. We have one person that is actively busy to promote our company in those countries and he travels a lot to maintain our relations. The Russians find it important to meet you in person before any agreements can be made. Becoming friends is important to become successful in Russia.

It's quite an interesting job our employee has and it will be difficult to ever replace him. You see, he builds these relationships and they know him as their partner. It is very hard to find someone that understands how to partner in these countries and maintain these relations. Knowing the right people will simplify the bureaucratic processes in these countries and also helps winning tenders for bigger projects. In the ideal situation, in time, someone could go with him to maintain the contacts, so that after he quits, we won't lose our contacts.

Future prospects

Russia is becoming more interesting, because the market is growing and so is the country's economy. Also, there are big projects coming up in the country, where many companies probably will try to get involved. I have my doubts whether they will choose for a Western company, when they can also outsource it to Russian companies. Once again this shows how important relations are in Russia.

INTERVIEW SUMMARY: Ben aan de Stegge – Sales manager Greenfields

Greenfields

GreenFields is a committed organization with a long standing experience in the manufacturing, construction, installation and development of innovative synthetic turf systems. With a unique and complete in-house laboratory and strong exclusive partnerships GreenFields can offer complete synthetic turf systems for a variety of sports, making GreenFields innovative and unequalled within the sports industry.

The GreenFields dedicated team works to provide cost effective and quality products whilst also focusing on the research & development of new innovative surfaces for the international sports industry.

Through our internal test house facility we strive to develop products that match the stringent requirements of the sport's governing bodies around the world. Safety standards continue to be at the forefront of our product development, but we also take care to focus on the long term performance

Situation in Russia

I just came back from a trade mission in Russia. We have spoken to different parties about developments in the industry and possible opportunities for us to become involved in more projects in Russia. We received a lot of

information from the embassy and have spoken with sport engineering, which is going to be highly involved in the organization of the FIFA world cup 2018, RFU (Russian football union) and the Olympic committee.

There are a lot of pitches planned for installing in the coming years. I am not sure how much of this will actually be realized, but I can guarantee that there is definitely a demand for artificial turf.

Future prospects

We are actively trying to achieve something in Russia. We see opportunities when a Russian company will be able to support us. Exporting to Russia isn't very attractive because of high taxes. To succeed we might need local production. It only is hard to determine whether we can possibly do something to become more involved. I will give you an example: A few years ago there was a tender in which companies could offer their services for a big project. One of the requirements was that we had to guarantee 8 years warranty for the, to be delivered, synthetic turf pitches. Eight years should be possible but is probably the maximum a company can guarantee, so we agreed with that and made an offer. After the biddings a Russian company won the tender.

Reason that company was chosen: The Company offered a warranty of 77 years. I asked the organizing committee what we had to do to win the tender. The answer was very clear: "you had to offer 78 years". Welcome to Russia.

Appendix B | Expected growth of the industry

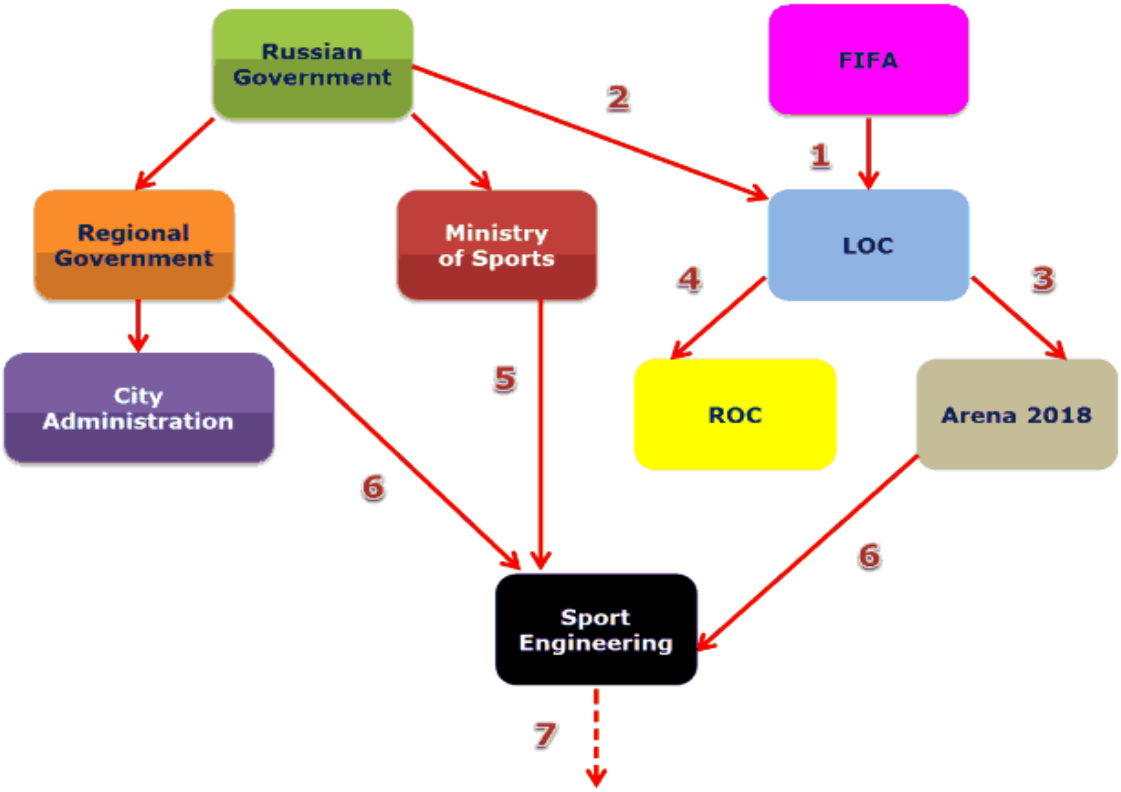
THE RUSSIAN OLYMPIANS FOUNDATION	
Expected amount of pitches to build in the next years	150-180 synthetic turf pitches

RFS (Russian Football Union)	
Expected amount of pitches to build until 2018	200-400 synthetic turf pitches

Sport engineering	
Expected amount of pitches build until 2020	>500 synthetic turf pitches

These numbers are confirmed by the mentioned companies. The numbers are based on what the company wants to realize in that period of time. These organizations are involved in the centralized projects, which are countrywide. There will be more projects in Russia, think about football clubs and investors in sports, it is hard to exactly determine what that numbers would be. But it is clear that there is definitely a need for synthetic turf to make this amount of pitches possible in the coming years.

Appendix C | Overview of responsible bodies



1 - LOC (Local Organizing Committee) is the representative of FIFA and the body responsible for preparing and staging the 2018 FIFA World Cup in Russia. LOC is a structure of FIFA, which operates in Russia. Despite the fact that LOC was created by the government of the Russian Federation, it is a non-profit organization, whose founder is the Russian Football Union. No government subsidies will be received by LOC, as it shall be independent of the host country of 2018 FIFA World Cup. It has its own structure, finances and operating budget.

2 - The governing body of the LOC is the Supervisory Board chaired by the President of the Russian Federation, Vladimir Putin, Other members include federal ministers, governors of the host regions, football authorities and business representatives. Thus, LOC reports to the Russian Government.

3 - Arena 2018 is an autonomous non-profit organization; it provides the expertise to ensure compliance with FIFA requirements, and monitors the timing and phases of the design and construction works. It was established by LOC in April 2012.

4 – ROC's (Regional Organizing Committees) are the regional representatives of LOC and the body responsible for preparing and staging the 2018 FIFA World Cup in Russia in the Russian regions where the matches will take place.

5 - Sport Engineering is run by a former Minister of Sports, Moscow region. The enterprise is officially under the jurisdiction of the Ministry of Sports of Russia. Initially the Minister of Sports, Mutko suggested President Putin to appoint Sport Engineering the only performer of all stadiums.

6 - In recent years, Sport Engineering acts as a customer-contractor of construction projects and sites in the program "Highest Achievements of Sports" (including the world's largest bases and training centers for the national teams of Russia). Sport Engineering will be reporting on the progress of the won projects to Arena 2018 and Regional Government.

7 - Sport Engineering does not have own capacities to carry out contracts. Thus, the company wins contracts, and sub-contractors will be engaged in the design of stadiums.