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## Ice-Fili (АЙС-ФИЛИ) (Abridged)

In 2002, Ice-Fili, a midsized Russian company with more than \$25 million in sales, was Russia's top ice cream producer. Surprisingly, it had outlasted several well-known international companies such as Ben & Jerry's and Unilever. Ice-Fili had not only successfully transitioned from the tight controls of the Soviet regime to the infant Russian open-market economy in 1992, but it had also successfully navigated its way through the difficult times of Russia's 1998 financial crisis.

Ice-Fili was fighting to maintain market share leadership in the increasingly competitive Russian ice cream market that had decreased over the past few years to about a half-billion dollars in sales. Ice-Fili believed that Nestlé was its fiercest competitor in the kiosk distribution system, but the small regional ice cream producers and other Moscow-based producers were now making strong inroads in the major metropolitan markets. While most ice cream producers were left to fight in an already saturated ice cream kiosk system, Baskin & Robbins and Häagen-Dazs<sup>1</sup> had positioned themselves as premium ice cream producers, distributing through franchised restaurant and café networks.

Anatoliy Shamanov, Ice-Fili's CEO, wrestled with some fundamental strategic questions: Could Ice-Fili maintain its market lead over Nestlé? Should Ice-Fili invest in its own chain of cafés in order to find new retail avenues for its ice cream products? How could Ice-Fili compete with regional producers without engaging in a price war? And how could Ice-Fili attract the talent necessary to manage in a competitive market economy?

### Ice Cream Market in Russia<sup>2</sup>

Russians consumed 374,000 tons of ice cream in 2002 (see **Exhibit 1**), equivalent to 2.5 kilograms<sup>4</sup> of ice cream per capita, compared with the 16 kg consumed in the United States, 17 kg in France, and 18 kg in Canada.<sup>3</sup> Ice cream was considered primarily as an inexpensive snack consumed "on-the-go" in Russia, in contrast to the United States where over a third of the \$20 billion U.S. ice cream market was for in-home consumption (see **Exhibit 3**).<sup>4</sup> Russian ice cream was less sweet and more aerated than U.S. and European ice cream and was made with all-natural ingredients and no preservatives. It was believed that Russian consumers were generally more concerned about preservatives in food than fat levels.

In selling ice cream, many products competed for the consumer dollar, including beer (Baltica and dozens of other domestic brands), soda (primarily Pepsi and Coke), yogurts, chocolate (Mars, Nestlé,

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and numerous domestic players such as Red October), and other confectionary candies. The producers of these products often spent considerably more on advertising than ice cream producers.<sup>5</sup> In 2001, ice cream producers spent less than \$5 million on advertising in Russia (1% of sales), while the \$4.5 billion Russian beer market had spent approximately \$90 million (2% of sales), and the much larger soft drink industry spent about \$175 million (7% of sales) on advertising.<sup>6</sup>

The beer, soft drink, and confectionary industries enjoyed increasing market demand rather than the depressed trend found in the Russian ice cream industry. In 2000, the production of ice cream was down 3.5% from the year before in contrast to the production of confectionaries, which was up by 8%; soft drinks, which was up by 25%; and beer, up by 23%.<sup>7</sup> One industry expert sighed, "Nowadays, students prefer beer to ice cream."<sup>8</sup> The Russian beer market had grown 20%–25% annually from 1997.<sup>9</sup> Russia had more than 300 breweries that met 99% of the domestic beer demand.<sup>10</sup>

## Russian Challenges

Prior to the Soviet Union's dissolution in 1991, the state controlled all planning, production, and distribution of food products; ice cream was no exception.<sup>11</sup> At the end of the 1980s, when President of the Soviet Union Michail Gorbachev reassigned alcohol factories to the production of ice cream as part of his anti-alcohol campaign, ice cream capacity increased substantially under this state-run system.<sup>12</sup> This decision resulted in the addition of 25 newly dedicated ice cream factories, bringing the total to 76 factories. Within the next decade, ice cream companies in Russia would suffer through two severe economic shocks that reverberated through all industries in the former Soviet Union.

**Open market** By the end of 1991, the political and economic situation had become so unstable that the Soviet Union was dissolved. Over the next two years, Russia made a pointed shift from a state-run economy to an open-market economy, encouraging free enterprise and competition through privatization and price liberalization.<sup>13</sup> Foreign ice cream companies, including Ben & Jerry's, Baskin-Robbins, Nestlé, and Unilever, poured into the Russian market to capitalize on the opportunity.

For domestic producers, including Ice-Fili, these economic changes led to a temporary paralysis. Under the state-run system, these companies had focused on the manufacturing and storage of ice cream, and were not responsible for other activities in the value chain. Moreover, with their large freezing capacities and manufacturing capabilities, they were also involved in state-imposed activities to store and wholesale meat, milk, and fish products. When the markets opened, domestic producers required significant financial investments to update production technology, modernize infrastructure, develop better marketing and packaging solutions, develop dealer and distributor networks, and create new distribution channels. Some manufacturers partnered with local distribution companies, which in turn became part-shareholders. Some resorted to selling foreign ice cream products or expanded into new markets such as the production of butter, mayonnaise, bread, fish, sausages, and confectionary to compensate for their dwindling revenues.

**Financial crisis of 1998** The industry took another turn for the worse when Russia defaulted on its debt payments in August 1998, resulting in a financial collapse and devaluation of the ruble by two-thirds. Many foreign companies dramatically reduced their imports into the Russian market because Russian consumers could no longer afford imported goods.<sup>14</sup>

Some foreign competitors, such as Nestlé, which had already invested in local production plants by 1997, managed to ride out the crisis by boosting local ice cream production instead of importing their global brands. But most new investors felt that the Russian market was just too risky and stayed

away.<sup>15</sup> The crisis also affected domestic ice cream manufacturers, who had to quickly reduce their reliance on imported materials used in their ice cream production.

## Ice-Fili

In 1937, the Soviet government established the company “Moshladokombinat N 8” on the outskirts of Moscow. It became the first large-scale industrial Soviet ice cream manufacturer, producing as much as 25 tons of ice cream a day (the second largest ice cream factory in the world, after a factory in Boston). Over the next six decades, the factory underwent three major equipment modernizations. In 2001, it was capable of producing 200 tons of ice cream per day. One-fifth of its total output was sold in Moscow. (See **Exhibit 5** for company financials.)<sup>16</sup>

The company was privatized in 1992 as a joint stock company and rechristened “Ice-Fili.” The CEO, Anatoliy Vladimirovich Shamanov, led it through the laborious restructuring process necessary to make the company competitive in the new market economy. Commenting on the challenges, he reflected: “We had to change everything—our technology, our packaging, our way of doing business. But the most difficult and important aspect was changing our psychology. We had to adjust to the fact that nothing was going to be simply given to us anymore. We were in a free float and had to survive on our own without anybody’s help. Some competitors could not adjust to this and left.”<sup>17</sup>

**Product** Russian ice cream makers produced a relatively small number of ice cream products, predominately in vanilla and chocolate flavors. They typically produced a variety of single portions packaged as snacks designed to be sold from refrigerators in kiosks and stores to customers as they walked by. Russian producers made only 240 different ice cream-related products, while Baskin-Robbins alone in the U.S. offered 650 varieties.<sup>18</sup> In 2002, Ice-Fili offered 170 different ice cream products and added about 20 new products every year (see **Exhibit 10**).<sup>19</sup> Ice-Fili product innovations included a diabetic ice cream reintroduced in 1998 for the 140,000 diabetics in Moscow alone; the company introduced its first American-style ice cream product (vanilla with dried fruit) for at-home consumption in 2002.<sup>20</sup> That year, the Moscow World Food Exhibition awarded Ice-Fili a silver medal in the “Product of the Year” category for “Eralash” (an ice cream product that featured milk-glazed crème brûlée with corn chips). Ice-Fili was the only ice cream company to receive an award.<sup>21</sup>

The company’s flagship ice cream brand, introduced in 1964, was “Lakomka,” a cylindrical ice cream snack with a whipped chocolate glaze. Lakomka was still one of the three most recognized brands of ice cream in Russia. By 2001, it was responsible for 30% of Ice-Fili’s sales volume.<sup>22</sup> However, because of Lakomka’s Soviet legacy, Ice-Fili could not register it as its own trademark; thus, in the late 1990s, at least five other companies started producing Lakomka. Leningradsкая, a briquette-shaped vanilla ice cream with a chocolate glaze, was another well-known Ice-Fili product, but many other Russian domestic companies produced this ice cream product. These generic products accounted for a significant share of Ice-Fili’s sales.

In 2002, domestically produced Russian ice cream was among the cheapest in the world to buy.<sup>23</sup> Ice cream prices ranged from 2.5 rubles (8.5 cents) to 15 rubles (about 50 cents) per portion. Ice-Fili priced its ice cream products at approximately 6 rubles, placing it in the medium-level category; Nestlé positioned some of its brands in the premium ice cream category at 10 rubles (or more) per product, while the regional producers filled the low price category at 3 to 4 rubles.<sup>24</sup> According to an Ice-Fili executive: “A 10% change in retail price won’t make much of a difference in consumer’s purchasing behavior, but a 50% change would. There are only slight seasonal changes in price.”<sup>25</sup>

In 2002, bulk ice cream sold in boxes, containers, and buckets became more popular in the major metropolitan areas as the home consumption segment of the market became more important. Traditional single portion snacks remained the dominant segment in less wealthy regions.

In order to continue making profits during stagnant periods and to reduce overall product cost, many domestic refrigeration companies and ice cream producers leveraged their infrastructure, production facilities, and cold storage facilities to diversify their operations by producing other products such as frozen food and meat.<sup>26</sup> Ice-Fili had a limited production of mayonnaise and other fat-containing products, as well as glaze for ice cream.<sup>27</sup>

### *Manufacturing*

Ice-Fili's ice cream production process is mapped out in **Exhibit 6**. The volume of ice cream production varied based on seasonal demand, and the difference between the high and low season production levels was two to three times, on average (see **Exhibit 4**).<sup>28</sup>

In 1999, the profit margins for ice cream production were estimated to be 15%–20%, down from the 30%–40% range realized in 1998. However, this margin was high by Russian food industry standards where, for example, the comparable profitability in the confectionary industry in 1999 was 6%–8%, down from 14% in 1998.<sup>29</sup>

Ice cream in Russia was subject to a value-added tax. This was increased from 10% to 20% in 2000, when ice cream was reclassified as a luxury product. Shamanov commented: "Enormous funds were diverted from investment projects to tax payments."<sup>30</sup> Many ice cream producers attempted to lobby for a return to the 10% tax bracket for ice cream, arguing that all of ice cream's ingredients are "socially important foods" subject to a VAT of 10%.<sup>31</sup> In July, 2000, the VAT returned to the previous level for milk-based products but not for fruit-based ice creams and popsicles.<sup>32</sup>

Ice-Fili employed approximately 550–600 people at its Moscow-based factory, of whom 200 were seasonal workers. More than 40% of the employees had been working there for more than 20 years.<sup>33</sup>

**Raw materials** **Exhibit 7** shows the major ingredients of Russian ice cream. Varying the percentages of milk fat affected the palatability, smoothness, consistency, color, texture, digestibility, and energy value of the finished product (see **Exhibit 2**).<sup>34</sup> A producer could use a variety of dry milks varying from 1.5% to 25% fat and from 27% to 98.5% protein. Following traditional Russian ice cream makers, Ice-Fili prided itself on using only high-quality natural ingredients, eliminating the use of any artificial preservatives or colorants. Instead of using all milk-based ingredients, some producers, including Nestlé, chose to use palm or coconut oil and preservatives as cost-saving alternatives. According to Andrei Kabuzenko, Ice-Fili's commercial director: "Changing these ingredient parameters may reduce costs, but the taste would be affected. In the case of producers who use additives, the taste could be corrected since there is even a creamy flavor additive, but for Ice-Fili, which doesn't use additives, the quality of our ingredients becomes more important."<sup>35</sup>

Foreign producers used chemical preservatives to increase the shelf life of their products from 6 months to as much as 18 months. However, traditional Russian ice cream manufacturers exclusively used all-natural ingredients. While this made Russian ice cream superior in quality, it did not keep as well, making it difficult to store and transport and increasing overall costs.

During the early 1990s, Russian ice cream producers had relied on imported raw materials to produce their ice cream. Following the 1998 devaluation, the competitive situation changed and Russian producers were much more reliant on local suppliers for their raw materials. An important

exception for Ice-Fili's ice cream was sweet cream butter with 82% fat content, which was imported from New Zealand in order to achieve the necessary fat levels (Russian butter contained only 72% fat). Other imported inputs were packaging materials from Italy, stabilizers from Denmark, and coconut oil for hardening of the chocolate ice cream coating.<sup>36</sup>

Ice-Fili used three to four suppliers for each of its major ice cream ingredients. According to Kabuzenko: "It is not a problem to find a new supplier since we constantly receive offers from new ones."<sup>37</sup> The prices of domestically sourced ingredients tended to fluctuate significantly over the year, being highest at the beginning of May and lowest at the end of August. For example, a kilogram of milk powder fluctuated from a high of 52 rubles to a low of 28 rubles, and a kilogram of sugar fluctuated between a high of 12 rubles and a low of 9 rubles.<sup>38</sup>

**Equipment and technology** Experts argued that the leading companies in the Soviet ice cream industry had initially developed in stride with the United States, having imported most of their manufacturing equipment from the U.S. from the 1930s to the 1960s. However, in the 1960s and 1970s, Russia as a whole fell noticeably behind worldwide industry standards. Alexander Kladiy, chief production specialist of Ice-Fili, estimated that by the beginning of the 1990s, most Russian firms were about 40 to 60 years behind the world's technology level.<sup>39</sup>

According to Zoya Marakova, Ice-Fili's production facility manager: "[Ice-Fili] is the only one that can make machinery as old as this work as well as it does."<sup>40</sup> Ice-Fili spent significant sums of its internally generated cash flow in the late 1990s on modernization, overhaul, and expansion. Shamanov noted: "Over the last two years, the company has pumped in \$8 million from its own pockets."<sup>41</sup> In 2002, most of Ice-Fili's ice cream production relied on its newly imported equipment. The exception was four of Ice-Fili's traditional ice cream products that had been introduced to the market during the Soviet era. These four brands were still produced using the older generation equipment, which accounted for 25% of Ice-Fili's overall production capacity.<sup>42</sup>

The major suppliers of Ice-Fili's ice cream equipment were Danish and American firms, because Russian ice cream equipment was still of low quality, came in a limited selection, and lacked flexibility to be used for production of various types of ice cream.<sup>43</sup> In 1999, 90% of the equipment used by Russian ice cream manufacturers to produce and sell ice cream was imported.<sup>44</sup> The machinery used for freezing and packaging, in particular, was highly specialized equipment, costing \$1.5 to \$2 million per complete production line.<sup>45</sup> However, the local supplier base was developing fast. In 2001, there were at least 10 private ice cream equipment companies in Russia, Ukraine, and the Baltic countries.

### *Distribution*

In 2001, there were five retail channels for ice cream in Russia: kiosks, mini-markets, traditional grocery stores called "gastronoms," supermarkets, and restaurants (see **Exhibit 8**).

Ice cream kiosks were small booth-like structures where transactions were conducted through small windows.<sup>46</sup> There was typically very little, if any, storage space, and precious little room for the seller to sit. They typically carried a very narrow range of ice cream types. In 1999, Moscow had about 11,000 ice cream outlets; 1,600 were ice cream-only kiosks. According to an industry observer: "The street market in Russia, particularly in Moscow, is already saturated with kiosks selling ice cream on every street corner."<sup>47</sup> Most domestic competitors fought for market share through the kiosk system.

Mini-markets were slightly larger than kiosks, but still capitalized on impulse purchases since they were conveniently located near subway stations and were particularly common in larger Russian cities such as Moscow and St. Petersburg. They had a limited range of food and drinks and were comparable to convenience stores in America.

Gastronomes were characterized by the counter-service system, where purchases for different product groups (meat, dairy, etc.) were made separately at designated counters within the store. In the more remote and less wealthy areas, gastronomes were still the dominant retail chain.

One of the fastest-growing channels that emerged in the late 1990s was supermarkets, which were gradually replacing gastronomes in the major cities such as Moscow and St. Petersburg. Despite their growth, they were still small.

In an effort to reach the impulse consumer during the summer months, gastronomes, mini-markets, and kiosks all put ice cream carts into the streets. Many producers also provided retailers with branded refrigerator displays to hold their products, but retailers often used these displays to hold competitors' products and other frozen foods as well.

The other small retail channel was restaurants and cafés, which were dominated by foreigners such as Baskin-Robbins and Häagen-Dazs. Approximately 30% of ice cream sales in the West were made in restaurants and cafés, yet this segment accounted for only 3% of ice cream sales in Russia, with a higher proportion in Moscow and St. Petersburg and considerably less in more remote regions. In 2002, Ice-Fili began supplying Pizza Hut restaurants in Russia with its ice cream products.

In 2002, 80% of Ice-Fili's ice cream distribution occurred through kiosks and mini-markets. Ice-Fili contracted with dozens of companies, such as Eskimo-Fili, which typically had its own kiosks and carts and hired its own people to staff them.

Ice-Fili also relied on the services of dozens of other small distribution companies, such as Service-Fili, an affiliated but independent distribution company responsible for delivering approximately 15% of Ice-Fili's total ice cream products to gastronomes and mini-marts. Service-Fili owned its own refrigerators and trucks carrying the Ice-Fili logo. According to Alexander Grigas, the CEO of Service-Fili: "Our deliveries are mostly to Moscow and we are not exclusive. On the same truck we carry approximately half Ice-Fili products, a quarter of one competitor's product, and a quarter of a second competitor's product."<sup>48</sup> In addition, Ice-Fili used companies such as Alter-West and Inka, which distributed to regional warehouses. For these companies, ice cream made up only 10% of their distribution volume. The remainder was the distribution of other frozen food products.

Traditionally, Ice-Fili had not participated in distribution activities because of the huge capital investment and economies of scale required to develop these networks. According to Ice-Fili's directors, this was one area that was critical to success in the future. One director stated: "Although Ice-Fili has the greatest variety of products compared to the handful of Nestlé products, there is twice the likelihood of finding a Nestlé product rather than an Ice-Fili product in Russia. Distribution will be the new battlefield—availability of the product will be key."<sup>49</sup>

## *Marketing*

The opening of Russian markets in 1992 created an opportunity for foreign companies to leverage their rich marketing experience from abroad and invest in building their brands in Russia. Nestlé and Mars (particularly in the confectionary industry) were quite successful in using this strategy. Ninety percent of the marketing dollars were spent on TV advertising, and foreign multinationals, such as Unilever or Nestlé, accounted for as much as three-quarters of this.

Aware of its marketing shortcomings, Ice-Fili ran its first TV advertising campaign on two nationwide Russian TV channels and on the Russian MTV channel in 2001.<sup>50</sup> Although Ice-Fili acknowledged that this was a step in the right direction, the advertisements barely mentioned either the company name or products.<sup>51</sup> According to Ice-Fili's marketing director, Alexei Grekov, "We have 170 different ice cream products. We really need to concentrate on minimizing our number of products and focus on differentiating the products we already have."<sup>52</sup> Shamanov acknowledged that branding initiatives were intimately tied with Ice-Fili's new marketing focus: "Competitors are growing rapidly and these last two years have seen the number of new entrants increase, especially from the southern regions of Siberia."<sup>53</sup> In 2001, Ice-Fili's marketing and advertising costs were estimated to be \$500,000 per year.<sup>54</sup> In an attempt to boost ice cream sales during the mid-1990s, Ice-Fili hired the Russian advertising agency Advice to develop new packaging for its products. Advice's designer developed Ice-Fili's new packaging in a 1950s style so that it would engender fond emotions in order to attract consumers' attention.<sup>55</sup>

### *Corporate Organization and Culture*

Ice-Fili had a functional organizational structure: Finance, Production, Commercial, Technology, and Reward Systems (or Human Resources).

Since 2000, corporate focus had been on restructuring the organization to increase productivity and efficiency. Fixed costs were very high and Ice-Fili needed better processes that would spread out the costs over greater volume.<sup>56</sup> One example was paring down the compensation structure for production workers from 117 different salary levels to one based on qualifications, hardship/difficulty of work, health risks/hazards, overtime, and individual initiative. Under this new system, workers were penalized financially for tardiness, smoking, and other such infractions. For senior management, this meant compensation with a base plus a bonus, but smaller premiums and larger penalties. Other organizational levers to reduce cost and increase production efficiencies included changing recipes, packaging, and processes regarding waste.

According to Dmitri Pis'mennyi, Ice-Fili's financial director: "We need better control and management throughout our structural units. I believe that 80% [of our success] is establishing the right objectives, such as the right organizational chart, strategic business plans, and operational plans. But the importance is primarily on finding the right people, and establishing the right goals. As Stalin once said: 'Human resource capital decides everything.'"<sup>57</sup> The company constantly sought young, talented managers, many between 30 and 40 years old, with an ability to thrive in an open market economy. Ice-Fili's corporate culture could be best described as open and cooperative. Zoya Marakova elaborated: "We all work together. When we have any problem or issue, we all get involved in resolving it."<sup>58</sup> Shamanov commented: "Ice cream is a very sweet product. It causes smiles and makes people happy, and so, this naturally translates into our working environment."<sup>59</sup>

**Future growth** Ice-Fili's directors faced the challenge of raising an estimated \$50 million necessary for financing future growth. Pis'mennyi noted: "Ice-Fili's main concern is getting in shape to go to the market for public bonds sometime next year. We are looking to establish ourselves with more standards that are common in the West, such as the adoption of the ISO 9000 international standard."<sup>60</sup> Growth plans included diversifying geographically into Eastern Europe and Germany and potentially taking advantage of a "cash cow" opportunity to produce dry ice and sell it abroad for construction purposes, medical uses, and the beverage industry, such as beer, Coke, and Pepsi.

Ice-Fili was not optimistic about introducing its ice cream products into the West. Currently, it sold only a small offering of its products in California. Ice-Fili felt that there was still too much of a

difference between Russian ice cream standards and the type of ice cream preferred by Western consumers.

## Competitors

In 2002, rivalry flourished among regional, Moscow-based, and multinational ice cream producers (see **Exhibit 9**). The industry grew from almost 100 companies in 1996 to 300 by 2002.<sup>61</sup>

In an attempt to pool resources and improve consumer demand for ice cream, the leading Russian ice cream producers banded together to form the Association of Russian Ice Cream. It grew from an initial five members from Moscow, Kolomna, St. Petersburg, and Krasnodar to 32 companies including Ice-Fili, Service Kholod, and Metelitsa by 2000.<sup>62</sup> One of the group's primary goals was a joint marketing campaign, where all of its products would be united under one brand name and logo.<sup>63</sup>

In 1999, the association took the initiative to redefine GOST, a minimum state standard that determined ice cream classification, input composition requirements, and methods for evaluating quality. The objective was to ensure that the consumer was not misled by the use of milk and butter substitutes. The association also hoped that GOST would serve as a rallying point in criticizing imported ice cream brands that used more preservatives and less fat than Russian ice creams.

### *Regional Producers*

Some experts felt that the greatest threat in the Russian ice cream market emanated from regional producers. Many of these regional players were newly established players, did not have the heritage of an old management system dating back to Soviet times, and had new manufacturing facilities resulting in a significant cost advantage. Product quality varied, as did packaging; indeed some producers distributed their products unpackaged. The regional companies also took advantage of lower rents and labor costs, which further contributed to their cost advantages.<sup>64</sup> In addition, regional producers were regarded as being more flexible. According to one distribution company: "Last year we couldn't agree with any of the Moscow-based producers about supplying us with berry-flavored ice cream. During the summer period this kind of ice cream was both inexpensive and the most popular. We ended up resolving this problem through regional producers. Next summer, three regional producers are going to supply us with this kind of ice cream."<sup>65</sup>

While the small, local, newly established ice cream makers offered a more limited range of products, they accounted for about 30% of the domestic market.<sup>66</sup> The dramatic increase in the number of regional producers was explained by the shrinking frozen-food imports market, which suffered from the 1998 crisis. Many former frozen meat and fish wholesalers found it relatively easy to set up for ice cream production since they already had cold storage and production capabilities. As a result of their entry, ice cream production capacity increased in 1999 by 30% over 1997 levels.<sup>67</sup> By 2002, some regional producers were opening facilities in the Moscow area.

### *Foreign Companies*

After the financial crisis of 1998, foreign companies either left or became fully capable of domestic manufacturing through regional production plants.



**Ben & Jerry's** In 1992, Ben & Jerry's began a joint venture, Iceverks, to manufacture ice cream for the Russian market. Consistent with Ben & Jerry's social and economic mission, the venture was designed to encourage international cooperation and global understanding while also providing a model of a small-scale private enterprise.<sup>68</sup> It received funding from the U.S. Agency for International Development to help finance the venture, which was a 50–50 partnership between Russian investors and Ben & Jerry's.<sup>69</sup> A production plant was built in the region of Karelia, north of St. Petersburg because of its similarity to Vermont, the birthplace of Ben & Jerry's. The first ice cream “scoop” shop opened in the town of Petrozavodsk in 1992.

In February 1997, Ben & Jerry's withdrew from its joint venture. The reasons for its exit were the high operating costs, the lack of modern wholesale distribution systems in Russia preventing market-share expansion, and the limited local management resources.<sup>70</sup> According to Bram Kleppner, Ben & Jerry's manager of Russian operations, the venture never turned a profit.<sup>71</sup>

**Unilever** In 1994, Unilever took over one of the oldest and most famous Russian producers of perfume and cosmetics and expanded operations to a full line of household products. It sought to gradually decrease imports while purchasing more supplies domestically to reduce production costs. It was not until 1998 that Unilever decided to dip into the Russian ice cream market with its launch of the Algida ice cream brand. Unilever was a leading ice cream producer in many other markets and typically strove to build the leading share wherever it operated. Unilever outsourced its ice cream manufacturing in Russia to two ice cream factories in Moscow, in addition to importing ice cream that it produced in its own factories in Turkey and Hungary. It was estimated that Russians consumed 1,000–1,500 tons of Algida per year. To distribute Algida, Unilever bought 3,000 kiosk stalls, one-third of which were in Moscow.<sup>72</sup> Unilever sold 17 brands of ice cream in Russia.<sup>73</sup>

In 1999–2000, Unilever spent approximately \$6.2 million dollars on Algida's promotional material and \$1.2 million on advertising its imported Vienetta brand of ice cream cake.<sup>74</sup> However, by February 2001, Unilever had practically withdrawn from the Russian ice cream market by halting all local marketing and production of ice cream. Some of its ice cream brands could still be found occasionally on the Russian market because local distributors directly imported them.<sup>75</sup>

**Baskin-Robbins** Baskin-Robbins was founded in 1945 in Glendale, California, and became a wholly-owned subsidiary of Allied Brewery in 1973, which was subsequently purchased in 1978 by Allied Domecq PLC, a London-based international food, drink, and leisure group. Baskin-Robbins was a pioneer on June 8, 1990, when it entered the Russian market by opening the first ice cream store with a sidewalk café (on historically well-known Arbat Street in Moscow) as a joint venture with Mosrestoranservis, a Moscow government entity that provided goods and services to Moscow restaurants. This deal was part of Baskin-Robbins' aggressive global expansion initiative that included 3,500 stores in more than 44 countries.<sup>76</sup> Baskin-Robbins offered 60 out of its 650 ice cream flavors to the Russian market. The more expensive ice cream flavors were not sold in Russia.<sup>77</sup>

The price for a single scoop of ice cream was 30 rubles compared with 6–12 rubles for domestic ice cream bought at a kiosk. Baskin-Robbins was able to maintain its international brand appeal as well as prices that were significantly higher than traditional Russian ice creams. A company executive stated, “We use almost all imported ingredients; only the sugar is domestically produced.”<sup>78</sup>

Similar to its operations in other countries, Baskin-Robbins flooded the Russian market through a franchising system in which independent companies and entrepreneurs operated cafés and shops under the Baskin-Robbins brand name. By focusing on the restaurant/café segment of the Russian ice cream market, Baskin & Robbins enjoyed few (if any) competitors. Baskin-Robbins supported its franchisees in design, marketing, personnel training, and advertising.

In May 1996, Baskin-Robbins launched production of ice cream at its new factory built in Moscow, which cost \$30 million and had a production capacity of up to 16,000 tons of ice cream per year. It was one of the largest Baskin-Robbins factories in the world, with the capacity to serve 1,000 Baskin-Robbins cafés. However, in 2001 its capacity utilization was only 7%–12%. The company franchisee network consisted of 105 cafés in approximately 35 cities in Russia and the CIS.<sup>a, 79</sup>

**Nestlé** Nestlé had the longest, most established relationship with Russia relative to other foreign ice cream competitors. Henry Nestlé negotiated his first deal with Alexander Vencel, a St. Petersburg businessman, by the end of the 19th century to supply dairy products to the Russian Empire.

The Swiss food giant began actively investing in local production and development of food and beverage products that fit Russian tastes and traditions. It was conscientious about using locally supplied components for these products, a practice that ultimately sustained Nestlé during the severe Russian economic fluctuations that greatly affected other multinationals that had tried to enter the Russian market in the early 1990s. By having invested early in a domestic infrastructure, Nestlé developed its own independent storage facilities, distribution, and marketing networks that included kiosks and branded refrigerator displays. Nestlé's successful strategy in other countries was to maintain low production costs using local production for its heavily branded product.<sup>80</sup> It also made significant investments in training and development of its local staff.

Nestlé invested \$20 million in ice cream production between 1996 and 1999. In June 1996, Nestlé acquired a controlling share in an ice cream factory in the Moscow region. The factory produced 13,000 tons in 1998. In June 1998, Nestlé bought a controlling share in an ice cream factory in Krasnodarskiy Krai (in the south of Russia).<sup>81</sup> Nestlé made significant capital investments in order to modernize and expand both plants and to develop its infrastructure and facilities to ensure that they met Nestlé's international manufacturing standards. In 2000, Nestlé had the second largest ice cream market share after Ice-Fili and produced about 16,000 to 17,000 tons.

Nestlé produced non-traditional Russian ice cream (using both milk and vegetable fats) under new brand names such as “Eskimo Kimo” and “Rozochka” (see **Exhibit 11**), which cost between 8 and 13 rubles a portion (27 to 43 cents).<sup>82</sup> Most of its Russian brands were especially developed for the Russian market. For example, Nestlé's “48 Kopeek” product referred to a traditional Russian ice cream product in briquettes of 250 grams that was popular in Soviet times and cost 48 kopeks. Nestlé actively advertised other ice cream brands through extensive TV campaigns.

One industry participant commented on Nestlé's strong presence in the Russian ice cream market: “I can tell you for sure that in two to three years there will be only one brand in the Russian market—Nestlé—unless we [domestic makers] combine our efforts in a struggle for that market.”<sup>83</sup> Many domestic ice cream producers feared the kind of domination that Nestlé showed in Egypt, where in only a few years, it had managed to oust 23 domestic ice cream producers to become the only ice cream producer left in the country.<sup>84</sup>

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<sup>a</sup> Commonwealth of Independent States.

**Exhibit 1** Production and Consumption Volume of Ice Cream in Russia

	1980	1985	1990	1996	1997	1998 <sup>a</sup>	1999	2000	2001	2002
Production volume (thousands of tons)	290.5	327.7	468.3	222.9	252.7	323.0	363.7	348.0	363.7	376.2
<i>CAGR, %</i>	<i>N.A.</i>	<i>2.4%</i>	<i>7.4%</i>	<i>-11.6%</i>	<i>13.4%</i>	<i>27.8%</i>	<i>12.6%</i>	<i>-4.3%</i>	<i>4.5%</i>	<i>3.4%</i>
Ice-Fili volume	N.A.	N.A.	N.A.	15	26	27.5	22	20	19	16
<i>Market share, %</i>	<i>N.A.</i>	<i>N.A.</i>	<i>N.A.</i>	<i>6.8%</i>	<i>10.3%</i>	<i>8.5%</i>	<i>6.0%</i>	<i>5.7%</i>	<i>5.2%</i>	<i>4.3%</i>
Consumption volume (thousands of tons)	290.4	327.7	468.4	221.4	250.1	327.7	365.8	349.4	362.0	374.4
<i>CAGR, %</i>	<i>N.A.</i>	<i>2.4%</i>	<i>7.4%</i>	<i>-11.7%</i>	<i>13.0%</i>	<i>31.0%</i>	<i>11.6%</i>	<i>-4.5%</i>	<i>3.6%</i>	<i>3.4%</i>
Consumption per capita, kg	2.1	2.3	3.15	1.5	1.7	2.2	2.5	2.4	2.5	2.6
<i>CAGR, %</i>	<i>N.A.</i>	<i>1.8%</i>	<i>6.5%</i>	<i>-11.6%</i>	<i>13.3%</i>	<i>29.4%</i>	<i>13.6%</i>	<i>-4.0%</i>	<i>4.2%</i>	<i>4.0%</i>
Population, million	138.3	142.5	148.7	147.6	147.1	146.7	146.3	145.6	144.8	144.0
<i>CAGR, %</i>	<i>N.A.</i>	<i>0.6%</i>	<i>0.9%</i>	<i>-0.1%</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.3%</i>	<i>-0.5%</i>	<i>-0.5%</i>	<i>-0.6%</i>

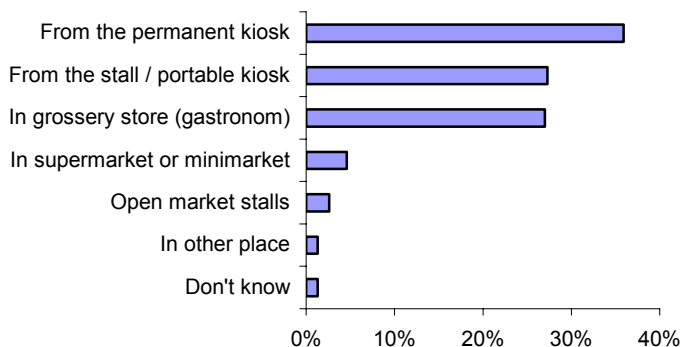
Source: Compiled by casewriters from Ice-Fili documents and Goskomstat (Russian State Statistics Committee) data.

<sup>a</sup>By May 1998, half of ice cream companies changed to 10% VAT, which led to significant increase in production volumes.

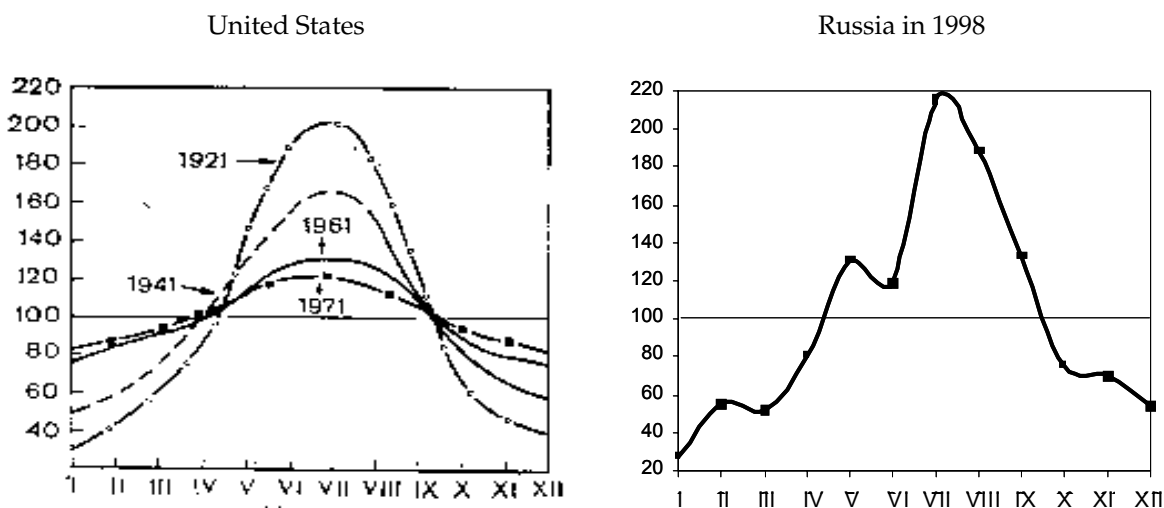
**Exhibit 2** Standards for Ice Cream Production by Volume

Type of Ice Cream	Plombir	Cream	Milk	Sorbet
Minimum content of fat, %	12–15	8–10	2.8–3.5	0
Minimum content of sugar, %	14–16	12–14	15–16	27
Minimum content of dry products, %	38–39	32	29	30

Source: Compiled by casewriters from company documents.

**Exhibit 3** Where Most Frequent Purchases of Ice Cream Occur in Russia

Source: Adapted from "Ice Cream: How to Find a Buyer," *Ice Cream and Frozen Foods Magazine*, Volume 1, 2001.

**Exhibit 4** Seasonality of Ice Cream Consumption Comparison

Vertical axis: seasonal index (average 100), horizontal axis: months

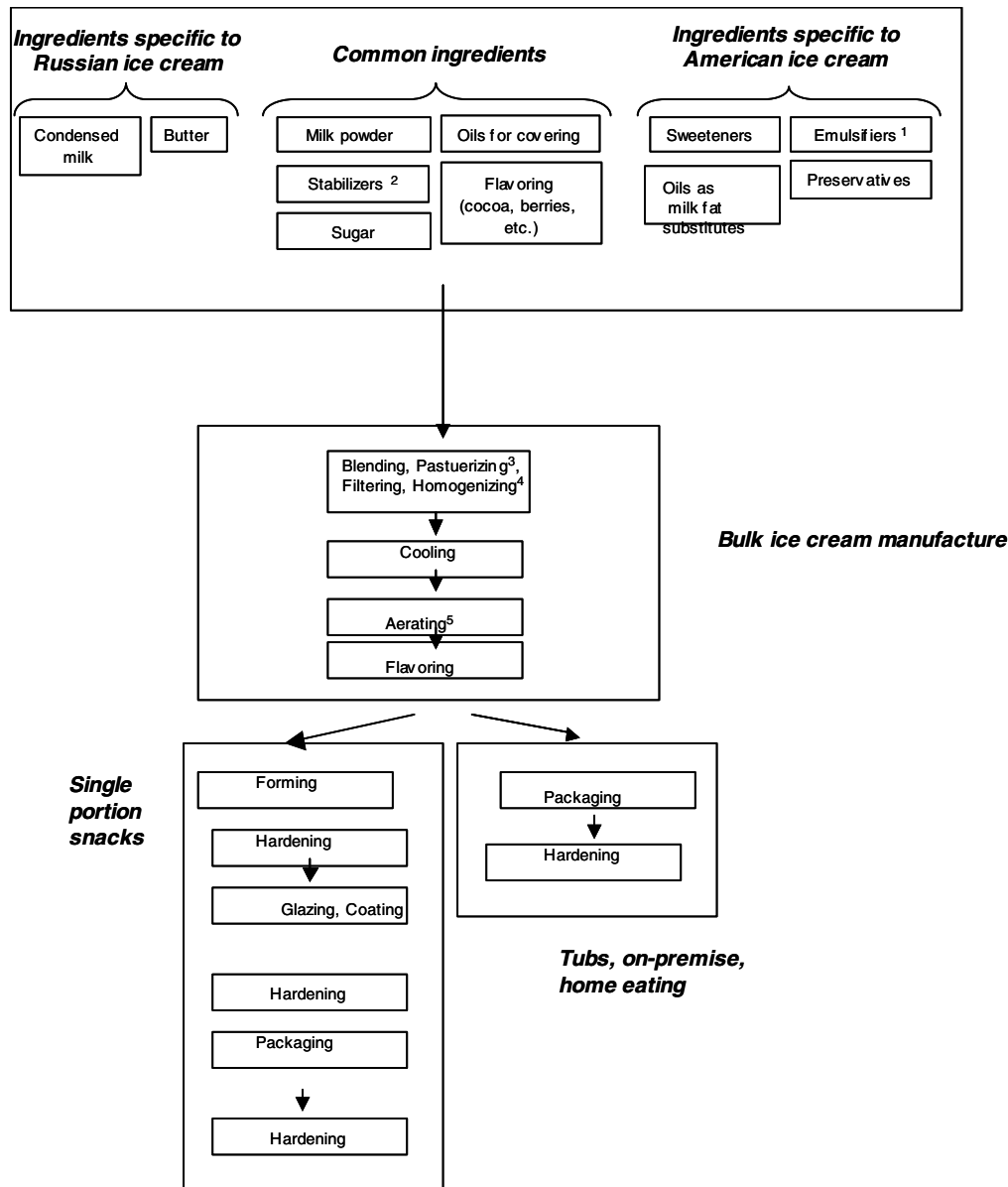
Source: Compiled by casewriters from information on [www.d2d.ru](http://www.d2d.ru), March 3, 2002.

Exhibit 5 Ice-Fili Financial Statement (in thousands of US\$)

	2001	2000	1999	1998	1997	1996
<b><i>Balance Sheet (January 1)</i></b>						
<b><i>Assets</i></b>						
Cash	107	197	248	466	1,324	1,752
Accounts receivable	2,211	2,055	620	3,570	2,275	1,281
Cash reserves and inventories	3,801	3,971	6,521	6,896	11,372	8,375
Other working capital	219	150	423	679	1,801	537
Total working capital	6,338	6,373	7,812	11,611	16,772	11,945
Intangible assets	1	8	11	10	5	4
Property, plant & equipment	4,069	2,757	3,458	6,001	9,512	10,265
Other assets	1,424	1,468	1,364	728	571	2,519
<b>Total assets</b>	<b>11,832</b>	<b>10,606</b>	<b>12,645</b>	<b>18,350</b>	<b>26,860</b>	<b>24,733</b>
<b><i>Liabilities &amp; Equity</i></b>						
Accounts payable	1,161	1,124	2,642	3,016	2,945	1,953
Short-term debt	29	31	0	0	0	0
Other current liabilities	4	0.2	1	2,064	3,735	2,784
Total current liabilities	1,194	1,155	2,643	5,080	6,680	4,737
Long-term liabilities	0	0	0	0	0	0
Total shareholders equity	10,638	9,451	10,002	13,270	20,180	19,996
<b>Total equity and liabilities</b>	<b>11,832</b>	<b>10,606</b>	<b>12,645</b>	<b>18,350</b>	<b>26,860</b>	<b>24,733</b>
<b><i>Income Statement</i></b>						
Sales	25,147	27,206	32,672	35,988	68,892	34,083
Cost of goods sold	19,512	24,004	28,798	31,307	56,497	20,302
Gross profit	5,635	3,202	3,874	4,681	12,395	13,781
Income before taxes	1,951	2,121	2,816	3,809	8,612	10,259
Income tax	249	394	727	1,067	2,756	3,506
<b>Net income</b>	<b>1,702</b>	<b>1,727</b>	<b>2,090</b>	<b>2,742</b>	<b>5,856</b>	<b>6,753</b>
<b>Return on assets</b>	<b>14.4%</b>	<b>16.3%</b>	<b>16.5%</b>	<b>14.9%</b>	<b>21.8%</b>	<b>27.3%</b>
<b>Return on equity</b>	<b>16.0%</b>	<b>18.3%</b>	<b>20.9%</b>	<b>20.7%</b>	<b>29.0%</b>	<b>33.8%</b>
Average exchange rate (Rubles for \$1US)	29.2	27.6	23.8	13.3	5.8	5.1

Source: Compiled by casewriters from company documents.

Exhibit 6 Simplified Ice Cream Production Process



Source: Compiled by casewriters from interviews and [www.idf.org](http://www.idf.org).

<sup>1</sup> Emulsifiers such as lecithin, and mono and diglycerides provide uniform whipping qualities to the ice cream during freezing, as well as providing a smoother, drier body and texture to the frozen form.

<sup>2</sup> Stabilizers such as plant derivatives are used in small amounts to prevent the formation of ice crystals and to make the ice cream smoother.

<sup>3</sup> Pasteurization refers to the process of heating a beverage or other food, such as milk or beer, to a specific temperature for a specific period of time in order to kill microorganisms that could cause disease, spoilage, or undesired fermentation.

<sup>4</sup> Homogenization refers to the process that makes milk uniform in consistency by emulsifying the fat content.

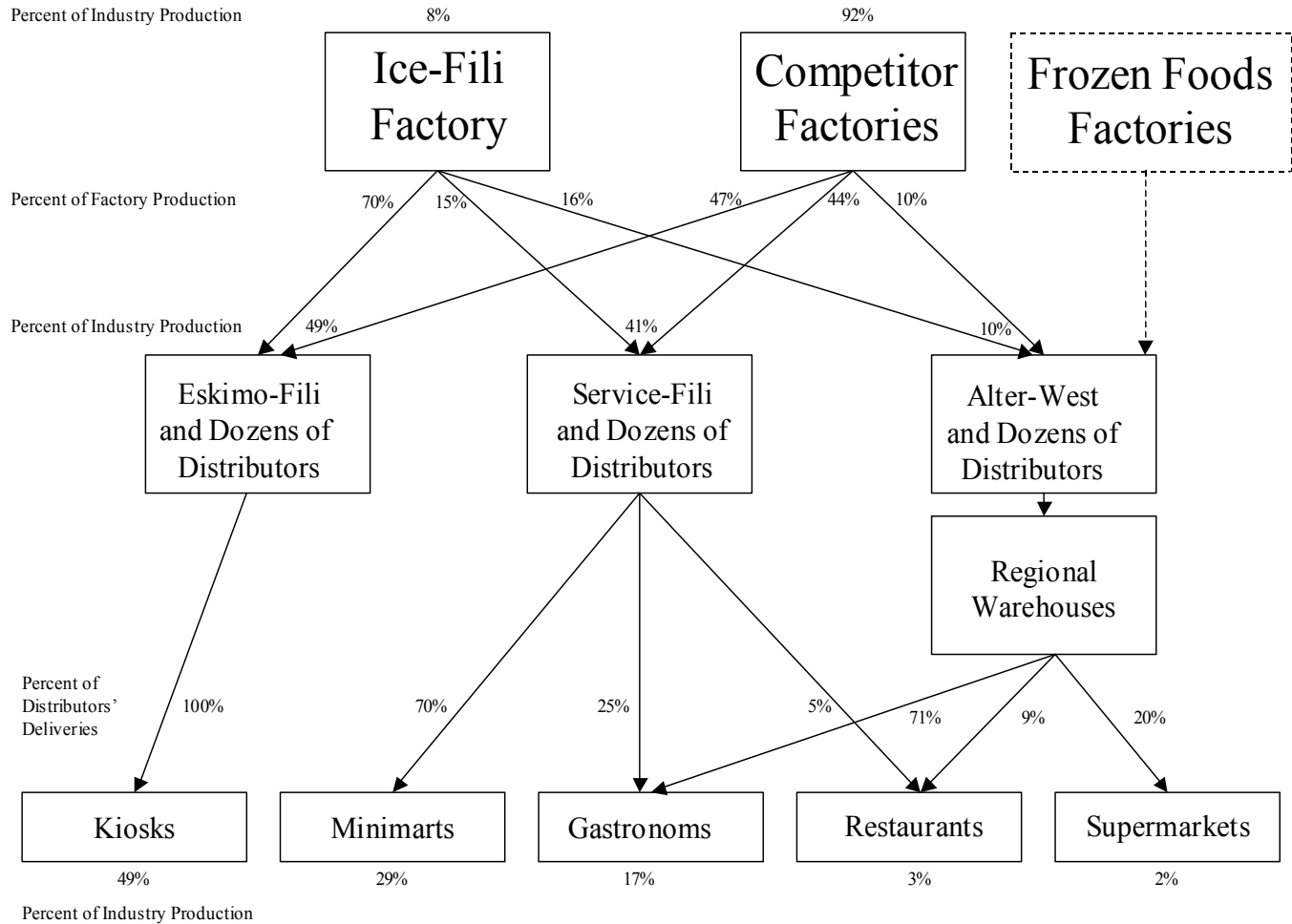
<sup>5</sup> Air is pumped in (about 50%) to make the product lighter.

Exhibit 7 Cost Structure for Ice Cream Delivered in Moscow

	% of Ingredient Cost	% of Manufacturing Price	% of Wholesale Price	% of Retail Price	Incl. VAT % of Retail Price
<b>Ingredients<sup>1</sup></b>					
Condensed milk	30%	12.6%	9.0%	6.0%	5.5%
Milk powder	12%	5.0%	3.6%	2.4%	2.2%
Butter <sup>2</sup>	13%	5.5%	3.9%	2.6%	2.4%
Oils <sup>2</sup>	3%	1.3%	0.9%	0.6%	0.5%
Sugar	12%	5.0%	3.6%	2.4%	2.2%
Flavorings <sup>2</sup> (cocoa, berries, etc.)	30%	12.6%	9.0%	6.0%	5.5%
<b>Total ingredients</b>	<b>100%</b>	<b>42.0%</b>	<b>30.1%</b>	<b>20.2%</b>	<b>18.3%</b>
Packaging <sup>3</sup>		13.0%	9.3%	6.2%	5.7%
<b>Total materials</b>		<b>55.0%</b>	<b>39.4%</b>	<b>26.4%</b>	<b>24.0%</b>
Manufacturing labor*		11.7%	8.4%	5.6%	5.1%
Manufacturing overhead*		10.2%	7.3%	4.9%	4.5%
<b>Manufactured cost</b>		<b>76.9%</b>	<b>55.1%</b>	<b>36.9%</b>	<b>33.6%</b>
Non-manufacturing labor*		1.3%	0.9%	0.6%	0.6%
Advertising*		1.0%	0.72%	0.48%	0.44%
Selling & general*		5.8%	4.2%	2.8%	2.5%
<b>Total cost</b>		<b>85.0%</b>	<b>60.9%</b>	<b>40.8%</b>	<b>37.1%</b>
Manufacturer's margin		15.0%	10.7%	7.2%	6.5%
<b>Manufacturer's price</b>		<b>100.0%</b>	<b>71.6%</b>	<b>48.0%</b>	<b>43.6%</b>
Distributor's costs			20.9%	14.0%	12.7%
Distributor's margin			7.5%	5.0%	4.5%
<b>Wholesale price</b>			<b>100.0%</b>	<b>67.0%</b>	<b>60.9%</b>
Retailer's costs				29.0%	26.4%
Retailer's margin				4.0%	3.6%
<b>Retail price net of VAT</b>				<b>100%</b>	<b>90.9%</b>
VAT					9.1%
<b>Retail price including VAT</b>					<b>100.0%</b>
<b>*Breakdown of labor and overhead costs</b>					
		% of Manufacturing Price			
<b>Labor<sup>4</sup></b>					
Manufacturing labor <sup>3</sup>	90%	11.7%			
Non-manufacturing labor	10%	1.3%			
<b>Total labor</b>	<b>100%</b>	<b>13.0%</b>			
<b>Overhead</b>					
Manufacturing overhead <sup>3</sup> (equipment, <sup>2</sup> materials)	60%	10.2%			
SG&A overhead	40%	6.8%			
<b>Total overhead</b>	<b>100%</b>	<b>17.0%</b>			

Source: Casewriter estimates.

<sup>1</sup> Dairy fat substitutes could provide up to 50% savings.<sup>2</sup> These expenses could be subject to import duties.<sup>3</sup> 80% of these expenses were line specific; 20% were plant overhead.<sup>4</sup> Regional labor rates were 50% of Moscow labor rates.

**Exhibit 8** Representative Ice Cream Distribution Channels

Source: Casewriter estimates based on interviews.



Exhibit 9 Selected Competitors in Russian Ice Cream Market

Company	Daily Production Capacity	Location	Number of Factories	Date of Establishment	Largest Brand Names	Number of Ice Cream Products	Vertical Integration	Non-Ice Cream Products
Ice-Fili	200 tons	Moscow	1	1937	"Lakomka," "Batonchik Fili"	160	Production, distribution and some local retail	Dairy products such as margarine and mayonnaise
Service Holod	70 tons	Moscow	1	1950		100	Production, distribution, retail	Wholesaler of wide range of food products
Baskin-Robbins	62 tons	Moscow region	1	1988, production in 1996	N.A.	30	Franchised local retail	None
Metelitsa	50 tons	Moscow region	1	1995	Ice cream cake "Veretsia," "Metelitsa," "Volshebnyi stakanchik"	50	Production and distribution	None
Nestlé	45 tons	Moscow region & Krasnoyarskiy kray	2	1997 (entry into local ice cream production)	"48 Kopeek"	At least 25	Production and distribution	Coffee, chocolate, confectionary, pet food, bottled water, cereal
Alter-West		Moscow region	1	1998 (production)	Ice cream cakes "I love you," "Silver rain"	80	Production, distribution	Frozen berries, mushrooms
Kolomenskii Khladokombinat		Moscow region	1		"Alenka"			
Petroholod	50 tons	St. Petersburg	1	1939, ice cream production from 1946	"Piterskoe"	80	Production, distribution and local retail	Storage and wholesale trade of food products
Lipetskiy Hladokombinat	100 tons	Lipetsk	1	1962 (ice cream production from 1980)	"Lipetskoe"	1 brand (100 types)	Local cafés and retail	Fish freezing
Inmarko	90 tons	Novosibirsk, Omsk	2 + 2 contracts for manufacturing	1992, manufacturing from 1996	"Sibiryak," "Kesha," "Magnat," "Fishka"	15 brands (80 types)	Production and distribution	None
Russkii Holod	At least 65 tons	Barnaul	1 + contract manufacturing + 1 planned in Moscow in 2002	1987	"Zabava"	120	Production, distribution, retail	
Fabrika morozhenogo		Vladivostok	1	1988		30	Ice cream only	
Yalga Holod		Saransk	1	1963	"Morozko"	10 to 15	Production and distribution	
Belyi Medved		Vladimir	1	1993		10 to 20	Production	None
Kaluzhskiy Hladokombinat		Kaluga	1	1953	"Darina," "Vostorg," "Gulliver"	50 (about 10 brands)	Wholesaler of food products	

Source: Compiled by casewriters from company websites.

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Ice-Fili (АИС-ФИЛИ) (Abridged)

Exhibit 10 Ice-Fili Products



Exhibit 11 Nestlé Brands in Russia



Source: [www.Nestlé.ru](http://www.Nestlé.ru).

## Endnotes

- <sup>1</sup> Häagen-Dazs was acquired by Pillsbury Company in 1983 and later became part of General Mills.
- <sup>2</sup> “Russian ices have imports licked, say producers,” *The Birmingham Post*, May 10, 1997.
- <sup>3</sup> *The Russia Journal*, September 7–13, 2001
- <sup>4</sup> *The Economist*, October 6, 2001
- <sup>5</sup> *Izvestiia*, July 18, 2001.
- <sup>6</sup> *Vedomosti*, March 12, 2002
- <sup>7</sup> *Izvestiia*, July 18, 2001.
- <sup>8</sup> *The Russia Journal*, issue 8, March 6, 2000.
- <sup>9</sup> *Vedomosti*, September 5, 2001
- <sup>10</sup> BBC Monitoring, October 28, 2000; *Moskovskie Novosti*, July 31, 2001.
- <sup>11</sup> “Food Distribution in Russia: The Harris Group and the LUX Store,” HBS No. 594-059.
- <sup>12</sup> [www.2d2.ru](http://www.2d2.ru).
- <sup>13</sup> “Food Distribution in Russia: The Harris Group and the LUX Store,” HBS No. 594-059.
- <sup>14</sup> *The St. Petersburg Times*, July 13, 1999.
- <sup>15</sup> *Ibid*.
- <sup>16</sup> Casewriter’s interview with Zoya Makarova, Ice-Fili Production Plant Manager, May 27, 2002.
- <sup>17</sup> Casewriter’s interview with Anatoliy Shamanov, CEO Ice-Fili and academician of the International Refrigeration Academy, May 27, 2002.
- <sup>18</sup> *The Russia Journal* online.
- <sup>19</sup> Casewriter’s interview with Alexi Grekov, Ice-Fili Marketing Director, May 28, 2002; casewriter’s interview with Zoya Makarova, Ice-Fili Production Plant Manager, May 27, 2002, and Interfax, August 15, 2001.
- <sup>20</sup> Age’s Daily World Wire, July 12, 1997; Kommersant, April 2, 1998.
- <sup>21</sup> Ice-Fili website.
- <sup>22</sup> Food Market, July 24, 2001, Reuters Business Briefing; casewriter’s interview with Alexi Gregov, Ice-Fili Marketing Director, May 28, 2002.
- <sup>23</sup> *The Economist*; October 6, 2001, vol. 361, issue 8242, p. 93. Eurofood, August 2, 2001.
- <sup>24</sup> Casewriter’s interview with Alexander G. Klady, Executive Director and academician of International Refrigeration academy, and Eduard A. Bagiryan, Chief of Executive Board of Directors, May 28, 2002.
- <sup>25</sup> Casewriter’s interview with Alexander Bilyamovitch, Ice-Fili Marketing Director, May 28, 2002.
- <sup>26</sup> *Vedomosti*, October 9, 2001.
- <sup>27</sup> *Izvestiia*, March 16, 2000.
- <sup>28</sup> *The Russia Journal* online, RosBusinessConsulting.
- <sup>29</sup> *The Russia Journal*, September 7–13, 2001, “Ice cream: How to find a buyer,” in *Ice Cream and Frozen Food* magazine, issue 1, 2001.
- <sup>30</sup> Casewriter’s interview with Anatoliy Shamanov, CEO Ice-Fili and academician of the International Refrigeration Academy, May 27, 2002.
- <sup>31</sup> *The Russia Journal*, issue 8, March 6, 2000.
- <sup>32</sup> *Ibid*.
- <sup>33</sup> Ice-Fili company website.
- <sup>34</sup> [www.idfa.org](http://www.idfa.org).
- <sup>35</sup> Casewriter’s interview with Andrei Kabuzenko, Ice-Fili Commercial Director, May 28, 2002.
- <sup>36</sup> *Ibid*.
- <sup>37</sup> *Ibid*.
- <sup>38</sup> *Ibid*.
- <sup>39</sup> Casewriter’s interview with Alexander G. Klady, Executive Director and academician of International Refrigeration academy, and Eduard A. Bagiryan, Chief of Executive Board of Directors, May 28, 2002.
- <sup>40</sup> Casewriter’s interview with Zoya Makarova, Ice-Fili Production Plant Manager, May 27, 2002.
- <sup>41</sup> Interfax, March 5, 1998.

- <sup>42</sup> Casewriter's interview with Zoya Makarova, Ice-Fili Production Plant Manager, May 27, 2002.
- <sup>43</sup> Ibid.
- <sup>44</sup> "Russia to produce more ice cream this year," Interfax, December 1, 1999.
- <sup>45</sup> Casewriter's interview with Zoya Makarova, Ice-Fili Production Plant Manager, May 27, 2002.
- <sup>46</sup> "Food Distribution in Russia: The Harris Group and the LUX store," HBS No. 594-059.
- <sup>47</sup> "Ice Cream, Interfax, March 11, 1999. "Russia should develop its ice cream distribution network," Interfax, March 1, 1999.
- <sup>48</sup> Casewriter's interview with Alexander Grigas, Service-Fili CEO, May 28, 2002.
- <sup>49</sup> Casewriter's interview with Alexander G. Klady, Executive Director and academician of International Refrigeration academy, and Eduard A. Bagiryan, Chief of Executive Board of Directors, May 28, 2002.
- <sup>50</sup> *Vedomosti*, June 1, 2001.
- <sup>51</sup> *The Economist*; vol. 361 (8242), October 6, 2001.
- <sup>52</sup> Casewriter's interview with Alexi Grekov, Ice-Fili Marketing Director, May 28, 2002.
- <sup>53</sup> Casewriter's interview with Anatoliy Shamanov, CEO Ice-Fili and academician of the International Refrigeration Academy, May 27, 2002.
- <sup>54</sup> Casewriter's interview with Dmitri Pis'mennyi, Ice-Fili Financial Director, May 28, 2002.
- <sup>55</sup> *Rusky Telegraph* (ESK), February 16, 1998, p. 9.
- <sup>56</sup> Casewriter's interview with Andrei Kabuzenko, Ice-Fili Commercial Director, May 28, 2002.
- <sup>57</sup> Casewriter's interview with Dmitri Pis'mennyi, Ice-Fili Financial Director, May 28, 2002.
- <sup>58</sup> Casewriter's interview with Zoya Makarova, Ice-Fili Production Plant Manager, May 27, 2002.
- <sup>59</sup> Casewriter's interview with Anatoliy Shamanov, CEO Ice-Fili and academician of the International Refrigeration Academy, May 27, 2002.
- <sup>60</sup> Casewriter's interview with Dmitri Pis'mennyi, Ice-Fili Financial Director, May 28, 2002.
- <sup>61</sup> *The Economist*, October 6, 2001.
- <sup>62</sup> Interfax News Agency, *Food & Agriculture Report*, January 23, 2002.
- <sup>63</sup> *The Russia Journal*, issue 8(51), March 6, 2000.
- <sup>64</sup> *The Russia Journal*, September 7–13, 2001.
- <sup>65</sup> *Vitrina: Restaurant Business*, Issue 3, 2001.
- <sup>66</sup> *The Russia Journal*, September 7–13, 2001.
- <sup>67</sup> Ibid.
- <sup>68</sup> "Ben & Jerry's Homeade Ice Cream Inc.," HBS No. 796-109
- <sup>69</sup> Associated Press Newswire, February 13, 1997.
- <sup>70</sup> Ibid.
- <sup>71</sup> *The Wall Street Journal*, February 7, 1997.
- <sup>72</sup> *Vedomosti*, January 2, 2001.
- <sup>73</sup> Ibid.
- <sup>74</sup> Ibid., and *Vedomosti*, March 13, 2001.
- <sup>75</sup> *Vedomosti*, January 2, 2001.
- <sup>76</sup> Business Wire, June 8, 1990.
- <sup>77</sup> Trade Equipment (St. Petersburg), issue 5, 2002, [www.baskinrobbins.ru](http://www.baskinrobbins.ru).
- <sup>78</sup> *The Russia Journal*, vol. 3, no. 45 (88), November 18, 2000.
- <sup>79</sup> [www.baskinrobbins.ru](http://www.baskinrobbins.ru); *The Economist*, October 6, 2001.
- <sup>80</sup> [www.Nestlé.ru](http://www.Nestlé.ru).
- <sup>81</sup> Ibid.
- <sup>82</sup> *The Russia Journal*, September 7–13, 2001.
- <sup>83</sup> *The Russia Journal*, No. 8 (51), March 6, 2000.
- <sup>84</sup> Ibid.