

2nd edition, extended

Evgeny Shchepin

VkusVill:

how to stage

*a retail
revolution*

by doing
everything
wrong

37
rules

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How do you build a major grocery chain from a small dairy stand without taking out a single loan? How do you leap out of the red ocean into the blue and double your profits every year? How can you preserve the startup spirit for ten years running? How do you manage a company with more than 5,000 employees without strict directives and regulations, prescribed KPIs, or a planned annual budget? Who should manage such a company? How do you hire a team that doesn't want to quit?

The VkusVill and Izbyonka grocery chains are well-known, and people both enjoy their products and recommend them to their friends. The company broke into the healthy food market and staged a revolution in retail. This book by Evgeny Shchepin, one of VkusVill's key employees, is an honest story about the company's successes and failures, plans and expectations, relationship to its employees and customers, and the people without whom VkusVill would never have become the company that we know today.

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FOREWORD

Thanks for deciding to read this book about VkusVill!

Zhenya (Evgeny) Shchepin decided to write it a long time ago, but I didn't like the idea. I can't say now that I like it much more. After all, a book is like a photo: it only captures a single moment. A company, however, is a living organism: constantly changing, learning, reacting to changes in the environment around it. Before the book was even submitted for printing, we had already come up with several new development strategies and ideas.

I hope that this book helps everyone who wants to start their own company or realize an ambitious project that the most important thing of all is to be customer-oriented. The consumer's interests should be more important than profit and the interests of your investors. After all, a company that keeps its customers truly satisfied can't be weak – especially financially.

Andrey Krivenko,
Founder of Izbyonka and VkusVill

Rule



or

AN UNUSUAL INTRODUCTION

This book could have come out two years ago. Or it could have never come out at all. This paradox describes VkusVill as a company.

Hello, dear reader!

My name is Evgeny Shchepin, and I'm the author of this book. As a reader, I don't really like introductions. More often than not, they are written pompously and far too academically, and by the end of the first paragraph, I want to yawn, if not put the book down entirely.

Therefore, I am now faced with a challenging task: to tell you why this book was written, but at the same time not veer into the nerdiness and business theories that will put you straight to sleep.

Honestly, I had a dream that Andrey Krivenko, the founder of Izbyonka and VkusVill, would write it. After all, who understands all the nuances and subtleties of his business better than Andrey?

12 However, you would have to know Andrey personally to begin to imagine the face he made at that idea. He even asked again, just in case, to make sure he didn't mishear me: "Me? Write a book?" And raised his eyebrows as high as they could go.

Andrey is a phenomenal character. Hundreds of entrepreneurs from around the country dream of meeting him, thinking that half an hour's face-to-face conversation with him will at the very least help them discover some new knowledge, if not lead to total

enlightenment and a feeling of eternal harmony.

In fact, neither one nor the other is likely to happen. Andrey's response to questions in the vein of "what was it like?" is that he simply doesn't remember. And when asked questions like "what will happen?" He simply shrugs and indifferently explains that nobody can know the future, so making any sort of plans is pointless.

But don't get him wrong! In fact, Andrey doesn't have the slightest bit of snobbery in him. He's cheerful, smart, creative, and quite erudite. You can talk with Andrey for hours about practically anything. He just honestly doesn't understand what's so special about his business achievements, and why people are prepared to fly seven hours from the other side of the country for a 30-minute meeting with him. After all, when a graduate of the finest physics and mathematics university in the country doesn't understand something, he doesn't make excuses.

At any rate, that's more or less how I become the author of this book about VkusVill and Izbyonka. I had to take matters into my own hands to introduce the world to the processes behind the inception, rapid takeoff, and stable growth of the company that we all know today.

I was born and grew up in the tiny city of Glazov, where I fell in love with the process of creating text thanks to the local teen newspaper, "Avos-KA" — which translates roughly as "Tote Bag." In 2010, I graduated with a journalism degree from Ural State University, and by 2011, fate had already brought me to Izbyonka, which was only just picking up steam and was desperately in need of building engagement with the outside world. I instantly become a member of the family at what was still a small company — that was how identically we all thought and burned with passion for what we were doing.

Even then, I probably felt that I would write this book. There's no other explanation for why I wrote down many things over the course of eight years, committed many significant events to

memory, observed and analyzed and generally tried to look at the day-to-day life of our company through the lens of history and the search for causal relationships.

Many, many people are thrilled by the success of our company. How do you start from a tiny dairy stand and build a major grocery chain with a thousand stores? How can you not take out a single loan in the process, and develop using only your own money? How do you manage a company with more than 7,000 employees without strict orders, regulations, KPIs, or a budget? At the end of the day, how do you grow by a factor of two every year and still not lose the passion of a startup?

This book will answer all the questions above and give a clear understanding of the secret behind VkusVill's success.

Don't look for instructions here. This book is about something else. Here, we will share a great deal of our experience and a fair share of our failures; many of our thoughts and even more of our worries; and plenty of examples of soulfulness and personal stories.

Most of all, I didn't want this book to resemble a neat, well-packaged business story, built on the successes and achievements of the company. If I had been an outside author, it would probably have turned out exactly like that.

Insofar as I was privileged to be an eyewitness and participant of the processes I'm writing about, parts of this book feature too much inner workings and truths that are not always pleasant to acknowledge. You will read about our mistakes and think to yourself, who in their right mind would do such a thing? But we are not ashamed of our history, for every mistake helped us move forward.

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The thought of another business book appearing in Russia thrills me to the core — a book about a Russian company! We all love reading about American, European, and Japanese business and yet know so little about what is happening at home.

Let this story about VkusVill serve as a breath of fresh air for you. Let it inspire you to take a leap in a new direction.

Rule



Even in markets where bloody wars are fought for a place in the sun, there is always an island of calm. Just learn this rule — it will come in handy.

On 31 December 2008, Andrey Krivenko quit his job as the financial director of Agama Trade, a major fish and seafood distributor. This was the moment that the story of Izbyonka – roughly, “Log Cabin” – and VkusVill – even more roughly, “Tasty Town” – began.

Having grown tired of corporate life after five years of working at Agama, Krivenko decided to change fields. By then, he had already realized that the time had come for serious changes and that big business could no longer stew in its own juice: it was time to turn and face the customer.

In the hopes of finding a posting for a CEO, Andrey posted his resume online, characterizing himself as the head of company who prided himself on caring for customers, and waited for calls and interview invitations, reading book after book in the meantime.

Krivenko's proposal attracted the interest of a phenomenal quantity of companies: zero! Not a single call over that entire period of time. Companies needed CEOs that would increase their efficiency and please investors. Studying customers' problems and trying to solve them at the level of top management? Good God, who even needs that?

Not having encountered any affirmation among potential employers, Krivenko decided to create his own company. With a million rubles of his own savings, Andrey started to clamber up

Mount Entrepreneurship. His head swelled with ideas, but the majority of them had no chance of survival.

He was forced to reject his idea of opening a patient-friendly dental clinic due to the narrow specialization needed in the field. The notion of stores selling “live” beer, which were popping up in Moscow at the time like mushrooms after the rain, attracted him with the promise of small investments and quick return on investments, but didn't inspire him with their ideology. Too much start-up capital was needed to open up a car-care center, and after all, it just wasn't the kind of field that lit a fire under him.

The idea of selling fresh, natural dairy products came to him as he was faced with a shop window full of milk and yogurt with month-long expiration dates. He couldn't bring himself to buy such rubbish for his young children. Farmers' markets were always there as an alternative, where one could still purchase products from private producers that didn't have a whole periodic table in their ingredient lists, but everything on offer there didn't inspire trust.

Krivenko recalled: “One day, I was coming back from the market and understood that I really liked the taste of the dairy products I bought from farmers, but every single time I bought them with a sense of fear: I didn't understand how they were made, or by whom, or where and how long they were stored. The question of sanitation stressed me out most of all. The merchant would cut off a piece of cheese and count their money without even washing their hands, over and over all day long. I was just coming home from the market and thinking about that.”

As he was thinking this over, the vision of his dream store became clearer and clearer. On the one hand, there would be products with simple and pure ingredients and short shelf lives. On the other, there would be producers with an organized system of quality control and certificates of compliance, rather than farmers with a note from their veterinarian. And most importantly, no contact between the vendor and the final product.

As though on command, Andrey found himself reading W. Chan Kim and Renée Mauborgne's book, “Blue Ocean Strategy,” which became



"I was certain that I would find my dream job as an employee. Entrepreneurship didn't excite me then like it does now."

– Andrey Krivenko

**THE NICHE THAT
KRIVENKO DISCOVERED
DID NOT INTEREST THE
BIG CHAINS
WHATSOEVER.
FOR THOSE CLUMSY
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SMALL TO CARE ABOUT.**

the polestar for the company that would become Izbyonka. Andrey understood that the best way to win in a competitive fight is not to get involved in the first place. The company's strategy should be based on an orientation toward the customer, rather than toward the competition. This would allow it to focus on the new and do everything that catches its fancy without constantly checking its progress against others.

At first glance, grocery retail is a classic “red ocean,” where major chains are capable of crushing any retail startup underneath them like steamrollers. But the niche that Krivenko discovered did not interest the big chains whatsoever. For those clumsy giants, it was a field far too complex and small to care about.

In summary, Krivenko recalls: “After putting all the facts together, I understood that there was something to work with here. After that, there was only one thing left to do: dig in.”

Rule



To do and analyze is more important than to analyze but not do.

First of all, Andrey began the search for like-minded thinkers. It was important to find a person that understood something about the process of dairy production and a person who understood how retail worked. As a finance person, Krivenko was “lost at sea” in these matters.

With a helpless shrug, Andrey explains, “People often ask me: ‘What do I need to start a business?’ You need to find people that understand at least something about it. For instance, I had no idea what dairy was all about. I only knew that at the market, milk seemed to be better than in stores. As far as what a cash register was or how to work with one? I couldn’t begin to tell you.”

He posted a job notice for employees on a free site, “Moscow Region Vacancies.” This is how he found dairy production technician and Dmitry Kozyrev and retail manager Evgeny Semery. Andrey could only pay a minimal salary — about 20,000 rubles — but he convinced them both that the operation would quickly pick up steam. To be fair, Semery quickly dropped out of the project. As Krivenko once remarked in a later interview, “Our ideological positions differed.”

But Dima Kozyrev remained, and to this day, he is one of the most successful and productive technicians at VkusVill.



Many new employees today have no idea of Dima's importance during the company's early days

From the very beginning, he played a key role in the company as a technician and buyer: it was he who possessed incredibly important knowledge about the production process. He could interface with the producer not in the everyday language of “salty,” “tasty,” “hot,” and “sweet,” but could explain what needed to be done with the product and how to finalize and improve it — for example, by removing excess moisture or changing one starter culture for another.

“In 2009, I saw a notice for a dairy production technician on the internet. I called the number listed. A young man answered, introduced himself as Andrey. We met in the food court at a mall on Molodyozhnaya, 'Trampoline.' He said that he wanted to try an unusual project: to create a small retail chain selling natural dairy products. This really interested me. I can't even remember why. Probably because it didn't involve your regular 5-day routine. It was interesting. I wasn't worried about Andrey's idea to work with natural products. I understood that if we did everything right, it would be possible. Andrey has this wonderful quality: he is able to sincerely engage people if he believes in something himself. He was able to do it then, and has been able to do it the whole time that our company has been around.”

Along with Kozyrev, Krivenko set off in search of suppliers. They had to visit about 50 producers in a radius of 200-300 kilometers from Moscow, to find someone who was ready to make products without powdered milk, starch, and preservatives for Izbyonka.

“They looked at us like we were idiots,” Andrey remembers. “We didn't have any stores, but we had as many demands as if 'Auchan' had come to negotiate.”

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The first supplier was in the village of Zherdevo, in Kaluga Region. A small plant, “SAPK-moloko,” had just opened a new factory and was looking for any possible sales channels. Their products were already available in local stores, but that wasn't enough.

Andrey and Dima agreed on the first product delivery, having convinced the director of the dairy plant to accept a delayed

payment.

On 12 May 2009, the first Izbyonka location opened.

They were able to start with minimal expenses. Renting 5 square meters at the Troitsky mall in Strogino cost only 16,000 rubles a month; a commercial refrigerator cost them 20,000 rubles. They made the sign themselves, in the back lot of the Tushinsky market. Nobody even thought of marketing at the time. The main thing was to start, in one way or another.

Andrey and Dima traded off duties of transporting products to the location.

“You wake up at three in the morning, drive to the plant in Kaluga, fill your car to bursting with product, and at nine, you unload in Moscow,” recalls Dima Kozyrev with no small amount of surprise. “He took two shifts delivering product, and I took two shifts. Of course, it wasn't very legal. No storage regulations were followed. We wrapped the product up in blankets, and it worked kind of like a refrigerator. After a month and a half, we understood that it was time to look for someone with a proper vehicle.”

The beginning of a business is the ideal time to go a little mad (within reasonable limits), break the law a little, and all the while get off scot-free. As far as regulatory bodies are concerned, your company still doesn't exist; your few clients aren't showing many signs of life; and for a startup, every new day could be its last. Therefore, breaking the rules at the very beginning is in part a necessity, but only so long as the “illegal” period helps fine-tune your main business processes and make them functional, effective, and legal.

Over the course of three months, Andrey opened two more Izbyonka locations and simultaneously wrote a program that allowed him to automate product ordering. The system was oriented on sales over the previous period, and became “smarter” over time.

But success wasn't coming. For nearly four months, the three locations lost money and were not in high demand by consumers. The initial million rubles was running out, and they needed to come up with plan B.



**The first purchase in
the very first Izbyonka!
This tiny receipt marks
the officially
beginning of the
company's history**



Andrey Krivenko and his first salesperson get ready to open their location. The salesperson ultimately worked for about a week and quit

BREAKING THE RULES AT THE VERY BEGINNING IS IN PART A NECESSITY, BUT ONLY SO LONG AS THE “ILLEGAL” PERIOD HELPS FINE-TUNE YOUR MAIN BUSINESS PROCESSES AND MAKE THEM FUNCTIONAL, EFFECTIVE, AND LEGAL.

“At first, I decided to open four locations. Nevertheless, the first three Izbyonkas showed me that I didn't need to do that. I was ready to end the project and start looking for a different, more promising niche. However, I didn't have any new business ideas, so I had a think and decided to open the fourth location — fulfill my initial promise.”

Had it not been for that one decision, nothing would have come about: no VkusVill, no producers that became successful thanks to VkusVill, no book...

The fourth store opened in a new location. Before that, Andrey intuitively chose vacant locations at markets, counting on considerable traffic from potential customers. But he chose to open the final experimental location in a mall, not far from a Billa supermarket in Mitino.

This experiment was a 100% hit: the target audience was found. Mitino is a young district. Many young families with young children live there, for whom high-quality dairy products are an important point on their shopping list. As it turned out, shopping center visitors suited Izbyonka far better than those who shopped at farmers' markets.

The first day of business in Mitino showed them that it was too early to give up. The store's refrigerators were empty by lunchtime, and thanks to word-of-mouth, news about the opening of a unique dairy shop made their way around in a matter of hours. That was how the company quickly learned the power of the grapevine.

Every successive Izbyonka was opened with the Mitino experience in mind. Targeting moms and their children, “squatting” on the traffic from major supermarkets from whom consumers can be poached using contrast and unique products, forgetting about farmers markets and everything excessively local...

Andrey Krivenko summarized: “I took one serious lesson from Izbyonka's identity crisis: when you're offering something new or launching some sort of project, you have to try several different options and aim for different targets. Your vision of the situation may differ significantly from your customers' demands. You can't judge the successfulness or



Simple white packaging was for a long time the calling card of Izbyonka. Market researches from other companies never ceased to wonder: “there's so much empty space — why not use it for your own advertisements?!”

unsuccessfulness of a project based on a single effort. Opening a business should be an experiment and adjust based on the situation. In the majority of cases, what seems at first to be a certain failure will unexpectedly hit the jackpot in the end.”

Rule



Hire people who are easy and interesting to work with. This is especially important at the beginning.

By the beginning of 2010, Izbyonka was no longer on life support machine, its retail locations started to break even, and the company started to take its first baby steps. This was still a startup which was heavily influenced by the world around it, but — to borrow yet another medical term — we began to observe an improvement in the patient's condition.

It was at this time that key employees began to appear at the company, the ones who to this day remain at its core: Alena Nesiforova, Renata Yurash, Tatyana Berestovaya, Evgeny Kurvyakov, Maksim Fedorov, and others.

The company began to live by the rules of a single, fine-tuned organism. Not an ideal one — a harmonious one. In an ideal organism, all the organs work flawlessly, as though in a laboratory. In a harmonious one, there can be faults in entire systems, but to eliminate them, the organism turns on the immune system's defense mechanism.

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At this period in the company's development, an understanding of “us” formed — an important phenomenon from the perspective of corporate culture. Henceforth I will use “we” to mean our collective hivemind, although I can imagine the questions from readers: “Who is 'we'? What do you mean, 'we made a decision?’”

If I'm being honest, we don't have a singular answer to this question. At one point in time, it became really difficult to determine who suggested an idea and who nurtured it to perfection; who first doubted an idea's viability and who picked up on the feeling; or who set a rule and who started to follow it. We became such integral parts of each other that over time, distinguishing "I" and "me" became completely meaningless.

Today, if you analyze how we assembled the right puzzle pieces to form the team of the small, but ambitious Izbyonka, it would seem that the process was dictated by chance. Otherwise, some of the combinations are impossible to explain.

Today, Aleksey Ilyichev owns a medium-sized transport company that provides product delivery services to Izbyonka and VkusVill. His success story is amazing and absolutely defies logical explanation.

"I live in Tushino, near the Celebration mall, where the second Izbyonka opened. Once, my wife asked me to buy sour cream. She said that a good dairy stall had opened there, told me to check it out. I didn't find a single dairy stall there and bought sour cream somewhere else.

"Another time, my wife brought me to Izbyonka herself. Told me to remember it: this is the place to buy all our dairy products. I remember a salesperson standing there and a young man, running around with boxes. Later, I realized that it was Andrey Krivenko and Nadezhda Spirova, the salesperson.

"At that moment, I had already been working for myself for a long time, doing transportation work. I asked out of curiosity: 'what do you drive?' Andrey responded that they'd only just started working, so they were driving product around themselves, but they were looking for a person who could take on the job. I left him my phone number, and ten days later, Andrey called me.

"Afterwards, Krivenko and I met at their warehouse, and he showed me: 'Here's the milk, and here's the kefir.' I ask, 'I get that, but what's next?' Andrey said, with some surprise: 'What do you mean, what's next? Take it, drive it, unload it.' I didn't even show him my passport!



It was in this truck that Aleksey Ilyichev began his own path toward entrepreneurship by working as Izbyonka's first driver



**Alena Nesiforova manages a single, unified concept.
Alena's unspoken role is the soul of the company.
People often come to her for advice, pep talks, and justice**

And he gave me the keys to his warehouse full of goods. It was fun back then. Such enthusiasm! Of course, I understood right away that I wouldn't be the only driver forever. That's exactly what happened. After the sixth location was opened, the question of a second vehicle came up. But Andrey stepped away from solving transportation questions from the very beginning, so I started to handle everything."

Or the story of Alena Nesiforova, who worked as a market researcher for DuPont, and because of Izbyonka, swapped her business trips to Paris and Barcelona for stints in Kaluga and Ryazan.

"I studied at the Moscow State Linguistic University, the best language university in the country, and at one point decided to try my hand at tutoring. I posted an ad on a site and began to wait. The first call came from Alena Krivenko (Andrey Krivenko's wife). She had a lot on her plate, not a lot of time, and a need for English. I was the perfect choice, as I lived right across the street from the nursery school where she took her son. We started working together and understood that English wasn't the only thing that we had in common. We talked a lot about life. And a couple years after we met, Alena told me that her husband Andrey was planning to launch Izbyonka, and suggested that I give it a shot. I agreed, even though it was a huge risk to leave a large, stable company and go out into the wild. Now I understand that it was one heck of an adventure..."

Nadezhda Spirova was one of the company's first salespeople. She came to Izbyonka in June 2009 and is still working today. She has happy memories of those early days.

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"In 2009, I moved to Moscow and worked at Kroshka Kartoshka (a popular fast food chain serving baked potatoes - Ed.) for a few months. Then my sister saw an ad in the newspaper for sales staff at Izbyonka and suggested that I go for an interview. The company still didn't have an office — I met with Andrey Krivenko and Dima Kozyrev in a café. I liked everything. Andrey told me to come take a look at the location on Friday, and on Saturday, I was already at work. I stayed there ever since. And in 2016, I switched to working at VkusVill.

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At first, when we were developing the first Izbyonkas, we grabbed people and convinced them to try some product or another. As soon as a person opened his mouth, you shoved a spoon full of cheese curds in, and while he chewed, you told him who you were and why he should buy dairy products from you. **We, the first salespeople, were like all three Marx Brothers rolled into one. We weren't afraid of being funny and deeply believed in the products we were selling."**

There are dozens of such stories. It was these people, our priceless employees, who created this company. They erected this fortress, brick by brick. And they didn't do this because they were being paid phenomenal money, or because they were threatened with fines and punishments, or even because they were professionals at what they did.

It was simply that each of them was first and foremost a person, and only secondarily a market researcher, clerk, or analyst. Each of them created their world and did so in earnest. These people simply cared.

And when someone asks at yet another conference, "What HR strategies did you use to create your team while launching your business?" we just want to walk up to that person, give them a hug, and wipe all those HR strategies out of their head — because life, intuition, and engagement are better than any HR strategy out there.

Rule

4

The earlier you have a conceptual crisis, the better. Izbyonka went through this a year and a half after it opened, and this period changed the whole company for the better.

By the period towards the end of 2010 and the beginning of 2011, the company had 19 office workers and about 80 sales clerks and assistants. The whole team served 31 retail locations.

At this time, there was a radical rethinking of the Izbyonka project. The main processes had been fine-tuned, so it was possible to work more deeply with the assortment of products, open new retail locations, and attract new customers. However, we suddenly encountered a fairly serious and unpleasant problem.

A large-scale survey of our clients revealed that the majority of our repeat customers didn't trust Izbyonka. They came there for unique products, like Mechnikov prostokvasha (a type of fermented milk) and cheese curd casserole, but they would have been more than happy to buy these products from better-known brands had they been on offer. In other words, the majority of our customers were forced to visit Izbyonka.

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This information came as a shock to us, forcing us to reexamine our intoxicating success in a different light. The seeming demand we were experiencing was explained by a lack of alternatives rather than the value of the product. This fact made the whole company extremely fragile and vulnerable.

Thankfully, Jesper Kunde's book, "Corporate Religion" fell into our hands at about the same time. It radically changed our relationship to our brand and positioning. Thanks to Kunde, we thought about the importance of a unified business concept for the first time.

Kunde offers the example of SAS as a company with a clear and well-defined concept: "become the best airline for traveling businesspeople." As a result, everything that takes place at SAS is subordinate to that idea. It immediately clarifies which planes are needed, what drinks should be served, what newspapers to offer onboard, and so on.

In our dreams, we always imagined that Izbyonka would become an irreplaceable part of the lives of intelligent Muscovites, and that we'd be able to change their habits. But how does a brand become a religion? Are there step-by-step instructions for the process? This is where Kunde's work came in handy for us.

The main message of "Corporate Religion" is that customers are already not inclined to settle for advertised promises. People are looking for a narrative or message that confirms their faith in a brand. In other words, material values are being replaced by emotional values — and this is where we had room to grow.

We analyzed Izbyonka based on the algorithm that Kunde proposed.

- How do we see ourselves?
- How do others see us?
- In our opinion, how should people see us?

A fairly depressing diagram resulted (fig. 1).

In an ideal world, all three circles should intersect with each other. The more they are integrated with each other, the stronger and more successful the company is — and the more self-explanatory its concept is.

In our case, it turned out differently: customers didn't understand what we wanted to say to them with our products. We did



Fig. 1

and said one thing, but people interpreted something completely different. This problem had to be solved.

As a result, in 2011, the Unified Concept Department appeared, which was headed by and is still curated by Alena Nesiforova — the very same desperate girl who swapped Paris and Barcelona for Kaluga and Ryazan.

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The task that awaited Alena was an ambitious one: to develop a unified concept for Izbyonka in order to communicate the company's core values to customers and rally employees together around a shared idea. In other words, just what Dr. Kunde ordered.

“That was one of the most difficult but exciting periods ever, which I'm happy and proud to look back on today,” says Alena with a smile. “We analyzed the strong



Izbyonka became an escape for regional dairy producers. They got a stable sales channel in Moscow and a product that they can be proud of



This is what Izbyonka locations began to look like after the rebranding. There's not a single hint at villages or farming in the design

sides of our company. There were actually a lot of them: pure ingredients without chemical additives, short shelf lives for products, serious quality control, pleasant service, and ideologically committed producers from various regions in Russia. But these pieces didn't come together to form a single picture in the minds of our customers. For them, we were still a regular dairy stand, and if we disappeared, it wouldn't be a tragedy for the majority of them. But at no point did we simply want to sell milk. We were changing the culture of food for Muscovites. We just forgot to tell Muscovites about it.

This is a fairly common mistake for small businesses that have just begun to grow. The amount of work increases, and employees naturally change their focus. You're doing a lot, but hitting your target less and less often.

Izbyonka withstood a serious shakeup. We had several strategy sessions where representatives from all the key divisions of the business met with Krivenko. We agreed to keep holding these meetings until we found a path for development that we all shared.

In the course of those heated discussions, an understanding was reached that we had to further develop the subject of healthy eating. It couldn't be done haphazardly like before — it had to be done systematically, at the department level all around the company. Several days of discussions allowed us to realize that the essence behind Izbyonka could fit into several words. That's where we got our slogan: “Izbyonka — tasty dairy products for a healthy lifestyle.”

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Afterwards, it became far easier to make decisions and move together in a single direction. Our technicians mercilessly “cut” ingredient lists, forcing our suppliers to remove additives that other retail chains asked them to add. It didn't matter that the product had a short shelf life. Conceptually, it was far more important that parents wouldn't be afraid to feed the product to their children.

The guys in the development department narrowed the search for potential retail locations in order to achieve their target audience. When assessing a district, it was far more interesting to pay attention not to the quantity of cars and their approximate cost, but to mothers

with strollers — it was them who would be the first to scope out a new store with natural products.

The terms “farmer,” “village,” and “environmentally friendly” disappeared from our client communications, as these notions formed a false image of the brand and brought up a lot of negative connotations. The design of our retail locations changed. We distanced ourselves from associations with a “peasant log cabin,” becoming instead a modern pavilion dressed in white and green.

A newspaper for our customers appeared, where we told them about the healthy qualities of dairy products rather than about discounts and sales. Our landing page began to fill up with information and slowly turn into a portal with content about healthy eating and lifestyles.

Even our retail practices were part of this information flow. Our sales assistants didn't just sell — they started to educate and consult. They could easily tell you what *Lactobacillus bulgaricus* was, or why kefir made with kefir grains is better than products made with powdered starter culture. For customers, this was a shot straight to the heart. Our customers joked, “At Izbyonka, by not selling to you, the clerks sell twice as much.”

The company split into two segments: the Unified Concept Department (the conductor) and the Executive Management (the orchestra). Under this arrangement, we started to hit the right notes! The position of our circles in Kunde's diagram: the way we saw ourselves started to intersect with how our customers saw us.

This concept helped us bring in new customers over the course of the year. But the most important thing was that people came to us over and over again not out of desperation and a lack of alternatives, but because they really started to trust Izbyonka with its unified concept. It was these customers who began to spread the news through the grapevine with alarming speed.



**The first corporate retreat! Izbyonka turned two years old.
The difficulties were behind us, and ahead lay a sea of opportunities and ideas**

Rule



The best time to think about where to go next is when a company is at the peak of its success — in order to make sure that it doesn't stop existing all of a sudden.

From 2011 to 2012, new Izbyonka locations in Moscow and the Moscow region were popping up like mushrooms after the rain. More than 300 successful retail locations were opened, and almost the same number of unsuccessful locations were closed. Sometimes, we cleared out of a rented location after just three or four days of work, losing our deposit and pre-payment and leaving the landlord with their mouth agape.

From the outside, this probably did look quite strange. But Izbyonka's business model was such that we simply couldn't allow ourselves to hold onto an unprofitable store. Each active retail location must make money to help us open another. Only under such a business model could we exist without loans and still grow actively.

The sales from an average Izbyonka location reached about 35,000-40,000 rubles per day. The record-holders brought in up to 100,000 rubles a day. This is the range that we targeted. Obviously, a great deal depended on the rental cost, but the first several days determined the fate of each new store. When there were only 4,000-5,000 rubles a day of sales, we would move out in the first week without wasting time and money on a weak location. When there were sales of 20,000-25,000 rubles

a day, we could “jump-start” the store if the retail staff saw potential in it.

This approach, in spite of seemingly obvious initial losses, gave us the most important quality: speed, experience, and the ability to experiment. Over time, we tested all the districts of Moscow and the Moscow region with Izbyonka, which seriously helped our development group when they began opening VkusVill stores. By that point, there were almost no mistakes made in the choice of locations.

After the three-hundredth Izbyonka, the main problem with the format we chose exposed itself. Izbyonka was a “sucker fish” that could not exist independently. It was not able to generate customer traffic by itself, as it was hugely dependent on its neighbors. The ideal combination was with butchers, fishmongers, sausage sellers, and bakers nearby. This quartet was the ideal accompaniment to Izbyonka and its dairy products, forming an efficient and friendly alliance.

It became distinctly clear that Izbyonka was a dead-end project. Its development was simply limited by the number of open locations. Generally speaking, there were already no open sites left in Moscow that didn't already have an Izbyonka location.

Along with this, customers demanded more and more insistently that we expand our assortment. “We believe in you, but we don't just eat dairy products! Add something new,” they begged us.

However, even our theoretical efforts to modernize Izbyonka didn't lead to anything good. One major obstacle was the different temperature conditions needed for storage of different products and the dreaded rupture of our “trade union.” Meanwhile, arranging ourselves any differently in the space of 15-20 square meters was simply impossible.

Moreover, the conditions of our rental agreements in many of our locations didn't allow Izbyonka to sell non-dairy products, so as not to have a negative influence on the sales of other tenants. Besides, it was no easy task to reorient our customers. Above all else, they came to Izbyonka for dairy

**EACH ACTIVE RETAIL LOCATION
MUST MAKE MONEY TO HELP
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ONLY UNDER SUCH A BUSINESS
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GROW ACTIVELY.**



Andrey Krivenko announces the launch of a new project to all his employees

products, so it was impossible to introduce global changes in their assortment of goods given the stores' current format.

The idea of creating a network of healthy food supermarkets seemed crazy, but everything inevitably moved in that direction. **If not us, then who else? By that time, we had already caught the pioneering spirit, and we didn't just want to stay on the same path. We wanted to take off and fly.**

In September 2011, several people went to London to study British retail.

Alena Nesiforova recalled, "We couldn't afford a dedicated retail tour with the goal of studying the experience of other companies, so we visited Tesco, Waitrose, and Asda stores like regular shoppers. We came at six in the morning to watch how employees unloaded goods, how they worked the registers, how they helped customers. We wrote down what we liked and, in the evenings, we discussed how we could do the same at home."

At a company party celebrating the upcoming New Year in 2012, the traditionally silent Andrey Krivenko picked up a microphone, congratulated everyone on yet another successful year, and announced the start of a new project that had been whispered about within the company for a long time.

"Izbyonka clearly showed that people need high-quality groceries. And we're not crazy, like everyone said at the beginning. We just do a lot the way that we like it, so sometimes it looked strange. But Izbyonka is just the beginning of the path. We have even bigger mountains to climb in our future. Let's move forward!"

His colleagues broke out in applause. This might sound grandiose, but at that moment, we all started the new year convinced that we were changing the entire world, and that the success of the company depended on each of us. It was an incredible sense of euphoria

They say that this is the exact state in which people can do the impossible.

Rule



or

AN UNUSUAL INTRODUCTION

Sometimes people call us the kings of naming, but we still believe that the name of a company isn't the most important thing.

People often ask us the exact same question: “Why did you bother creating a new brand for supermarkets and investing into its development? After all, Izbyonka was already a buzzword and had the trust of its customers.” This is a logical and fair question.

When discussing the image for our first supermarkets, we wanted to permanently get rid of the echoes of peasantry and farming, which insistently trailed after Izbyonka for its entire existence. With a new brand, we wanted to underline the modern nature of our project, its progressive character, and technological advancement. In other words, to let our customers understand that we weren't from the 19th century, but indeed a young and brave bunch dedicated to studying worldwide best practices.

Izbyonka had completely different associations, all of which were already making us a little sick, to be honest. In that name, our average customer saw a loving grandmother from the village, who lovingly and carefully milked her cow in the evenings, then climbed into a beat-up Soviet jeep at the first morning dew and drove the milk to Moscow herself. When we told our customers straight-up that this village grandmother existed only in their imagination, they always shouted, “How could Izbyonka mean anything else?! After all,

**AFTER 'IZBYONKA,'
WE WEREN'T AFRAID
OF ANYTHING.
ANYTHING WOULD BE
GOOD BY COMPARISON.**

more than anything else, Izbyonka means grandmothers, and cows, and villages...”

For this exact reason, we decided to give our supermarkets a new name. That's how VkusVill came to be.

Of course, we could come up with a pretty little backstory and deftly explain exactly how VkusVill got its name. This legend would probably have some hidden meanings couched within it, or a secret message that we wanted to communicate to people through the name of our company. But VkusVill's name appeared out of desperation.

We actively discussed the idea and concept for our new stores. We understood, more or less, what they would look like, what they would sell, and who would work there. But we couldn't quite figure out what to call that.

After our trip to London, everyone was inspired by the unique characteristics of how British retail worked, so upon returning to Moscow, work began with threefold intensity. We could no longer remain without a name.

Andrey Krivenko joked, “After 'Izbyonka,' we weren't afraid of anything. Anything would be good by comparison.” Nevertheless, we simply couldn't come up with a name ourselves.

Insofar as we legally registered our own brand name in all product categories, it was important to come up with a fantastical name without any potential intersections. We came up with a whole mass of options! But 99.9% of them were ruled out by the patent office, as they overlapped somehow or another with brands already registered in Russia.

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At that point, we turned to an agency called Brandtime (hey there, Vladlen!), whom we tasked with finding us a name at short notice and applying to register it. The work took about a month.

The final option seemed to be VkusVille, with a soft “L” at the end. But we couldn't register it, as there was already a “Vkusavelle” registered somewhere.

An excerpt from an email sent by Alena Nesiforova (13 January 2012): “By the way, 'VkusVille' got rejected;



VkusVill could have been called “Grina” or “Akra.”
 There were even initial sketches ordered for future logos

there's some 'Vkusavelle' out there... We're rushing to come up with a new name now."

Only then did VkusVill appear. Of course, it has no relationship to pitchforks — "vily" in Russian. The second half of the word is a reference to the word "village." The first half is "taste" in Russian — the result is something like a tasty village, or a village with taste.

Of course, customers began to laugh and ask, "Why not 'the taste of shovels?' Or 'rakes?'" Mind you, the stress should be on the first syllable — Tasty Town — but even our employees ignore this rule, so we've made peace with both versions.

The name took off. It is easy to remember, and calls up a whole swath of associations. Every once in a while, we find a post written by some smart aleck, wondering what we were smoking when we called our companies Izbyonka and VkusVill.

We just smile, and continue to believe that the most important thing is what a company does, not what it's called.

Rule



“Understanding whether you have become more experienced is very simple. If you analyze your work from a year ago and understand that you would have done a lot different, that means you’ve grown.”

On 15 June 2012, the first two VkusVill stores had their soft opening. People could already make purchases that day, but we didn't announce the hours anywhere so as to maintain the ability to close the stores instantly in case of a force majeure. On 17 June, all four original stores were officially opened.

We still remember the addresses of the first four stores by heart:

- Ulitsa Lyusinovskaya, 36/50 (near Dobryninskaya metro)
- Ulitsa Trofimova 35/20 (near Kozhukhovskaya metro)
- Ulitsa Bolshaya Spasskaya 8, building 1a (near Sukharevskaya, Prospekt Mira, and Komsomolskaya metro)
- Ulitsa Dubki 2a (near Timiryazevskaya metro)

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The locations for these stores were chosen based on the presence of a successful Izbyonka in that district and their relative closeness to the city center. At that time, we thought that the first VkusVills should open within the Third Ring Road (the ring road that circumscribes Moscow's most population-dense areas – Ed.), so that customers could easily stop for groceries on their way home from work. Later, we understood that it was senseless to try and break into the city center. VkusVill is a store for bedroom communities, while our



**The opening of the first VkusVill at Bolshaya Spasskaya 8.
The sign was installed on the day of the grand opening**



**We will never forget these mountains of cans and even rows of fruit nectars.
“At least we opened,” we consoled ourselves**

primary customer travels home from work on the metro, rather than by car.

We opened hastily, as you can imagine. The cash registers kept freezing, the refrigerators turned off, trucks with product were late... Everything that could happen seemed to happen. Nevertheless, the first four VkusVills opened their doors to customers.

Today, it's impossible to look at the shelves and storefronts from that time without shedding a tear. The widest selection! In other categories, shortfalls prevailed. Our new technicians simply didn't have time to find a sufficient quantity of quality suppliers that could offer us products with the proper ingredients. The total quantities for four stores were laughable, anyways — not all suppliers were ready to change their recipes when the order would be small anyways. Therefore, the selections were cobbled together as we went.

Overall, our stores' selection spanned a little more than 200 items (meanwhile, the total is around 2,000 today). We literally had to “spread” the same product around on the shelves to hide how empty they were. The first customers joked cuttingly, “Welcome to the USSR!” It hurt, but a whole shelf of apple juice and 5-liter water jugs didn't bring up any more positive connotations.

To develop VkusVill, we invited the two best sales assistants from Izbyonka.

“None of us understood how to work in a self-service store. We were used to our little stands with small quantities of goods that we knew by heart. Here, there was a real supermarket, with lots of new products,” recalls salesperson and assistant Elena Pozhidaeva. “There was a lot of bustling around and unnecessary worry, but from the first day of working at VkusVill, I could tell that it was the store for me. I was responsible for its success. We didn't sleep at night, we were too tired to talk to our families at night, but we got an incredible amount of satisfaction from what was going on. It was a really memorable episode in my life.”

Local retail manager Tatyana Berestovaya added, “The company's main source of income was Izbyonka, and we couldn't leave it behind. We had to combine opening new stores with the fulfillment of our everyday tasks. While we were launching VkusVill, I slept maybe two to three hours a night. I would come home late, lay down, and not even remember if I changed my clothes or not.”

The clerks and assistants fed their first customers to the point of bursting, just like in the finest of Turkish hotels. It was easiest to sell them unfamiliar products through tastings. We knew that from our experience with Izbyonka, so we had a lot of hope for well-stocked tables in the stores. Clerks and assistants would steam, fry, boil, and cut something or another non-stop, and customers would eat, and eat, and eat.

There was a memorable moment when one of our colleagues ran into the basement of the store for yet another portion of products all moon-eyed and shouted, “They'll devour everything!” She thought for a second, then added: “Let them eat! We can afford it. But they don't just eat, they devour!”

At the same time as we opened the first VkusVills, we launched our loyalty program, “Let's Be Friends!” (Davayte druzhit!) All of Izbyonka's customers were given free bonus cards. Over time, the loyalty program would change several times and became a useful tool both for us and for customers. But for that time, we decided that the main purpose of the program was to attract Izbyonka customers into the new VkusVill stores. At Izbyonka, they could earn points on the card, while they could spend them at VkusVill. For some reason, we thought that this would work and people would travel all over Moscow to one of the four VkusVills to spend their 150 bonus points on berry juice or bread.

How naïve we were! Alena Nesiforova, our irreplaceable unified concept manager, put it well: “While we were launching VkusVill, everyone involved did their work as they felt was best. If we had planned everything out ahead of time and thought through our actions several steps ahead,



Andrey Krivenko always leaves VkusVill with heavy shopping bags in tow, so employees are happy to see him in any store. The first clerks and assistants knew Andrey personally, but today, many of them wouldn't even guess that the owner of the company is standing before them



The first tastings at VkusVills were like feasts at a traditional holiday

nothing would have worked out. Every day, every single employee at the company brought their own ideas, thoughts, and words into their work. Every new plan was born out of an argument, but that was precisely what gave us the company we have today. The VkusVill project was essentially created a half a year before the stores opened. For a new retail format, this is a record time. But the real work began after the first stores opened. We were really putting out fires as we went: the wrong selection, the wrong buildings, the wrong design, the wrong loyalty program. We changed the first four stores past the point of recognition. What we had then and what we have today are two completely different projects. We moved on, made mistakes, and took our lumps, but we built this project. And we did it all with incredible enthusiasm and energy.”

Rule



Yet another internal crisis taught us that you have to work based on common sense, and not based on numbers. For this reason, we no longer have (and will never again use) KPIs or any other quantitative assessments of our employees' efficiency

Summer 2013 is remembered at our company without a hint of a smile. At that time, we nearly shut down the VkusVill project, because it nearly shut down the entire company. The supermarkets were severely unprofitable.

But if the first crisis experienced by Izbyonka in 2009 presented a serious threat, as the company was simply running out of money, then VkusVill was in a much better position: Izbyonka was making great money and could cover all of our new baby's mistakes with room to spare. We worked in such conditions for an entire year and didn't even think to raise the alarm, seemingly hoping that everything would work out by itself. At least until the money we spent on VkusVill didn't exceed the amount that Izbyonka could possibly earn.

By summer 2013, many new employees had appeared in the company. Technicians, retail managers, clerks and sales assistants, analysts... Each of them came with their own baggage and tried to implement what they themselves knew how to do. In the everyday hustle and the lackluster financial situation, we gradually started to forget about the customer and the unified concept. In other words, we started to repeat our own mistakes from two years ago.

It was hard for our technicians to find suppliers for just four stores and convince them to change their ingredient lists, to remove

substitutes, dyes, aromatics, and other such trash. At a certain point, the new technicians started to think that they were just being humiliated and knowingly complicating their work. Everyone else sells sausage with sodium nitrate, but VkusVill wants to find sausages without it!

The demand to only sell products under our own brand left its mark as well. It was extremely hard for new technicians to convince suppliers that we didn't need any of their brands with cows in skirts or similar nonsense. We want to get a high-quality product, not questionable regional marketing.

The executive management partially followed the technicians' lead and made the decision to open four more VkusVills, in order to interest new suppliers and seem more like a chain. After all, a chain of just four stores doesn't seem serious at all, but one with eight can already pass muster, and now we could hope for some financial success.

In the end, those four new VkusVills nearly killed the whole company. Instead of four unprofitable stores on our back, we suddenly had eight — all during the summer period, when sales typically fall by 20 percent. Izbyonka could never survive such recklessness, had it existed to that day and worked at full tilt.

Insofar as things were going badly, the directors of the Executive Management started to search for reasons in all the wrong places. Our employees have always been distinguished by their love of freedom. We never had orders, memoranda, fines, budget meetings, or finalization meetings. Trust and responsibility always were and still are the most important for our people. We worked that way starting from the founding of Izbyonka and couldn't imagine working any other way.

At one point, some seriously unpleasant changes took place within the company, as it started to seem to the Executive Management that the root of all evil was in excess freedom given to employees. Not in the fact that there are no customers at our VkusVills! Instead, due to a lack of rigid boundaries, one person might do the work of three while others don't do any work at all. That's why VkusVill was stalling. They just had to toughen up, and then everything would be fine.

The peak of the crisis came in August. We didn't have enough money to pay our suppliers. Rumors started that the company was on the verge of bankruptcy. Some of our producers were already refusing to load up our trucks, fearing with good reason that they might go without payment for a shipment of goods.

But that wasn't the scariest part. The always friendly and loyal team began to fall apart like a sand castle in the storm. People were saying, "Why did we get involved with this VkusVill idea, anyway? We could have lived it up just selling milk."

It became pointless to work on VkusVill. Employees didn't want to spend energy and time on something that was doomed to fail. Focusing on Izbyonka and developing a comprehensible, well-known project seemed like a far more promising task.

You might have a question: why didn't the founder of the company, Andrey Krivenko, get involved in what was going on? At the time, Andrey didn't make any major decisions. He completely entrusted the launch and development of VkusVill to the team that led the Executive Management. That team was made up of Izbyonka employees as well as new hires. The deeper the ship sank, the less trust and understanding remained on board.

Several years later, when VkusVill had become our all-star, super-successful project, I had a conversation with Andrey about that period when everything could have suddenly ground to a halt. I'll share with you a fragment of that conversation.

"Andrey, can you give us your version? Why did we nearly fold during the summer of 2013?"

"The problem wasn't so much in VkusVill itself. It was more global. It was within the framework of our experiment in self-governance. I came up with the idea that the company shouldn't depend on my decisions long ago.

One of my mistakes was introducing a balanced indicator system (BIS). The picture of the situation looked ideal at the time. Each top manager on the management board had their indicators. Sort of like a double-edged sword. A typical

example is our account manager, Maksim Fedorov. Essentially, he's the only one who still works with this system. He has two indicators: write-offs and shortfalls. He finds a balance between them.

By mistake, we tried to expand this system to all of our employees, and only with time did we understand that it can only be applied to mathematical models. For Maksim, after all, it really is all about math.

We started to set up BIS for the entire company. Valera Razgulyayev (information manager) told us that he was faced with the task of tracking the fulfillment of BIS for all employees, and when an employee had low indicators, they had to be given a boost. It was, of course, totalnonsense. It was all pulled out of thin air. At the end of the day, we got carried away.

That summer, I purposefully didn't get involved in the affairs of the company. Meanwhile, VkusVill was spending incredible amounts of money, we suffered considerable losses, and in spite of all that, opened four more stores — and as a result, in August 2013, we stopped paying our suppliers on time.”

“You know, I'm amazed at you! You talk about it as though we're talking about a little risk of just 10,000 rubles, and not about the fate of an entire company. As though if we had lost it, it'd be no big deal.”

“No, the situation was fixable. It's just that the most interesting thing was that in the midst of all these back payments and losses, everyone's BIS were practically ideal! Our suppliers were already refusing to load our trucks, but employees were even getting their paychecks ahead of time, although everyone knew perfectly well what was going on. It was an excellent lesson for us. This system failed because you've got to work based on common sense, not on indicators.”

“Tatyana Berestovaya remembers that when you returned to Moscow and understood that we were in dire straits, you were white as a sheet for several months. You called all the retail managers together at 8:00 in the morning and went through every problem together with them.”

“All of that wasn't for nothing. Thanks to this crisis, we found a sustainable model for VkusVill. Of course, it wasn't without

its losses. We had to let a lot of sales assistants go, and Aleksey Farafonov (COO) left us to go into logistics. But the dregs were left behind: if the BIS model doesn't work, we had to search for something new that would work for us.

It was then that Gary Hamel's article, "First, Let's Fire All the Managers," started coming to mind. I couldn't let go of the idea of building a company without managers. Afterwards, there was Laloux with "Reinventing Organizations," Taleb's "Antifragile," and so on.

As far as I can see, the self-governance system is working quite well for us. I've been an outsider to the company for a long time now. I don't even take an active role on the management board anymore, all the urgent questions ultimately get to me, and new projects are implemented on the ground level."

Way back then in 2013, Krivenko had to manually manage the company and delve into the affairs of its key divisions. The first self-governance experience for the organization went through a fiasco, but that just got Andrey more excited.

Having returned to "power," Andrey bluntly raised the question: "What are we going to do? Close VkusVill and forget about it, or put it on life support and try to bring it back?"

At that moment, after all of our arguments and disputes with each other, we felt like it would have been a colossal waste of energy to stop then. It couldn't be possible that we had spent a whole year sweating, losing sleep, and forgetting to eat in order to lose everything so meaninglessly?

We decided to relaunch the VkusVill project.

"All good beginnings are destroyed by big money. We just took the money away from VkusVill. And it made it out alive," Andrey Krivenko said five years later at a talk for readers of Republic, an online portal. Everyone laughed.

Rule



A plan for saving the company should be a shared responsibility. VkusVill was saved from ruin by the same people that nearly destroyed it.

To save the sinking VkusVill, we turned to the power of the concept once again. Remember how at one time, it was the unified concept that helped bring Izbyonka out of the minors into the big leagues?

This time, we once again stepped away from the material world, forgot about the financial burdens that were crushing everyone, and started by eliminating those problems which customers had told us about more than once.

Here's a list of our solutions for saving VkusVill.

1) Reduce the number of salespeople in stores

Imagine the situation. A cold, empty VkusVill. Eight, maybe ten salespeople in light-green vests sleepily amble about. Out of boredom, they restock products, sweep the shiny floor for the thirty-second time, move bags from one register to another...

Suddenly, a new customer walks into the store. All eight, or even ten salespeople instantly drop what they're doing, put on mile-wide smiles, and start following the poor customer in a herd, offering him samples of alder-smoked catfish or natural butter cake.

Collectively, this piercing attention to their presence really irritated our customers. But we based this on our experience with Izbyonka. There, people were ready to throw a parade for our

salespeople: “They always point everything out, ask how the kids are, even remember their names, suggest something new...”

We thought that that was the very nature of first-class service. If we just multiply it by eight, or even ten outstanding salespeople, we'd have a real home-run! But instead, we struck out. Who among us could have guessed that rules of engagement for a dairy stand would be categorically inappropriate for a self-service store?

We're certain that you're reading this with a smile. It's obvious! Who wouldn't have thought of that?! But we decided to share the story of our company's founding, warts and all, so we're telling you about our failures, no matter how comical and awkward they might seem.

Halving the number of people had an almost immediate effect. Salespeople now had far less time to parade about the store, and customers had far more opportunities and freedom to study our products. After all, in a self-service store, customers should enjoy a feeling of solitude.

Today, all of this sounds comical. But at the time, letting people go was scary.

Sales assistant Elena Pozhidayeva wasn't affected by the cuts. But she had to work with a completely different attitude.

“I understood that the company needed help. And that the crisis wouldn't last long. Everything changes quickly for us, so thoughts about firing didn't even come up for a second. I remember when we were told that we would be working three days on, three days off without overtime, the mood got a lot worse. That same day, Andrey Krivenko stopped by the store.

I usually walked around the store with him as he was buying things, but this time, I didn't walk around the store at all. He could see that something was wrong. All the salespeople were sad, detached. We shared our worries with him. He listened to us and promised that the situation would definitely improve — we just had to wait a little bit.

Now, I understand him perfectly. Reducing salaries and cutting salespeople were necessary measures to save VkusVill back then.

2) Reassess the selection. Stop selling products with an unacceptable retail price

We've said more than once that finding new suppliers and new products for four (and then eight) stores was very difficult. Only the new dairy products had an easier time, as any of them would instantly make its way around 300 Izbyonkas as well.

During that period, we “caught on” to the disgusting trend of “luxury farming.” This is when a broiler chicken could cost 500 rubles a kilogram simply because it had listened to Tchaikovsky's Fourth Symphony or drank nothing but artesian well water while it was alive. We were always against this marketing gibberish, but the situation worked out such that we couldn't even support small producers. We had to work with very small companies, sometimes even with private farmers, all in an effort to present consumers with a unique product.

In addition to all this, VkusVill's efficiency left a lot to be desired, to put it lightly, so markups on products sometimes exceeded 100%.

Our customers never criticized us for higher prices on everyday items. They even made their own suggestions. We don't need our chickens to listen to classical music. Let them be factory farmed, so long as they are fed properly, not dosed full of antibiotics, not bleached, and not pumped full of water before sale.

We did some serious work on our assortment. We eliminated all of our expensive and low-demand items, and replaced them with products that suited us better, all with natural ingredients and fair prices (for the midrange market).

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Many of our technicians left the company in the first wave. They couldn't find suppliers or inspire them to create products that met VkusVill's demands. They were replaced by a new batch, ready to scour the wide expanses of Russia to in search of honest products.

One exception was Zhanna Valman. In the beginning of 2012, she came on board to develop our bakery and cake group. She is still working with the company to this day.

“At first, the search for suppliers demanded a crazy amount of

effort. At the time, we didn't have a lot of bakery producers in the country who consciously stressed healthy eating, as such a trend hardly even existed. For that matter, I lacked work experience as a buyer," Zhanna recalled. "I found the first of my suppliers on the internet. I read a lot of different articles. That's exactly how I found the Bolokhovskiy Bread Factory, whom we still work with today. I found the Monastic Farmstead (Monastyrskoye podvorye) through an online article. They grew in large part thanks to us and became a major manufacturer. But at the time, I thought that I was hardly working. After all, it's not a routine from nine in the morning to six in the evening. You look at something on the internet, talk with someone. But overall, there wasn't a concrete work plan for the week or even the day."

It was these kinds of passionate technicians, together with brand manager Tatyana Yanyшева from Unified Concept Management, that did the impossible. A lot of what you see today on the shelves at VkusVill appeared thanks to the well-coordinated work of Tatyana and her technician colleagues.

"At first, the tasks for working on our assortment were set out by the management board, and it was fully developed by the technicians. I arrived and the foundation was already laid out. In addition, there were a lot of employees engaged in this process.



Nikolay Ivanov opened the Monastic Farmstead bakery and became one of the first bread suppliers for VkusVill. He began with a tiny room on the grounds of the Svyato-Vvedensky Convent. Today, thanks to his fruitful collaboration with VkusVill, his tiny bakery has grown into a major, full-cycle bread factory.

Alena Nesiforova and Andrey Krivenko, too. They traveled a lot around Europe, went to different restaurants and knew a lot about good products. Their vision really helped. Dima Kozyrev made a huge contribution: with how well he knew the taste of natural products and the ins and outs of production processes, he was the key person at all the tastings. Of course, the desire of every technician to one-up themselves and get the best product on the market onto our shelves saved us. But overall, it was fairly challenging — we had to think, study, and search. There weren't any ready-made solutions, since the concept of “natural products for healthy eating” can be widely interpreted. Everyone has their own notion of what healthy eating is, and we tried to build our way out of the 'red ocean' of Moscow retail.”

3) Reducespending on opening new stores and maintenance of existing ones

For the first VkusVills, we made the mistake of selecting unsuitably large locations. The store at Bolshaya Spasskaya 8 (which is open to this day) measures 140 square meters; the VkusVill on 3rd Mitinsky Pereulok (now closed) measured 296 square meters!

Large locations brought large expenses with them: rent, preparing the store for opening, and upkeep afterwards. Add to this the fairly modest assortment of products at the time, and you get the terribly inefficient VkusVill of the previous era.

The team from Development Management completely reassessed the format. We understood that there was no point in targeting large locations. We started to look at locations that were several times smaller, starting at 70 square meters. We calculated each stage of preparing a store for opening.

“Together with the director of the development group, Zhenya Kurvyakov, we went through a whole journey reducing the cost of our stores. We counted every cloth, every broom, and searched out the cheapest place to buy them,” recalls Mikhail Mamchur, the company's development director. “Then we went about

reconfiguring our equipment. At the beginning, we had external cooling: separate blocks that cooled the space in the store and the displays. Then Zhenya suggested trying internal cooling, when each display was automatically cooled using an integrated cooling block. The stores that used them allowed us to get underway. Afterwards, we figured out our own format bit by bit.”

They were able to reduce the amount of investment needed in each new VkusVill store by a factor of three! At launch, each VkusVill cost us about 15-17 million rubles. After optimization and the change of format, we started to cut this down to 5-6 million, and we started to outsource many functions.

4) Attract new customers

All of our efforts wouldn't have been worth anything without a stream of new customers, and the grapevine didn't want to work for us. Customers didn't like VkusVill, unlike Izbyonka. “Cold, expensive, and empty,” they said after one or two visits.

So we were faced with the task of bringing disappointed customers back from Izbyonka to VkusVill in order to show them the amount of work we had already done to fix our mistakes, and still attract a steady flow of new customers.

A month before the crisis, Olesya Mashkina came to our office, and soon after became our advertising manager. It was assumed that Olesya would take on partner events and systematically help those Izbyonkas and VkusVills that were opened in less populated areas and needed additional efforts to attract potential customers.

However, in the end she had to take on anti-crisis measures for the entire company.



The expensive Mitino VkusVill was our major mistake. Enormous repair expenses, high rent, and a near-total absence of customers. The store had to be closed, but it dealt us a major financial blow

“At the time, there were layoffs underway in the company. I had been working for a little more than a month and I could have easily been fired or had my salary cut. I didn't know anything on the global scale at that point. But the company gave me the chance to stand out at its most challenging period in time. Today, now that I understand the situation that we were in, that's really awe-inspiring,” Olesya shared.

In order to provide new customer traffic with little to no help from word-of-mouth, Olesya and her colleagues from Unified Concept Management had to implement a whole series of advertising and marketing measures.

VkusVill's first advertisements appeared: in entryways, elevators, outdoor stands, utility bills, and so on.

In 2013, coupon sites flourished in Moscow, and the company conducted several promotions with the goal of bringing customers from Izbyonka to VkusVill.

At the end of November 2013, thanks to our own loyalty cards, we created our own coupon system. At Izbyonka, a customer could purchase a ticket for 30 rubles, and at VkusVill, they would get a discount of 300 rubles from any purchase above 600 rubles. This offer provided a steady stream of customers to stores for the entirety of December.

To bring new customers with children into our company's fold, we held children's drawing contest, holiday-themed events, and festivals in our stores. Salespeople started actively participating in promotions: their additional bonuses began to depend on sales of a specific product or group of products.

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All the tools that we used then are well-known and are no new invention of VkusVill's. Today, we can afford to live a wonderful life without advertisements, sales motivations, and promotions for our customers. These methods don't offer a lot of added value.

But then, during our crisis period, each new customer at any VkusVill was essential to us.

And we fought for them with every means we knew in order to let them know: we're changing, we're getting better, but we're not giving up!

5) Reject balanced indicator systems and any other corporate elements. Grow, but stay young and free

The 2013 crisis brought major changes to the way the company was managed. The Executive Management, with COO Aleksey Farafonov at its head, ceased to exist as such. All of its functions and tasks were distributed among the members of the management board (the company's top managers).

The management board had existed since 2011, but it was directly subordinate to the COO — that is, it was not an independent structure, which it became after the 2013 crisis and remains to this day.

Andrey Krivenko is an equal member of the management board. His opinion is no less important than that of the other members of the team (ten people).

“Essentially, we split responsibilities between divisions. Each of us became an entrepreneur in our own field of work. We had the power to make any decisions without getting approval from anyone. This were our clear principles of management,” explains Andrey Krivenko. “Retail management, for example, was intensely involved with service and helping stores. We stopped turning to them with questions about products, profits, or free space. The quality of products was a part of quality management's responsibilities. Development management took control of searching for new locations and preparing stores for opening.

It was enough for us to meet once a week to discuss important matters. Apart from that, there was total freedom. Using such a model, we could grow while remaining autonomous and not complicating the decision-making process.

* * *

By the end of 2013, the crisis had passed us by. Stores were filling up with new products, the number of customers was growing, and the average purchase was increasing. At our New Year's party, we raised our champagne glasses and shouted, "Three cheers for VkusVill!" We were able to find an effective format for our stores, create the proper assortment, and attract new clients while holding onto the old ones.

But the most important thing is that during this period, we were able to retain our warm relationships to each other and to the work we were doing. We were certain that everything we built could break overnight. But supporting and growing it was a far more painstaking task.

It was perhaps from this moment that the sun began to set on Izbyonka. We still couldn't imagine that we would remain without our dairy kiosks. But we also stopped thinking that VkusVill was a hopeless and undesirable retail format for Muscovites. We wanted to develop and grow it.

In winter 2018, the last Izbyonka location closed.

Rule



Life never ceases to amaze with the variety of situations it presents to us. Don't try to calculate all of them in advance. Just play the game and enjoy it.

In autumn 2014, the country succumbed to a crisis. The ruble tumbled, oil prices fell, commercial bank licenses were rescinded, sanctions were imposed...

It's surprising that all these events only played into our hands. A year had passed since our internal crisis. In that time, VkusVill had built up a financial buffer and was ready to make a move. The chaos in the country was the most suitable period to do so.

The bank branches and stores that were closing one after another freed up commercial spaces in excellent locations, while rents were falling due to the total lack of demand. VkusVill was happy to move into spaces it could previously only dream of!

The food embargo helped us make a name for ourselves. State-approved media ganged up on European imports and showed footage of bulldozers plowing over jamon and Camembert with sadistic joy.

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The notion of Russian goods and producers was at the top of the news agenda for several months. It was impossible not to notice VkusVill and Izbyonka in such conditions.

We were an interesting example of a company that had started working with domestic suppliers long before sanctions were introduced.

“See, we can get by just fine in our country without imports! The VkusVill chain is an excellent example, where only Russian products are on offer,” journalists boldly reported.

If we step away from the propagandistic overtones, all of this sensation played in our favor. After all, since 2009, we had patriotically only worked with domestic producers, even though it looked strange at the time. Our colleagues from other, import-dependent grocery chains, remarked with disdain: “Ugh, 'made in Russia.’”

Prices for goods in other retail chains were another story entirely. Never mind that they jumped by 25-30% in several categories, retailers couldn't lock them down at all. There was a sense of a total free-for-all. Today, a liter of powdered milk might cost 50 rubles, and tomorrow, a sticker for 70 rubles was already on the shelf.

Here we also decided to take advantage of the situation and take the lead. For 17 core products (kefir, milk, sour cream, bread, fresh whole chickens, eggs, and so on), we reduced and locked in our prices. A liter of natural whole cow's milk was sold for 49 rubles at VkusVill and Izbyonka. This was 15-20% cheaper than name-brand milk in the store near home.

What's more, we didn't just lower the price on core products, but changed the packaging as well, printing the price right on the label (fig. 2).

The word spread like wildfire. People thanked us and actively shared the information with their friends and relatives. The expensive aura that had stuck with VkusVill since the beginning began to dissolve.

Social networks were flooded with comments in the following vein: “Thank you, VkusVill! Lately, I only go to you for my groceries. They're tasty, and high-quality, and compared to all other stores, your prices are okay! More power to those fine Russian women who made all this for us in Kostroma, or wherever.”

Thanks to this tricky period, the number of customers that visited VkusVill increased by 15%. All the expenses incurred by reducing

prices on goods were compensated with room to spare. We just had to continue rapid growth without lowering quality. By the end of 2014, the chain numbered about a hundred VkusVills and 250 Izbyonkas, with a team of nearly 2,000 employees.

It was a good period – excellent, even!



Fig. 2

Rule



Within VkusVill, we have introduced a system of promises. The main task is to provoke communication between different divisions. We were able to resolve a huge number of internal differences by simply initiating communication.

There's this incredible person in our company: our information manager, Valery Razgulyayev. Valera is quite colorful and extremely smart.

Valera also happens to be very quiet, and as a natural introvert, he has to constantly fight his own shyness. There was a moment in his life when he even begged for money on the street in an effort to overcome his timidity.

Valera, in a nutshell, is a wunderkind, and everyone at VkusVill respects him. He even takes on projects which other employees don't believe in and which they do everything to distance themselves from. If even Valera can't make a project work, that means it really has no use to anyone. If it works, then Valera was sitting pretty: "you said it wouldn't work, and just look at it now!"

Valera put a great deal of effort into the integration of deep self-governance systems at VkusVill. At a certain moment, we suffered the classic problem of all fast-growing companies: incredibly overwhelmed management. Those are the exact conditions when corporations are born and vertical power structures are established: a director gets a deputy, then another, and then another — while the work just keeps piling up. In addition to that, the chain of communication gets longer, and the company relaxes its overall pace of growth. We didn't want to build a hierarchy, but at the same

time, we always wanted to grow. Our first experience of implementing self-governance was, as you recall, unsuccessful — in large part because it had no relationship to actual self-governance.

At this moment, Valera Razgulyayev entered the ring, having already picked up on the problems of a fast-growing VkusVill. He launched the process of improving promises within the company.

We want to warn you ahead of time: it's not worth interpreting the promise system as a management strategy and think that all of VkusVill is held together by it and it alone. Actually, it is just one of the tools we use to initiate communication between divisions and determining our unified goals. In other words, the promise system helps us to correctly identify the problem, steps to solving it, and understand who will be involved in the process.

In order to better understand how the promise system was integrated into VkusVill, we'll leave you alone with Valera.

Valery Razgulyayev, information manager at VkusVill:

“The first thing you have to understand is that the promise system solves concrete problems that arise between divisions, but at the same time, it does not impose rigid boundaries on employees — a flaw in the classic management strategy used by all hierarchical companies.

In order to start the process of making promises within your company, you must before all else gather together the core — maybe even the exact team that launched your business project — and understand what your initial success and the growth of your organization was based on.

Here, it is very important to acknowledge that your success was conditional on the fact that you offered your customers something that they really wanted to get. To be more specific, you accounted for your customers' desires in the promise that you made to them and proceeded to fulfill. More likely than not, you will discover that that promise was a complex one, and contained both a fair price, and quick reactions to demands,



Valery Razgulyayev is a man who is convinced that self-governance in an organization will soon become the norm and take over the business world

pleasant interactions with employees, and so on.

Ideally, the most effective approach is to find out directly from the customer what they want from the company. We did exactly that – we turned to our customers. A customer will never tell you that they need well-organized business processes. However, people do say very clear and comprehensible things: they need stores to be clean, they need products to be delivered on time and in the necessary quantities, they need polite staff and stores closer to home...and so on!

Strictly speaking, some employees in the company need to take responsibility for the fulfillment of these promises. At the first stage, this means departments heads, who will take action using the resources and people entrusted to them, coordinating the work of the latter and checking the completion of the tasks set before them. It's important to correctly and extremely clearly state the promise, as every manager subconsciously covers their back: for example, instead of saying that a truck will be ready for loading in two hours, they will say that they'll do everything in their power to get the truck ready as soon as possible.

The manager goes on to explain why they can't make a more specific promise: they say they're dependent on the quality of the work done by other departments. This is where you need to stop and demand that they nevertheless make a clear promise that states a result, rather than a process.

In this way, you find yourself with a set of promises:

- Core promises that your company makes to customers
- Supporting promises that your employees need in order to fulfill core promises
- Peripheral promises, coming from other divisions like accounting, legal, administrative, HR, and the like, which aid in the fulfillment of the other two categories of promises

After all promises are formulated, you need them to be confirmed by at least one of the department heads. Oftentimes, at this stage it becomes clear that there is some position missing in your company,

as one of the promises cannot be made by any of the existing managers. In addition, situations where one of the department heads is left without promises often turn out to be interesting as well. It's entirely possible that in solving some key problems, you've forgotten something very important which is already working fine and isn't an "eyesore," but without which the other promises could simply not be fulfilled.

In such a case, you have to determine what the results of that manager's work should be and write them down as their promise. If you aren't able to formulate that promise, it will become immediately clear to everyone just how necessary that manager is to the company...

Now we begin walking through the promises for all employees. Here, there are a number of discoveries waiting to be made, because the promises for certain employees turn out to be completely disconnected from their manager's promises.

We ended up with system of promises that you can see in figure 3.

Overall, the use of promises as a tool, which might initially seem like a formality or a reiteration of things that were already clear in the first place, can lead to a fairly revolutionary change in a company's organizational structure.

For this exact reason, it is best to employ such a tool with the constant involvement of the owner or a top manager of the business. He won't allow the discussion to turn to functional promises, when managers promise anything but concrete results. After such a session, the owner might give a promise to all managers in return regarding their salaries and bonuses in the event that all the promises they took on are fulfilled. All that remains is to create a tool to check the completion of all the promises to the customer and to regularly keep a close watch on this process.

The fulfillment of promises within the country should be appreciated by the clients to whom a particular promise was made

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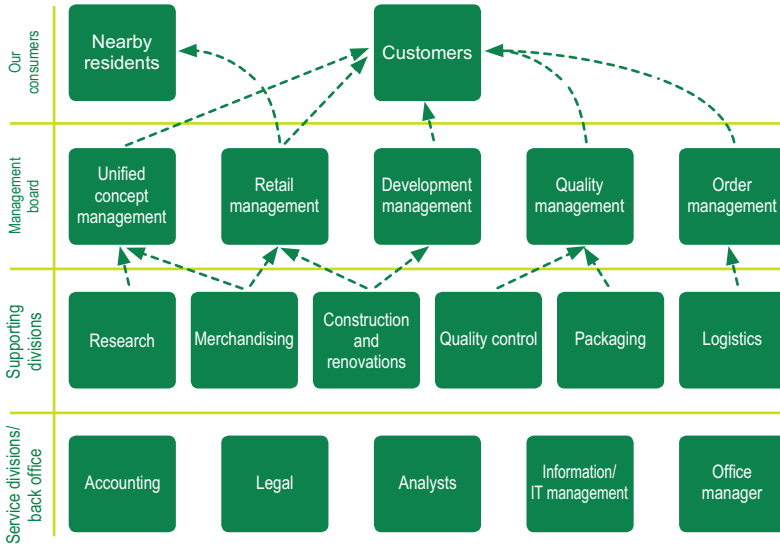


Fig 3

by the responsible party. Often, the latter's bonuses are tied to the degree to which they fulfilled their promise. Here, I sincerely advise moving away from quantitative assessments, allowing only clients to administer them to the responsible parties.

Some people fear subjectivity in such a situation, but we understood that this subjectivity allows the proper relationships to be established: where a contractor is truly working for a client, rather than some mythical number that the client may not even need, provided that other important conditions are fulfilled.

Some people might wonder why we bothered building such a complicated system when the management could simply give out functions to everyone and simply ensure that they are completed. The thing is that the best specialist to assess the completion of a given promise, as well as the resources needed to do so, is usually the employee responsible for completing it: only they know best what they need in order to complete a given promise.

But even more important is the fact that under the promise system, the person performing the task is responsible for the promises they make. However, when a "client" gives orders, they are effectively responsible for the result that they receive.

It's necessary to clarify at the very beginning what each employee needs in order to fulfill their own promises, and give them the right to make decisions without the need for client approval.

The approval trick transfers the responsibility to the person giving approval. You can technically deny this and even call your assignment a “promise,” but the essence doesn't change: you won't have anyone to blame for a result that wasn't achieved because you didn't approve what the contractor needed to achieve it. Discussing supporting promises together with the client allows you to understand the appropriateness of the counter-demands and how necessary they are for the fulfillment of the core promises. The person controlling the quality of fulfillment for all supporting promises, which are usually the majority in most companies, is not the overworked supervisor, but the person receiving the result of a specific person's work — the one who is already deeply invested in the quality of the work done.

I can immediately say to anyone who decides to attempt something similar in their own company that it isn't worth expecting that a management revolution will occur by itself as soon as you announce your plans. The emergence of new practices will depend on each decision made by every employee of the company — and above all else, by its managers. The evolution of management must be painstakingly nurtured. It's not enough to plant the seeds of self-governance and forget about them in the hopes that they'll take root and grow by themselves. It's important to take care of and protect the shoots from external negative influences, with the understanding that you will encounter resistance from employees at every level of the hierarchy. This includes ground-floor employees who will have to take on additional responsibilities that they are not used to.

But anything worth doing is worth doing well, as thanks to further development of management, decisions will be made wherever problems arise at the moment they arise, while managers will transform from overseers and punishers into helpers and mentors.

At VkusVill, we formulated about 120 promises. Some are losing their relevance and ceasing to exist.

Others need transformation — after all, life doesn't stand still. Here's an example of how some of our promises look. They are all available to our employees in 1C.

- All customer complaints about the quality of a product are to be sent to technicians with complete information: photographs, product name, supplier, and production date.
- All deliveries are to be accepted in full according to the established order timetable.
- All packaging must feature the expiration date and a clearly scannable, up-to-date barcode.
- New products are to be laid out in accordance with their temperature requirements and a schematic that takes the unique features of every store into account.
- New products are not to be removed for at least a month, unless supply is stopped in order to improve the product.
- All the necessary information for developing a product — type, purchasing price, prepackaging, packaging, and conceptual demands for its category — is available in the specifications of the plan for introducing new products.
- All of our products are laboratory-tested no less than once every three months.
- All stores meet governmental hygiene regulations at opening. In other words, an audit is conducted before they are handed over to Retail.

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Thanks to the fact that we refused to increase the number of managers and could find our own unique path, the management of the company costs only 1.5% of profits, tax included. The classical hierarchical model costs far more.

Rule

12

Many people think that nobody gets fired at VkusVill. That's not true. They get fired.

When outsiders hear that VkusVill trusts its workers, many of them decide for themselves that we must love and coddle everyone toiling away for us. They think that if you've become a part of VkusVill's culture and have acclimated to it, then you can cause all the mayhem you want and nothing will happen to you.

In fact, nothing could be further from the truth.

We are indeed very tolerant with regard to our employees' personal growth and mistakes, and we are ready to weather their crises with them, help out when they have lost their way, and ignore the company's material and PR losses.

But we never allow them to abuse our trust. What's more, we defend the company's honor if an employee turns out to be a liar or manipulator.

One time, we hired a particular produce technician. Let's call him Oleg. Oleg had plenty of work experience as a buyer at a large retail chain, and VkusVill attracted him with the potential for growth. He instantly proposed specific improvements for the fruit and vegetable category, and won us over immediately.

Oleg wasn't worried by the fact that VkusVill put its money on seasonal fruits and vegetables from Russian producers and he understood that he would have to work with the latter directly, even though all buyers before him joined together to convince us that this was the very category where we would have to leave our "made in

Russia" ethos behind.

We shook hands, and Oleg started work. Our stores really started to get a rich fruit and vegetable display. Oleg found suppliers that were hitherto unheard of to us. For about a week, we were overjoyed at the rapid changes. But the joy didn't last long.

The Russian-produced tomatoes, zucchini, and cucumbers were suspiciously reminiscent in taste, appearance, and sterile smell to the Turkish ones that were sold in all retail chains in Moscow.

Oleg didn't deny it. The fruits and vegetables were only Russian in their packaging. Instead of searching for honest domestic vegetable farmers, Oleg found a bunch of sly migrant workers in Mytishchi (one of Moscow's inner suburbs — Ed.) that were ready to make Turkish tomatoes and cucumbers into ones from Kuban (a Southern Russian region about 500km from Moscow — Ed.).

This was the only time that the whole office heard Andrey Krivenko scream. He was so furious! Oleg's greasy eyes looked out from behind his glasses and even tried to weasel his way out of the situation, claiming that there would be suppliers from Kuban, and that it was only this once that a Turkish shipment would turn up. But Andrey didn't listen to him. Oleg just had to leave and take his papers with him. But for some reason, he even tried to clean up his ruined reputation, which only made Krivenko angrier. The boss had to make the terrifying announcement that effective immediately, Oleg would no longer be working with VkusVill. Only after these words did he stop trying to falsely justify himself and quietly left the company. Since then, Oleg hasn't shown his face.

There were other incidents. There was Misha in the development department, who always needed something. He was tasked with searching for spaces for new stores and did so fairly professionally, which earned him an excellent commission. It would seem that there was nothing to complain about. But Misha was overwhelmed by greed and the simple lack of a backbone. For an additional fee, he sublet good locations to another retail company, ignoring our interests in the process.

There weren't many such episodes in the entire history of the company. If you really try, you could find about ten. Each time,

when one of our colleagues lost their way and abused our trust, we understood clearer and clearer that tightening down on everyone after what happened would be the most damaging thing that the company could do to its employees.

It is probably for that reason that we became even more open with each other after each such incident: we understood that under no circumstances should everyone suffer for one person's blunder. Meanwhile, we simply stopped fearing the potential of the wrong types of people joining our collective over time. They couldn't break the existing culture at VkusVill, and minor unpleasantness would become known sooner or later and didn't stand a chance of harming the entire company.

This approach does a great job of saving time, money, and energy.

Rule

13

We rejected all the usual corporate conventions and never looked back. The interests of real people are far more important than any artificial office standards.

No dress code

We have never had a dress code at VkusVill. For that matter, we've never had an anti-dress code, either. We really don't care what our employees wear. We have one technician who likes wearing a suit, white shirt, and tie. We also have a development manager who will only wear jeans and T-shirts.

Can you offer a single explanation as to why a company should change people and try to make them all march to the beat of the same drum? A single reasonable argument? A feeling of community and solidarity won't be achieved through identical clothing. Are there any more arguments in its favor?

For this reason, if you think that an office environment is all about status and uniformity, you'd best not come to VkusVill's offices in the summer. Otherwise, you might just see both boys and girls left and right wearing shorts and T-shirts.

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Once, five people from a particular corporation came to us in the 30-degree summer heat for negotiations. All of them were dressed in identical, flawless black suits, patent leather shoes, and ties over buttoned-up shirts. Five of our own people also came to the meeting, but they were dressed as though they had plans to go to the beach immediately afterwards. In the midst of those lifeless negotiations, regular people suddenly “emerged” from those black-suited oddballs. At one point, one of them exclaimed, “I'd sell my soul to

the devil to ditch this stupid suit right now and dress just like you.”

That's probably why we don't have a dress code.

No fines

In many companies, employees are frequently fined. For many years, we studied this phenomenon and tried to find a reasonable explanation. Here are the responses we heard from managers at companies where such systems of reprimands flourished:

- How else can you force people to feel responsible for the decisions that they make?

- A fine is a guarantee that employees won't just do whatever they feel like. It's kind of like an emergency brake that you can always pull in case the car starts rolling backwards all of a sudden.

- Actually, people like when they get fined. It's just important how you present the fine to them. If it's presented as a punishment, that's bad. But if you present it like a lesson, that's great.

- How can you work without fines?! They're a guarantee against manipulation and a clear indicator of who is in charge.

These managers at those companies said all of this in earnest, in an effort to explain why fines are a normal practice at their companies. Actually, a fine is not a solution to the problem. It's like taking an over-the-counter painkiller when you have gangrene in your leg. The pain will go away for a while, but it won't solve the problem.

At VkusVill, there are no fines, because a problem employee is like a gangrenous leg: you have to amputate it, not attempt to heal it with a painkiller for a few hours. If an employee commits an infraction in malice, then you can't simply set them on the right path with a fine. They'll pay their money, but compensate for the loss with plenty to spare — so that justice prevails in their mind.

What if it happens not out of malice, but an employee slipped up or made a mistake by accident? Just imagine yourself in their place. You love and value your company. But all of a sudden, you trip up or make the wrong decision, and the company punishes you with a fine. What do you feel at that moment? Intense demotivation and the lack of a desire to decide anything at all. To make matters worse, the

recipient of the fine will be seized by a thirst for justice — and if they don't go so far as to cheat the customer, they'll at least slam their fists against the register once or twice in order to let off steam.

For this reason, VkusVill has always denounced fines. If ever we discovered a manager employing material punishments in their department, we parted ways with them without particular regrets. A fine is just a sign of a weak manager or a weak company.

We never fine employees who make mistakes or bad decisions. We try to figure out the reason: were there intentional actions involved, or was there a bug in the system that allowed the employee to make the wrong decision? If the system is at fault, we change the system; if there is clear malevolence on the employee's part, we dismiss the employee. A fine would never solve either of those problems.

If you want change for your company and you have a fine system, try starting with the following: get rid of fines, loosen up, and give people freedom and responsibility. Don't worry, nobody will bankrupt your company. Just see how it works for yourselves.

Noschedule

Once, Andrey Krivenko came to the office at around 13:00 on a Monday. A meeting had been called and people had begun to talk amongst themselves. Andrey pointedly cast an eye at everyone gathered around and muttered, "Awfully crowded today!" The company's owner was surprised that people had come to the office to work! Notice anything odd about this situation?

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We honestly never thought to introduce a schedule for our employees. What in the world does it matter where and when a person works, so long as they're efficient, their work is done on time, and they come up with and deliver new projects? It doesn't matter if they come to the office or prefer working at home/in a café/on the beach. A strict schedule and required presence in the workplace are nowhere near as important as many employers seem to think.

Routines and monotony are capable of killing creativity like nothing else on earth. There is no such thing as a person who likes

working from 9 to 6 from Monday 'til Friday without the ability to change anything on that hamster wheel.

The most surprising thing is that employees with a flexible schedule work far more than the miserable managers who put in their time from 9 to 6. That's why it's totally normal for people to respond to emails after 23:00 at VkusVill, even if it's the last Friday before New Year's. And people do it entirely of their own volition.

Do you want people to work on planes, on vacation, at home, and just work more overall? Get rid of your schedule, eliminate the practice of “punching the clock,” and stop watching for when people arrive and leave. Miracles will await you immediately.

No budget

Yes, we always have lived and will live without a budget. Department managers have never gone through the depressing process of budget approval with the budget committee. It's probably because our company's founder had his fill of such stories and knows how money is distributed in a traditional company.

That's right: in our company, you can spend as much money as you want. But there's a catch: you have to understand that all of your expenses are open for everyone to see and the whole company finds out about them instantly. Believe me, you can forget about controlling cash flow with the help of separate departments when you have such a system.

Every employee is responsible for their own expenses. And every employee understands that at any moment, their manager, the management board, or the company's owner can ask them where the money went and what the expense did for the company. This is so much more effective than trying to play astrologist and guessing how much your department will spend in the upcoming year.

When you do without the budgeting process, the company's manager relieves themselves of responsibility for expenses. That responsibility now belongs completely to the employee deciding where their money will go. Believe us and try it for yourself: using such a system, people spend far more consciously than when they

Rule

14

Our HR department has minimal influence on our company's development. This is why all employees at VkusVill have a say in hiring and onboarding of new personnel. This works.

must do so within some given limits.

We'll repeat it once more, just in case: in spite of all of this, VkusVill has extremely strong financial oversight. Thanks to automation, everyone can see everyone else's expenditures. Under this trust-based and transparent policy, it's very hard to cover up any dirty tricks.

Over the nine years of our company's existence, there were several instances where employees used coded language to abuse our trust with the goal of personal enrichment. It sounds strange, but the company only came out the stronger from these attempts at breaking our system. First of all, it got rid of dishonest employees, which is wonderful in and of itself. Secondly, it clearly demonstrated the effectiveness of a lack of control. Thirdly, it began to trust everyone else even more, since a slip-up by one employee could never serve as an excuse to ruin other employees' lives within VkusVill's culture. It's as though we let everyone know that honest people formed the majority for us, and that for them, life within the company will never become more complex or grow worse.

Check and mate, as they say.

This approach usually gets HR specialists all worked up, and they begin to bombard us with professional arguments: after all, an untrained person “isn't capable of assessing the candidate's skills and determining their potential.” We always agree and explain that we actually aren't trying to assess skills or potential. The main thing for us is to find a decent person, and time will tell whether they have potential or not.

This might well be how VkusVill's vaunted corporate culture is formed. After all, people always gravitate towards finding those who are like-minded. For this reason, VkusVill's employees are brought together by a certain inexplicable attribute, which often results in outsiders saying that we're all very much alike. That means that we have the same values, even though in certain aspects we are very, very different.

There is another advantage to such a system of hiring new faces: the employee making the decision to hire a person accepts all the responsibility themselves. They can no longer tilt their head in the HR department's direction and complain on their smoke break about what a terrible worker those selection guys found for him. You looked, interviewed, and believed in that person all by yourself. That means that either you made a mistake in your choice or the problem is with your management skills.

Of course, mistakes do happen using this system. Sometimes, they're very awkward, even funny. Once, we were looking for an employee to create promotions for stores. We decided that it would make sense to offer the opportunity to one of our salespeople.

A girl named Liana responded. At the interview, we really liked her views on life, attitude toward VkusVill, knowledge of our products, and vision for the development of promotions in our stores.

We unanimously decided that Liana should try this new job out. On the designated day, she came to the office and we showed her where she would be sitting. She sat there for a long time, occasionally looking around the office. When someone came up to her and asked her

Perhaps the most memorable observation about HR was made by scientist and essayist Nassim Taleb at one of his speeches in Tbilisi. According to Taleb, “God puts an HR department into a company so that it won't grow. An HR department is a sign of divine judgment.”

VkusVill has a slightly less aggressive opinion, but nevertheless, we don't have an HR department. Our hiring process works as follows.

The search for new sales staff is conducted by “selectors,” and their clients are the store managers. Essentially, these selectors work only for our retail sector, helping newly opened stores fill out their staffs. Meanwhile, the managers are able to direct this process as they see fit. If they want, they can turn to a hiring agency for help. Or they can take on the selection process themselves. Or hire new people. The company gives them complete control over the sales staff hiring process.

All other divisions search for new employees themselves. Here, the methods can also differ. Some people are not comfortable with writing job postings, posting them on a site, and scheduling interviews. In this case, these functions can be delegated to an outside hiring agency. More often than not, however, employees and managers that are concerned with the search for a new person on their team are themselves interested in participating in every step of the process.



A birthday celebration for one of our employees can easily turn into an office party. For that, there's no need to wait for the end of the workday. Want to start at lunchtime? No problem!

WE ACTUALLY AREN'T TRYING TO ASSESS SKILLS OR POTENTIAL. THE MAIN THING FOR US IS TO FIND A DECENT PERSON, AND TIME WILL TELL WHETHER THEY HAVE POTENTIAL OR NOT. THIS MIGHT WELL BE HOW VKUSVILL'S VAUNTED CORPORATE CULTURE IS FORMED.

if she needed any help, Liana timidly pointed at her laptop and asked for help turning it on.

Anything can happen — not to worry. They got the laptop turned on, but that didn't help Liana at all. It was only after a few hours that we understood that she didn't know how to use a computer. At all. She didn't even know what a mouse was. Yet the job description involved daily work with Excel spreadsheets.

Can you imagine that we didn't even think to ask a young, modern girl whether she knows how to use a computer and how to make pivot tables? At that moment, any HR manager would probably rub their hands together and condescendingly chime in, “All because your hiring process is unprofessional.”

Again, we would agree, but we continue to exclusively use this method of searching for new team members. That's because in nine out of ten cases, this system works in our favor.

Incidentally, are you interested in what happened next with Liana? We tried to take ownership of the situation and teach her how to use a computer once and for all, but we quickly understood that it was a hopeless exercise. The girl didn't want to think in terms of artificial intelligence, so we offered her the chance to return to her store as a sales assistant.

Liana took two weeks off to think about it. She didn't want to return to retail: she had already left her comfort zone, and her heart was crying out for something new. Seemingly after consulting with her husband, she opened her own small plant to produce all-natural mayonnaise with a recipe and ingredients list that suited VkusVill's standards.

She rented a factory, planned out her product line, made test samples, passed all the tests, got all the right paperwork done, and now successfully supplies mayonnaise for our stores. If in the near future you see “Nesterova DBA.” on the label of VkusVill's mayonnaise, just remember what an incredible story stands behind that jar.

And yet if we had an HR department, Liana would still be working as a sales assistant!

Rule

15

In an environment of trust and understanding, people aren't afraid of making mistakes and maintain their initiative as a result.

Everyone slips up once in a while, and the most important thing is not to punish them, but to help them learn.

One of the strong suits of VkusVill's culture is the ability to value mistakes. We were able to instill in the minds of most of our employees that mistakes are good, and that there's no need to hide them. Nobody will berate you, never mind punish you — but it's very important that the person who made the mistake understands it, admits it, and analyzes why something went wrong themselves. Only then will the mistake become a new, useful experience for the person who made it.

Thanks to mistakes, our company has become much stronger and less vulnerable.

In 2011, when we had several dozen Izbyonka locations, the company had a week's earnings stolen. One morning, we came to the office and found the doors forced open and the safe with the money opened with a chainsaw.

For the majority of our employees, this seemed like a catastrophe, but the ever-calm Andrey Krivenko said, "It's good that it happened now, while we're small. It's really important to get the childhood diseases out of the way while you're little."

Six years later, in commenting on this incident, Andrey remembered:

"It was really tough then, but it's great that it happened. Otherwise, we never would have learned to properly deposit our cash. (laughs) You have to marvel at it: bringing envelopes full of

money from all the Izbyonkas and giving them to the bank several days later.

The most useful things for an organically growing organization are crisis, bankruptcy, and anything connected with modernization. It works just like a human organism. A person can't live in sterile conditions. It might seem like there are no microbes or external threats, but the organism is prepared for challenges and trials. That's why sports, sickness, and new knowledge make the body stronger — it is constantly updating in response. The body desperately needs all kinds of mistakes and stressors.

Meanwhile, a mechanical company can only exist properly in sterile conditions. Any outside influence kills them. You can make an analogy with a chair: there's not a single chair in the world that would benefit from physical impact. In other words, chairs would feel better if nobody sat on them at all. They would last longer — but then what is its purpose?

Now, six years after that incident, I can say that it was a very necessary and timely childhood illness that made us stronger.

The ability to treat mistakes philosophically is a learnable skill. You shouldn't spare time or resources on developing it in yourself and your colleagues. It's the most important muscle to train over the course of your entire life, because mistakes appear most often where there's room for something new. And after all, without anything new, how can you develop?

It's very interesting to watch companies where the entire management is focused exclusively on precise, error-free management. Employees at companies with such a culture are so fixated on trying to make the right decision or assigning the right task that over time...they stop making decisions and assigning tasks altogether! Meanwhile, they proudly declare to their managers and supervisors that not a single mistake was made, seemingly confirming their management professionalism.



From time to time, we have our office employees try their hand at working in stores. Andrey Krivenko is always happy to take part in such experiments and works as a salesperson from morning until the very last customer leaves. By the way, this is an excellent way to refocus, get inspired, and make mistakes with your own two hands in order to introduce changes in various processes and simplify someone's life in the future

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ABILITY TO VALUE MISTAKES.
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NOBODY WILL BERATE YOU,
NEVER MIND PUNISH YOU

If you want to learn to value mistakes and extract value from them at your company, first of all, read Matthew Syed's book, "Black Box Thinking."

Second of all, realize that if your company is targeted toward growth and scale, then each mistake you make will cost you several times more later on. After all, as a company grows, so do its financial indicators. Therefore, by tripping up today, you haven't lost anything, but in fact even saved and acquired something valuable.

Thirdly, gather your key employees and analyze the most glaring and painful mistakes in your company's history — ideally, those that have happened more than a year ago. Relive them, feel the pain and bitterness that they cause. Now, begin to rewind and write down the actions that led you that mistake, step by step and with as many details as you can, in order to recreate the full picture.

In the end, you will understand that any loss at the time led to unbelievable discoveries for you, allowed you to patch up a hole that you hadn't noticed before, turned your whole business around 180 degrees, or completely reorganized the management team. In other words, a mistake made a year ago didn't kill you, but helped you grow and made you stronger.

You can hold such retrospectives at regular intervals to bring your employees to a new level and teach them to have a healthy relationship to mistakes in the business process — which are not in fact mistakes, when subjected to such careful examination.

The head of our rental department, Irina Mamchur, tells about one serious mistake which she can't forget to this day:



It's not just important to discuss your mistakes as a company together — it's useful. The exchange of priceless experience then and now

“At the very beginning of my professional career at 'VkusVill,' I made a mistake which came back to haunt the company several years later. Due to my carelessness, we signed a contract in which the process of vacating the rental premises was described in excess detail. To put it bluntly, when leaving the premises, we had to fulfill a set of conditions or be required to pay the owner damages as set out in the contract. This mistake cost us nearly a million rubles. I'm very ashamed of it, but at that moment, I physically couldn't stop it from happening. Andrey Krivenko's position always inspired me. He would never say, 'Irina Mamchur messed up, and that's why we lost a million.' He would always say that we made a mistake, and that we became smarter. For that, I was even more ashamed. But it was Andrey that taught me with his approach to life: any mistake is worth analyzing so that we can keep ourselves from repeating it. In such a situation, criticism doesn't help — it just demotivates.

Rule

16

VkusVill has a very simple office. You might say that it's symbolic of our relationship to everything material.

If you come to the VkusVill office, then at first, you will be surprised at how simple, even messy people's workspaces are. We tried to re-equip our office space several times and get at least a little bit closer to the kind of offices you see at big and famous companies, where employees feel comfortable around the clock.

But every time, our feeble attempts and bold ideas were scuttled by tons of testers and samples from manufacturers, boxes of paper products in the corridors, and restrooms that were in need of a cleaning. Finally, we gave up and decided that insofar as we saw our office as a free space and that there was not a single employee who could take on the comfortable redesign of the office, then there was no need to turn it into some sort of singular territory.

Let VkusVill's office serve as a rented apartment, if that's what makes everyone happy. If someone doesn't like it, they can kit out their workspace however they like, all on the company's dime. Put in a jacuzzi, for all we care!

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Moreover, every department has its own area. The accounting department likes order, quiet, and coffee breaks, so in their "domain," there are lots of rules, doors, and coffee machines.

The technicians and buyers, as the easy-going and carefree people they are, will drown in the products sent to them by the jar, kilogram, and boxful by our suppliers sooner or later. Therefore, their area is an example of how not to organize a workspace. But



A totally normal workday. Bread and roll tasting. That's right — we're always eating in our office



A workplace shared by two technicians and buyers



In the corner is Andrey Krivenko's workplace. Just like everyone else's: a table, chair, and no separate secretaries or separate offices

they're comfortable there, and they wouldn't have it any other way.

Our retail managers are rarely in the office, so for them, the office is a couple of chairs, one computer for everyone, and two chairs — just in case they really do need to come to the office.

You'll be really shocked when you see Andrey Krivenko's workspace. It's a regular table in a regular room, a chair that is far from being called comfortable, and not a single hint that the room is occupied by the founder and owner of a huge, multi-billion-ruble company.

Several times, we told Andrey directly that it wouldn't be a bad idea to put up an additional glass partition to separate his workspace from the main area where the Unified Concept Management people worked. But Andrey bluntly rejected the idea of any partitions, assuring us that headphones and music were enough to keep out the noise, and that everything else didn't bother him in the slightest.

Clothes are a separate subject entirely. No, Andrey never let himself come to work unkempt or smelling bad like Steve Jobs. But at no point was he ever concerned about what he had hanging in his closet.

At the end of 2016, Krivenko was invited to the awards ceremony for the RBK Prize. He was nominated for “Entrepreneur of the Year” and definitely gained a couple of gray hairs in the preceding weeks.

It was a very grandiose event. It takes place in the center of Moscow, hosted by famous emcees and featuring pop singers. Ladies glide around in their expensive dresses, while men trot out their tuxedos and sip single-malt whisky all night.

Krivenko the introvert was persistently invited to attend these festivities — in large part because the organizers knew very well that Andrey had won in his category, and were very covertly hinting at it: “we've never had an incident when the winner didn't come onstage for the award. Please, please, don't let us down!”

We began getting Andrey ready well in advance. Oddly enough, he resisted and frowned less than usual, and at one point, we thought that we'd played our cards right and everything would be alright. Of course, everything was good until we discussed the dress

code. The organizers strongly recommended that everyone come wearing black tie.

Andrey's face grew dim, but he didn't renege on his promise to come to the awards ceremony.

At the designated day and time, Andrey appeared at the ceremony. Not in sneakers, jeans, and a polo shirt as usual, but in a handsome suit with a bright bowtie around his neck. Many of the guests recognized him, came up to introduce themselves, thank him for the stores they had grown to love, and take pictures. Andrey did his best to feel at ease and occasionally even smiled, but dreamt of the moment when the business ball would finally draw to an end and he could go back to where he was comfortable.

After having received his award onstage and thanked everyone present for the trust invested in him, all interspersed with Ivan Urgant's jokes, he disappeared in the blink of an eye from that celebratory feast. There he goes again!

And that's Andrey for you.

Rule



*At one point, we stopped
planning and starting just
living.*

Earlier, we would hold strategy sessions every single year, where we would plan out which projects we wanted to realize in the coming year.

One day, we got together for yet another such meeting and recapped the minutes of the previous one, which had taken place a year prior. Out of 15 planned projects, not a single one had been realized. However, many other awesome projects had popped up, many of which we hadn't even thought of before. All of these innovations were suggested to us by life itself and its eternally changing agenda.

At this meeting, we collectively decided to stop planning once and for all.

Rule

18

*Read. Read more good books,
so that you waste less time.*

Do you want your company's employees to offer more ideas and break out of the boundaries of their assigned skillsets more often? Read books! Read them and discuss them. This works excellently, and hardly costs your company anything — just the price of the books, and maybe even a fee for the moderators who will plan and conduct these meetings. You could, of course, do without the moderator if you have someone on your team who's willing to take this role on themselves.

At VkusVill, we discuss books every two or three months. How does it work? The book of the month is chosen. Any employee can recommend it. If 15 people or more vote for it, it is the next book up for discussion.

We buy enough copies of this book for the office — as a rule, from 50-70 copies. Then we send an email to all of our employees (both in the office and in our stores). It contains a short review and announces the date and location of the meeting. Participation in our book club is voluntary — you definitely can't force anyone to participate.

Andrey Krivenko is always present at these book club meetings. The owner or CEO's interest in such an event is extremely important



Any employee can take out books that interest them from our corporate library.
Nobody checks whether or not they return them after reading

Here's an example of how it's done.

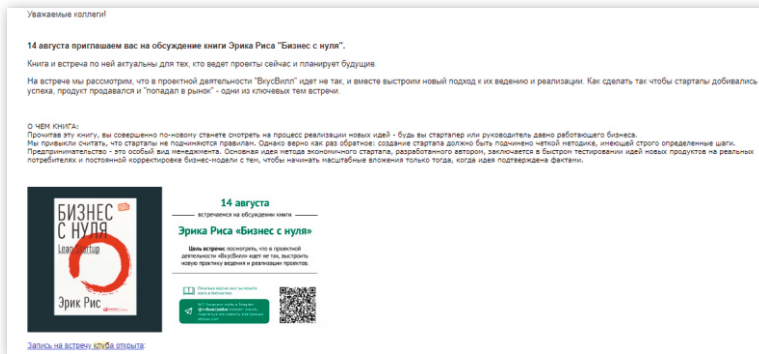


Fig. 4:

“On 14 August, we invite you to a discussion of Eric Ries' “The Lean Startup”

The book and this meeting are relevant for anyone who is running projects now and planning for the future.

At the meeting, we will examine what parts of VkusVill's project planning are going wrong, and design a new approach to implementing and realizing new projects together. One of the key subjects of discussion will be how you can make sure a startup achieves success and that products are sold and “hit home” for your customers.

WHAT IS THE BOOK ABOUT?

After reading this book, you will start looking at the process of realizing new ideas in a completely new way — whether you're in a startup or a manager at a long-running business. We are used to thinking that startups don't follow the rules. However, the truth is actually the opposite: the creation of a startup should follow a clear methodology, which has strictly defined steps. Entrepreneurship is a special kind of management. The main idea of an efficient startup developed by the author is based on the rapid testing of new product ideas on real customers and the constant modification of the business model with them, so that major investments only begin when ideas are backed up by facts.

14 August

We will meet to discuss

Eric Ries' "The Lean Startup"

Goal: to see what parts of VkusVill's project planning are going wrong, and design (can't read further)

Register for the club meeting is open:"

Of course, it's pointless to think that all employees will come to the club's meetings. Usually, anywhere from 25 to 100 people participate. But these are the people who come because they themselves want to — not because they were forced to. Doing a roll call and writing down who came and who didn't isn't necessary.

We discuss the book for the entire day, from 10am to 6pm. Of course, this has nothing in common with a literature exam. Nobody here asks trick questions about content and nobody writes essays in an attempt to figure out the author's intent. You can come even if you haven't read the book under discussion at all. After all, for these meetings, a book is just informational background for the meeting, and suggests a particular point of view from which we can discuss our company and search for ways to improve it.

This format is much simpler when conducted by a moderator who is used to working with groups. They are the ones who give a short summary of the book's content at the beginning of the meeting so that everyone (including those who didn't finish the book, or didn't read it at all) exist in the same knowledge space.

We have read and discussed about 100 books (you'll find a list of the most meaningful ones in the appendix), and each of them gave us no shortage of useful, sometimes even groundbreaking ideas that allowed the company to make meaningful progress in its development.

For example, at the discussion of Nassim Taleb's "Antifragile," we made a decision to open stores in the regions surrounding the Moscow metro area, even though we had previously said (and indeed believed) that we would never expand outside of Moscow and Moscow Region. We came to this idea by discussing VkusVill's fragility. How are we vulnerable? We understood that our weak spot is being located in just one region. We imagined what would

happen if the Moscow mayor suddenly signed a resolution stating that all stores and cafes should vacate the first floors of residential buildings. VkusVill would instantly lose at least half of its stores. That's the exact kind of "black swan," to borrow Taleb's terminology, which simply can't be predicted.

Afterwards, the working group began to come up with ideas: what do we need to do as a company in order to turn a fragile element of our business into an antifragile one? The answer is obvious: geographical expansion.

This was a very interesting moment, as if you remember, we never planned on opening in any other regions. In the working group that discussed this question, the conversation went more or less as follows:

"So as not to be dependent on Moscow, we have to expand into the regions."

"What do you mean, into the regions? Our business model doesn't allow for that kind of scale. Our logistics and supplier selection are focused exclusively on Moscow. No way."

"But why did we actually reject that idea this whole time? Let's at least try it once. We don't have to go straight for Krasnoyarsk. We could try somewhere near Moscow."

"Not a bad idea. Let's take cities like Tver, Kaluga, Yaroslavl, and Vladimir and open one or two stores there. We won't try anything new. We'll transport things there just like we do for our Moscow and Moscow Region stores. Exact same methods."

WE HAVE READ AND DISCUSSED ABOUT 100 BOOKS (YOU'LL FIND A LIST OF THE MOST MEANINGFUL ONES IN THE APPENDIX), AND EACH OF THEM GAVE US NO SHORTAGE OF USEFUL, SOMETIMES EVEN GROUNDBREAKING IDEAS THAT ALLOWED THE COMPANY TO MAKE MEANINGFUL PROGRESS IN ITS DEVELOPMENT.

“And for a start, we'll just send salespeople from Moscow to work there. If the stores make a name for themselves and we decide to actively move into the regions, then we'll build a new distribution center.”

Representatives from all the important divisions took part in this discussion, including technology, logistics, and development. Each of them confirmed that their division was interested in breaking out into the regions and ready to test the waters.

This session on “Antifragile” that marked the beginning of our company's regional expansion took place in May 2017, and by October 2017, we had opened our first stores in Ryazan, Tver, Tula, Yaroslavl, Kaluga, and Vladimir. Later, we included Bryansk, Nizhny Novgorod, and Saint Petersburg. It's not out of the question that by the time you read these lines, we will have opened stores in even more cities — or stopped our regional expansion altogether. VkusVill has a very open attitude toward its own decisions.

Thanks to our discussion of Fred Reichheld and Rob Markey's book, “The Ultimate Question 2.0,” in 2012, we launched our Customer Support Index project, which we will talk about in a separate chapter.

Our discussion of Matthew Syed's “Black Box Thinking” completely revolutionized our mindset and taught us to look at our mistakes differently. Our Retail Management division even changed the format of their meetings. They started to look at all of their complaints based on a new algorithm which the book suggested to them. We will also share this story in a separate chapter.

What should you do to make your employees want to read and discuss books?

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- Don't force them.
- Turn the book discussions into a small office party for an entire day, which you can come to even if you haven't read the book. Don't shame or chastise those who haven't read it. With time, they'll get involved in the process.
- Don't hold the book discussions outside of the workday.
- Don't hold the book discussions in the office, where there

are a lot of distractions.

- Buy a lot of books for the office and let your employees take them freely — don't check whether they've been returned or not.
- Don't discuss the book so much as your company — project what's written in it onto your organization.
- The owner or CEO of the company should participate in the book club process.

Rule

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Sometimes, in order to solve a single problem for your customer, you have to get several divisions of your business involved. This is how a customer-oriented company should work, in our opinion.

How can you put your customers' expectations together? How can you hear the opinion of the majority, rather than just the loudest voices in the crowd?

When we began formulating our promise system in 2016, the first thing that we did was conduct a massive survey of our customers. Remember what Valery Razgulyayev told us about this? We handed out several thousand paper forms in stores, and for those who prefer a more digital format, we set up online surveys on our site and on social media.

Having collected more than 2,000 varying opinions, we combined the results of all the surveys. We figured out where our strong suits were: the things for which our customers love and value us. Among the chart toppers were the quality of our products, natural ingredients, the uniqueness of our brand, and the constant engagement with customers (openness).

These strong suits were the first part of our promises to our customers. These were things that we should preserve and maximize.

However, it was far more interesting to find out about our weak points. This is another area where the massive customer survey helped us out. Three serious problems which we needed to work on stood out.

1. 39% of respondents said that the main disadvantage of VkusVill were its prices. The high prices were often directly associated with a particular category or product. For example, “10 eggs cost 70 rubles everywhere, but you charge 90. You're a very expensive store.”

That's where our promise of affordable prices to our customers came from. Not low or high, but affordable, taking into account our relationship to quality and our products' ingredients. It's obvious that VkusVill's boiled sausage can't compete on price with a sausage that doesn't even have meat in it. But thanks to the survey, we were convinced that price was a very important issue for our customers. We didn't plan to solve it with the help of short-term measures. It was obvious that the process demanded constant attention. Now we conduct such surveys four times a year and see that with each passing quarter, our customers consider VkusVill to be a more and more affordable store. This is a methodical effort on the part of the whole company to fulfill its promise to provide affordable prices.

2. 37% of respondents mentioned inconsistency in quality as one of our stores' drawbacks. Directly or indirectly, the growth in our number of suppliers scared customers. Many thought that a product from a new supplier would turn out to be of worse quality. Thanks to that, the Quality Management department and the product managers responsible for our selection of products created a whole list of promises to customers that had to do with the quality of products. The fulfillment or non-fulfillment of these promises are also assessed by customers when we conduct new surveys. Here are some examples of our promises about product quality:

- a. All of our products are produced domestically.
- b. All of our products are the tastiest ones we could find.
- c. All of our products are natural and all of the ingredients are listed on the label.
- d. We will introduce 50 new products that our customers have asked for into our selection every quarter.
- e. All of our products are of high quality and safety.
- f. None of our products have any added ingredients.

2. 15% of respondents reacted negatively to the quality of our service. This is the third most commonly mentioned disadvantage. Often, customers connected the decreased quality of service with the growth of our network and the resulting influx of new employees.

We studied each problem area in more detail. For example, here's how it happened with service. We asked an additional question of our customers: what do they consider to be perfect service? 22% of respondents mentioned the lack of a line as one of their criteria. 15% stated the speed of service. 12% reminded us of the need for discreet service.

Cleanliness and order in the store were important for 12% of respondents. Customers noted that they don't like when products are stocked while they are in the store. This is inconvenient for everyone.

Here are some things that people said:

"I want products to always be in the same place. It's hard for me to find them."

"I ask you to get rid of boxes full of goods in the store. It's impossible to get by with a baby stroller."

"It would be good if salespeople had the opportunity to stock the shelves before the customers get there. It makes me sad now to see them working in the mornings."

And so on.

Having carefully analyzed the factors that cause inconvenience for our customers, our retail division came up with the following promises to customers:

- Customers should not feel cramped in the store.
- Never be rude, unprofessional, or inconsiderate.
- It should be safe in our stores.
- There should be no expired products on shelves.
- Customers should be able to return any product according to our rules, and any customer complaint should be resolved in-store.
- Making purchases should be easy and enjoyable: displays should be attractive and convenient, it should be easy to find

products, prices should be current, boxes shouldn't be in the way, the store should open on time, people should be able to enter right until closing, and all safety standards should be observed, including storage temperatures and rules on which products can share shelf space.

· There may only be more than two customers in line if all registers in the store are serving other customers. Until customers have been served and all products have been put on shelves, no salesperson can work on anything else.

Note that one of the promises is that “boxes shouldn't be in the way.” This might seem like a formality. But for customers, boxes really did present a problem. The thing is that 70% of our selection is sold on the day it is delivered. That means that every morning, stores are practically full of products. For that matter, the majority of our stores do not have spacious basements — which means that all products are unloaded right in the store.

Previously, the unloading of boxes might take until 12:00, which is of course unpleasant for our customers. In order for retail to fulfill even part of this promise, we had to request that our distribution center deliver products even earlier.

The distribution center was ready to fulfill this desire if the products would arrive from their suppliers a few hours earlier. For that, we asked our technicians to work with suppliers to change the delivery times for key products, without which unloading simply couldn't start in the stores.

The fulfillment of this promise required suppliers to change their raw material supply process so that their production lines could start work earlier and that products could be unloaded earlier at every VkusVill.

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We needed several months to get all of the wheels turning and to give salespeople in the stores two or three life-saving hours which allowed them enough time to unload the majority of products before the first customers arrived at the store.

Can you feel just how much work goes into solving problems to the order of “your boxes are in my way?”

This is what the whole promise system is based on. There is a

client and someone who fulfills the request. In the case of the boxes, the client is the customer, while retail is the one fulfilling the request. But in order to fulfill this promise made to customers, retail has to request promises from the distribution center, which must then make a request of the technicians. This is a knot that can only be untied with the help of an ability to communicate and come to agreements.

As we already said, we have conducted major customers surveys since 2016, four times a year. Today, we mostly need this in order to make sure that our promises are being fulfilled. Thanks to these surveys, we almost never discover new problems — we have other tools for that, which we will talk more about later. But the centralized customer polling process is an excellent tool for measuring the “average temperature in the hospital,” so to say.

Rule



The most important party with regard to quality and improvements is the customer. There is not a single specialist that will be as meticulous, objective, and impartial as the target customer

Every Monday and Tuesday, two important meetings take place in our company's offices. On Mondays, our retail assistants — curators of 15-20 stores (about 40 people) — come together; on Tuesdays, our technicians (about 30 people).

The agenda for these meetings is set by customers. On Mondays, important messages from our clients who are dissatisfied with service are reviewed. On Tuesdays, we review complaints about the quality of our products.

Hypothetically, if over the course of a given week not a single complaint regarding service or quality is received, the meeting will simply not take place. However, over the entire history of our company, that has not happened a single time. If it were to happen, then we would have to call an emergency meeting to discuss why customers have stopped writing and calling us.

Nobody at these meetings discusses the goal of our company's development or wax philosophical on how to change grocery retail in Russia in the long term. Here, we go over concrete incidents that happened to customers in our stores. A customer got sick from lettuce. A customer in our store on Mologvardeyskaya Street answered a question rudely. A promoter who



Our customer complaint meetings are always lively and full of surprises. Every week brings new emotions with it. To our customers: we adore you!

is shouting into a megaphone about the opening of a new store is making it hard to live, eat, and sleep.

Often, the problem has already been resolved by the time the meeting happens. The promoter is sent somewhere further away from residential buildings. The rude salesperson has been sent for retraining, and the shipment of lettuce has been studied in a laboratory.

The goal of these meetings is different. With your colleagues and comrades in arms present, it is important to reiterate any problem that was brought up by our boss — the customer — and find out how it was solved. Perhaps you can suggest your own versions of a solution and develop, if possible, steps to keep such a situation from repeating itself in any of our other stores.

When a customer falls during the winter on an anti-slip mats in one of our stores and splits their head open, there's no sense in waiting until at least 700 people come into all of our other stores and suffer similar injuries. There's already a problem: the mats do in fact slip, and that means that we have to switch them out more often. Maybe we need to find a different manufacturer that produces anti-slip mats that are actually anti-slip. In other words, it's important to scale the resolution of a single problem to the entire chain.

Of course, we get funny complaints that are both impossible not to discuss and to predict. For instance, there was a case prior to New Years. The majority of customers at that time get in line with carts full to the brim, but one man got in line with nothing more than kefir and mineral water. This fact was so funny to one of our salespeople that she couldn't hold back and asked him: "What, are you getting ready for a hangover?"

Our thin-skinned customer instantly complained about a "salesperson with a sense of humor more appropriate for a market hawker." Of course, we can't punish the salesperson in this case. The retail assistant in the store where this happened simply reminded their colleague that everyone has a different sense of humor. We discuss situations like this, too, at our Monday meetings to keep everyone on the same page.

Our quality meetings are a different story entirely. Only

confirmed and serious customer complaints are brought up for discussion. Emotions in the vein of “the quality was better when we were little” are hard to take seriously due to the lack of concrete details. Therefore, we record such complaints, but don't discuss them at our meetings.

Our Tuesday meetings are very emotional. You can't imagine what horrors we have seen at these meetings! There was a wasp in a bottle of apple juice. A bolt from a dough mixer was found in a package of dumplings. A hair was found in a cabbage pasty. The remains of a glove were found in a package of cheese curds... This is all without the bottles of cider that exploded in the heat, a bulging tub of sour cream, and “leaky” sausage...

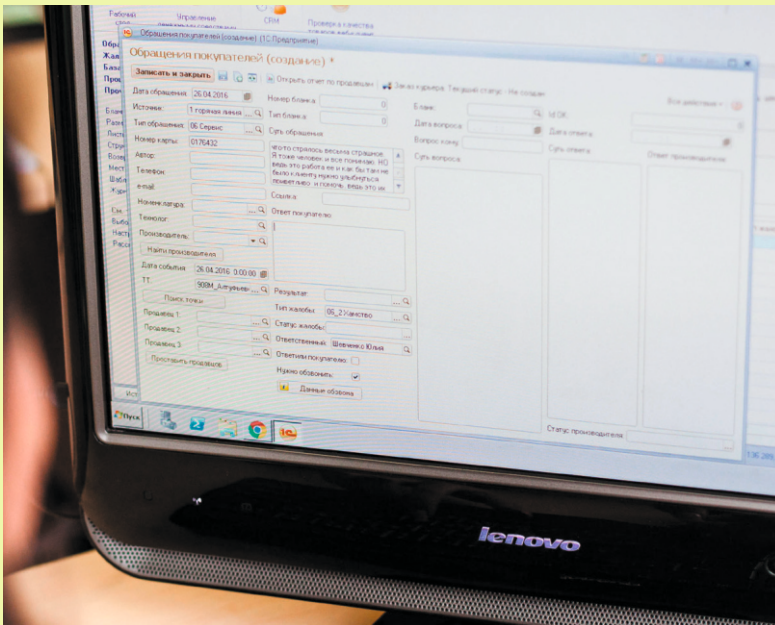
The way that suppliers react to complaints is worthy of special attention. Many of them (especially those that have only just started working with VkusVill) have a hard time admitting their mistakes. They don't look for the source of a problem in order to eliminate it; instead, they start trying to come up with as many different versions of events as possible. We've already developed a strong immunity to their excuses.

“We've been producing this product for 5 (or 10, or 15) years. We've worked with all the major retail chains in Russia and have only received a complaint for the first time from your customers. It makes us wonder...”

“This can't be! We're certain that this is a scheme by our competitors who want to take our place. Our products and production process are flawless.”

“The customer put the hair in there themselves. Consumer terrorism!”

“You don't need to listen to your customers so attentively. After all, customers are ignorant — they don't know what production processes are like and how complex they are.”



All of our customers' complaints are collected in a single system. This is a critical mass of information that we've learned to work in harmony with

Now imagine how hard it can be sometimes. On the one hand, you have a frustrated customer who wants justice and sometimes even compensation. On the other hand, you have the supplier who is not always in agreement with the customer's complaints and doesn't really want to change anything in their process.

This is exactly where the Tuesday quality meetings come in handy. Their goal is not simply to uncover the problem and talk about it, but to begin the process of solving it. Sometimes we have to take extreme measures, up to and including a stop to all work with that producer.

Once, thanks to a dissatisfied customer, we found out that repairs had begun at one of our bakeries. A man found a piece of white plaster in a loaf of black bread bought at one of our stores. The very same day, our technicians passed the complaint on to the supplier with a request to sort things out immediately, to which they received a surprisingly calm response: "Yes, we started repairs a couple days ago and decided not to stop production. Don't worry, everything is under control — that's why we didn't bother telling you."

Such "control," of course, was absolutely unacceptable to us, so we were forced to stop ordering products from that bakery until they finished their repairs. Only after our technician was convinced that nothing would interfere with the production process did we begin working with them again.

Our yearly summertime headache is the insect problem. Along with our customers, we have helped modernize dozens of manufacturers where the problem was simply not taken seriously enough. The aforementioned wasps in the apple juice were a true catastrophe at one point. Every week, we got two or three complaints from customers, while the manufacturer refused to admit that they were right.

We hired an auditor with our own money who literally pointed out the source of the insects to the director of the factory. In the middle of the factory floor where the juice was bottled, there was a small window. According to quality standards, it should always be closed. That was almost always the case — except on the weekends, when the chief technician and director did not come to the factory.

On those days, the employees liked to keep the window wide open, turn the radio up, and enjoy the summer air. As you can imagine, wasps flew in one after another through the open window, lured by the smell of sweet apples...

After the audit, we insisted that the window and wasp problem be solved. That time, the director was exceedingly polite and courteous, and bricked up the window in short order. Just in case. Meanwhile, he installed an extra ventilation and air conditioning system in the factory for his employees.

The complaints from our customers stopped immediately.

In our opinion, this is a cardinaly important moment for any business. It is the end user who should initiate changes and suggest areas for improvement. All you have to do is learn to use feedback systems. This is one thing that VkusVill is able to do well at all levels of our company — although the sky's the limit for how much more we can do.

Rule

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Communication with clients should not be formulaic. But you do have to develop a communication strategy.

It's impossible to discuss the importance of a hotline for a business and avoid talking about the call center employees that work on the front lines. After all, they are the ones who absorb the brunt of thousands of questions, complaints, and words of thanks. If someone thinks that this job is simple and doesn't require any special abilities, just try working for a few months on that hotline without coming to hate all of humanity. Then we'll talk.

The thing is not that people are bad. It's that everyone who calls and writes has their own version of the truth. A hotline operator has to understand, with the skills of a magician, jeweler, and psychologist, what kind of help the customer needs and how best to begin solving their problem.

In 2010, Maria Zvereva came to work at Izbyonka as a sales clerk. In less than a year, Maria became the first operator for our hotline and is still working there to this day. If you ask her whether or not she loves her job, you'll be surprised: she does.

"It's truly interesting. Without interest, I could never stay here — I'm not a robot, after all. We make decent money, and that's what makes our hotline significantly different from call centers at other companies. And I also really love VkusVill.



Call center operators have nerves of steel. At our company, we really love them and take care of them

I'm not ashamed of talking about the company, and I'm proud of our products. You can probably feel it, because I can pass that confidence on to other people. They calm down and believe my words."

Today, 16 people work on VkusVill's hotline. They perform different tasks: some receive and make phone calls, others talk with customers online. Every month, we record more than 20,000 messages, about 40% of which come from phone calls and 60% come from emails.

Over the period that we have operated our hotline, we have developed specific principles of communication with our customers. We're happy to share them with you.

No scripts or templates

When your customers call your support line and hear a tired line like, "Your call is very important to us," you had better do everything you can to get rid of it starting tomorrow. The effect of that line is exactly opposite of what you want: it doesn't just kill whatever trust your customers have in your company, but also demonstrates that you couldn't care less about their opinions, considering how formulaically and coldly you greet them.

We never tried to standardize our wording. All of VkusVill's operators are free and empowered to talk however they see fit. They don't have to fit into a corporate standard of client communication because we simply don't have one. It's important that any customer who calls or writes us understands that there's a real live person talking to them, rather than a collection of templates and instructions.

It's impossible to write warm, heartfelt scripts for every possible situation. Even if they're outside the box, they will feel cold and robotic.

No flattery or trying to make everyone like you

Once upon a time, a piece of sensational news popped up. A sign

was hung up in the Moscow metro: an announcement about escalator repairs, written in human language! Without any of the usual stilted official formulas: “planned escalator assembly repair service,” or anything like that. It was as though a close friend said, “The escalator needs fixing. It’s time! We promise to work quickly.”

VkusVill has always thought that this is the only proper way to communicate.

First of all, this is the simplest way to express yourself, rather than getting clever with text and trying to seem smart. Secondly, this form of expression is much more easily interpreted by our customers. Thirdly, simple human language forms a trustworthy image of the whole company in our customers’ minds.

That’s why we never try to seem smarter or more polite in our customer communications than we actually are.

For example, in the wilds of the internet, you can find our insistent advice to stop buying things at VkusVill and find a different store. This is not because we’re crazy and have customers to spare, but because there is a particular class of customers (there aren’t many of them, but they’re very “loud”) who are critical towards everything from the get-go — including our stores. They suffer, but they come back to VkusVill again and again — and each time, they let the whole world know about it via social networks.

It’s impossible to expect any constructive feedback from such customers. They create a lot of informational noise, but don’t help the company develop at all, while simultaneously demanding an excess of time for themselves. We’re not afraid or ashamed of telling those kinds of customers to leave. After all, VkusVill never tried to make everyone like it.

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One time, at a conference about client-oriented business, a fairly well-known expert tore VkusVill for such an approach.

From the audience, he shouted out, stressing every word: “The customer is always right. That’s a fundamental truth! If they’re bringing you money, you should be celebrating them!”

After a pause, our company’s representative replied:

“In a marketing strategy from 2002, that might be what you do. But our experience showed us that the customer is far from always

right. It's just as strange to find that contemptible as judging you, for instance, because you don't like everyone in the world. It's normal for human relationships that are based on something more than money."

The response made that expert even angrier, but judging by their reactions, the audience was on our side.

Respond to substance, not emotions

This is simple: when you try to react to a customer's temperamental attacks, you waste an enormous amount of time and energy while receiving very little constructive feedback. On open forums, it's typical for people to write emotionally and with exaggeration. Knowing that other users will see their message, they subconsciously begin to work their audience. This is the exact principle that governs interactions on social networks.

Earlier, we honestly tried to pick apart every single bit of feedback from our customers. Over time, we understood that we don't need to do that. No matter how lengthy or emotional the question or complaint might be, you only need to react to the core of the problem.

An example: "How long will this go on?! You've lost it — your products used to be so much tastier, the cakes were sweeter, and the vegetables were fresher. You're tricking people. You're the shame of all Russia! Andrey Krivenko hasn't run the company for a long time now. He's probably living on some beach in Spain, and you're just telling us stories. And drinking your milk is dangerous! It sat out in the heat for five hours and didn't spoil. That means there are antibiotics in it! I'm going to stop coming to you myself and get all my friends to stop as well, and you better believe I have a lot!"

Before, if we had received such a message, we would have commented on each of the author's accusations — about Russia, Andrey Krivenko, cakes, and vegetables, too! But the author of such a message actually doesn't care about all the arguments from our side. They simply want to have a go at us and provoke a conflict.

In their screed, there is but a single bit of constructive feedback:

milk that didn't sour in the heat (which the author directly blamed on antibiotics in the ingredients). This is the accusation that we will respond to. We will tell them about the souring process, explain a little bit about fermentation bacteria, and explain the point of checking for antibiotics. We'll just ignore the rest of the message.

However, this principle only applies to those companies that get a lot of feedback from their clients. If your company is only beginning to collect reviews and is getting one or two messages a day, then the more detailed your responses to comments will be, the better. This isn't as necessary for the people who ask an emotional question as much as it is for other clients who happen to find the conversation online. For them, it will be a clear confirmation that your company is interested in the opinions of others.

Don't let people insult your employees

The major mistake of many companies who have “client-oriented” tattooed across their chests is to let people walk all over their employees — as though call center employees are there so that customers can let off steam.

Such an utterly inhumane approach doesn't suit us at all. The customer can insult the company all they want, but as soon as they get personal or profane with us, the dialog stops immediately. We respond, “Sorry, we're not able to speak with you in that way. Have a good day.”

This is a great motivator for the boys and girls working “on the front” who have to deal with customers with varying levels of manners. For them, it is a definite guarantee that they can be themselves and not let others insult them — the company will always be on their side.

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Don't delete negative messages and don't sing your own praises

Not a week goes by without some company dealing in “internet reputation management” writing to VkusVill. Just think about how absurd it sounds: “reputation management.” Horrifying!

One day, a manager from one of those companies outdid all of their colleagues and wrote the following: “We’re like magicians. We wave our wands, and suddenly, everyone on the internet loves you.”

We always have a good laugh at these “magicians.” As you probably understand, all of this reputation management consists of mass dumping of fake, saccharine reviews. You can pick them out from a mile away, and any person in their right mind can always tell a true and appreciative comment left by a real customer from a “sweetened” one.

For this reason, you can find plenty of negative statements about the products or quality of service at VkusVill both on our own webpages and on third-party review sites. That’s totally fine! When you’re talking about a retail chain with about 1,000 stores and about 1,500 products in its selection, it’s impossible to think that you’ll receive nothing but thanks directed your way. It simply can’t happen.

But deleting criticism is absolutely out of the question. After all, complaints and criticism are evidence of a company’s mistakes, and what do we need to do with mistakes? That’s right: fix them, not hide all traces of them by shamelessly deleting and moderating messages from dissatisfied customers.

Most importantly of all, help the customer. Don’t discuss the tools and techniques

This mantra significantly simplifies interactions between customers and employees at every level. For example, a hotline operator doesn’t have to approve costs with their manager if they’re intended to help the customer.

Here’s a simple but illustrative example from real life. At one point, our in-store selection featured fresh butchered chicken in an oven bag. Put it on a pan, place it in the oven, and dinner is ready. In just a few days, we sold about a ton of that chicken and got complaints about ruined pans from eight customers: their oven bags stuck to the pans and ruined them.

After these complaints, our technicians conducted additional tests on the product. They baked the chicken right in the office oven, intentionally violating the cooking instructions — putting it in for too long and at too high a temperature. The bag remained intact.

Our hotline operators conducted an additional Customer Support Index survey (you'll find out what that means in the next chapter) of 250 customers who bought those chicken bakes from VkusVill and directly asked if they were satisfied with the quality of the product. Some people didn't really like the marinade, but we didn't get a single complaint about the bag.

Objectively, 8 complaints versus a ton of product sold is a drop in the ocean. It would be simpler to just shift blame onto the customers, convincing them that the problem was with their ovens — after all, the statistics were on our side. But our hotline operators met amongst themselves and decided to ameliorate the situation.

They called each of the eight customers whose pans were ruined while baking our product. They asked them the size of the pan, the model of their oven, and their address. They ordered eight suitable pans online and had them delivered to each of those customers.

The people were, of course, flattered. For the company, it was a minimal expense, but for customers, it significantly increased their trust in the brand which, we'll remind you, is priceless. Besides, it's an opportunity to feed another piece of news to the grapevine: people will want to tell their friends and acquaintances about how well the company treated them.

Here, we're a hundred percent convinced: if a hotline operator needed to travel through all nine circles of hell in order to approve the cost of eight pans, they would never even think of taking the initiative. An average employee will only help a customer if doing so is simple.

Once, the owner of a company asked us, "What if a customer was drinking your yogurt while driving an expensive SUV, accidentally spilled it, and totaled his car as a result? Would your operator buy them a new SUV?"

We honestly answered him that we didn't know what the operator would do in that situation, but they probably wouldn't buy a new

car — at the very least because any of our employees would use common sense first of all when making a decision.

The owner harrumphed, but didn't ask any more questions.

Rule



The Customer Support Indicator is a tool for small but regular changes that improve our customers' lives and make them a little bit easier.

In 2012, we launched our loyalty program, “Let’s Be Friends!” and accumulated our first batch of customer phone numbers. We didn’t completely understand what to do with them, but we definitely understood that we need the database.

Inspired by Fred Reichheld and Rob Markey’s book, “The Ultimate Question,” we decided to measure our NPS (Net Promoter Score) every week in order to understand how often our customers were recommending our company to their friends and acquaintances.

The NPS is a famous and trusted indicator which is used by many companies around the world. The formula for calculating it is as follows:

$$\% \text{ dedicated fans} - \% \text{ critics} = \text{NPS}$$

We tried to measure the NPS in-store, talking to customers on the spot. We tried polling them over the phone, calling them every week. In the end, we settled on the phone survey, since that turned out to be much more convenient and simpler, and survey results “on the ground” and over the phone were hardly any different.

VkusVill’s average NPS is 90 percent. This is very good, but not terribly surprising, as the main marketing channel for our stores is word of mouth. If we had a low NPS, word of mouth simply

wouldn't work for us.

However, getting this number just for the sake of statistics wouldn't be interesting at all. That's why we improved our customer survey method, taking into account all of our unique qualities, and ultimately, we created our own indicator: the Customer Support Indicator.

For starters, we moved away from a ten-point scale. First of all, the Russian educational system is based on a five-point grading system, and it's very hard for people to get their bearings in any other structure.

Secondly, in practice we established that it is much easier for people to answer the question, "Would you recommend VkusVill to your friends?" with a "yes," "no," or "not sure." At the very least, it doesn't put them under as much stress as asking them to give the company a rating.

There's more. We wanted to make the CSI a tool which allows us to solve certain local problems, clarify areas of difficulty, and answer complex questions with our customers' help.

That's when we started to call sets of customers compiled by our in-house CRM, based on 1C.

For example, a customer sends in a complaint about stuffed peppers purchased at a particular VkusVill and attaches a photo. Judging by the photo (fig.5), the supplier "forgot" to take the seeds out of the pepper and stuffed the vegetable with them still inside.

This is a quality violation, but you can't make any categorical judgments based on a single complaint. You can't recall the shipment or send it back to the supplier. If the technicians accepted the shipment, that means that they didn't discover any clear and obvious violations.

In such cases, a survey using the CSI really helps. Hotline operators assemble a selection



Fig. 5

of customers who bought stuffed peppers from a particular supplier over a particular period. We call them and ask them two questions:

1. Would you recommend VkusVill stores to your friends? (influences the overall NPS)
2. We see that you bought stuffed peppers — did you like them?

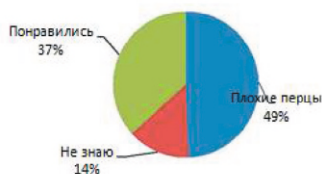
As a rule, if there's something wrong with the product, the CSI surveys help to discover that instantly.

In the case of the peppers, we only had to call 149 people to understand that we had to take the product off the shelves immediately. 49% of respondents said that the peppers were awful and noted specific problems. Some did indeed have seeds in them. Others were poorly washed, and still others didn't have enough filling.

ВкусВилл

Период	14.04 - 18.04	21.04. - 25.04	28.04 - 30.04	12.05 - 16.05
Кол-во опрошенных	638 чел	506	199 чел	149 чел
Горячие поклонники %	98%	96%	96%	93%
ППП %	97%	95%	95%	88%
Хорошо	623 чел	482 чел	191 чел	139 чел
Плохо	3 чел	6 чел	2 чел	8 чел
Не знаю	12 чел	18 чел	6 чел	2 чел

Фаршированные перцы. Ваше мнение?



Мнения покупателей

Перцы вкусные. Только нам голубцы больше нравятся. Сам перец не очень любим. Но нареканий к продукту мы не имеем.

В них есть свинина, и она неприятно пахнет. А вот пельмени Китайские семье понравились, вкусные. Они немного горчат. в них мало крупы, мяса много и оно уваривается, добавьте больше риса.

VkusVill:

Period

Number of respondents

Dedicated fans

CSI

Good

Bad

Uncertain

Stuffed peppers: your opinion?

Liked them

Bad peppers

Don't know

Customer opinions

The peppers are tasty. We just like cabbage rolls better. We don't like the peppers themselves that much. But we have no complaints about the product.

There's pork in them and it smells bad. But our family liked the Chinese dumplings, they're tasty.

They're a little bitter; there's not much grain and a lot of meat, so they cook down — add more rice.

Fig.6

With such a result, we couldn't leave them on sale. One survey was enough to take the product off the shelves in all our stores in a matter of hours.

Of course, there were the 37% who got high-quality and tasty stuffed peppers. They were happy with their purchase, and clearly, our technicians who tested these peppers in the laboratory were among them.

But we had to apologize to all of our customers for how our supplier let us down and for ruining several thousand people's lunches or dinners. As a result, everyone who bought the stuffed peppers from that shipment received a full refund of the purchase price on their loyalty cards, and we sent them all an apology via text message as well. The message said: "Recently, you bought stuffed peppers at VkusVill. According to our surveys, 49% of customers were unsatisfied with the quality of the product. There's a fair chance that you were among the people who did not like the product, so we are refunding you the full price as a credit to your loyalty card. Peppers from this supplier will no longer be sold in our stores."

The 37% of customers who were happy with the peppers were particularly fond of this gesture. They had a good meal and got their money back! But for us, it's far more important to assuage our guilt before the customers that we let down, and this method works very well. After all, it's not enough to simply admit your mistake — you have to rectify it and let the customers know about it. This is how you build loyalty and trust, step by step. When people understand that their opinion actually means something here.

In the end, we terminated our contract with the supplier. It was pure malice on their part. After receiving our order, they decided to fulfill it whatever the cost, even though VkusVill never punishes anyone for non-fulfillment of an order. The supplier lacked high-

quality raw materials, so they bought up third-rate peppers, stuffed them, and under the assumption that “they’ll eat anything in Moscow,” they sent the whole shipment to the city.

The CSI really helps judge the level of service in a particular store as well. For example, if we get one complaint about our salespeople, we can ask additional customers who were served by those employees on that day.

As a rule, if one of our colleagues in a store was just in a bad mood and went off on one customer, other customers will also notice it and let us know when asked specifically about it. This way makes it easier for us to understand whether a complaint about service was objective or whether the customer was upset about something themselves and decided to blame it all on our salesperson.

There were examples where the CSI helped us to “test the waters.” For example, we asked people: “How would you feel if we offered milk for sale in a plastic bottle?”

Knowing the majority of our customers' relationship to plastic and polyethylene, we simply couldn't not ask them the question in order to confirm our suspicions and make a decision.

In fact, the absolute majority of customers spoke out in favor of milk in plastic bottle, since the packaging is more convenient than a cardboard box. But there were also a significant number of requests that the plastic bottle be suitable for recycling, and we had to take this aspect into account when we put our new product on sale.

Local surveys with the help of the CSI are not intended to expose global problems or determine the company's future development strategy. Their goal is to provide for small, constant improvements and expose weak spots that might not be obvious but also don't make our customers' lives any better.

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The Japanese are living proof: small, constant improvements result in convenient, high-quality products. The philosophy of kaizen focuses specifically on the constant improvement of business processes.



A new CSI report — our important tool for small changes — is ready

Rule



Any purchased VkusVill product (even one that's nearly completely consumed) can be returned to the store without a receipt. In return, you get its full price back.

If you want to experience frustration and humiliation, try returning a purchase to any Russian chain supermarket. Just come in and say that you were disappointed in the taste of your fruit cake and you wish you hadn't spent the money, so you'd like to return the half-eaten cake and get your money back.

The best-case scenario is that the store employees will have a laugh and look at you like a madman. In the worst case, they'll call security and ask you to leave.

We have always been driven mad by this particular Russian reality. We were amazed at the ease with which any supermarket in England would return a customer's money for a product they didn't like and couldn't figure out why in our country, such behavior is practically considered a national emergency.

After opening our first Izbyonka dairy kiosk in 2009, we immediately told our customers about the opportunity to return a purchased product.

At the time, the "experts" told us that our little experiments with trusting service would end as soon as the chain grew. As soon as the number of stores increased, we would see an increase in the number of returns, which would have a disastrous influence on the company's financial situation.

But the crash never came. Returns of products from customers based on poor quality or taste are absolutely miniscule — maybe



Information about the ability to get a refund for our products is on every single package. We're proud that we can offer this service to customers without any limitation

about 0.05% of the total quantity of write-offs. That has been the case whether we had ten stores or five hundred.

Without a doubt, there are people among our customers who abuse our trust and bring the end of a sausage back to our store, demanding the full price back and complaining that it “tasted absolutely horrible.”

VkusVill employees will tell you plenty of “criminal” stories in which entire families return half-eaten products and do so several times a week. They roam from one store to another in order to attract less attention and come up with bogus stories each time: the meatballs fell apart while cooking, they thought the juice was going bad, or the cheese curds smelled like medication. A whole family affair...

But the VkusVill management system is always focused on the majority. In these cases, we know perfectly well that for 99% of our customers, returning a product without a receipt is a display of trust and an important insurance policy in case a product turns out to taste bad. For us, it is a guarantee of the quality of our own products and one of the strongest sources of feedback, since all returns are analyzed by technicians from the Quality Control Department. In case of large-scale problems with a given product, the whole shipment is quickly taken off of shelves.

Therefore, we have always taken a pragmatic approach to the miniscule group of fraudsters and freeloaders. Yes, they exist and they probably won't be going anywhere anytime soon. But refashioning our system to protect ourselves from them is silly: there are tens of thousands more honest and decent customers, and we have no plans of hurting them whatsoever.

During melon season, we go even further, significantly simplifying the process of returning those products — by suggestion of our customers, no less.

Once, a girl wrote on social media that she bought a pale-pink watermelon, which seriously disappointed her: she was planning on enjoying it that evening in the company of her family.

As is our tradition, we apologized to the girl and offered to let her return the watermelon to any of our stores at any time. In response,

she noted very logically:

“I of course know about your risk-free return policy. Let's say I'm going to work. I'm wearing a nice white outfit, and wearing my favorite perfume. But I'm holding a bag with 8 kilograms of watermelon. All cut up. It's leaking through the bag and staining my white pants. But that's only half the issue — that's my problem. So let's say I come into the store and deliver this leaky bag to a salesperson. They, of course, start to fuss about, put the bag on the register, open it up — and now the whole register is covered in watermelon juice, along with their signature green vest. And now everyone's started to hate this watermelon...”

The girl clearly needs to spend more time writing — she managed to describe the process of returning a cut watermelon so vividly in a single paragraph that we sent informational posters around to all our stores and hung them up near the bins of bok choy. (fig. 7)

Since then, if a customer gets an unripe, rotten, or simply unappealing watermelon, we are happy to refund them the cost based on a photo. All they need to do is send us a snapshot of the offending melon and the number of their “Let's Be Friends” card,

which will let us find the weight and cost of the purchase. We immediately return the full price of the melon to the card in the form of bonuses.

In case the customer isn't satisfied with bonuses on their card and wants to get “real” money back, they can bring the cut melon into the store and a salesperson will go through the return process.

**НАШИ АРБУЗЫ
из Астрахани**

Они спелые и сладкие, но разрезать и проверить каждый невозможно.

Если купленный арбуз не оправдал ваших ожиданий, мы готовы вернуть его полную стоимость на вашу карту «Давайте дружить!».

Для этого пришлите нам фото арбуза, номер бонусной карты и дату покупки на почту info@izbenka.msk.ru

Fig.7:

O u r w a t e r m e l o n s
are from Astrakhan

They're ripe and sweet, but we can't cut and check each one.

If the watermelon you bought didn't meet your expectations, we are ready to refund the full price to your "Let's Be Friends" card.

To do this, send us a photo of the melon, the number of your loyalty card, and the date of purchase to info@izbenka.msk.ru

But we can't take responsibility for the state of their white outfit.

A funny story happened once. At one of the educational events that we regularly hold for various companies, we inspired a regional retail chain with our story about this tactic. The director of the company was all fired up by the idea and decided to introduce hassle-free returns without a receipt in their stores. She thanked us profusely and said that she would let us know what happened.

In a couple of weeks, she did in fact call.

"I don't understand, how do you legally return money to your customers out of the register?" The voice on the other side of the line sounded upset. "Our accountants are on the defensive and won't let me do it. They say that any audit would shut us down for it, and VkusVill just ignored the law!"

We had to organize a Skype conference with the chief accountant of that regional retail chain and our chief accountant so that the latter could explain how to do so legally and simultaneously not make the return process humiliating for customers.

In a few weeks, we asked the director if she was able to implement the return process. She was nearly crying.

"I gave up on the idea. Our accountants took your information into account, but did everything their own way regardless. They wrote up a return policy with 56 different points on it, and a customer who wants to return a single dairy dessert has to bring a copy of their passport and fill out a four-page document. Oh, and products costing more than 500 rubles are not eligible for return according to our policy..."

It is for this reason that the customer comes first and foremost in every process at VkusVill, rather than the accountants and the legal department. Andrey Krivenko even has a special phrase: "Want to ruin a good idea? Give it to the accountants or to the lawyers."

With all due respect to their work, of course.

Rule

24

Consumer terrorism is not humanity's most terrifying problem. But extortionists among the general population can inspire fear in entrepreneurs.

There's an awful thing out there called "consumer terrorism." In the B2C sector, people know about this phenomenon firsthand. Sometimes, a company is so wracked with fear in the face of potential extortioners that they armor up and prefer not communicating with their clients at all in fear of threats from all sides.

You can't be afraid of consumer terrorism! This is the first thing you have to understand if you decide to fight extortioners.

Without a doubt, VkusVill has encountered and will continue to encounter people who are ready to do anything to make a profit. Thankfully, they make up a miniscule share of our total customer base, but over nine years and then some of doing business, we have formulated a few principles for interacting with such characters.

Rule #1

Never pay for silence. NEVER!

The golden rule that you should tattoo on the back of your hand. By paying an extortioner even once, you light a match by the powder keg. No matter what consequences you threaten them with, forget about the notion that silence can be bought.

As a rule, an extortioner will begin to scare you with the courts, audits, and in the very end, it will turn out that he's a personal acquaintance of Vladimir Putin. You must understand that a professional extortioner won't ask you for money in exchange for

some sort of insignificant nonsense. They will truly find your weak spot and attack it with alarming precision. The most important thing here is to never waver, since the temptation to follow the terrorist's whims will be great.

Several years ago, a man called the VkusVill hotline. He said that he bought cheese curds in one of our stores. He and his wife were planning to have a nice breakfast when he opened the jar and found a dried-up cockroach.

This is, of course, an emergency. The supplier had to be taken to account, the store where the curds had been sold needed further examination, and their logistics arrangements had to be reviewed. In a nutshell, we had to unravel the situation to figure out how such a thing could happen.

The hotline operator let the upset customer know about that. We promised to conduct a detailed investigation of the incident and let them know about the results. The voice on the line calmly said that he didn't need any results. He said he was a famous blogger and could tell a thousand-strong army of subscribers about his unfortunate discovery.

However, he was reluctant to “smear an honest business” (a quote that we remember to this day), so all he wanted was 50,000 rubles for his silence. He would throw the jar right in the trash and nobody would hear a word about the incident.

When we understood that we were dealing with an everyday extortionist, we immediately stopped any semblance of constructive conversation. We said goodbye and suggested that the customer do and write anything that came to mind.

Several days later, a post about the cockroach in the cheese curds did in fact pop up online. The person actually turned out to be a fairly famous personality in online media, so the story was picked up by other bloggers, journalists, marketers, and other opinion leaders on Facebook. VkusVill was reminded of all the sins in its past.

In the comments, we were thoroughly trashed, people threatened to stop coming to the stores and to encourage their friends to do so as well, sue us, and so forth.

We didn't even think about how to fight off this thousands-strong army of internet users. We had to figure out whether the cockroach had been ours or whether the extortionist had stuck it in the cheese curd himself. That would determine the course of any further decisions for us.

The clock was ticking and social media users were demanding an official answer from us. In such a short span of time, it would be impossible to establish the “authenticity” of the cockroach. As a result, we decided to write a detailed and honest explanation in our Facebook group which described the whole situation, from the call to the hotline and the demand for a 50,000-ruble payout to the intended audit of our supplier. We also apologized to those customers who were upset or even shocked by the news. But we promised everyone that we would sort things out.

Afterwards, the incredible happened. Clearly our post was written so honestly and truthfully that the army of haters that had just been threatening us with legal and cosmic repercussions began to defend us from the extortionist. It became immediately clear that he had long enjoyed the reputation of a scandal-monger and minor miscreant. He's the kind of person who studies every square centimeter of the food served to him in a café and only then begins to eat. People wrote us both private messages and public comments asking us not to bother reacting to this person.

It gets better. In a few weeks, after the cockroach incident quieted down and was slowly forgotten, we published a column on RBK's site signed by Andrey Krivenko where we reflected on consumer terrorism and recalled the situation once again. In other words, we ourselves shared on a reputable media outlet the story of how we found a cockroach in our cheese curds.

Let's come back to the cockroach. We're sure that you can't wait to find out where the insect in the cheese curds came from. The investigation confirmed that the cockroach was ours. At the warehouse where our packaging is separately stored, a cockroach somehow climbed into the container and died there. Afterwards, the container was taken from the warehouse onto the factory floor. The cheese curd packaging process

YOU CAN'T BE AFRAID OF
CONSUMER TERRORISM!
THIS IS THE FIRST THING
YOU HAVE TO UNDERSTAND
IF YOU DECIDE TO FIGHT
EXTORTIONERS.

is completely automated, so we could not possibly have noticed the dried-out cockroach in the container ourselves.

We asked our packaging supplier to add an additional airtight seal to the container packages to eliminate the possibility of similar incidents in the future. After a short period of time, we let all of our customers know about the results of our investigation and came out of the situation as the absolute winners.

Rule #2

Surprise the terrorist on your own terms

This is true high-stakes maneuvering, but the result is worth it. When an extortionist calls and begins to scare you with the threat of a lawsuit, audits from regulatory agencies, and posts on the internet, they are sincerely convinced that you really don't need any of those problems. Let's be honest — you don't.

But you can take a situation where you're being threatened to its logical conclusion and disarm the extortionist. Here's an example of such an exchange which we had with yet another terrorist.

“I found a pit in my cherry jam. I broke my tooth. The dental work will cost about 80,000 rubles as it was a problem tooth. I wouldn't like to make a fuss about this situation, but my husband works for Channel 1 (the main Russian nationwide TV channel. — Ed.), and he would be happy to film a segment about the kinds of products sold at VkusVill.

“Dear Elena, First of all, we're very sorry that you hurt your tooth due to one of our products. Regardless of the fact that we state on the jam packaging that pits could indeed be found, we still believe that it is completely our fault. Unfortunately, there is no method which could allow us to extract 100% of the pits from cherries.

We suggest the following: in the next hour, our lawyer will come to you and help you write an official complaint and file a lawsuit. We take responsibility for all of the pretrial expenses. In addition, the lawyer will help you write an official complaint to Rospotrebnadzor (the Russian Consumer Protection Bureau — Ed.) so that they can conduct a spot check at VkusVill.

Afterwards, the court will determine the amount of compensation

and we will immediately pay out the whole cost of your dental procedure, including punitive damages for the trouble you went through. Please state the address where you can meet with our lawyer.”

After that short dialogue, the extortionist didn't bother us further.

There was another case. For a long time, a man would find flaws in our products and demand compensation each time, violently criticizing our suppliers in the process. He used professional industry terminology — for instance, he knew what a cutter, degree of pasteurization, and ice-cream freezer were.

This intrigued us, and after yet another attempt at blackmail, we asked him whether or not he happens to understand the nature of the production process. He happily shared that he was a certified auditor, implements Hazard Analysis and Critical Control Points (an international system of production safety —Ed.) at food factories, and can determine what problems a plant has just by looking at what they produce.

We offered him a sizeable fee and asked when he could come to at least one of our factories as a specialist to do an independent audit. He took some time to think and never bothered us again. This armchair auditor clearly moved on to bothering another retail chain.

When surprising a terrorist with your own preconditions, it's important to understand that they can outwit you in this case. For example, they could have easily suggested an address to meet with the lawyer or agree to conduct an audit of the plant.

Therefore, when you suggest unorthodox solutions to problems, you have to know full well that if the extortionist agrees to your conditions, you will have to fulfill them just as you promised in the initial conversation. Otherwise, you will let them wrap you around their finger and look like a company who makes nothing but empty promises.

Rule #3

If there's a mistake, acknowledge it. If there's no mistake, defend yourself – legally

This is a very important rule because it destroys the whole philosophy of consumer terrorism. The goal of an extortionist is to find your weak spot. A company that overreacts to its own mistakes, thinking that it can work without making them, easily falls victim to such provocations. They'll pay any price so long as it will keep people from finding out about their oversight.

As soon as you understand and accept that mistakes aren't scary, it will become easier to react to consumer terrorists. After all, you won't be scared of admitting that you're not perfect.

If you are accused of something that you didn't commit – for instance, that a cockroach ended up in your cheese curds, but you're certain that such a thing couldn't even hypothetically happen – defend your honor as your heart and the laws of the Russian Federation command you to.

Your customers are very perceptive people. They can understand whether you're being disingenuous or whether you're truly innocent just by your intonation.

Rule

25

You will never get feedback from your customers if you aren't interested in their ideas and suggestions. Apathy is hard to digitize, but is very easy to feel.

Once, one of Andrey Krivenko's acquaintances, the CEO of a major Russian produce company, came to the VkusVill office. He walked around our office, laughed here and there, and occasionally praised something. He walked into the office where our hotline operators sit and was unbelievably embarrassed. The calls were coming in relentlessly. One operator barely had time to pick up the phone before another call came up on their neighbor's phone.

Having observed this communications chaos, the big-shot CEO pointed a finger at it and asked in surprised:

"What is this?"

"This is our hotline," Andrey proudly replied. "Works from nine in the morning till nine at night, without holidays or weekends."

The CEO was even more surprised: "So what, do people actually call?"

"As you can see," Andrey chuckled. "Constantly, for that matter."

"Hmm, that's funny," the CEO remarked in confusion. He continued, "We launched our own hotline, you know! Bought a memorable phone number, free calls all around the country, a real 8-800 number. In half a year, we got two whole phone calls. One of them was a test, to see if the line was working."

We have had the pleasure of hearing from the directors of several companies more than once that instituting a feedback system

should start with the creation of a powerful IT infrastructure. Buy a CRM system for several million rubles, automate your business, hire a team of consultants, and only then begin talking with your customers. This is a serious error. In practice, this is what you shouldn't do.

We begin systematically organizing our customer feedback system in 2010, a year after we opened our first Izbyonka location. At the beginning, our CRM was a notepad and pen (cost: 30 rubles). A little later, it was an Excel table (cost: software license).

Of course, today VkusVill has an extremely powerful in-house CRM module based on 1C, which is being developed and improved to this day. But this module appeared as a result of our evolution. As the company grew, so did the demands that were made of it. At first, the pen and paper proved insufficient; later, we understood that Excel wasn't designed to work with a client database, and gradually started hacking away at a CRM for ourselves.

In our opinion, the desire to talk with your customers should come first and foremost, while the specific form of communication is only secondary. Those companies who start the implementation of a feedback system by working out their necessary forms of communication condemn themselves to a difficult and boring path. After all, by assuming that you will only start hearing feedback after you have the proper infrastructure, you rob yourself of the most important impulse: your clients' opinions.

This approach is especially deadly for small companies with a limited amount of money. We always insistently advise them that communication with your customers doesn't have to be expensive! If you really want to hear your customers' voices, start doing it right now, without any major investments.

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We often hear from directors of other companies who are ready to turn and face their customers but don't know how to motivate them to call and write. They are inspired by VkusVill's experience, but just aren't able to adopt it in their own companies.

We can confidently say that you yourself have to get the wheels moving only at the very beginning of the process. After that, feedback will become a perpetual motion machine that will work

flawlessly by itself for the good of the whole company.

Use any free space

The back side of a receipt, product packaging, a bag, a business card, an in-store sign, monitors — any space where you can place your company's contact information has to be used.

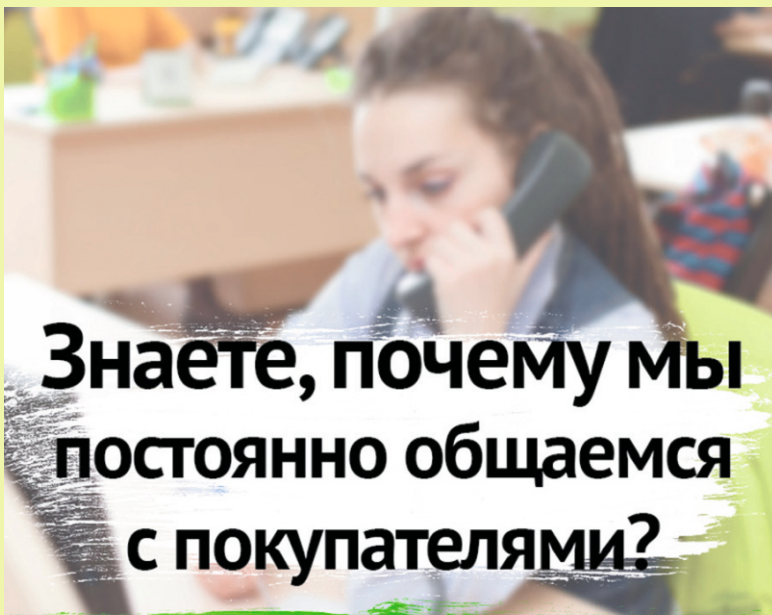
However, a phone number or link to your site's contact page alone will hardly serve as the switch that motivates your customers to call or write you. It's important to reinforce this information with some well-stated and memorable facts. For example, let them know that a particular product appeared in your selection based on customer initiative: if they want to have an influence on the product selection themselves, they should write and call you themselves.

At the very least, you can simply let them know that you would give each client who contacts you a hug and pour them a cup of tea if you could — but since you physically can't do that, ask them to at least suggest what else could be improved.

Most importantly of all, get this into your head: a single sign or banner in the corner of your site asking customers to share their opinion isn't enough. Each centimeter of free space should publicize the ability to get in touch with you. The more variation you incorporate into this, the more chances you will have to catch the attention of every possible customer out there.

Direct line with the owner or CEO

This is unique to our country: simple people prefer writing and talking to the top brass alone. It's not worth abusing direct lines to top managers — unless, of course, you want to seem like a company that flies by the seat of its pants. But a few times a year, you can definitely resort to this tactic.



**Знаете, почему мы
постоянно общаемся
с покупателями?**

**Ваши идеи
помогают нам управлять ассорти-
ментом, улучшить сервис
и становиться интереснее.
Спасибо!**

"Do you know why we're always talking with our customers?
Your ideas help us manage our selection, improve service, and become
interesting.
Thank you!"

An example of the signs that we place in the register area of every VkusVill

The main thing is to announce it in an interesting way: “ask all of your questions from 1-7 July! We will pass every question on to Prokhor Ivanovich Krasnoperov (our proverbial company owner), and he will personally answer each and every one. On 10 July, all answers will be published on our site.”

It would be great if you reinforce the direct line announcement with some of your previous experiences, if you have any. For example, after the previous direct line, we opened stores in a new residential neighborhood, fired a drunk salesperson, and completely changed our refrigeration equipment — all because you weren't afraid to let us know about your problems!”

In VkusVill's case, this trick works unbelievably well. Andrey Krivenko is a fairly famous person and customers trust him, so the ability to write Andrey personally really won a lot of people over. Over the course of a single direct line, we might get about 300 messages.

Of course, people won't write anything particularly stunning. They'll start sharing their pain points. For example, our customers wrote to Andrey that the cherry yogurt wasn't sweet enough. There aren't enough diabetic-friendly products in our selection. The store in Krasnoyarsk has seen better days. But there were also questions directed specifically toward Krivenko. For example, what kind of business would you recommend that a young entrepreneur open, or what kind of books do you like to read?

Of course, you shouldn't hope that Andrey Krivenko (or the owner/CEO of your company) will respond in writing (or even on video) to all 300 questions.

We chose the following strategy. First, we split all of the questions into groups. Everything that concerned Andrey's personal life and his opinion went directly to Andrey. Other people with the requisite expertise answered the questions about cherry yogurt and stores in Krasnoyarsk.

Afterwards, we sent all the answers to all the questions to Andrey in a separate file. If for any reason he didn't agree with something or wanted to add something, he would always add a comment. That gave us every right to sign Andrey's name to everything.

The materials that result from the direct line have to be published on your site and on social media — you can even lay them out nicely, print them, and give them to your customers as a small newspaper or magazine.

“I'm the CEO” contest

This kind of competition is an unorthodox way of finding out about your company's problems from your customers. We have conducted such a competition more than once and were always happy with the results.

All of our in-store customers were given a small newspaper with a contest, entitled “I'm the CEO.” The first column contained a short prompt: “Imagine that today, you were appointed CEO of VkusVill. Your team and your customers are waiting on you. People are expected real, concrete actions from you, just like from a real CEO — today! What will be the first thing that you change in the company?” Then we have an address where people can send their suggestions.

We awarded decent prizes to the people who proposed ideas that we eventually decided to adopt — for example, free visits to our stores for a whole month.

This competition is great because it forces people to openly share the problems that worry them but about which they usually remain silent. Here, it's also important to understand that your customers will probably not start discussing business processes or the work of a distribution center, for example.

People will tell you about the very same insignificant problems that they might indicate in their letters or calls to the owner. But among them, there will be seeds of good ideas that just might inspire you to make real improvements.

Here's an example from one letter:

“Hello! As the new CEO of VkusVill, I would expand my business and create small cafes. They could be inside the stores or next door (summer street cafes with umbrellas, for instance). I would pay attention to the 'moms with kids' market. I would make these cafes small and cozy, so that moms and their friends could chat over a glass of skim kefir and a plate of cottage cheese fritters, while the

kids — even if they're in a stroller — could have a children's treat. For older kids, I would install comfortable furniture (children's high chairs) and they could eat their ice cream while their moms use free Wi-Fi.”

What a business idea, huh? However, there's a hidden danger in such competitions. Among your customers' ideas might be some that you are just beginning to roll out or are preparing to implement. In this case, if a customer suggests an idea and you bring it to life without thanking the customer (since you came up with the idea earlier), it won't look good to the competition participant. They will think that you stole their idea and the reputation of both the competition and your entire company will be ruined.

Reports on improvement meetings: write about what changed thanks to customer feedback

Insofar as we discuss problems uncovered by customers at our internal meetings, information on our site or social media about how these meetings are conducted can considerably increase customers' trust in the company. At one time, we published these reports openly every week.

Here's an excerpt from one report:

“On Tuesdays, we hold a weekly meeting at our company's offices. At these meetings, we review interesting and useful customer feedback: from criticism and complaints to praise and rational suggestions.

Let's sum up the previous week:

From 1-7 February 2016, we logged 3,283 instances of customer feedback.

Among them:

2,276 hotline calls

241 forum messages

127 emails

178 VKontakte messages

11 Facebook messages

510 calls were made based on two selection criteria.

We asked one group of customers how they liked the Prague cake

from Malinovskaya LLC. 78% of those surveyed said that they were happy with the cake. 10% don't eat sweets, so they can't comment — they bought the cake for their families. 6% said that they were neutral on the cake, while the final 6% said that in their opinion, the cake could be tastier.

We asked the other group of customers how they liked our fresh fish. 73% said that they were happy with it, while 17% think that it's very expensive, but understand why. 10% of customers who tried our fresh fish had issues with its quality.

The results of both surveys are within acceptable limits.

Quality of products

On our forums, we received an angry message about the low quality of beef. This would be fine, but on the packaging of the product, we saw the following: “Mooring and Fawning LLC.” We don't have any such company in our database, which allowed us to understand that the meat was not purchased in our store. We were, of course, ready to conduct an expert assessment of someone else's product, but does the customer really need that?

A customer found a metal fragment in a cheese curd snack. The supplier responded quickly. They wrote:

“Upon discovering a foreign object — metal wire or fragment — in a glazed cheese curd snack, an internal investigation was conducted.

To prepare the cheese curd snack material, we use cheese curds, sugar, and aromatic flavorings, depending on the flavor of the snack: vanillin, cocoa powder, shredded coconut, and so on. The cheese curds used for the production of the base are initially cleaned, then flavoring components are added. All of the technological processes — blending and mixing — are performed using rolling machines. All components of the machinery that come into contact with the product are made of stainless steel, approved by the Russian Ministry of Health for contact with food products.

IN OUR OPINION, THE DESIRE
TO TALK WITH YOUR CUSTOMERS
SHOULD COME FIRST
AND FOREMOST, WHILE
THE SPECIFIC FORM
OF COMMUNICATION
IS ONLY SECONDARY.

The commission established that the metal wire or fragment that was found in the cheese curd snack was potentially introduced into the mix due to a violation of the rules: for example, as a result of failure to sift the sugar before its use in production.

As a result of this, a series of preventative measures have been undertaken with the goal of ensuring the safety of the finished product. Those who violated sanitary standards have been identified and disciplined.

Plant staff have been given additional instruction on compliance with Instructions for Preventing the Introduction of Foreign Objects into Product and on rules for using auxiliary components in production.

A mass write-off of vegetables was conducted. Reason: unmarketable appearance.

Service

A complaint about a drunk salesperson was received. It was confirmed, and the salesperson was fired. Many thanks to the customer for their vigilance.

“The guy stocking the shelves was drunk as a skunk. There was a line going through the entire store. The cashier was nuts or something! This is a nightmare, not a grocery store. When I asked Anastasia the cashier to put my purchases into two bags, she rudely responded, 'We don't owe you anything.' How in the world can you talk to your customers like that?”

All other complaints about service were minor and routine. All those involved were spoken to.

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People's Gourmet

This was a project that straddled both the emotional and the technological. At VkusVill, it is exclusively focused on new products. Every month, we can introduce up to 50 new products in our stores. Of course, we want to get feedback about them as soon as possible.

This is the only case when we give customers their money back in exchange for a review. The “People's Gourmet” program is

conducted with the help of a Telegram bot, as well as in the VkusVill app, and works as follows.

A customer buys a new product and the bot automatically sends them the following message in Telegram or in the app:

“Evgeny Vladimirovich, we offer you the chance to take part in the 'People's Gourmet' project and write a review about our product, 'rabbit legs.' The review may be published on our site, in the 'Honest Feedback' section, and become part of the product's description in the catalog.

1) Let us know your honest opinion. Were you satisfied with the quality, taste, price, and appearance of the product? We are interested in both photos of the packaging and what the product looked like inside, what you can make with it, what you can serve it with, and what your impressions of it are. Try to answer all questions so that the review will be detailed and interesting for other customers to read.

2) Attach several photographs of the rabbit legs to your review. We prefer landscape-format photos.

3) Send us your review by 1 July 2018.

If your review is informative and interesting, we will refund you the price of one unit of the product (271.26 rubles) in the form of points on your loyalty card within one week of your review.

To write your review, tap the button below.”

Many customers take a creative approach to writing their reviews. Sometimes they even write poetry. For us, this is an extremely valuable feedback channel, as we can instantly receive a fairly wide cross-section of opinions about a new product.

Oftentimes, people discover some problems that we didn't notice. For example, the information on the label might not be very readable, or inconvenient packaging, or taste that doesn't correspond to the customer's expectations.

Through a game-like form, we collect a considerable amount of useful information. The photos are stories in and of themselves.

You would never believe what people take pictures of. We even have a selection of 18+ photographs. One customer sent a picture of her half-naked husband eating a new kind of sausage. The snapshot

was accompanied by a caption: “My pookie-bear liked your new sausage.”

We, of course, would never publish such a photo. However, we’ll show you what the majority of reviews and photographs look like (fig. 8). You’ve got to give it to them: this is a really informative and useful tool for everyone involved.

Oksana's review

“With my full schedule and limited love for cooking, products that require a minimum of preparation really win me over. There was 110g of this product in the container. This feels like enough for one solid portion. The shrimp were well-cleaned — there were no legs that I saw.



They were soft and supple, not overcooked, with a rich and briny taste: light, subtle, without any fishy smell. They hold their form and look appetizing. For just 110g, they're a little expensive, but they do save time on cleaning and cooking. They go especially well with rice.

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My dish of choice: plate them in a small mound on boiled rice and garnish with iceberg lettuce. For this dish, I think it's best to boil the rice without salt. The lettuce also works well to lower the saltiness.”

This is just a small subsection of the tools that we have used or continue to use in order to popularize feedback. If your company wants to increase the number of customer reviews, remember one main point: customers will never tell you about problems and inconveniences if they don't know why they need to do so.

As soon as your company sets out on the path toward improvements and adjustments for their customers, you won't have to wait long to see the effect. People will start writing and calling because they will understand the value of their actions.



Fig. 8

Rule

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In realizing new and successful projects, one principle has been very helpful: “fire bullets, then cannonballs.” This may in fact be the basis for all successful project management.

Within any company, there is much concern devoted to the search for self-motivated and resourceful employees. Where do you get people who are ready to take on responsibilities, generate ideas, and take charge of new projects? What do you do with the “ballast” that stays in its comfort zone and doesn't want to make any excess movements? How do you motivate your employees toward new achievements and experiments?

We have yet to find a single owner or director of a company who hasn't thought about these questions. They're relevant to us, too.

Of course, there's no catch-all solution to this problem. Too many variables influence the final answer: the company's specialty, the atmosphere among your employees, the strictness of rules, the unique characteristics of your management, and so on.

But we think that VkusVill was able to overtake many companies in terms of an easy-going and flexible attitude toward experiments. We are developing as quickly as we are and changing for the better every year thanks in large part to this.

In developing this ideology, we found Collins' study in “Great by Choice” very helpful. One of the principles described therein goes as follows: “fire bullets, then cannonballs.”

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A “bullet” is a test or experiment that doesn't require much time, energy, or effort. However, thanks to these “bullets,” you can test whether your new idea has worked out or not in practice. Only in the case of a successful outcome can you then pull out the “cannonballs.”

Those who watch our company's development closely will notice that we always act in accordance with this rule.

Izbyonka in and of itself was a “bullet” for us. Using the market stall format, which doesn't presume major investments and a long period until profitability, we tested whether or not we had anything new to add in the market for fresh, natural products and get up on our own two feet. Do Moscow residents actually need dairy products with a shelf life of just 3-5 days, or is the lack of natural dairy products seriously exaggerated?

As soon as we confirmed that we were moving in the correct direction and after getting a sense for our target audience and fixing a million mistakes, we started firing cannonballs — by opening one new VkusVill after another.

We would have undoubtedly suffered an utter flop if we had immediately taken on the format which we are working in now. It's too complex to realize at the drop of a hat. Such “cannonballs” are doomed to fail if they are not preceded by “bullets.”

But these are strategic and management questions that are usually decided at the owner and stockholder level in most companies. In practice, the bullet and cannonball principle works even better on the level of front-line personnel, managers, and departmental directors, as it opens new horizons for all of them and allows them to make decisions more confidently.

For example, our company is always acutely concerned with communicating our values to our clients. How can we explain to a new customer within a few minutes of their arrival at one of our stores what VkusVill is and how our products differ from what they'd find in a regular supermarket?

One obvious idea is to install tablets in our stores near the shelves. The tablets can be moved from one shelf to another, and tell shoppers about the production process of a given item with the help

of photos or videos, or explain how it differs from similar items.

The idea seems logical, and a classical marketing department would instantly whip up a presentation with graphs and diagrams and start clamoring for a tablet budget that would suffice for all the stores in the chain.

However, we're more interested in confirming the results of an idea in practice, so we selected five stores in different regions around Moscow and installed tablets there. We tested them on ten different items and then began our analysis.

First of all, we clarified whether or not additional information about a particular product influenced its sales in those five stores. The result? Not at all.

Secondly, we polled salespeople in those stores and asked their opinions of the tablets. We discovered that the tablets got in their way when they were stocking the shelves.

Thirdly, we called shoppers who had purchased at least one of the test products in one of the five stores. We directly asked them: when you bought pomegranate juice or sprouted-grain bread, did you pay attention to the tablet installed next to them, and did the information there help at all?

The survey results clearly showed us that scaling this project to our entire chain would be absolutely meaningless. 92% of those surveyed didn't even notice the tablet, and if they noticed it, they didn't pay attention to what was shown on the monitor.

It's terrifying to imagine how much money we would have spent on a useless project by buying up tablets for all of our stores. At that moment, there were about 400 VkusVills. Even if we had bought the cheapest Chinese-made tablets that cost around 7,000 rubles, the overall cost would have been considerable. This is an ideal case where there was absolutely no sense in preparing a cannonball after an initial test bullet.

Another example involves machines for making fresh-squeezed orange juice. Our merchandising manager Elektra Silina really liked the realization of this idea in Spanish



One successful “bullet” was the juice machine: a project which was scaled up and developed thanks to a successful experiment

WITH EVERY PROJECT THAT DOESN'T TAKE OFF, YOU KILL TWO BIRDS WITH ONE STONE: ON THE ONE HAND, YOU SUPPORT INITIATIVE AND YOUR EMPLOYEES' DESIRE TO TRY SOMETHING NEW, WHILE SIMULTANEOUSLY PREVENTING A WEAK PROJECT FROM CAUSING FURTHER FINANCIAL HARM TO YOUR COMPANY.

grocery stores, and she decided to bring a little bit of Spain to VkusVill.

The project was unique for Russia. These weren't just mock-up machine with prepared juice like other retailers tried to install. We completely entrust the process of making juice to our customers, right in our stores. Due to this, we had to overcome many pitfalls in bringing this idea to fruition, beginning with the Russian Consumer Protection Board's safety considerations and ending with the quirks of the juicing equipment.

After installing several juice machines in different stores, we instantly saw our customers' reactions. Freshly-squeezed juice was bringing in 1-5% of the stores' overall profits, while the smell of citrus created a unique atmosphere in the display area. It was a win-win for those buying freshly-squeezed juice and for those who simply walked by.

Elektra told us, "When we launched the juice machine project, it was hard to predict how successful it would be. I would never have thought that the weakest link in this project's realization would be the quality of oranges. Neither the salespeople, the machines, nor the customers let me down. But finding the right oranges turned out to be the hardest task. Be it the wrong diameter, thick skin, or too many seeds... Nevertheless, we got the project on its own two feet and it was in high demand with customers, which means that I accomplished my goal."

Thanks to this bullet, we started to load our cannonball: we started installing juice machines in other VkusVill stores.

Another example of a successful bullet and its subsequent scaling was the launch of VkusVill's micro-markets. In a company office with 300 or more employees, a complete apparatus was installed in the kitchen or another convenient location, featuring several refrigerators, a freezer chest, and a self-service register.

The assortment contains ready meals, sandwiches, yogurts, cheese curd casseroles, desserts, juices, and several other VkusVill products which could be heated up or eaten right on the spot.

All of these products could also be purchased in any of our stores for the exact same price.

The trick about an office micro-market is that there are no salespeople and the refrigerators do not lock. The tiny store works entirely on the principle of trust in a given company's office, where people know each other. Open the fridge, take what you need, scan it at the register, and pay with your card — all without anyone's help. No control.

You're probably already asking yourself: do people ever just “forget” to ring themselves out? After all, it's just too tempting to have a great lunch without paying a single ruble. To our overwhelming joy, the consciences of our countrymen in those companies where VkusVill's micro-markets are installed don't allow them to eat their mutton plov or beef borsch on someone else's dime.

This, of course, doesn't mean that there aren't any losses. They vary in severity and in the majority of cases, they aren't caused by malevolence, but by simple forgetfulness (like getting distracted by a phone call and forgetting to pay).

This project was realized by our colleague, Kirill Shcherbakov. Originally, Kirill came to the company to prepare new stores for opening and did only that for several years. His division's responsibilities included construction and repair works as well as the selection of equipment for every store, from lighting fixtures on the walls to trash cans by the registers.

With time, Kirill started getting bored of doing the same thing over and over again. That was when he decided to try realizing a new project for the company. Kirill developed the first prototypes of the micro-market in our own office. As soon as he sorted out the main process and found a sustainable format, the micro-market went out into the world: the cannonball came right after the bullet.

Kirill Shcherbakov shared, “At the present moment, micro-markets are my main project, which has become a totally new sales channel for the company. None of us was completely certain of the demand for such a format, but we're not fans of endless theorizing. The ability to launch an innovative idea and test our hypothesis in practice is a crucial trait for any company that wants constant development. For me, it was a new professional direction. I'm still at

VkusVill, but in essence, I am an entrepreneur developing my own project.”

We can immediately recall at least a dozen innovations and strong new projects that came to fruition thanks to this experimental principle. Each employee at our company knows that they can bring any new idea to life, but they have to follow this principle. We test first on a small piece, and if everything goes well, we expand it to the whole chain.

But bullets and cannonballs only work in companies where employees are not fined for mistakes or forced to conform to budgetary limitations. If employees are “beaten” for instances of bad luck in your company and if they are forced to humiliatingly account for every cent they spend, don't expect any initiative from them.

Far from all bullets that will be proposed and realized will go on to enjoy a long life. However, it is important to treat this not as a waste of money, but as a form of savings. After all, with every project that doesn't take off, you kill two birds with one stone: on the one hand, you support initiative and your employees' desire to try something new, while simultaneously preventing a weak project from causing further financial harm to your company.

We think that this is an ideal system for fostering experiments and engagement.

Rule



The deeper the concept behind your work is ingrained in the company's DNA, the more straightforward the component processes will be developed. Our ideology of natural and honest products helps us get rid of a huge number of excess goods.

Forming your assortment of products is a serious subject worthy of separate discussion. 99% of the products at VkusVill are own-brand. That has historically been the case ever since the days of Izbyonka. That's why all of our dairy products use the Izbyonka brand, and all other product categories wear the VkusVill name.

For retailers, this is still considered a bold move today. For us, the rejection of widely promoted chain brands is actually our salvation and an opportunity to stand out from the identical assortment in the majority of retail chains.

Our selection includes a small percentage of products under the producer's brand. As a rule, these are unique products without any suitable substitute whose producer isn't particularly keen on adapting to market demands. One example is canned fish, which is packaged right on the fishing boat and meets all of our quality demands. It's basically pointless to hold negotiations about own-brand products with that kind of producer.

However, based on our estimates, products under the producer's own brand name sell about 30% worse than VkusVill's own-brand products. It's just that for our customers, this is already a clear signal: there's a stranger on the shelf.

That means a different design, an unfamiliar product name, and most importantly, the lack of the word "VkusVill" on the packaging. In other words, from our customers' point of view, there's no



When a new customer walks into VkusVill, they usually feel lost at first. There are none of the usual brand names they see in advertisements and the selection is different from the majority of other stores. However, for our repeat customers, VkusVill's brand is a guarantee that the product has been checked and conforms to all of our stated principles

guarantee that the product has been tested, improved, and guaranteed as safe.

The process by which we assemble our product selection is conceptually divided into two blocks, in which our buyer-technicians (Quality Management) and product managers (Unified Concept Management) take part.

It is the product managers who put together the selection matrix and set retail prices. They decide whether the product will appear on shelves or not — and additionally, whether to send a given product back for improvement, stop sales, or pull it from the selection entirely. For that matter, product managers don't talk to suppliers. Their sole client is the customer! That's why product managers work closely with customer feedback. They read a lot of reviews, comments, and suggestions, and make decisions based on the information they uncover. Currently, there are 8 product managers and 15 product categories at VkusVill.

Our buyer-technicians search for suppliers, develop products together with them, and handle supplier relationships in the long run. It is the technicians who request tasting samples and conduct tastings in the office. Nevertheless, it is the product managers who make decisions about the fate of a given product, since they know our customers' opinions best of all.

Brand manager Tatyana Yanysheva is certain that this method of work allows us to choose products with the very best taste and conceptual alignment with our brand.

“We often hear from our customers that they can't stand eating any products but ours. We think the reason is that our suppliers don't pay us for shelf space, and in our company, it isn't the buyer — who might have their own agreements with a given supplier — that signs off on a product, but regular people who focus solely on taste and customer opinion. Obviously, everyone has different consumer experiences, and at a tasting, where you invite all different kinds of people, usually you already know who in the office prefers what.

But it's often fairly obvious: either something is tasty or not.

I feel a responsibility for our selection. Food is a major component of health and longevity. I read a study that in Europe, roughly 30%

of the healthcare budget is spent on treating food-dependent illnesses — diseases that are caused by eating badly. Ultimately, our two million customers depend on us every day, and if we can extend or improve the quality of their lives, that's awesome, and we have to spread our mission further.”

The concept of “healthy eating” is a great help in putting together our selection. First of all, a huge number of excess products instantly drop out of the running. VkusVill's selection doesn't include hard alcohol or even wine — though there is beer, cider, and mead. There are no cigarettes, gum, colorful candy, or chips — just crackers. For a long time, there was no mayonnaise or cream cheese, but these products eventually appeared thanks to our customers' insistent requests — which meant finding suppliers to produce the healthiest versions possible by simplifying the ingredients.

Secondly, healthy eating as we understand it doesn't exclude traditional products. We don't think that pelmeni with pork and beef are bad. However, we do know that pelmeni in which meat is replaced by soy are capable of damaging your health.

Yes, we do carry cakes and desserts with plenty of sugar, and which therefore could not even potentially be considered healthy food. On the other hand, you won't find any with margarine, artificial flavorings, substitutes, and similar ingredients. If a customer really wants something sweet, it's better to eat something with natural ingredients instead of half the periodic table.

Thirdly, thanks to our extensive experience and the reactions of many of our customers, we can already guess what will upset and confuse our customers and what they will be happy to buy. For example, many suppliers of pastries and cookies used to add vanillin to their recipes.



Brand manager Tatyana Yanysheva may very well know everything about our products



Seaweed salad before and after processing. As the saying goes, you can see the difference with the naked eye. Even though the example without dye looks less appetizing, we consciously chose to put it on our shelves

This is an artificial additive which doesn't actually change the baking process, and for that matter doesn't particularly influence the taste, either. One after another, our customers pointed out to us that vanilla was good, but vanillin was bad. That's why we simplified the majority of our products' ingredients by getting rid of vanillin.

Oftentimes, our approach “ruins” products from the standpoint of popular perception. For example, the salami that we sell at VkusVill is gray — the color of boiled meat. This is the right color for natural salami, but mass-market has convinced us that salami has to be pink! In this case, we're not scared or ashamed to go against the market because our concept dictates that we do so.

There was another funny case with seaweed salad. In restaurants and other stores, it is sold as a bright-green product. Common sense would tell you that seaweed can't possibly be that color. They are indeed colored with food dye. When we got in contact with a raw material supplier through our producer and ask them to send a shipment of undyed seaweed, they asked if anything was wrong with us, and honestly tried to convince us not to make such a rash decision.

Seaweed without dye really does look like a shock of hair clippings, and sells about a third worse than dyed seaweed. But thanks to this approach, we remain faithful to ourselves and our customers.

Evgeny Rimsky, a quality and purchasing manager at VkusVill, explains: “In traditional Russian retail chains, the person in charge of the selection is the chief buyer. They negotiate with suppliers and their opinion largely decides whether a particular product ends up on the shelf. This is a pretty unfair and opaque system, as a positive decision doesn't depend as much on the quality and natural ingredients of a product or the customer's demands as wholesale cost, brand recognition, shelf life, and a whole list of other market factors. When the selection is decided in this way, it's impossible to take the customer's interests into account.

QUALITY, NATURAL INGREDIENTS,
SAFETY AND TASTE COME
ABOVE ALL ELSE. PRICE,
AFFORDABILITY, AND VOLUME
ARE ALL SECONDARY.

VkusVill doesn't have a traditional purchasing department. We consciously rejected professional businessmen in favor of professional technicians who understand our products best of all. Things like discount haggling, business communications, and contract negotiations can all be taught, and are not the most important skill.

It's far more important that our buyers professionally understand the process by which a product is made, as they have the right kind of technical education and work experience as a production technician — which means that they're ready to talk with our suppliers about our products and improvements to them, rather than about prices and discounts alone. Quality, natural ingredients, safety and taste come above all else. Price, affordability, and volume are all secondary.

Sometimes it even happens that our technicians do the opposite and increase the price in the improvement process, rather than lowering it.

We really wanted to offer our customers a tasty rum baba (a popular pastry — Ed.), but all the options sent to us by producers didn't do it for us. Either they were too dry, too bland, or there were all of ten raisins in the entire thing.

We sent the samples back for improvement five times. At first, the suppliers infused more flavoring into the pastries. Then they added more raisins. Finally, they made the whole thing heavier. The new rum babas turned out more expensive, but now they were the kinds of products that we were proud to offer VkusVill customers.

We didn't have to wait long for a result. It was a top seller, and we received a huge number of glowing reviews. Our customers were writing us reviews along the lines of, "This is no mere rum baba. This is the baba of all babas!"

Rule

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Everyone should do what they do best; or, why VkusVill still doesn't have its own factory.

We are often asked the same question: “why don't you have your own factory? After all, with such a huge number of products under your own brand, it's only fitting to make something yourselves.”

We've had an answer for a long time now.

First of all, we believe that everyone should do what they do best. We open stores, sell, interact with our customers, and so on very well. But we don't know how to bake bread, grind meat, process fish, and lots of other things.

Secondly, one of Izbyonka's goals (which was later taken up by the VkusVill project) was to support Russian producers. We understand that the best way to help producers is not through investments or state subsidies, but by providing a stable market. It's far more interesting for us to discover new suppliers and give them shelf space rather than competing with them.

Thirdly, in-house production is always a liability. Imagine the situation. It's summer. It's hot out. A 12-ton truck comes to our distribution center — suppose with fresh meat. The first thing that our technician does at the distribution center is measure the temperature inside the truck with a laser thermometer. If it's higher than regulation, even by a few degrees, the truck is sent back. We just won't accept the product.

Let's imagine that the truck came from our fresh meat factory, and

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the temperature was just a couple degrees too high. After all, the meat couldn't possibly have spoiled in that time. If it's ours, we might just close our eyes to it and accept the whole shipment.

You might think that such a situation is practically impossible, but all producing companies that we have spoken with have encountered this problem. Production will always put pressure on retail.

Fourthly, we are inspired by the thought that some suppliers were opened specifically in the hopes of working with VkusVill. In other words, people consciously started a business in order to sell in our stores. With every new honest business in Russia, Russian business as a whole gets one step closer to enlightenment. Isn't that inspiring to you?

Rule



Trust in people allows the company to save money.

Trust in people allows the company to save money.

Trust in people allows the company to save money. (read this a hundred times over)

What does the process of delivering goods look like in the majority of Russian stores? A truck comes with the product, a representative of the store comes out to receive it, and takes the documents from the driver. They check the number of boxes indicated in the documents with the number of boxes unloaded. The driver always stands nearby to make sure that, God forbid, the store doesn't bungle the job and lose a box or two.

Afterwards, both parties sign the packing slips, which legally confirm the absence of claims on both sides toward each other.

Never mind that this system prolongs the shipping process — it also seriously complicates it. “Could it be any other way?” you might ask. As it happens, VkusVill does in fact do things differently.

From 2009 to the present day, we work based on a system of trust-based receiving. This is what it looks like:

The driver of the third party, whose name we don't even know (VkusVill doesn't have its own transportation department or drivers), delivers goods at night to one or two stores, where none of our employees are present.

They open the store with their own key, turn off the alarm with a code which we have entrusted to them, places the pallets with goods in a separate climate-controlled area, leaves a packing slip, closes the store, and leaves.

In the morning, our salespeople come in and start to unload the

delivery. They work with the quantity of goods delivered to them. This might seem like an ideal way for either side to steal products. No witnesses and no signed documents — that means you can always blame the disappearance of a box of red caviar on someone else.

Actually, with a transparent IT system, this is a completely unfounded fear.

After dispatching, our distribution center immediately enters per-product information about dispatched goods for a given store into our database. Before noon on the same day, the stores enter the information about the goods that they received. All discrepancies automatically pop up for the employee responsible for distribution and are analyzed in order to identify and fix the mistake: by the evening, there shouldn't be a single mismatch.

It is through this procedure that we avoid theft within our trust-based receiving system, which identifies all situations where goods were unloaded and not received — or disappeared, in other words. Since every case is exceptional, it's not hard to understand over a short period of collecting statistics to figure out which factor was responsible.

Petty theft might be one of these factors. In that case, it's important to untangle the whole chain of delivery for the missing product and figure out at which stage a box of smoked salami “grew legs”: either while being packed at the distribution center, in transit to the store, or in the store itself.

But in the majority of situations, there is no malice involved in the disappearance of a product. If the aforementioned box of smoked salami disappeared in a single store, an extra box will more likely than not pop up in a different one. In other words: a simple mix-up.

Alexey Ilyichev manages one of the transportation companies that delivers fresh products to VkusVill stores.

TRUST IN PEOPLE ALLOWS
THE COMPANY TO SAVE MONEY.

He's happy to work with VkusVill, though he does admit that there is considerable additional responsibility involved in trust-based delivery of goods.

“There's a lot more responsibility required of my drivers than of any others. After all, they're carrying goods worth several million rubles, then they go into a store they don't know. That's why I selected people that I personally know for the job. I knew that I could trust their ethics. Then they brought their own people in, and that's how we slowly put together a reliable transportation company.

Of course, we've had incidences of theft. But we're interested in solving the problem of disappearing goods ourselves as fast as possible. If it was intentional on our driver's part, then they won't be working with us any longer. After all, we're just a third-party providing services to VkusVill. If goods are constantly disappearing, they're going to stop working with us. We understand that very well, so we value the trust that they place in us. Moreover, I found a company that pays honestly and on-time for the first time in my life. No delays or short payments. We do our work, and we get our money.”

You don't have to be a mathematician to understand that trust-based receiving of goods turns out to be significantly cheaper than the traditional model for our company, even though we hear from time to time things like, “You poor things — you must lose so much money on your trust in people...”

In spite of this, the numbers come up short. Imagine how much mistrust would cost a company in just one of these situations. Let's say that we decide that we've had enough of letting strangers into our stores at night. We need to put our employees there in order to check every driver's work. What did they deliver? Did they happen to pick up a box of cheese curd snacks for their kids?

We'll need to move at least one employee onto the night shift. But they'll need days off, so effectively we will need at least two for every store. Each needs to be paid an average of 40,000 rubles — about 100,000 rubles a month altogether with taxes per store.

Multiply this by 600 stores. This comes out to 60 million rubles of

extra costs. 60 million! Just because we don't trust the drivers who deliver our goods.

Can a single box of red caviar once a year possibly compare with that?

Rule

30

Redundancy of people, providers, and services is a contemporary entrepreneurial approach to doing business.

As soon as our company started growing quickly, we started to follow the principle of redundancy in what might seem like every possible field. We even ended up with catchphrases like “duplicate an employee,” “duplicate yourself,” and “duplicate a service provider.”

Why is this necessary? First of all, it prevents you from building a hierarchy of supervisors and subordinates. Over time, a successful manager won't be able to manage their growing volume of work. Instead of hiring an assistant — in other words, creating a vertical within a single department — the employee just duplicates themselves (or their boss does it for them). In effect, the overall amount of work is split between two people, while the two employees are total equals.

Duplicating a supplier is an excellent way of fighting a monopoly. To this we add competitive terms of business, when you can constantly compare the quality of a product or service from one provider with the quality of the same product or service from another, referring to relative prices the whole time. Finally, this is a reliable insurance policy against acts of God. If something happens with one supplier, the companies that duplicate their functionality help out and come to the rescue.

What are some specific examples of this in action?

Let's take any product — for example, 5% milkfat cheese curds.

Seven different producers supply this product to VkusVill. For customers, the cheese curds look identical: the same packaging and the same label. However, there will always be information on the label about where and by whom these cheese curds were produced.

All seven suppliers receive their order. This doesn't mean that they get orders in equal proportions. Some get larger orders, and some get smaller. We see detailed information about each of these different cheese curds in our system. Some have a higher wholesale cost, whereas some are less expensive. Some have better repeat sales, and some have worse. Some have stable quality, while others don't — and so on.

A huge number of parameters and circumstances influence the size of the order. If by chance one of the producers shuts down for repairs, for examples, then the other six suppliers get slightly increased orders in order to make up for the deficit.

In the case of employees, the principle of redundancy works on several levels all at once. While we only had a single fish technician, we never had red caviar in-store even at New Years, because the technician couldn't find a supplier who could offer us caviar without sodium benzoate.

At a certain point, the fish technician found himself with a professional copy. The redundancy helped both the company and the original technician. They split Russia in half so as not to run up against the same producers over and over again, and each started work on their respective search zone. Ultimately, the new technician found us a product without the dangerous preservative fairly quickly, as well as finding lots of new and interesting fish producers — which eventually gave a boost to the first technician.

232 Our distribution centers, where suppliers unload their products every day, are duplicated according to the exact same principle.

There are two of them: in the north and south of Moscow. Each has its own manager, and each is managed according to an individually developed system.

Of course, there's no sense in duplicating every single employee and contractor. This tactic comes in handy if you don't want to build a hierarchy by adding new levels of “power” or when you need to

protect yourself from monopolies while still searching for the best possible product or service.

The principle of redundancy is applicable in literally any field of business.

Rule

31

All conflicts occur in areas where responsibilities overlap. One day, we reexamined our process of opening new stores and forever made peace between Development Management and Retail Management.

Every retail chain encounters this problem sooner or later: how do you open new stores so that each of them becomes efficient and brings in profit? We solved this problem during the Izbyonka days, and the model continues to work successfully to this day as we launch new VkusVills.

There was a period, of course, as we were opening one Izbyonka after another at breakneck pace, that we brought about a number of money-losing retail locations. Need we say that within a few months, they had all closed?

The employees of our retail management division ganged up on the development management division: “we picked the wrong district; we stuck our nose in the wrong area.” Development management blamed retail for not being able to get new stores moving and attract people. At one point, the two divisions started arguing each other to death.

For that matter, the weak stores brought with them a whole host of problems. Low customer traffic meant that the location would have low profits, which in turn meant low salaries for salespeople. If they were making low salaries, we couldn't put a good salesperson there — otherwise, they'd quit. That meant hiring weaker and more patient ones.

We even tried to institute a system of “tours of duty,” where we would send a successful salesperson to work in a store that was

lagging behind so that they could set an example for how to break a new location in. Naturally, for these “stars,” it was more like forced labor.

It's hard to grow under such a business model: the reject rate was too high. We had to change something, and do so as painlessly as possible.

In order to solve the conflict between the two divisions and relaunch the process of opening new stores, we had to turn to outside moderators for help. We brought the warring factions of retail and development together under one roof. Moderators facilitated the meeting with fire extinguishers at the ready, in the event a hot conflict arose — we needed to find a common solution, rather than tear each other to shreds.

The solution was found without any excess suffering. Previously, everyone in Development Management searched for retail locations, signed the rental contracts, opened the stores, and only then turned them over to Retail Management. Getting the stores up to speed was considered to be their problem.

We added an indicator for a store's average profit to the system. That means that a store could only be handed over to Retail if it was making the necessary numbers. Building up the store became Development Management's responsibility. Using this system, it wouldn't be possible to hand a Pandora's box over to Retail.

In the end, the Development Department found itself with a team of its own salespeople. It was a kind of elite airborne unit, consisting exclusively of communicative, cheerful people in love with what they do. They descend on a new store with a single goal: build it up as fast as possible. The promotion methods are decided by the Development Department independently based on the situation. There are no strictly defined rules or regulations. In some cases, it might be enough to hold in-store tastings and put out a promoter with a bullhorn to bring in foot traffic from outside. In other situations, they might need to do more to inform the residents in a district using newspapers and flyers.

Sometimes, they might even need to organize an opening celebration with gifts, entertainers, and contests.

The bonuses received by these Development Department salespeople depend on how quickly they can turn a new store over to the local retail manager. As soon as the store reaches a certain economic point, the Retail Management which covers its geographical region snaps it up. The indicator that determines when this handover happens is profit. The quicker the store is handed over, the more the “airborne unit” makes. The maximum length of time for this handover period is 38 days. If in that time the store does not make the necessary numbers, it is either closed or kept within the Development Department until it reaches the necessary minimum. In that case, however, the salespeople won't receive any bonuses — they'll just get a fixed wage.

The salaries of salespeople in the development group are higher than regular salespeople — usually 100,000 rubles a month and higher. Seem like a lot? That's actually pretty fair. After all, when they're building up a new store, salespeople have to work at full tilt and function as “recruiters” to build up a pool of repeat customers who will come to the store themselves and bring all their friends and neighbors along with them.

After the store reaches a certain financial level, the salespeople from Development Management conduct a full handover of a finished, profitable store to the regional retail salespeople.

As a result, new stores are no longer forced labor or torture for them. The salespeople know that they will come to work at a location that's already been “tamed,” because if a store has been handed over from development to retail, that means that it has reached the necessary performance ratings. That means that there are customers, profits, good salaries, and so on. All the hard work has been done.

This system made peace between the Development Department and the Retail Department. There was no longer anything to go to war over.

Today, new VkusVills are being opened by four different Development Departments. These are four different divisions with their own salespeople, methods, and tricks.



Olga Shchedrina is honestly convinced that the main thing in any job is respect for each other. Everything else is secondary

Olga Shchedrina is the manager of one of these divisions. She actually came to work for us as an office manager. For three years, she maintained order in the office without fail until she decided to turn her life around. In the nick of time, a decision was made at a management council meeting to double the current development group and create one more as well. They offered Olga the chance to head up the new department.

Olga is a young, straightforward girl, so she started assembling a team of salespeople just like her — young and straightforward. Her department was the first one where young men started actively signing up to work as salespeople. To make things better, Olga is very charming as well, so for members of the rougher sex, working with such a manager became a motivation in and of itself.

Olga reflects, “We never used to think enough of male salespeople. In fact, it's a lot easier to work with them. The store works better, since salespeople do a lot of manual labor, and customers react much better to young, polite guys than to girls and women. Maybe it's that they trust the young more — I don't know.”

On average, stores are handed over to Retail Management in just two or three weeks. In that time, the salespeople are able to get them up and running.

“The fastest my department ever handed a store over to retail was three days. The longest time? Seven months. But we still got that store on its feet!”

Rule



The more conscious responsibility there is on the ground level, the easier life becomes for the whole company. Our dream is for every store to become autonomous and self-directed.

In the retail world, most people live according to rigidly set rules. Protocols and procedures are published by corporations en masse and don't allow for any initiative on the ground. People think that that's how companies achieve uniformity and order.

We always rejected this model of management, in the understanding that it forces salespeople to turn both their brains and their hearts off. That's probably why we always saw the store as separate worlds in and of themselves, while the office was and remains an executive branch, rather than a legislative one in this chain of command.

The first and most important thing that differentiates us from other retail chains is the lack of penalties for salespeople. Elsewhere, it is common practice to keep individual workers on a leash — “if you give the cheeky bastards an inch, they'll take a mile.” That's why salespeople who come to us from other companies don't believe at first that it's even possible to work without fines.

The only things that should concern a VkusVill salesperson are customers and how well they are being served. If one of our employees is afraid of going above and beyond in the fear that they will be punished and fined, there's no way we can possibly talk about initiative.

We expect as much independence in decision making from our salespeople and shop assistants. This allows them to take

responsibility for their own store, putting their heart into every decision they make, while allowing the company to control the cost of managing the company: the more a store can do on its own, the simpler and more flexible the business will be.

Compared with the majority of other retail companies, our salespeople really can do a lot. For example, it is the salespeople in our stores who decide where products will be arranged around the store. We went through a stage with planograms and merchandising, but we understood that making every store conform to a single template just wasn't right, and completely handed that process over to our troops on the ground. For this reason, two stores across the street from each other can completely differ in terms of how their shelves are stocked, and we don't see anything catastrophic in this. If a store thinks that a given way is more convenient and appropriate and their customers agree with them, that means they're absolutely right. Any decisions from the central office would be out of place in this chain of command.

Our employees have no set scripts for their interactions with customers, nor do they have single standards for service and behavior. The allure of having identically polished service is clear for many companies. A customer who finds themselves in your store/restaurant/airplane receives an assortment of formulaic phrases and services, and feels a sense of customer comfort as a result. They know that their purchase, lunch, or flight will follow a given template, which clearly suits them, given that they've chosen the company.

In this case, the employer must create behavioral standards for its employees and ensure their implementation, because unified standards don't work without total control. Never mind that this system entails a cumbersome, hierarchical structure whose maintenance requires a mass of money — this structure is horribly fragile when faced with unforeseen circumstances. Employees are only able to make decisions within the framework of those prescribed situations with which they were provided in their behavioral standard. Any non-standard situation



When the basis of your selection is formed by products with a short shelf life, every morning in the store begins the same way: unpack the boxes and unload the products. However, in every store, the process is organized in a way that is convenient for the sales team. It would be silly to regulate this part of their work with instructions from the central office

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will lead to a short circuit in the brain of any employee that's been forced into thinking in terms of starts.

In retail, non-standard situations happen every day. Every day, something happens that you simply cannot predict, and that you cannot standardize as a result.

A child tripped over a cart and split their head open. An enraged customer threatens an employee with a knife. A girl bakes a 10-kilogram cake and gives it to your employees in honor of International Women's Day. A film crew comes to shoot a new movie starring Sergey Bezrukov. A customer gets sick to their stomach right in the middle of the store.

These and many other completely atypical situations happen in our stores every day and demand solutions on the spot. What's more, at the scale of a retail chain consisting of a thousand branches, all of them might happen in a single day. This is a unique characteristic of any business where you have direct offline contact with customers in a wide range of locations.

We understood very clearly that the territory on which a given store is located is the zone of responsibility of the salespeople who work in it. They are the ones who need every right to organize the work and customer interactions in that store as a self-sufficient group of entrepreneurs, making decisions based on every specific situation. That's how the people on the ground get the feeling that "it's our store and we run it." Only then will ground-level employees, whom are traditionally considered to lack all initiative or concern, take initiative and be concerned — as well as have the desire to help and an array of abilities to resolve any non-standard situation, rather than dodging responsibilities by saying, "That's not in my standards, I don't know what to do."

Salespeople themselves decide which products to sell at a 40% discount — those whose expiration dates are today or tomorrow — and in what quantity. In theory, our salespeople could put those green stickers on the whole in-store selection, including fresh products, thereby marking them as discounted in our system. Technically speaking, the program will let them do that without a problem. But the salesperson's common sense? Highly

unlikely.

When we launched our Telegram chatbot and connected the big guns — retail — to the promotion campaign, something funny happened. The office wracked its brains as to how to explain Telegram to our salespeople, how the bot works, and how to connect to it, since the backbone of our sales staff are older women who don't work so well with technology.

In this, we were helped by something which never would have happened in a company where ground-level employees live and breathe standards set by the head office. Workers at one store made a robot out of the boxes in which our products are delivered. They covered the boxes in foil, glued eyes on it, and put it out in the store. There it was — their “robot-bot.”

“Unluckily,” salespeople from other stores liked this idea, and after a certain point, a robot invasion began. Salespeople in various stores started competing with each other to see whose robot was taller, wider, stronger, more memorable...

Now imagine that you stop at your grocery store after work for bread, milk, and sausage — and all of a sudden, you run into some kind of cardboard scarecrow. Of course, your first reaction is to try and understand what in the world it is. Seeing your confusion and the question on the tip of your tongue, a salesperson appears out of nowhere to tell you about Telegram, our bot, and how your life as a customer will soon change thanks to artificial intelligence.

Here are some examples of the robots our salespeople made.

You can see that it's a far cry from fine art. Let's not mince words — the robots turned out terrifying! Of course, as a fairly wealthy company, we could have turned to an agency who would have designed and produced robots for all of our stores. It would have been a nice, uniform advertising campaign. But we're quite certain that it would never engaged our salespeople and wouldn't have let them figure out the quirks and nuances of a Telegram bot.

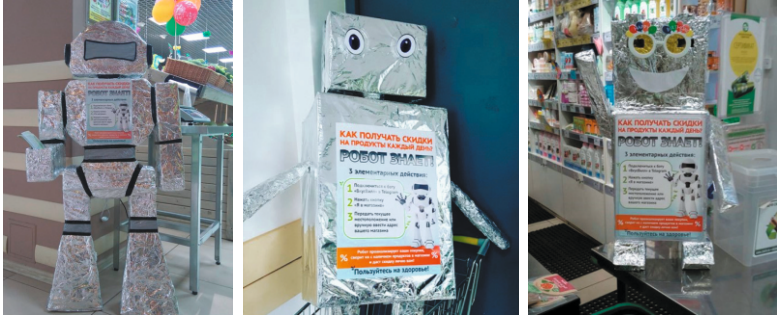


Fig. 9

Depending on the needs of a given location, there are at least 5 employees per store. Stores do not have a general manager, an assistant manager, or their own accountants. The “managerial” role is fulfilled by the senior salesperson, but in 95% of situations, their responsibilities intersect with those of a regular salesperson: just like everyone else, they unpack products, man the register, and take inventory. However, the everyday work of the senior salesperson also includes cash logistics, email, 1C, solving in-store problems, and mentoring.

In an ideal world, we want to create a world where our stores are as autonomous and self-managed as possible: where the stores make all of their own decisions, beginning with hiring personnel and finishing with the design of their retail space. The main office would only help and simplify the stores' lives by automating processes. The whole company is moving in this direction.

Rule



IT systems for businesses today are like smartphones for modern people. You can live without them, but your quality of life will suffer.

VkusVill would never have become a powerful, fast-growing chain without the IT system that serves as the foundation for all of the company's processes. Sole credit for this goes to Andrey Krivenko.

He recalls, "Back in the Izbyonka days, I understood that there were no ready-made IT solutions for a company like ours. Our chain offered store-brand products only. In all existing IT systems, you had to input brands. Meanwhile, a standard product like 3.2% milk could come from completely different manufacturers. At first, I tried to work with one consulting company to make their solution work for us and spend lots of time and money, but nothing good came out of it. I had to build our software from scratch."

At first, all of our IT infrastructure was built in Microsoft Access — database software that isn't designed for running a large business, to put it lightly. Nevertheless, the whole company was managed in it until 2014. After that, we moved to SQL and 1C.

All the while, VkusVill never had a separate IT department. All of the development was done by a small company with whom we got on very well. We were able to work fast without excess bureaucracy.

Today, IT development at VkusVill is done by several third-party companies at once, and each of our employees is a client with the power to set goals for our developers. The specifications are written in user-friendly language, after which all the programmers translate

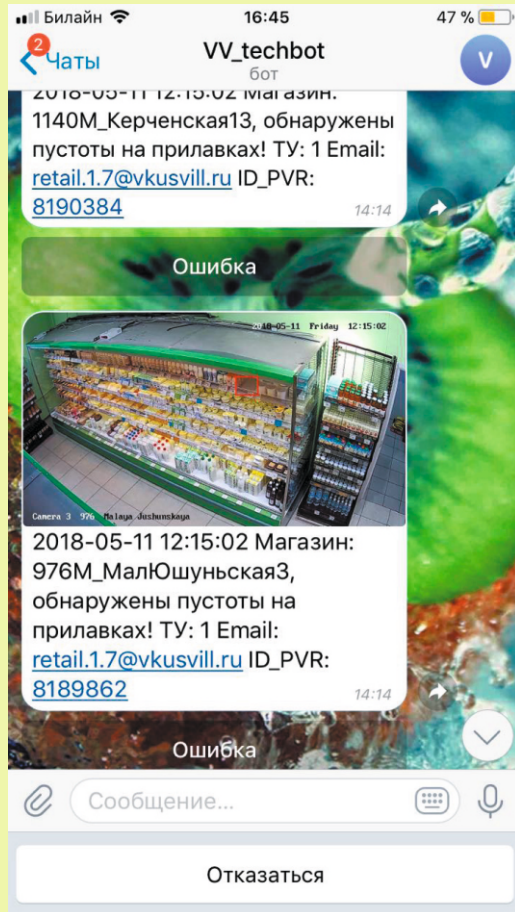
all these “hopes and dreams” into developer-friendly terms.

A traditional IT solution for retail presumes that salespeople enter data, after which accountants and finance people break them down and analyze them. For this, you need a server in every store that is connected to all the registers, and for that server to upload information into a shared database every day. This system is slow and very cumbersome.

At VkusVill, everything is considerably simplified. Our stores work online: we see sales and mistakes in real-time. All of our salespeople and cashiers work directly with the analytics program, entering changes and corrections directly into the database. Meanwhile, their work is checked by the server for correctness of information — effectively making each register a kind of mobile app for the entire system. The interface, of course, is designed for people who are very removed from the IT sphere.

Working online allows us to see the whole picture of how the company works. Using this system, you can't back-date, fix, or hide anything — we see the exact kind of transparency that is extremely important for building a trustworthy business. We react very quickly to any changes. Our weekly reports come to us on Monday morning and are extremely important for us: they help us see trends and immediately change course if something seems out of place. That's why it's easy for us to introduce any changes connected with loyalty programs, write-offs, and so on. The next Monday, we can see how the number of customers has changed, the average spend, or whether something has gone differently than expected.

Thanks to IT, we don't have to inflate our personnel count, and for many of our departments, it's not important how many stores they have to manage, be it 20, 350, or 1000. After all, nothing about their business processes changes, and our technology can handle any amount of data using a single algorithm.



"1140M_Kerchenskaya13,
empty space on shelf:
Territory: 1
Mistake
2018-05-11 12:15:02 Store:
976M_MalYushunskaya3,
Empty space on
Shelf! Territory: 1
Mistake
Type here...
Reject"

Artificial intelligence in action: in the middle of the work day, a camera "sees" empty space on the shelf and let the store know about it. So long as the product is in stock, the empty space has to be filled. Meanwhile, during the evening rush, the cameras don't react to this

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BUSINESS.

Andrey Krivenko explains, “If you have purchased an ERP system, such as SAP, then nobody but SAP employees really know how to work with it — you're stuck with them forever. All IT companies make money on support and implementation. It is profitable for them to integrate IT products forever, just like it's profitable for our road workers to continually putting down asphalt. Meanwhile, **the problem with all boxed IT solutions is that the company has to adjust to them.** This is the wrong approach; the software should adapt to the business. We have a lot of managers who don't understand the first thing about IT. They come up with solutions and don't even think about whether it's possible to make it happen. Usually, the opposite takes place. You've got an IT director who has to work around a budget, and their managers ask them for something, but they refuse: 'no, we can't do that, it'll cost us millions.' If you work that way, your business will never work quickly.”

Rule

34

Automation should simplify life for employees and customers. If the opposite occurs, that isn't automation — that's nonsense.

An enormous advantage of automation is that it frees you from routines. Routine, identical, and meaningless tasks are what annoy efficient employees.

This is another area in which Andrey Krivenko really helped those of his colleagues who yearned for information but didn't want to perform the same actions over and over again. Andrey was the first person who got sick of going into 1C every evening to upload financial data.

For that matter, information about revenue was being uploaded simultaneously by 10-15 employees. In other words, the server would be receiving the exact same information from 10-15 different devices. This might seem insignificant, but it affects the speed of the entire IT system.

Krivenko recalls, "I started to think how I could get revenue reports sent to my work email while having the ability to discuss them with a group of employees interested in our financial performance. That's how our first automatic report was created. It arrived at the same time every day, after all of our stores closed, and we could spend 15 minutes every evening discussing numbers which we had right in front of us."

In the majority of retail chains, work with data is structured as follows. Employees input data manually into a single information system, while devices like registers and sensors do so automatically.

The company either needs to teach its employees to generate reports themselves for different parameters and requests (which is incredibly difficult), or hire secretaries and analysts who will constantly generate reports on request (simpler, but slower and old-fashioned).

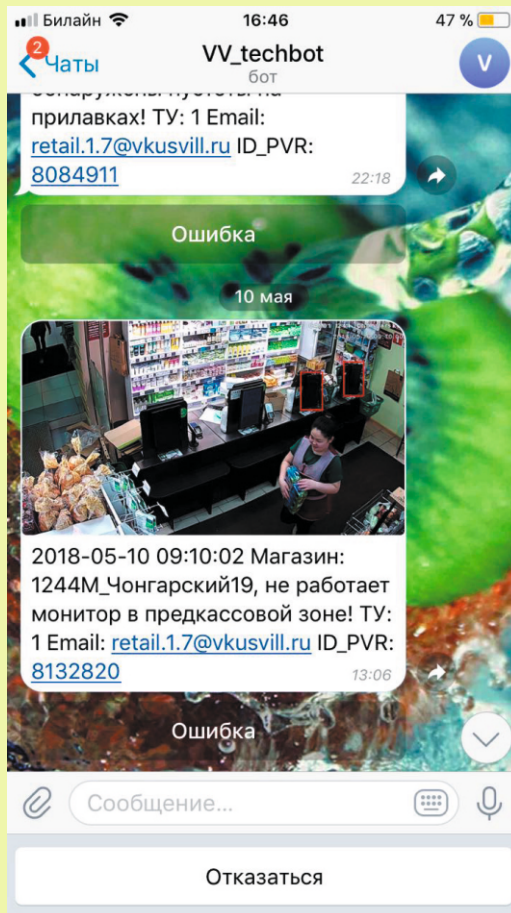
We developed our own system with which we are extremely pleased, and now we can't imagine life without it. It is managed by a single person: our only SQL programmer, who develops the program at the same time.

An employee of any division in the company can formulate a request in "human" language, explaining to the programmer what report they need and when. The programmer translates this to IT-speak, writes out the conditions needed for the report, and the server then automatically collects the information that the employee needs and sends it as an email, text, or Telegram message at the necessary time interval.

In other words, we only need to "show" the system what data it needs for the report one time, and then we never need to revisit that training process again: the system calculates, analyzes, and sends all the data at the right time to the right person.

Technologically speaking, everything is set up very simply. The system makes an SQL query (destination table for the report) and sets it up for automatic sending. The result is an email with an HTML-formatted table in the body of the letter. The system automatically "slices" the table up based on its recipients and sends only the essential part to each employee in a separate email.

Over time, we have taught the system to analyze data from different time periods, compare them, and spit out an overall result. Traditionally, the May holidays see an exodus of Muscovites, resulting in a reduction in the number of purchases. Since our stores get daily deliveries of goods from our manufacturers, it's important that we order the right quantities so that on the one hand, we have enough of them, and on the other hand, so that we don't have major write-offs. It used to be that looking at orders and leftover inventory from previous years meant creating several reports, waiting while they are put together, and comparing them. Now we don't spend



“Store: 1244M_Chongarsky19, screens in the register area not working! Territory:
1
Type here...
Refuse”

The cameras let the store know about screens in the register area that had switched off. It's very important that they are turned on, as that is where customers see their purchases rung up

time on that at all. The system sends a full analysis of orders and sales over the May holidays from different years to our emails by itself.

Each action by our employees within the system is checked by the system itself. If an action looks suspicious, then it is “not accepted” and the user receives a notification. Right now, this is usually an email, or a text message in critical situations.

For example, when a cashier cancels a purchase, the assistant retail manager gets a message. That's why cashiers have to wait for the senior cashier in order to cancel a purchase in our stores so that the operation can be checked out in person. Each cashier is capable of doing so independently and knows full well that canceling purchases too often will raise questions from the assistant retail manager — after all, word gets out about each cancellation immediately.

There are more than a hundred such reports set up. Our technicians need reports about their products, marketers need to know about the success of promotions and the number of messages from our customers, and retail needs information about write-offs, cancellations, and revenue. In automatic reports, we get information about inventory that remains in our warehouse and messages about the arrival of new products, terminated orders, and shortfalls in deliveries.

What's better — not a single second of human time is spent on creating these extremely important reports!

In a single day, the server formulates about 1,000 scheduled reports and sends out about 25,000 reactions to employee actions (receiving, write-offs, and movements). For those who work outside the office, this is a lifesaver, as you get summary reports about every single day by email.

In figures 10 and 11, you can see examples of reports which are regularly used by product managers responsible for putting together our selection.

Meanwhile, you can see an example of the report which allows a salesperson to cancel purchases without problems while allowing assistant retail managers to check the number of cancellations in figure 12.

Product	Date	Number of stores	Number of...
Strawberries, 250g			
Strawberries, 250g			
Damascus Rose micellar water			
Damascus Rose micellar water			
Chocolate cookies			
Chocolate cookies			
Drumsticks in cream sauce for grilling			
Drumsticks in cream sauce for grilling			
Drumsticks in cream sauce for grilling			
Wooden toy, Knight Crusader, 5pc			
Wooden toy, Knight Crusader, 5pc			
Wooden toy, Knight Crusader, 5pc			
Wooden puzzle toy, Tower with bear			
Wooden puzzle toy, Tower with bear			
Wooden puzzle toy, Tower with bear			
Toy, Christmas tree pyramid			
Toy, Christmas tree pyramid			
Toy, Christmas tree pyramid			

Fig. 10

Date	Type of complaint	Description
	Request to add product	I would like to see gluten-free bread on sale and other kinds of plant milk besides soy (nut, rice, oat, poppy, sesame)
	Request to add product	I regularly buy groceries from you. Unfortunately, I don't find everything I need. I really like buying skim milk. I need it for coffee. You only sell it in half-liter bottles. I think that 1-liter bottles would be in demand— both from cappuccino lovers and for those on diets. I ask that you introduce larger bottles of skim milk. Ideally, they would also cost 55 rubles. I would really appreciate the change. Thank you.
	Request to add product	VkusVill, why not expand your dairy assortment with buttermilk? Yesterday, I bought buttermilk in a major retail supermarket from a brand called Gelmos. Very tasty and a short shelf life. At first, I thought that buttermilk came from milk, but it turns out that it's a byproduct of butter production. Doesn't taste any different from 1% milk. 0.7% milkfat. People also call buttermilk skim cream. What do you think about this product, VkusVill?
	Request to add product	Could you add Lenten sausages to your selection, please? There are many vegetarians in Moscow: we go to special markets and stores for groceries, but we would be so much happier to shop with you. Thank you. Sincerely, Tatyana
	Request to add product	It would be great if you carried rhubarb
	Request to add product	It would also be nice if you had brown sugar cubes, rather than just granulated, and gluten-free bread — at least corn or rice-based. Thank you!
	Request to add product	It would be great if you had dry ground soy protein without additives
	Request to add product	I love desserts with green tea, and this is no exception! The tastiest ice cream at VkusVill! Very subtle, pleasant flavor, maybe a little too sweet— and it would be great if you could make it without sugar! But it's great already.
	Request to add product	Hello! I would really like to see more lactose-free dairy products — like sour cream, cheese curds, and kefir
	Request to add product	Hello. Thank you for including more healthy products in your stores. I want to suggest that you add to your assortment dried apple chips without sugar. They're very tasty and 100% healthy. You can only buy them in several branded stores in Moscow, but it would be great if they were available at VkusVill.
	Request to add product	Dear VkusVill, please add puff pastry and pizza crusts to your assortment! We're really lacking these, and it's impossible to buy them in regular stores due to bad ingredients. Thank you!
	Request to add product	28.05.2018 22:03:44 Good evening. It would be really nice to see sweets and chocolates for diabetics or people trying to get in shape on your stores' shelves. I sincerely ask you. I (and everyone else) can't eat anything made with fructose, since fructose can't be absorbed by our bodies — it just gets stored as fat on our livers. Please think of us. We also like sweets. THANK YOU in advance.

Fig. 11.

AN ENORMOUS ADVANTAGE
OF AUTOMATION IS THAT
IT FREES YOU FROM ROUTINES.
ROUTINE, IDENTICAL,
AND MEANINGLESS TASKS
ARE WHAT ANNOY EFFICIENT
EMPLOYEES.

Canceled purchases over the previous week

Group	Location	Number of purchases	Average number of items	Average amount	Name
2	823_Lukhov_Zhukovskogo 2B	70	1	48	Irina Eduardovna Usanova
2	46_Kot_Novoryaz 5	64	1	38	Lyubov Alekseevna Yaroslavtseva
2	651_Voskr_Sovetskaya 13	46	1	85	Nataliya Alekseevna Lemberova
2	146_Volgograd 63	42	1	12	Olga Vasilyevna Kalmykova
2	927_Vasiltsovsky Stan 10	33	1	0	Nina Ivanovna Solodukhina
2	146_Volgograd 63	23	1	15	Lyubov Evgenyevna Isayeva
2	916_Zashchitnikov Moskvyy 14	22	1	27	Irina Borisovna Kretinina
2	927_Vasiltsovsky Stan 10	20	1	0	Nina Nikolayevna Lokteva

Fig 12.

Now it's hard to imagine how we were able to work before, and if this system were to stop working for a day, it would simply paralyze the company — on par with a power outage.

Rule



The triumph artificial intelligence: how automated ordering and distribution allowed us to more than halve the amount of product we wrote off.

What Russians call “skoroport” — or a product with a short shelf life — is a headache for any retailer. This is why major retail chains are so reluctant to sell them: you have to correctly calculate how much of the product you need in order to both avoid massive write-offs and not have empty shelves by lunchtime.

In 2015, the total amount of write-offs across our chain was over 8% of revenue. For us, this was a colossal number which was really dragging us down and negatively reflecting the whole company's efficiency. That's when we began a detailed analysis of write-offs.

More than half of that figure was made up of write-offs of already-expired products and discounted sales of products about to expire. In other words, the reason behind both of these write-offs was excess ordering. We could only fix the situation by completely removing human participation in the ordering and distribution process, but this meant creating an algorithm which would make decisions at least as well as a person.

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For that, we introduced an initial automatic calculation and report about all manual corrections of orders by estimators, after which we scrutinized the influence of those changes on the final result:



The distribution center comes alive at night. While customers sleep, products come in from all over the country for them. This happens every single day — save for New Year's Day

- If the estimator increased the shipment and it turned out to be too large, then we inform them and ask them not to do so
- If the estimator reduced the shipment and it turned out to be too small, then we make similar corrections
- In other situations, we ask the estimator why they made their decisions and found out the logic behind them, in order to incorporate that into a new algorithm

Our automatic ordering and distribution system is developed completely in-house, and we continue to improve it to this day. After all, when we order products, it's important to understand how much of them need to be delivered, and when we distribute, we have to build on the real amount of goods delivered in order to "scatter" them among all our stores optimally.

Auto-ordering works based on the following formula (fig. 13):

$$Z = \max \left(0; \min \left(\sum_1^M V_i + \sum_D^{P-1} R + \frac{K}{2} \cdot M - \max \left(0; S - \sum_1^{D-1} R \right); \sum_D^{D+G} R \right) \right)$$

Fig. 13

Elementary, isn't it?! We understand that social science types immediately lost their bearings upon seeing this collection of squiggles. The author of the book himself felt his temperature rising at the sight of it and got the shakes. But let's try figuring out exactly how we should read and understand this formula.

- R: expected consumption rate across all stores
- D: days until delivery
- P: days until next delivery
- K: units of delivery
- M: number of stores
- Vi: a variable for the greatest expected consumption rate across all stores
- S: running balance along with already-ordered products
- G: shelf life

Our information manager Valery Razgulyayev explains, “In developing the auto-ordering system, we began with the items that are delivered every day with a sufficient shelf life. We took the first sum $\sum V_i$: what needs to be in the store every morning after the nighttime delivery which we are currently calculating and will be ordering. We immediately deduct from that required quantity the amount that should remain at that time from the evening of the previous day — a maximum function between zero, when nothing is left, and the running balance, including those that are in transit, exclusive of the consumption before the arrival of the delivery we are currently ordering, when something is left over.

After that, we noticed that we were running out of products, and we discovered the reason: there was excess product in store due to the height of boxes. On average, we were able to sell half, while the other half got “stuck” in the store's stock. We multiplied that value by the number of stores and got another sum. The formula got to work, and we added to that value a second sum, $\sum R$ — the consumption before the next delivery for goods that are not delivered daily. We ran into a problem in that sometimes, products are ordered for a period of time greater than their shelf life and added that limitation to the system in the form of the final sum, $\sum R$.

To calculate the expected demand (R), one of the variables in the auto-ordering formula, we tried all the models that we knew: the seasonal trend model, neural networks, moving averages with different parameters, and auto-regression. The errors were always greater than the model that we ultimately chose.

Our simple prediction model doesn't just win us over by providing a high prediction quality, but also by the fact that there are fewer chances for incorrect functioning of the algorithm due to bad data or settings.

VkusVill's algorithm for predicting expected demand has the following parameters “hard-wired”:

- Dependence on a base period of the most recent three weeks when everything was going smoothly;

OUR AUTOMATIC ORDERING
AND DISTRIBUTION SYSTEM
IS DEVELOPED COMPLETELY
IN-HOUSE WHICH WE CONTINUE
TO IMPROVE TO THIS DAY



Our picker wears a scanner that reads information from the barcode on the box. On his arm is a smartphone connected to VkusVill's unified database. In real-time, all the information about the quantity of received goods is uploaded to the server

- Allowance for intra-week “seasonality”
- Allowance for holidays, religious fasts, and long weekends based on previous years
- Planned rises and falls in sales
- Calculation of past deficit with accuracy to the second, since we start counting it from the moment the last of a given product is sold

Regardless of our extensive experience and knowledge, the system occasionally hits a snag. This happened, for instance, on 18 March 2018. Neither we, nor auto-ordering could have imagined that the Russia presidential elections that happened on that day would result in a deficit of products in store. Having cast their votes for Russia's future president, Muscovites made a beeline for VkusVill to get groceries. For auto-ordering, this was just a regular Sunday, so products were ordered and delivered as though for any old springtime Sunday. As a result, starting from lunchtime, products simply ran out in most of our stores. By conservative estimates, we were short by about 20%.

Our system of automatic product ordering and distribution has allowed us to keep write-offs in the neighborhood of 2-4% of revenue for several years, which is less than half of what it was in July 2015, when write-offs were exceeding 8%. For that matter, we consciously allow for 4-5% deficit so that we don't write off even more.

We could work completely without deficit, but that would result in write-offs totaling 10-15%, which would be worse for customers due to the need to include that in the costs of production. They would have to pay more for the exact same products, and there would be even less of them — they would spend more time sitting on store shelves.

Rule

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Apps, chat bots, and other contemporary innovations help customers manage the company more than anything else — and helps the company subtly manage its customers.

An important stage in the automation process was the launch of our Telegram bot. With the increase in the number of customer apps and with the transformation of our loyalty program and the growth of our chain in general, we understood that customers had to turn to salespeople or to our hotline for a growing number of routine and identical questions — questions that artificial intelligence could handle just as well.

For that matter, we had lived through a torturous year and a half of uncertainty regarding the creation of our own app. Our heads told us that it was time to make peace with smartphones, but our hearts protested the notion of an app in every which way. After all, an app takes a long time and a lot of money. More importantly, it wasn't clear to us why our customers should download, install, and open the VkusVill app over and over again when they already have a hundred other apps on their phone.

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While we mulled this over, Pavel Durov took the stage and presented his Telegram to all the world: not merely a convenient messenger app for talking to your friends, but also capable of integrating with any business' IT system, allowing them to create what was essentially an app within an app.

Regardless of our clear fears — WhatsApp was significantly more popular than Telegram at the time — we decided to take a crack at creating our own chat bot.



The VkusVill bot in Telegram is a tool for modern interactions between businesses and customers. The robots are coming!

The development of our first working version took about 200,000 rubles and a month of our time. Over just two years, we spent about 4 million rubles on the development and improvement of the bot. The overall number of users connected to the bot soared past 250,000. The number of calls and messages to our hotline regarding technical questions dropped by 10%. People were now able to solve problems themselves which previously required them to call us or speak to a salesperson.

Here's what the bot can do today:

- Change your “favorite product”
- Offer personal discounts on products for one day
- Reissue your “Let's Be Friends” card
- Find the nearest VkusVill
- Perform technical operations with your card
- Present a full list of products with real-time stock updates for a specific store
- Show your purchase history
- Contact VkusVill support
- Help make a shopping list
- Show information about another card
- Identify a product by barcode
- Make a menu based on your preferences

In order to connect to the bot and get access to all of these functions, the customer needs an active “Let's Be Friends!” card. This immediately gives us space for creativity, as based on information about a customer's purchases, we can build interesting algorithms.

For example, the bot has a function called “I'm in the Store.” This is a kind of subscription for a single day which gives customers a personal discount of 15-20% on five or six products. The list is different every day. This is a sort of lottery for customers — it's always interesting for them to find out which products the robot will give them a discount on today.

But the algorithms aren't just written for entertainment and enjoyment. This is one of the ways that we partially solve problems in a particular store. If the system understands that a store has excess

stock of a product that they will most likely not be able to sell before its expiration date, the bot starts actively offering it at a discount. It doesn't offer everything at once, creating an annoyance with its pushiness; instead, it specifically offers the product to those who might be interested in it. It doesn't make sense to offer discounted sausages to people who don't buy meat products at our stores. These people probably don't eat meat — and the bot's suggestion would disappoint them.

Our ratings and assessment system is worthy of discussion by itself. The entire contemporary world is built on ratings. We have long since gotten used to selecting hotels based on ratings, going to the top-ranked restaurants, and picking a movie to watch based on reviews, rather than descriptions.

Our Telegram bot helped us formulate our own rating system for all of our products. After every visit to VkusVill, customers get an electronic receipt from the bot of the products they just purchased. Each one can be rating on a scale of one to five, with the ability to add a comment to the rating.

On average, we get about 10,000 ratings per day. When we first studied the ratings, we saw that a whole group of products (about 40 items) were ranked lower than 4. We analyzed each product on that list separately and understood that customers had objective issues with each of them — but issues that weren't so glaring as to warrant a phone call or an email.

After that, we boldly removed all products that got less than a 4 from our selection. Now the system shows us when a product's rating drops rapidly all by itself.

This is a chance to quickly check the shipment, see whether the product has significantly changed, and — in extreme situations — remove the product from shelves.

Thanks to product ratings, customers have the ability to directly influence our stores' selection. After all, they're the ones who decide whether a given product will continue to be offered for sale. Ultimately, this resulted in a very congenial division of labor: issues of quality, safety, and ingredient auditing were taken up by Quality Management, while everything that dealt with sensory matters

(taste, color, and smell) was handed over to customers.

Additionally, our Telegram bot is an excellent supplier of high-quality and active feedback. Here, there are minimal emotions and the maximum amount of concrete information possible. People often write to us directly from the store, attaching photographs as proof, which significantly simplifies the process of assessing problems.

Regardless of the overwhelming success of the messenger, there was a point when its fate in Russia was uncertain. This fact couldn't help but alarm us, since losing such a tool all at once would be a small catastrophe. That's why we were forced to develop our own application in order to have a backup in the event that Telegram was to be blocked completely.

Nevertheless, it is thanks to that bot that we figured out the concept of our feedback model, determined the functions that customers wanted most, and understood what an app that people really want to use looks like.

Rule



At some point, VkusVill will probably cease to exist. Once and for all.

As you read this book, you have probably asked yourself the same question over and over again: “Well, they've found their niche, gotten their devoted customers, taken over Moscow, and even expanded into some other regions. So what's next?”

Time to disappoint you: we don't have an answer to that question.

VkusVill never set out to conquer all of Russia. We never wanted to compete with Magnit or Pyatyorochka by opening stores in every city and town in the country. We never wanted to compete with anyone at all. We just played according to rules that we set for ourselves, breaking with all the traditional foundations of the retail field.

Over the years, we were able to come up with an evolutionary goal for our company: the reason why we set out on this journey and what we live and breathe with every passing day. We sincerely want to see only honest products with pure ingredients offered in every store in the country; for every retail chain to face their clients, rather than turn their backs to them. These simple and clear principles will give rise to colossal changes in every sphere of life. This is probably the key to our openness. We were never afraid of telling the truth about ourselves in order to “captivate” other companies with our success.

So what if Magnit and Pyatyorochka start selling the same products as VkusVill all of a sudden, and do so cheaper and smarter,

and all of our customers switch over to them? What will happen to VkusVill? We will joyfully close all of our stores and celebrate our victory for a whole week. After all, that means we've achieved our goal — we shook up a whole antiquated field using only our own example.

Don't you worry about us. We've assembled an amazing team of responsive, passionate people, so we'll simply start working on something else and transforming some other field. Thankfully, there's no lack of those in our country.

* * *

One day, Andrey Krivenko and I were sitting in a café at Skolkovo late at night. Andrey had been asked to speak at an evening module in front of medium and large business owners that were studying for their MBA. At the time, Andrey could still be convinced to come and share his experience with people, even though he always did so reluctantly.

In the café, I asked Andrey whether he considered VkusVill to be his life's work. He chuckled and said, "I never did."

After a short silence, he added, "If you look at it from the perspective of Antifragility, any company exists only until it has fulfilled its goal. I always presumed that VkusVill could disappear. But I have no idea when that will happen. Whatever will be best for the market will happen in the end, but we're definitely not going to exist forever — because nothing lasts forever."

I've worked with Krivenko for almost ten years. To this day, I am truly inspired by him: by how often, selflessly, and discreetly he helps others; by how deeply and philosophically he thinks; by how he lifts his colleagues up to his level, constantly developing them as they go; by how he continues to trust people even after some people deceive and betray him.

Could VkusVill exist without Andrey? I'm almost certain that it couldn't.

True, he doesn't get involved in many of our working processes today, and life within the company moves at a fever pitch without the owner's help. But before that, Krivenko had to work for several

years without breaks or weekends. This is an important fact for anyone who thinks that our self-directed team just appeared at the drop of a hat. You can't just declare self-governance and immediately begin resting on your laurels.

At the very beginning, I told you that Andrey was not thrilled with the idea of this book. He thought that telling people about obvious things — never mind dedicating an entire book to them — was strange, and even a little vainglorious.

But one beautiful day I was nevertheless able to convince him that VkusVill's example could serve as a jumping-off point for beginning entrepreneurs striving to build their companies and who intuitively understand that there's no need to follow any of the classical scripts.

That's why I saved the things that businessmen from Murmansk, Kaliningrad, Vladivostok, Khabarovsk, Krasnoyarsk, and Ekaterinburg come to hear from Andrey until the very end.

Here are several simple and sensible pieces of advice from the founder and owner of VkusVill, Andrey Krivenko — dedicated to all current and future entrepreneurs of our great, creative country.

1) Trust people

Only a total lack of trust can force you to create a hierarchy within your company. When you only trust a small circle of people close to you, leaving everyone else outside that circle and restricting their actions, access to information, and rights, a distinction between the chosen and the servants appears. In such an atmosphere, people will never open up and will only ever work from 10 to 7, rather than living and breathing their work.

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2) Change the world

Search for niches that have yet to be taken. If a niche is empty, that doesn't mean that it's not interesting to anyone. There's a high likelihood that everyone is afraid, or isn't capable of working with that niche. For example, the reason that there were no products with short shelf lives before us was not because customers didn't need them; it was because retail chains with a traditional management model had a hard time working with them. The best thing to do

today is to choose an area of life that you can change through technology. For example, just look at what has happened with taxis.

3) Talk to your customer and change for their sake

This is a fundamental truth that we nevertheless have to repeat over and over again. There is a universal fallacy which states that you know what your customer needs better than they do. Learning this point alone is enough to effect massive changes within your company. Targeted reactions to your customers' needs should be encoded in your company's DNA and always begin at the level of the company's owner.

4) Respect technology

Total automation is not just your IT department's dream — it is the simplification of your life. The entrepreneur's task is to relieve themselves and their employees of as many routine tasks as possible in order to free up their time and find energy for new ideas. Routine is the sworn enemy of creativity and initiative.

5) Believe in the strength of common sense

This is an entrepreneur's greatest superpower: living and working based on the dictates of common sense. Those who think that only their worldview is the right one (and expect nothing but dirty tricks from others) stand to lose the most. Without exception, it is natural for healthy people to make sensible decisions — and you can build an entire company on common sense.

6) Never copy anything without thinking

Don't be afraid to look at, study, and apply the best ideas you find in the world to your own work. However, implementing something you've seen without thinking is stupid. When you copy something, you have to adapt it for your own company. Our experience of worldwide retail really helped us, but we tinkered with each solution that we brought back to make it work for us.

7) Surround yourself with people that you like talking to

It's impossible to put a team together if you can't talk about anything but work with them. What's more, nothing will come of your work together if you don't see eye to eye with them, but merely tolerate them for the sake of their professional qualities. Unfortunately, it's really hard to find common ground in such an atmosphere.

8) Read more in order to think more

No matter what anyone says, read books. Books immerse you in another world and force you to create new neural connections. They help you look at the world without ever leaving the comfort of your home.

9) Constantly test new hypotheses

I test the quality of any new startup not based on their revenue, turnover, or number of customers, but by the number of hypotheses that the entrepreneur has tried to apply. This approach doesn't let a business rest on its laurels. Even if everything is going well, you should constantly try new things and search for ways to make things better. This corresponds perfectly to the Japanese philosophy of constant change.

10) Love what you do

If you are disgusted by your work and the main motivation behind it is the desire to make money, you will never find pleasure or enthusiasm in entrepreneurship. This is the same as eating food that you don't like. Your body will fill up with calories, but you derive zero enjoyment from the process. If you don't love it, don't do it. If you truly love it, then do it — no matter what.

11) Don't live to make people jealous

I like Scandinavian countries for this principle. For them, modesty and the lack of a desire to stand out from the crowd is in their genes. This is an important principle for entrepreneurs, as it allows you to

focus on the meaning of what you do, rather than on the packaging of it.

* * *

It's a regular workday. Tuesday. A nut with a guitar walks into our office off the street and says, "I came up with a song about VkusVill, and I want to sing it for you." He's not planning on shooting anyone or blaming anyone for anything. He really just wants to sing.

He unpacks his guitar and begins to sing:

"Feasting on sausages, washed down with juice.

Come in and join us, can't wait to see you!

Food can be great without colors or dyes!

Let's stay happy and healthy together, you guys!"

Who is this person? Why did he come all the way out to Strogino, practically on the very outer limits of Moscow? What moved him to do this?

But we don't ask him questions. We just listen, smile, and don't interrupt.

It seems that once again, we've learned about something very important.

100 facts about VkusVill

Here's a special offer for those who are too lazy to read the whole book, but want to know what's up.

- 1) In 2013, we nearly closed VkusVill after finding ourselves on an economic precipice.
- 2) In our company, the word “customer” can be heard at least ten times more frequently than the word “revenue.”
- 3) Many customers like calling us a farmers' store. This makes us cry.
- 4) We seriously try to make friends at work. Some people even get married and have children.
- 5) Bureaucracy is our company's arch-nemesis. Order should be kept in your head, rather than on paper. That said, everything is in order with our company's paperwork as well.
- 6) The most commonly heard line from customers who are disappointed in our stores? “I'll have to find a replacement for you...” It always ends with an ellipsis.
- 7) We pay all our taxes.
- 8) Some customers drive us crazy. There aren't many of them, but they're out there.
- 9) We are most inspired by the line, “You're doing everything wrong.”
- 10) Many important decisions are made in our office kitchen or hallway, rather than in the boardroom.
- 11) 90% of the business proposals that we receive start with the line, “I come to your store all the time and just love your products.”
- 12) Our salespeople really like sharing which famous people

- come to shop at their store.
- 13) VkusVill could have been called Grina or Akra, but both of those trademarks were already taken.
 - 14) Our product managers never get upset stomachs. In the course of an hour, they might try herring, kvacs, marshmallows, mushrooms, and yogurt — and survive.
 - 15) Sometimes, our salespeople cry from exhaustion.
 - 16) In the first issue of our “Made in Russia” newsletter, our graphic designer accidentally mixed up the order of colors on the Russian flag. Only one person notified us of the mistake: a fifth-grader.
 - 17) We are convinced of how cool we are, but we never stop criticizing ourselves every day.
 - 18) Very often people talk about how they are “addicted” to our products, as though they were talking about drugs instead of dairy.
 - 19) We are sometimes ashamed of our products.
 - 20) It's incredibly hard to work for our company and not love your work. Better to love it instead.
 - 21) We can easily take an entire shipment of a product off the shelves based on a single confirmed customer complaint.
 - 22) We don't know what will happen to our company in a year.
 - 23) It's really pleasant to talk and do business with the majority of our customers. They're well-mannered, intelligent, thinking people.
 - 24) Our salespeople really like customers with children.
 - 25) Our company doesn't own a single vehicle. All of our transportation is outsourced.
 - 26) Our company came to be in the right place at the right time.
 - 27) In almost every single one of our stores, there is a customer who hates our products but buys them every day. We still can't find a logical explanation for this.
 - 28) In our company, we like winter a lot more than summer — purely on financial grounds.
 - 29) If one of our salespeople doesn't know what to say about a product, they will probably say the following: “It's a really

tasty, all-natural product.”

- 30) Like any normal people, we like when people praise us.
- 31) Andrey Krivenko hates suits and feels terribly awkward wearing them.
- 32) In the State Darwin Museum, there is an empty package of our milk in one of the expositions.
- 33) People are always eating in our office kitchen. You can always find food and people there. It's terrible.
- 34) The most commonly stolen item from our stores is smoked salami, since it fits very neatly into a coat sleeve. We ask that you take our word for it and not experiment for yourselves.
- 35) Many people think that nobody gets fired at VkusVill. That's not true. They get fired.
- 36) Our hotline operators can tell by the first three syllables that a caller pronounces whether the call will be easy or difficult.
- 37) One TV producers came to us with a request to film a segment about cigarettes, lighters, and chewing up in our stores. He didn't quite get why we turned him down.
- 38) We believe that every employee should be themselves at work. Otherwise, they'll be unhappy.
- 39) Among our suppliers are real paranoiacs who think that every customer complaint is an attempted conspiracy by their competitors.
- 40) There are two subjects that always spark a heated discussion among our customers. The first is whether people need to eat meat. The second is whether sugar should be excluded from people's diets. You've already got an argument.
- 41) Recently, we received a letter: “I have a three-room apartment. I can grow herbs for your stores on my windowsills.” Do you think they wrote that in earnest?
- 42) When the registers freeze in our stores, a salesperson always tries hitting it before taking any other steps.
- 43) We are convinced that there are infinitely more honest, decent, and smart people in the world. It can't be any other way.
- 44) When we get together in an informal setting, we can't help

but talk about work. Every time it goes something like this: "Alright, enough about work already — let's talk about something else." All of a sudden, silence settles over the group.

- 45) In order to work for us, you have to truly love people first and foremost.
- 46) The principle of "doubling" everyone and everything is our lucky ticket. It's surprising that other companies don't like healthy competition.
- 47) There are always customers who think that we lie — and that we've never stopped, from the beginning in 2009 to the present day.
- 48) Our customers sometimes call themselves "followers."
- 49) The technicians who work for VkusVill are primarily male. They love dirty jokes. Their female colleagues have long since stopped blushing and getting embarrassed, but they have yet to learn how to joke just as obscenely.
- 50) During the winter mango boom, one of our salespeople "saved" themselves a whole box of the fruit by simply moving it into the basement. A customer came who saw in our app that there were 5 kilos of mangos left and asked why the product wasn't on display. That's how our salesperson understood the full might of technology.
- 51) Our most devoted customers are parents whose children suffer from food allergies. This is a really high bar for us.
- 52) Our salespeople have learned one rule very well: "A hungry salesperson is an angry salesperson." That's why all of them are well-fed, and more often than not — very kind.
- 53) Our coffee, chocolate, beer, and moldy cheese suppliers always critique each other for some reason. Each of them thinks that they are the only expert in the world, and that everyone else is a mere student.
- 54) One day, a customer — let's call her Rita — wrote a letter to our Father Frost in which she declared her love for venison pelmeni. We gave her 10 bags of these pelmeni and only afterwards realized that it must have looked awfully

bloodthirsty from a Christmastime point of view. On second thought, it's fine: Santa's the one with reindeer.

- 55) Our product managers have to keep lots of numbers in their heads, but they assure us that products which they receive for a tasting are either tasty or not.
- 56) We value our employees' mistakes and hate dishonesty. Those who don't make mistakes and lie fare worst of all.
- 57) We often rush to the aid of our customers in difficult matters. Maybe this is oversharing, but we often solve our internal problems with your help.
- 58) Our company's evolutionary goal is to get high-quality products with honest ingredients into every store in the country.
- 59) In our company, it's best to love change. We're constantly changing because we never stand still.
- 60) We want to say a big "thank you" to everyone who found time to send us their thanks. For some reason, there's always less time for praise than for criticism.
- 61) One day, we collectively approved a particularly delicious lasagna, but the first shipment to our stores was significantly different from the original, to put it lightly. It turns out that the chef quit and took the recipe with him. The supplier wasn't able to conceal the "crime."
- 62) The majority of VkusVill's employees had the wherewithal to be late to a seminar on time management and organization.
- 63) We often get lucky. Very often.
- 64) Once, we conducted a survey of our customers, asking if they would like to see Russian wines on our shelves. Opinions were split equally.
- 65) One time, an animal technician on a farm told the girls from our team that petting goats was good for your health, since their wool grease has health benefits. After that, the girls started petting the goats with renewed fervor. Driving back in the same car with them was impossible.
- 66) We constantly monitor the wilds of the internet and read everything that people write about us.

- 67) There are customers who still think that all of VkusVill's products are made at a single gigantic factory which belongs to our company. One girl on Instagram even discussed this seriously.
- 68) For several months, one pig farm picked up all the expired kefir from our stores. Later, it turned out that kefir made from live cultures is bad for pigs. They all swelled up!
- 69) Any significant state holiday turns into a marathon of cakes, cookies, and other sweets for our office employees.
- 70) If we see repeated low sales for a given product, we can easily conduct a telephone survey of our customers and ask them what's wrong with it.
- 71) Our dessert supplier once came to the buyers from another retail chain and suggested that they purchase from them. The buyer wasn't shy: "take your little cookies with their three-day shelf and stuff them up your..." It was clearly not their first time speaking with our supplier.
- 72) As we understand it, healthy eating is all about balance, variety, and common sense.
- 73) In our office, just like in any other office in the country, there is a constant battle between those for whom the office is always too warm and those for whom the office is too cold.
- 74) We have almost stopped worrying about where people put the stress in VkusVill.
- 75) Our retail assistants rack up 100 kilometers and more in traveling between stores every day.
- 76) We're ready to forgive our suppliers almost anything — save fake products. That's just low, shameful, and stupid.
- 77) Our company's different divisions can't work without a translator: Quality Control Management (QCM), Unified Concept Management (UCM), Quality Management (QM), Order Management (OM), and Territory Management (TM).
- 78) Working as a salesperson in our company is, to put it lightly, not easy.
- 79) We got an offer to sell eco-condoms which completely decompose in the earth over the course of a year.

- 80) At a discussion of Nassim Taleb's "Antifragility," salespeople came who had read all 800 pages of the sometimes-disjointed and confusing text. We wanted to give them a round of applause.
- 81) Many of our suppliers have opened new factories specifically for us. This makes us incredibly happy.
- 82) The dumbest reaction that we have ever heard from a supplier who falsified product information to us: "Damn, where did that unlisted preservative come from? We have no idea."
- 83) When we first decided to tell our customers that there was alcohol (beer and cider) for sale in our stores, we had a bet going that the first comment would be something along the lines of, "Next up you'll be selling natural vodka." That's exactly what happened.
- 84) We don't have a personnel director because they simply aren't necessary. Nobody believes in the idea.
- 85) Sometimes, salespeople call the hotline themselves and say, "You're going to get a complaint about me from a customer. I want to tell you what actually happened."
- 86) At most conferences, our employees' presentations start a sensation. It's incredible, but people are happy to hear obvious facts. "To make customers trust you, you need to maintain a constant dialog with them," we say. The whole audience applauds.
- 87) Our product suppliers proudly say that they work with VkusVill. When they want to underscore their significance, they talk about it with a hint of indifference or flippancy. "We just unloaded another shipment for VkusVill..."
- 88) Once, when moving offices, our HR department lost an entire cabinet full of employee documents. Thank heavens they were all copies.
- 89) Our suppliers get very offended when customers write mean things about their products. They ask that you still complain, but do so nicely, with a little bit of respect for other people's work.

- 90) One time, a salesperson reacted to a customer complaint about wilted cucumbers as follows: "Are you planning on eating them or showing them off somewhere?" Sometimes, our salespeople don't make the best jokes.
- 91) Trust is the core quality of all of our employees.
- 92) We will never stop rejoicing at the size of our country. There are so many Russian suppliers we've yet to discover!
- 93) VkusVill's products are often taken abroad by people as presents. We really like that.
- 94) We don't understand why our salespeople sometimes start discussing customers while they are still in the store. This is horrible.
- 95) All an experienced salesperson has to do is glance at a customer's cart to guess the total amount of their purchase.
- 96) Many people outside of our company believe that our trust in our employees and customers costs us a lot. Actually, trust helps us save a lot of money.
- 97) We started selling a new "biflaif," a new kind of fermented milk product similar to kefir or yogurt, with a children's drawing of a cute dragon on the package. Our more religious customers were quick to inform us that the drawing was the spawn of Satan.
- 98) Based on extensive conversations with VkusVill employees, one famous Moscow company decided to stop conducting lie detector tests on its employees. We explained to the owner that it was demeaning, inhuman, and useless. Many thanks to him for making that decision.
- 99) We want to thank everyone who found the time to read this book about VkusVill. We really do appreciate it.
- 100) We love Russia and believe in its future!

Appendix

Books from VkusVill

- Jonah Berger. *Contagious: Why Things Catch On*. Simon & Schuster; Reprint edition (May 3, 2016)
- Kenneth Blanchard, Sheldon Bowles. *Raving Fans: A Revolutionary Approach to Customer Service*. Harpercollins Pub Ltd; New edition edition (April 30, 2004)
- Daniel Goleman. *Emotional Intelligence: Why It Can Matter More Than IQ*. Bantam; 10th Anniversary edition (September 27, 2005)
- Lorraine Grubbs-West. *Lessons in Loyalty: How Southwest Airlines Does It - An Insider's View*. CornerStone Leadership Institute (August 1, 2005)
- Jim Collins. *Good to Great: Why Some Companies Make the Leap and Others Don't*. HarperBusiness; 1st edition (October 16, 2001)
- Jesper Kunde. *Corporate Religion: Building a Strong Company Through Personality and Corporate Soul*. Financial Times Management; 1st edition (January 15, 2000)
- Frederic Laloux. *Reinventing Organizations*. Nelson Parker; 1st edition (February 10, 2014)
- Dave Logan, John King, and Halee Fischer-Wright. *Tribal Leadership: Leveraging Natural Groups to Build a Thriving Organization*. HarperBusiness; Reprint edition (June 7, 2011)
- Geoffrey G. Parker, Marshall W. Van Alstyne, and Sangeet Paul Choudary. *Platform Revolution: How Networked Markets Are Transforming the Economy and How to Make Them Work for You*. W. W. Norton & Company; 1 edition (August 29, 2017)

- Fred Reichheld and Rob Markey. *The Ultimate Question 2.0: How Net Promoter Companies Thrive in a Customer-Driven World*. Harvard Business Review Press; Revised, Expanded edition (September 20, 2011)
- Matthew Syed. *Black Box Thinking: Why Most People Never Learn from Their Mistakes - But Some Do*. Portfolio; 1 edition (November 3, 2015)
- Carl Sewell, Paul B. Brown. *Customers for Life: How to Turn That One-Time Buyer Into a Lifetime Customer*. Currency; Revised edition (November 19, 2002)
- Nassim Nicholas Taleb. *Antifragile: Things That Gain from Disorder*. Random House Trade Paperbacks; Reprint edition (January 28, 2014)
- W. Chan Kim, Renée Mauborgne. *Blue Ocean Shift: Beyond Competing - Proven Steps to Inspire Confidence and Seize New Growth*. Hachette Books (September 26, 2017)
- Tony Hsieh. *Delivering Happiness: A Path to Profits, Passion, and Purpose*. Grand Central Publishing; Reprint edition (March 19, 2013)

Evgeny **Shchepin**

VkusVill: how to stage a retail revolution by doing everything wrong

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Evgeny Shchepin used to be one of VkusVill's key employees responsible for external communications. Now he is developing his own project in VkusVill ecosystem.

This book is an honest story about the company's successes and failures, plans and expectations, relationship to its employees and customers, and the people without whom VkusVill would never have become the company that we know today.

"What we have done is the result of hundreds of experiments"

Andrey Krivenko, the founder

"One does not need to think about the brand of milk purchased, one just buys milk by VkusVill" - and one knows that it is of the highest quality

Valeriy Razgulyaev, Information Manager

"It sounds almost unbelievable, but one of the key innovations of VkusVill was the decision to bring brands of competitors to their factories. They arrange guided tours once or twice a month. The agenda that the company focuses on deals not only with the food production issues but also covers corporate strategy and management within the company"

AIM2Flourish

"VkusVill is a fascinating Russian business that is growing from a small, privately owned chain to a major regional enterprise. A set of unique circumstances and innovations have enabled it to rapidly expand into a significant force. Although it is still not a major national player, it is tapping into a higher-end market for natural foods that has not been given a modern commercial outlet before"

POPKULT.ORG

"VkusVill, which buys food from producers directly and spends no money on advertising, opens an average of two stores daily and has found a niche in Russia, modeling itself on best practice at U.S. chain Trader Joe's, Germany's Aldi as well as British supermarket groups Tesco and Waitrose"

Reuters



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