



SIMON • KUCHER & PARTNERS

Strategy & Marketing Consultants

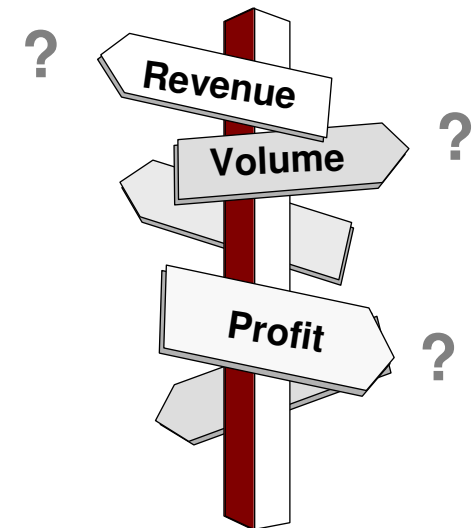
Amsterdam • Bonn • Boston • Brussels • Cologne • Frankfurt
London • Luxembourg • Madrid • Milan • Moscow • Munich
New York • Paris • San Francisco • Tokyo • Vienna • Warsaw • Zurich

New Directions: Profitable Growth after the Crisis

Views of Simon ♦ Kucher & Partners



Dmitry Sharovатов, Head of Moscow Office
Moscow, 25th of March 2010



Moscow Office

Zemlyanoi Val 9, 105064 Moscow, Russia
Tel.: +7 495 967 97 30, fax: +7 495 967 97 00
e-mail: dmitry.sharovatov@simon-kucher.com
Internet: www.simon-kucher.com

- ▶ **1. Leaving the crisis!**
- 2. What has changed
- 3. Back to profitable growth

Simon-Kucher & Partners



Simon-Kucher is the world's leading pricing and marketing consultancy. We focus on developing profitable top-line growth strategies for our clients.

Consulting areas

- Pricing/pricing process
- Brand & marketing strategy
- Value to customer
- Brand value
- Business models
- M & A support

"world leader in giving advice to companies on how to price their products."

BusinessWeek,
January 18, 2004

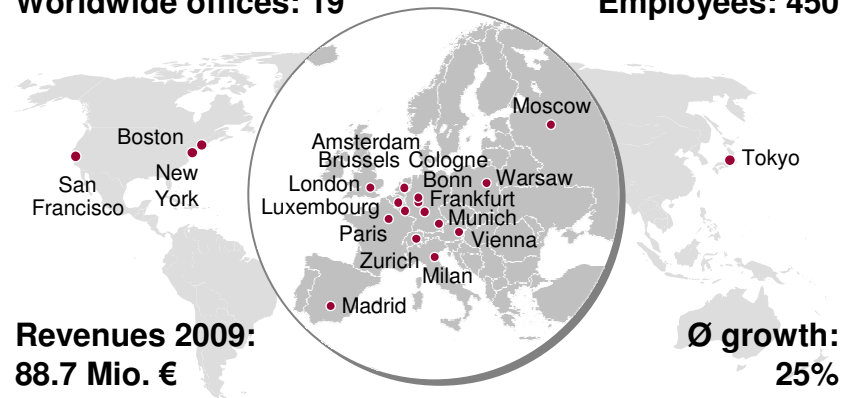
Sectors

- Automotive
- Chemicals
- Energy/utilities
- Financial services
- Industrial goods/project services
- Infrastructure
- Life sciences/health care
- Services/software
- Telecommunication/media
- Tourism
- Transport/logistics

Profile

Worldwide offices: 19

Employees: 450



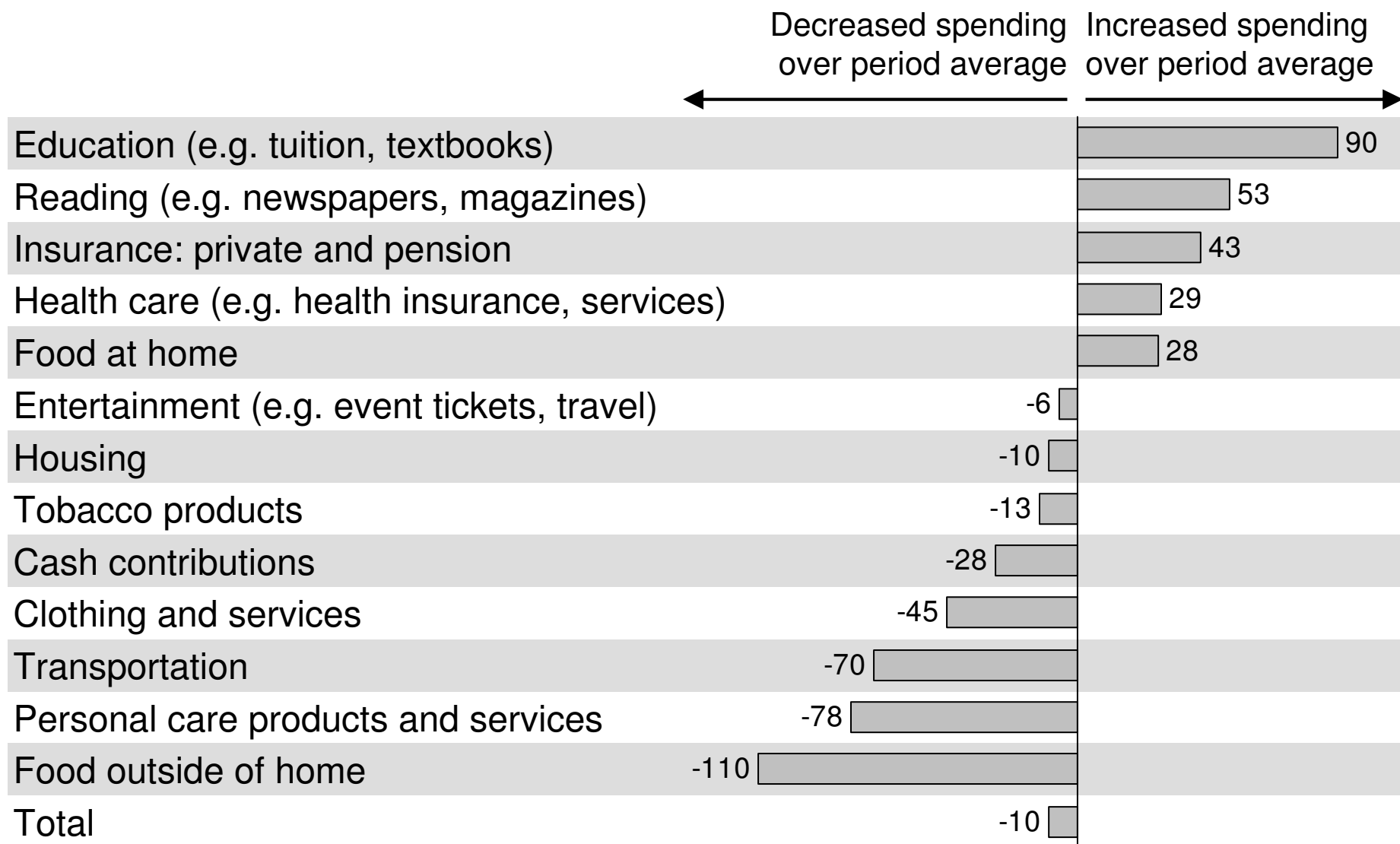
Competence ranking "Marketing and Sales"*

Rank	Consultancy	Score	manager-magazin
1	Simon-Kucher & Partners	401	
2	Boston Consulting Group	370	
3	McKinsey & Company	346	
4	Bain & Company	344	
5	Roland Berger	338	

* Source: manager magazin August 2007/IMB (Institute for Management & Consulting); Survey of 264 top managers; score maximum 500

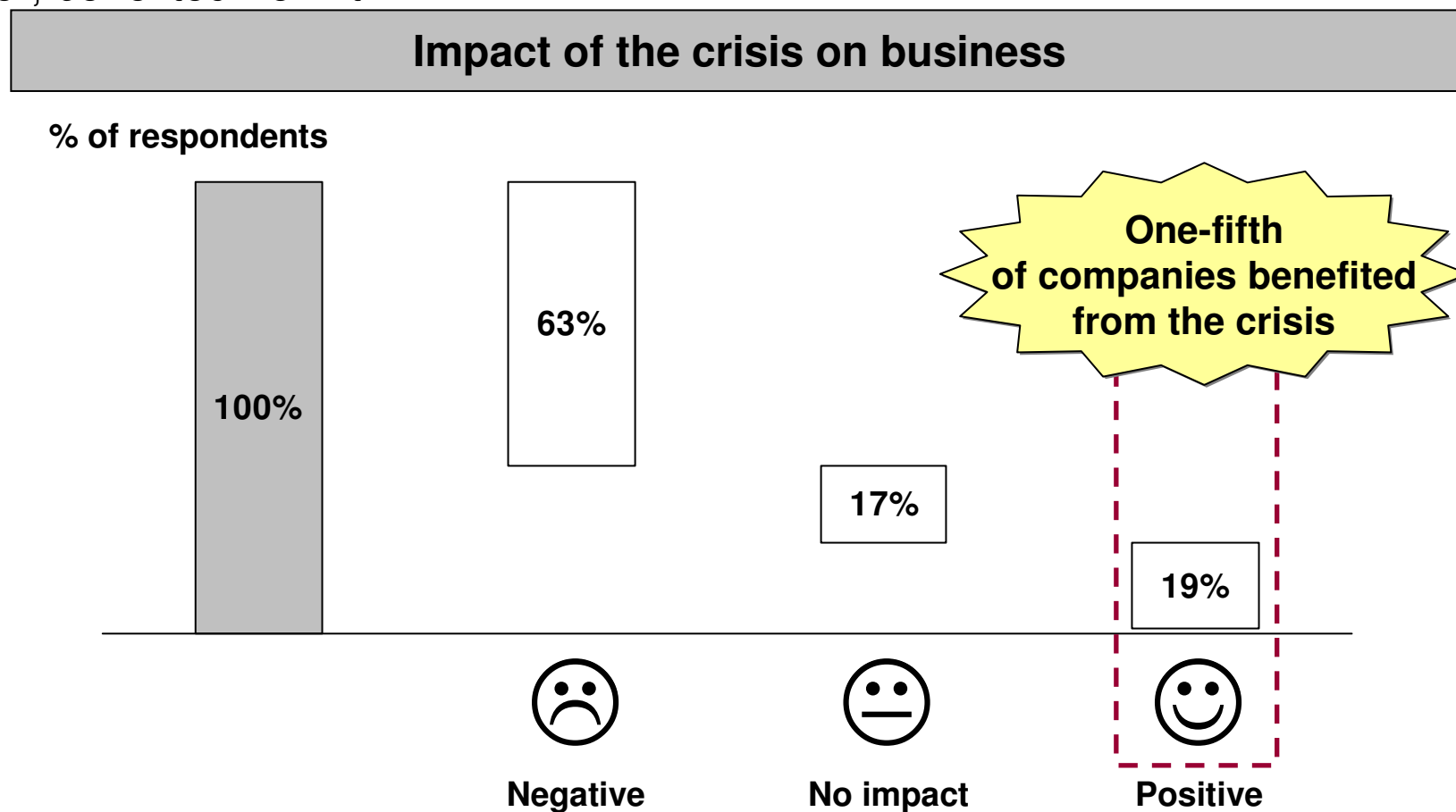
**There was neither a general crisis,
nor is there a general recovery!**

...because individual industries and subsectors reacted very differently...



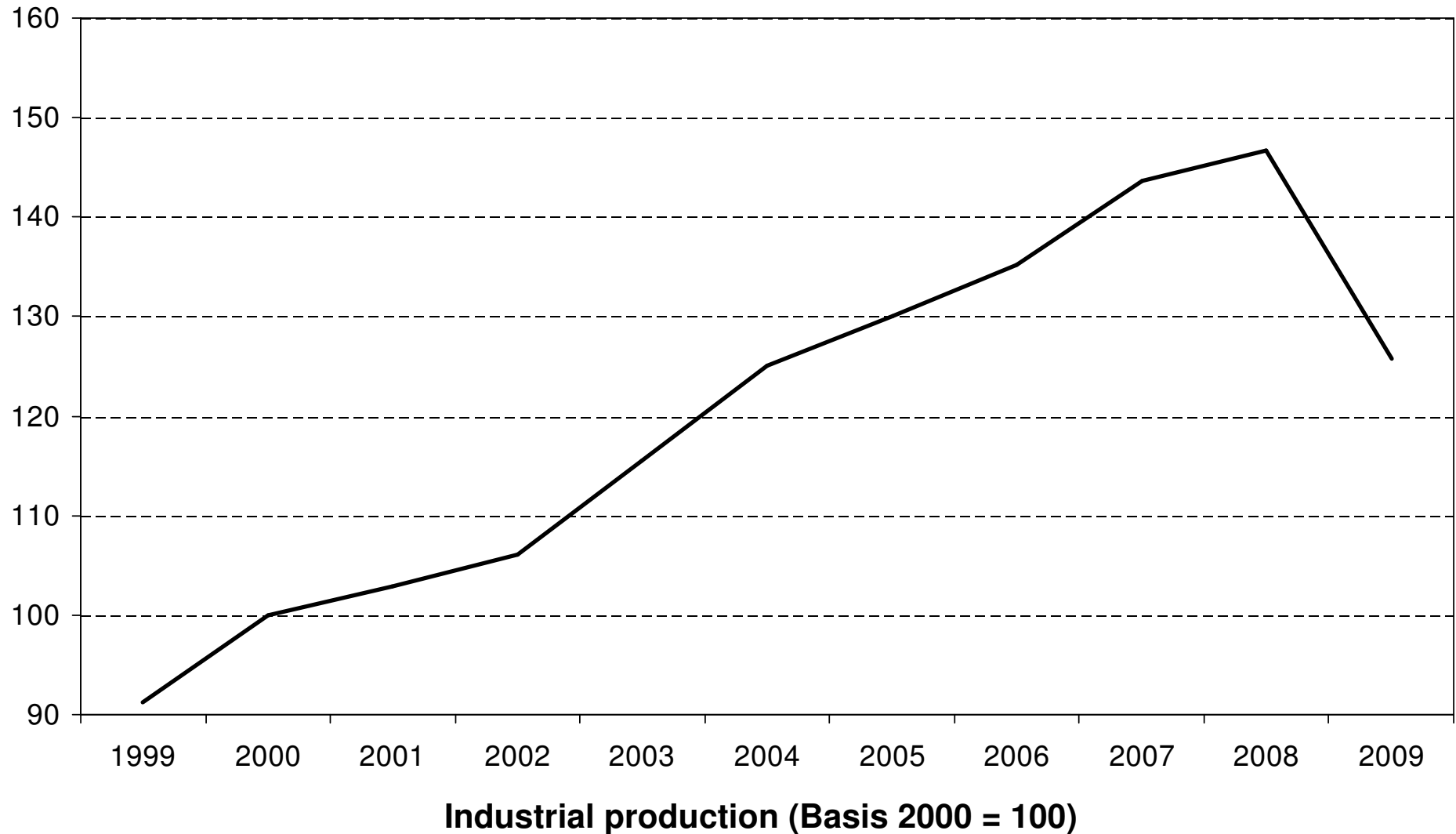
... and the reaction of the subsectors was also heterogeneous

The crisis had a damaging effect on the development of most companies. One in five, however, benefited from it.



Source – EU & CEE study of SKP. Not specified (not shown): 1%

Another problem of perception is our habit of annual comparisons

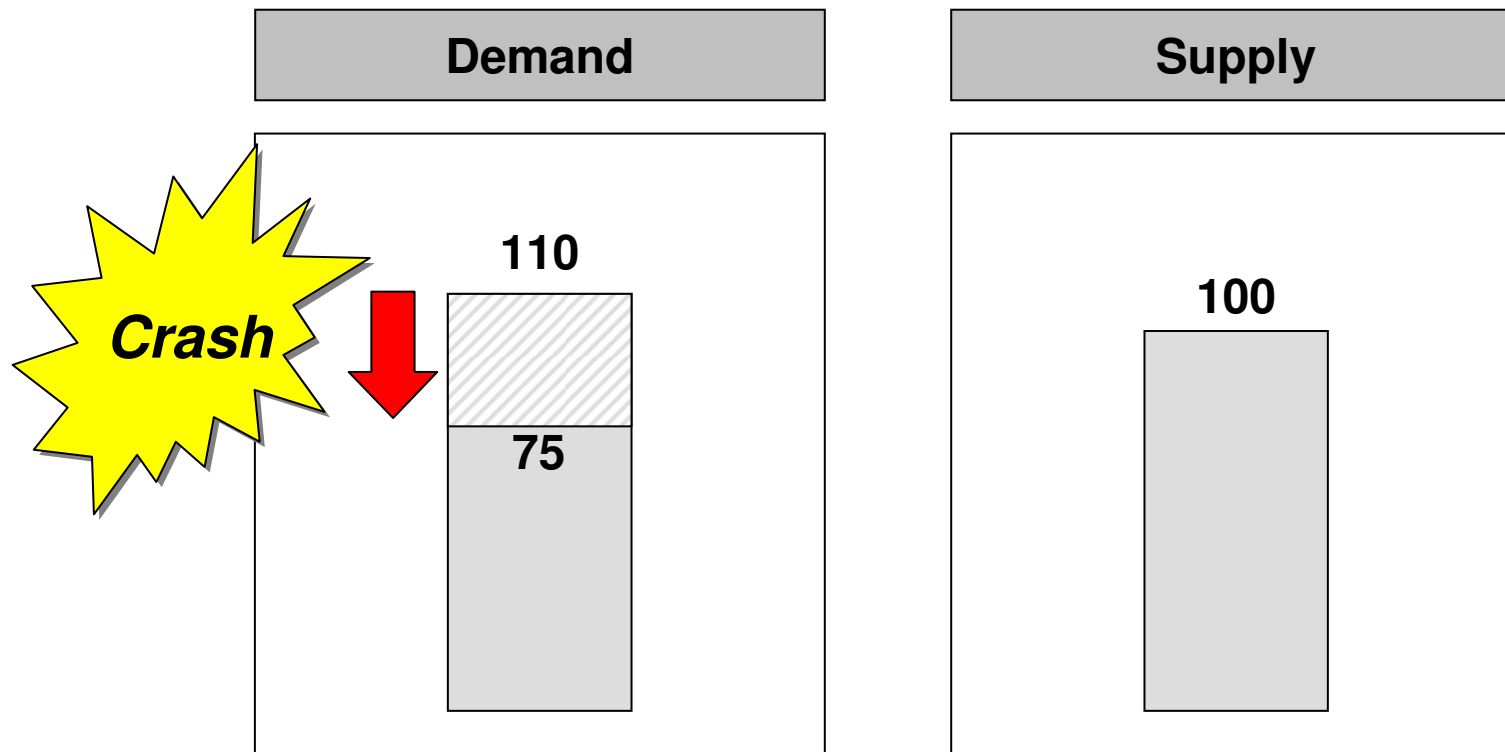


1. Leaving the crisis!

► **2. What has changed**

3. Back to profitable growth

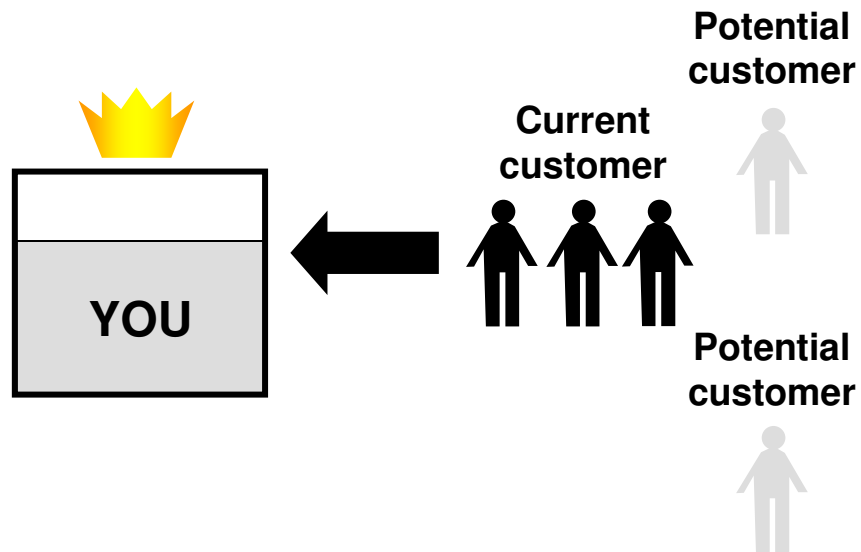
Do we understand the crisis?



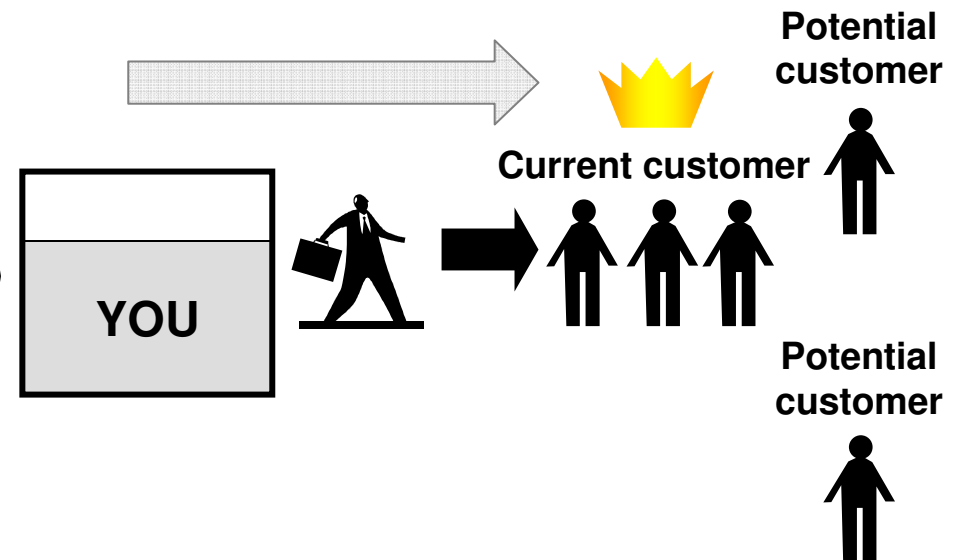
**It was a demand crisis, not a
cost crisis!**

Paradigm change on the Russian market: It is a buyer market now!

Just 2 years ago: Seller's market



Today : Buyer's market



- Fear and risk perception will prevail
- Unfavorable shift in price elasticity
- Greater importance of hard benefits and costs

- Compressed time preference
- Financing remains bottleneck
- Security gains in importance

1. Leaving the crisis!

2. What has changed

▶ **3. Back to profitable growth**

How to react on the market side?

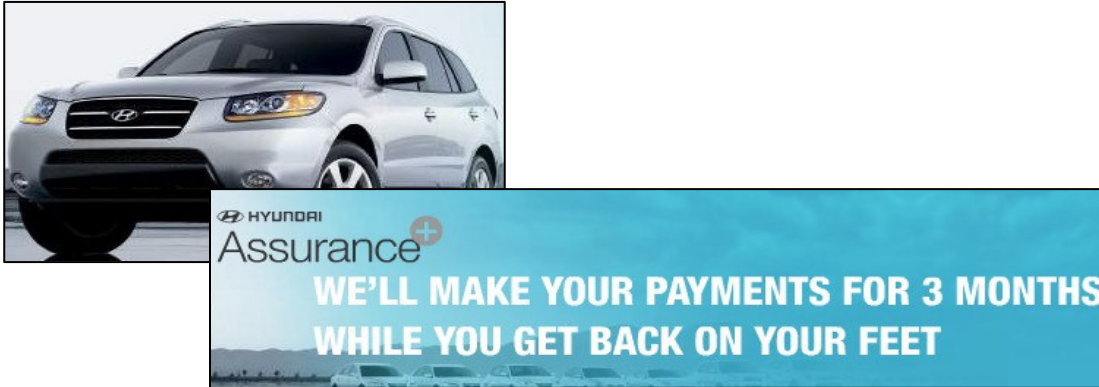
Where to act immediately



Objective: Accelerate/stabilize recovery!

Changed customer needs

Share the customer's risks and fears!



- Smart offer that **capitalizes on the customers' current fears** of losing their job
- **Cost efficient** offer, since the default risk is covered with insurance*...
- ...which is priced into the leasing rate

Market Share:

from 3.1% in 2008 to 4.3% in 2009

+27% in units in 2009

60% consider buying a Hyundai, up from 40% in 2007

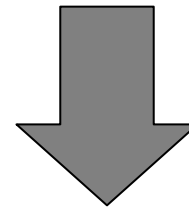
* Hyundai is offering the Assurance program in conjunction with Walkaway USA, which is underwritten by the Great American Insurance Group, based in Cincinnati Ohio.

Changed customer needs

Commit yourself to the customer's success



Price of service contract
depends on yield of wind park



86% of customers
sign a 12-year service contract

Changed customer needs



Other solutions for changing customer needs

**Share risks with
your client**

**Arrange
trial periods
for machines**

**Accept success-
dependent
payments**

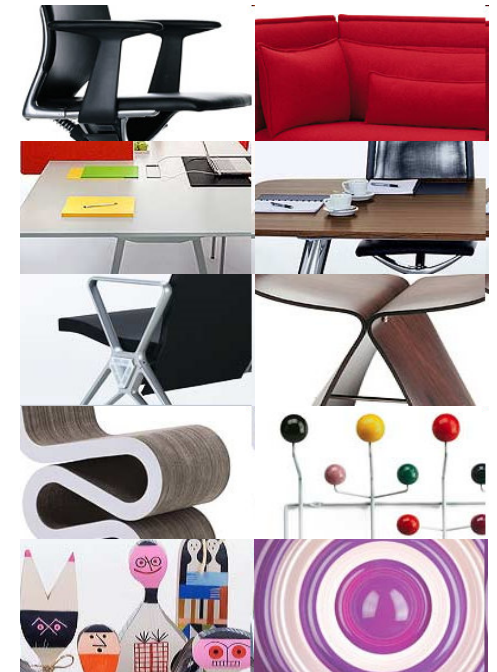
**Accept
barter trades**

**Lure customers
away from weakened
competitors**

**Develop new
business models**

Sales and sales force

1. Target stable industries and companies
2. Talk to more decision makers at trade shows/ conferences
3. Organize more customer events
4. Use internal staff for telephone sales
5. Systematically activate non-active customers
6. Gain new customers with innovative trial leasing offers
7. Promotion campaign for selected classics
8. Create an ideas board for young target groups
9. Launch "boss to boss" selling



vitra.

Source: Hermann Simon, Beat the Crisis - 33 Quick Solutions for Your Company, New York: Springer 2009.

Sales and sales force



Penetrate new markets and segments!

Company profile

STANKOWENDT is one of the leading international machine manufacturer of grinding and profiling machines



Measurements:

Focus on new segment with growing demand on domestic market – launch of new profiling grinding machine for manufacturer of gas turbine engines parts

Competitive advantages to other foreign producer on this segment:

- significantly lower costs by comparable quality and technological capabilities
- higher comfort in maintenance and operation (e.g. software in Russian, etc.)

Results (2009):

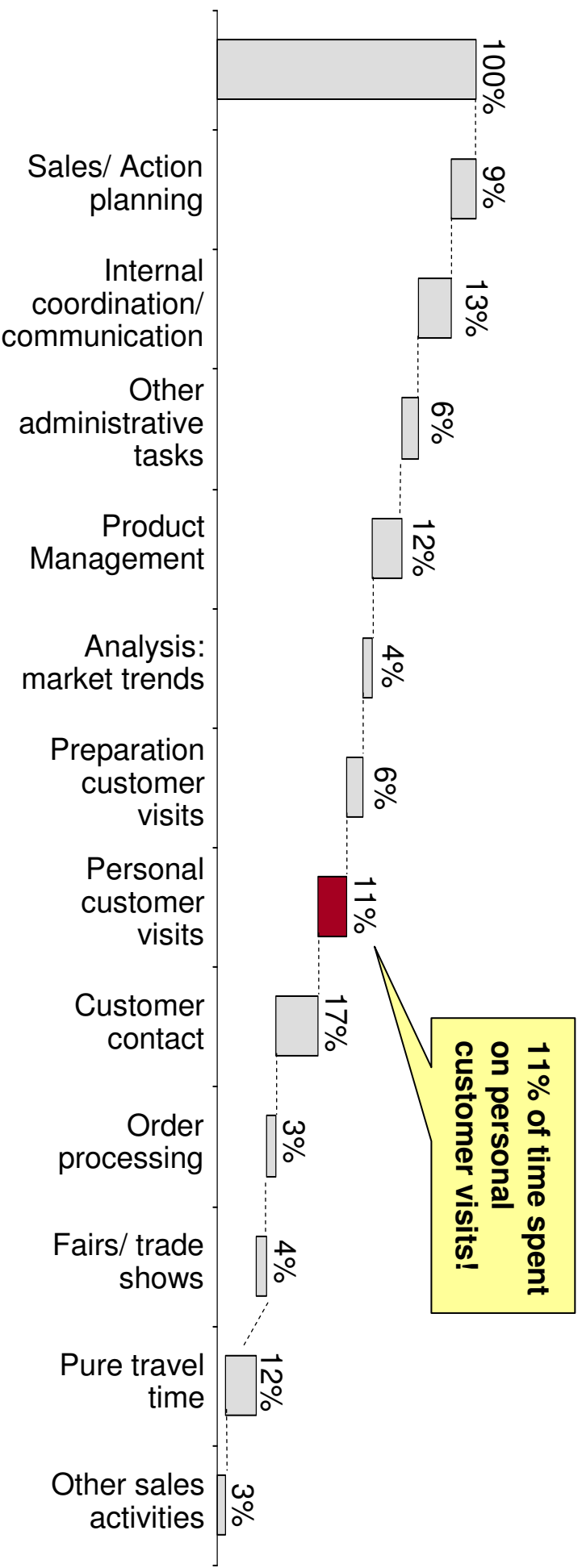
Maintained profitability despite sales decline of 32.5%



Sales and sales force

Check the efficiency of your sales force!

Time spent by sales people on different tasks



Source: SKP Project Database

Quick solutions for sales and sales force



Other solutions for sales issues

**Redeploy in-house
staff to sales**

**Strengthen
direct sales**

**Penetrate new
markets and
segments**

**Expand sales
portfolio**

**Mobilize top
sales excellence**

**Step up
cross selling**

Offering and price management

Cut volumes instead of prices!

- Champagne sales 2008: 340 mln bottles
- Champagne sales 2009: 270 mln bottles (-20.6%)
- Champagne producers destroyed 35% of harvest
- Prices have remained stable



Offering and price management

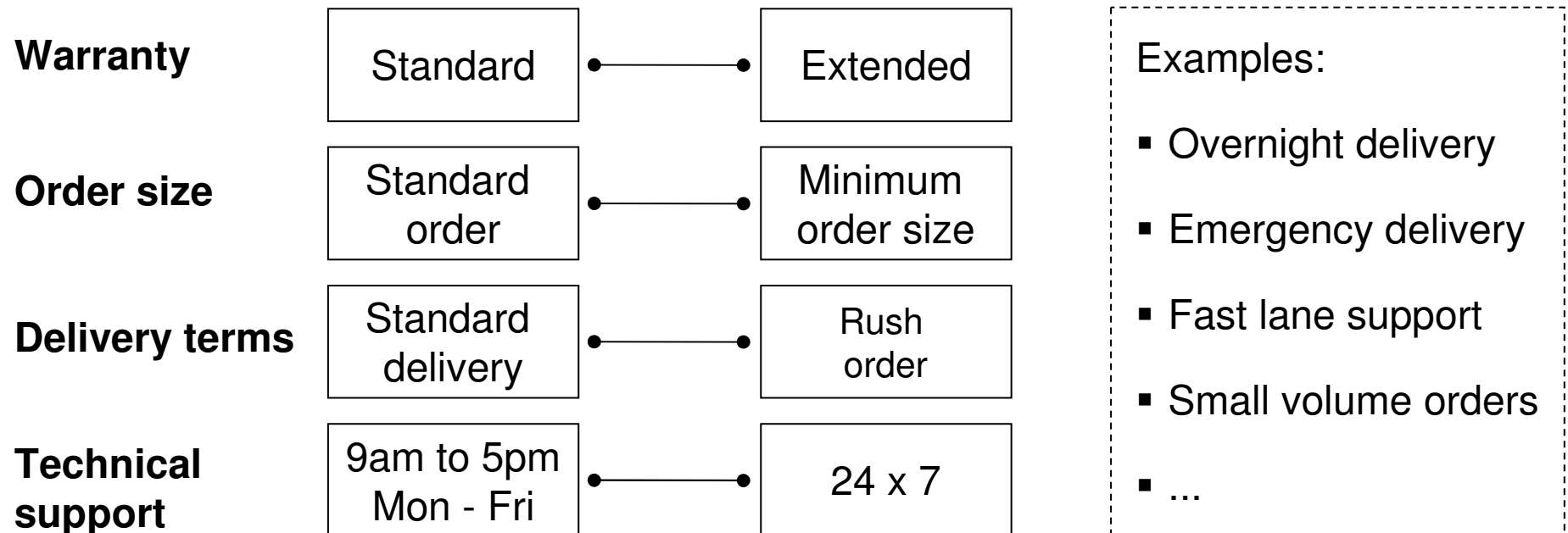
Increase prices which are under the customer's radar!



- The price of a cylinder-head gasket is around 30 EUR
- The price of the gasket's exchange is around 600 EUR
- Gasket's part in the total invoice can be neglected
- Extremely high price increase potential for the spare-part!

Charge extra for included services!

"Charge for the extra"



Extras are incurred with additional cost, and also with a surcharge?

Source: SKP Project Database

Offering and price management



Other solutions for sales issues

Cut volume

Increase prices selectively

Give out discounts in kind, not price discounts

Deploy non-linear pricing and price bundling

Increase prices under the customers' radar

Defend prices

Charge separately for inclusive services

Special case - Emerging Ultra-Low Price Segment

Gazelle Econom



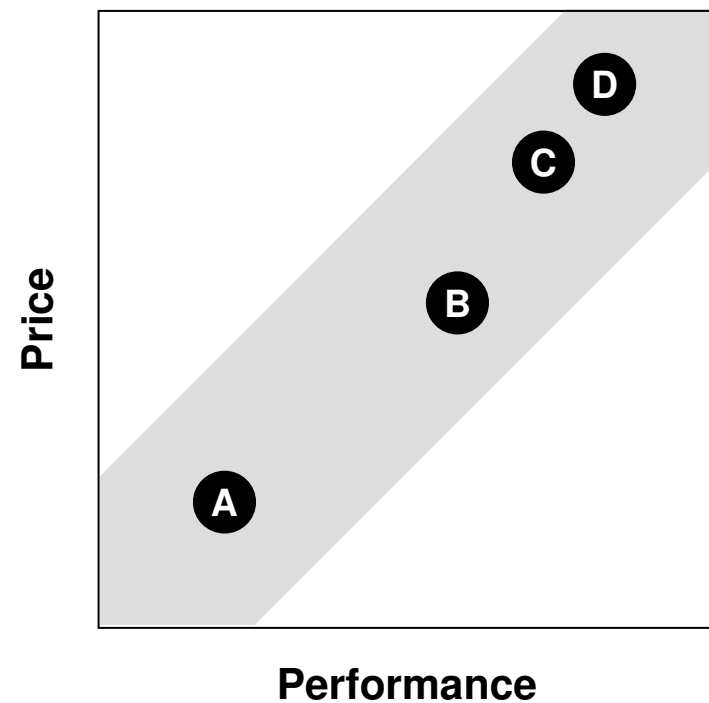
8,8T USD

Tata Nano



2,5T USD

Exploit the potentials of the segment, but keep a consistent price/performance ratio



Shift focus from the original market to the aftermarket!

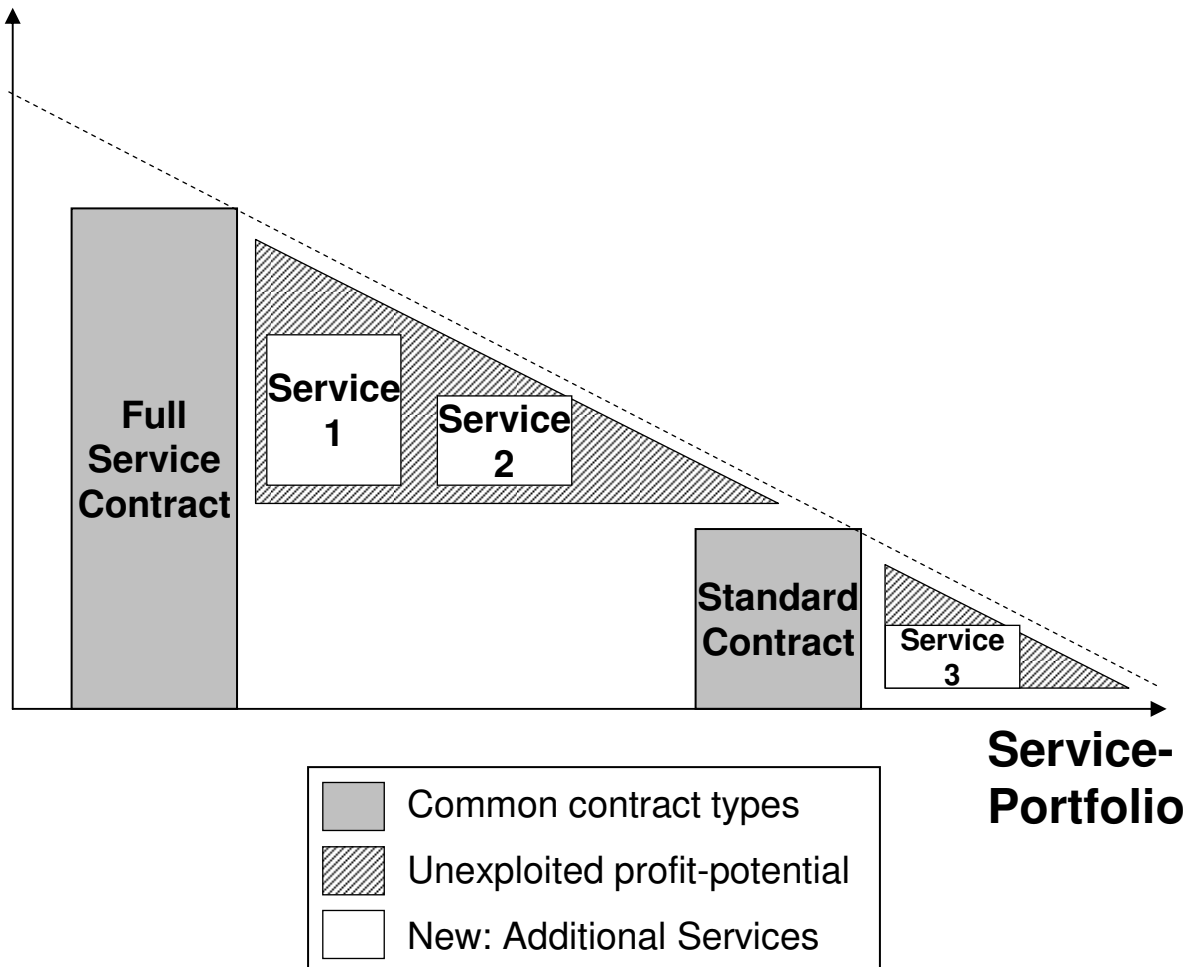


- Rolf launched the new brand – "White Service"
- Target group – vehicles out of the warranty period
- Original parts and high quality of an official dealer for the price of the independent workshop

Increase your service flexibility!

Example

Value of Contract



Examples for Services

- Remote monitoring
- Regular information packages
- Technical support
- etc.

- ➔ Exploiting the willingness- to-pay of the customer
- ➔ Customer segmentation

Objective environment: state and macroeconomics

Dmitry Medvedev



**Innovation and
diversified economy!**

Nanotechnologies!

Anatoly Chubais



Evgeny Gontmacher



**Reformation of
state institutes!**

**I lived in Russia for a
long time. Russia will
always be Russia!**

Martin Jahn



Please take it with you:



- Crisis is often misperceived!
- We are in the buyer market now!
- Fears, need for security, compressed time preferences determine the behavior
- React for changed customer needs!
- Intensify sales!
- Re-think your pricing
- Promote services
- Consider Ultra-Low segments
- Russia will always be Russia