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Revista de Antropología, Ciencias de la Comunicación y de la Información, Filosofía,  
Lingüística y Semiótica, Problemas del Desarrollo, la Ciencia y la Tecnología

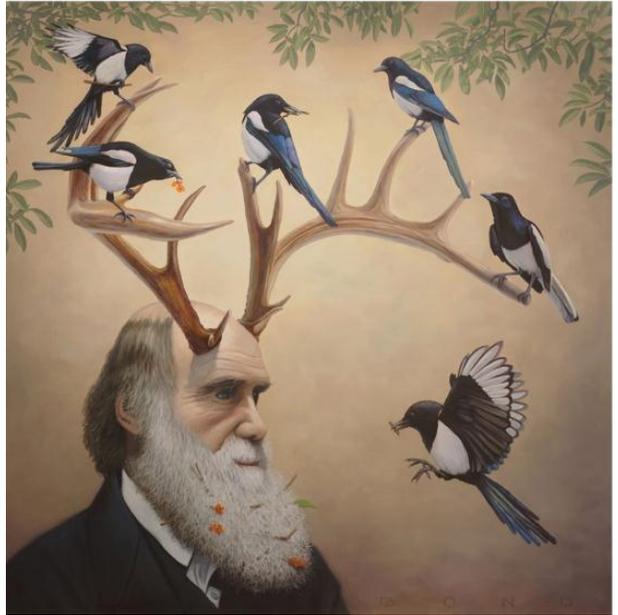
Año 35, 2019, Especial N°

# 22

Revista de Ciencias Humanas y Sociales

ISSN 1012-1537/ ISSNe: 2477-9385

Depósito Legal pp 198402ZU45



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Facultad Experimental de Ciencias  
Departamento de Ciencias Humanas  
Maracaibo - Venezuela

# The marketing policy of the major Russian enterprise in the chemical industry

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## Abstract

The study aims to investigate sources of the marketing policy of the major Russian enterprise in the chemical industry via both quantitative and qualitative methods. As a result, newspaper advertising and the record-keeping documents allow us to characterize the methods of the marketing of their products by such major Russian industrialists as the Krestovnikov brothers. As a result of the study, it can be concluded that they recognized advertising as the most important instrument of sales policy.

**Keywords:** Economic, History, Russia, Advertising, Advertising.

## La política de comercialización de la principal empresa rusa en la industria química

### Resumen

El estudio tiene como objetivo investigar las fuentes de la política de marketing de la principal empresa rusa en la industria química a través de métodos cuantitativos y cualitativos. Como

resultado, la publicidad en los periódicos y los documentos de mantenimiento de registros nos permiten caracterizar los métodos de comercialización de sus productos por parte de importantes industriales rusos como los hermanos Krestovnikov. Como resultado del estudio, se puede concluir que reconocieron la publicidad como el instrumento más importante de la política de ventas.

**Palabras clave:** Economía, Historia, Rusia, Publicidad, Publicidad.

## 1. INTRODUCTION

Among the studies on the economic history of Russia, more and more attention has recently been paid to the organization of enterprises, including sales policy. Despite the fact that the format of our article excludes the possibility of their detailed analysis, it should be noted not only the quantitative increase in the number of works on the identified problems, but also a general increase in the scientific and methodological level.

In our opinion, researchers paid insufficient attention to the company of the Krestovnikov brothers and its owners. At the same time, it is one of the few large pre-revolutionary industries in Russia, whose successful activity continues today. Kazan factory of the Krestovnikov brothers' company was founded on June 1 (13), 1855, i.e. in the midst of the Crimean (Eastern) War and the blockade of Russian ports by the Franco-British navy. The company's founders were all seven Krestovnikov brothers, who were able to implement in practice the project of Modest Yakovlevich Kittara, a professor at Imperial Kazan University, to create in Kazan, taking into account the

traditional regional specialization, two newest mechanized productions: stearic soap making and leather. As a result, even before the reforms of Emperor Alexander the Second began, the newest capitalist factory which operated very successfully had been built in Kazan.

By the mid-1860s, since the use of oleic acid and glycerol had been found, the factory had almost completely eliminated the waste of its main production. By that, it rose to the stage of well-developed chemical production. Such a technological leap was made possible thanks to the closest cooperation of the owners of the enterprise with university chemists. In 1915, during the First World War, a phenol-salicylic factory was organized on the basis of the enterprise, at which at the same time the first domestic aspirin was produced. As a result, as of January 1, 1917, the factory not only did not experience some kind of devastation, but continuously increased its production capacity, was an electrified advanced enterprise of its time. Disruption of the plant's work took place only during the domestic political events of 1917-1918, ending with its nationalization in January 1919.

## **2. METHODS**

Kazan factory of the Krestovnikov brothers and its owners, when studying the problem of organizing the marketing policy of a large Russian industrial enterprise, rightly deserve the close attention of researchers as an example of advanced innovative production. In its

marketing policy, it was based on advanced marketing techniques (KLUCHEVICH, 1950).

A comprehensive study of the record-keeping documentation of this advanced pre-revolutionary production makes it possible, as a result, to rethink its significance in the history of the country and its particular region. The mentioned documentation, as well as a part of the documentation of the Krestovnikovs' firm, is in the fund No. 300 of the National Archives of the Republic of Tatarstan. At present, these materials are of particular value, since the archive of the main office of this Moscow company was lost in the first years of the Soviet power. The richest factual material deposited in the specified fund contains information not only about the daily functioning of the specified giant factory, but also about significant management decisions in the field of marketing policy, which, unfortunately, cannot be considered in full in one article (ARSENIEV, 2004).

The study involved a set of information contained both in factory journals, accounting books, and in other documents revealing the features of the organization of sales of finished products of an enterprise during the first stages of its operation, since its foundation and in the first three years of the reorganization of the company. When studying the totality of mass data, such as record keeping documentation and advertising, it is advisable to use the sampling method. As a result of studying Kazan newspapers, which, from the point of view of advertising in them are dominant in relation to others, a typical sample was applied. Among the annual sets of these

publications, a proportional selection was made, based on the required number of observation units for the sample. Over the years 1850-1869, 1412 issues of newspapers were published in Kazan (ARBUZOV, 1989).

They were fully accounted for. In the 1870s there was an increase in the number of issues: 1870-1879 - 3260. Taking as a basis of the 15% sample, according to the table of sufficiently large numbers, its optimal volume was determined. The criteria of representativeness are the requirements of the sampling theory. The sample size provides not only quantitative, but also qualitative representativeness of the information. Over the decades, the sample is distributed as follows: 1870s - 540. For the 1870s, sets of all newspapers for three years for each decade must be reviewed. The choice of certain years is justified by the level of the general economic situation in Kazan province. The selected years are excellent for this feature. So, for the 1870s this is 1870 (with a satisfactory economic conjuncture), 1875 (with a high level of economic conjuncture), 1877 (with an unsatisfactory economic conjuncture).

The study is based on general scientific methods and research techniques. The methods of empirical research (comparison, description) and theoretical knowledge (axiomatic method) with the use of universal logical methods (analysis and synthesis, deduction and induction, analogy) are used. The work is based on the most important principles of historical knowledge: historicism and objectivity

(GALANIN, HAKIMOVA & GALANINA, 2018: AKAR, 2018: KVET & MATIASKO, 2018).

### **3. RESULTS AND DISCUSSION**

It is well known that the most important tasks of any commercial enterprise are, firstly, acquisition and increase of its share in the relevant market; secondly, capture of new markets for their products. Organization of product sales under market conditions is no less significant than the production itself. Understanding this simple fact allowed, for example, to specify the date of commencement of production activities, comparing it with the date of the first batch of stearic candles. Thus, in the factory Settlement Book for 1855, there is an entry dated December 23, 1855: upon notification of the Moscow office, 7 pud 6 pounds of stearic exemplary candles were sold at a price of 80 rubles 80 kopecks (COWAN, 1997: POLEVOY, 2018).

At the initial stage of the company's existence (1855–1862), in addition to the above-mentioned commissioner agents, the sale of products (outside the city and region) was carried out by the owners of the enterprise and directly. In the same book in 1856, the sales of stearic candles to Kama-Volga Steamship Company and Steamship Company Mercury are mentioned. Volumes of products manufactured during this period are reflected in the remaining factory record keeping documents. Thus, the daily output of stearic candles (approximately one hundred puds per day) in June 1856 was recorded, as well as the

total result of the stearic production for the first (incomplete) year of existence of the enterprise. As of August 31, 1856, 10,467 puds of stearic candles were produced (SADEGHPOUR, FAR, KHAH & AKBARDOKHT AMIRI, 2017).

The above mentioned archival materials give a general idea of the products manufactured at the factory in 1855–1862: stearin in tiles, stearic candles, olein, solid soap and liquid soap. Already in the first factory year (November 1855–31 August 1856), the company produced 7862 tons of solid soap; 7964 puds of liquid soap; production of nitric and sulfuric acids was mastered. In 1857, the company entered the international market, starting the sale of stearin in tiles in the city of Hamburg. In 1860–1861 the product range was significantly expanded. The production of white, marble, egg, palm, yellow and anise soap was started (GALANIN, 2008).

At the second stage of its existence (1862–1871), the equipment and production technology were improved at the factory. Obviously, the formation and development of this enterprise coincided with the success of chemical science. Both the product range, and its quantity, increased significantly. Production of glycerol was started. Thanks to the introduction of the distillation method, they mastered the production of cheaper margarine candles. The range of soap replenished with a new variety. The production of coconut soap began. As a result, the growth of the production capacity of this enterprise naturally led, firstly, to a sharp expansion of its sales network, and secondly, to a significant increase in sales of products.

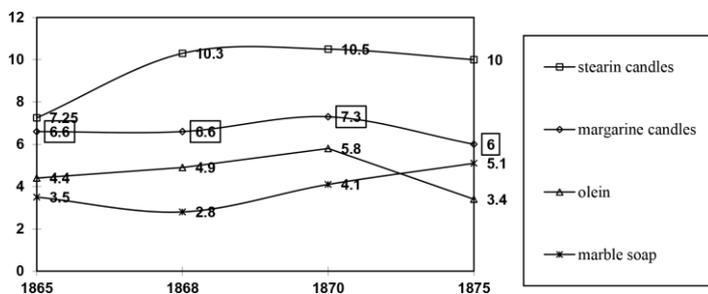
Thus, despite the loss of the company's archive, the analysis of the record-keeping documentation complex allowed us to draw certain conclusions about the product range, its volumes and methods of sale. There is no doubt that a rigorous analysis of the internal documentation of the enterprise, for all its importance, must be accompanied by a parallel study of external sources, one of which is advertising.

Newspaper advertising was used by only a small part of large craft enterprises, which were recognized leaders in their industry. Of those named in 1868 in the report of a special provincial commission for inspecting workshops of 10 largest enterprises with more than 20 employees, only six placed ads in newspapers. It should be noted that at that time it was still weakly distributed. The first newspaper advertisement for the sale of the Krestovnikovs soap from Khazinsky's shop refers to January 1858. After the trip of one of the brothers abroad, new technology was being mastered at the factory. The company began to grow rapidly; new types of products were mastered: glycerol, olein. By 1872, the annual turnover reached 7 million rubles. Branches of the company began to open in a number of large cities in Russia.

During their trip abroad, the Krestovnikovs became acquainted with advanced marketing techniques, which included newspaper advertising. From 1863, it began to be actively used to distribute new goods, especially until the mid-1870s. Most often these were laconic price lists with the indication of wholesale prices for the main goods: stearic and margarine candles, olein, marble soap. The first

announcement-price list refers to 1863. Since 1865, Ryzhakov, the owner of the shop on Tolchok, became the official representative of the Krestovnikovs leading retail trade. At the same time, in advertising, as well as on products, the image of the state emblem began to be used, the right for which had been obtained at the Russian manufactory exhibitions in 1861 and in 1865.

Newspaper advertising of the Krestovnikovs enterprise allows to trace the dynamics of price changes for its products. During the years 1865-70 in conditions of growth and favorable conjuncture, prices of all types of goods had a strong growth trend, despite an increase in production volumes. 1875 was a year with an unfavorable economic environment. With the onset of the economic downturn, the price of olein was sharply reduced. One of the reasons for the cheapening of candles was the spread of kerosene lighting. The only product for which the price rose was the soap of excellent quality. The fact that the chemical industry was one of the main sectors of the economy of the Kazan province in the second half of the XIX century is confirmed even by the number of advertisements in Kazan newspapers. Advertisements of chemical productions and, first of all, the Krestovnikovs' company were ones of the most numerous.



Prices for the products of the Krestovnikovs' factory in 1865-1875

The Krestovnikovs were undoubted leaders of the chemical industry. There was practically no advertising of other enterprises of the industry in newspapers. The exception was the plant of Kurmanaevs. They offered several varieties of soap: white and yellow kernels of various aromas, real egg oil soap. The latter, according to the assurances of advertising, was made from egg yolks and cow butter. The products were sold not only in Kazan, but also in Petersburg, where the special store was located, and abroad. Kazan egg soap of Kurmanaev received several awards at Russian exhibitions. Work with customers contributed to the success. So, when opening a new store in 1884, everyone could take a free trial piece of soap, and then make a purchase decision.

Other Kazan soap factories were small enterprises with several workers who produced cheap, but low-quality soap varieties. The exceptions were the soap and glycerol factory of I.A. Arslanov with an annual turnover of more than 100 thousand rubles, Apanaev-Burnayevs's plant with a company store on Big Prolomnoyastreet. In 1880 in Kazan there were 9 enterprises that produced soap. The largest of them belonged to Arslanov. For certain reasons, Tatar businessmen almost did not use advertising in newspapers published in Russian, as did small businessmen. There were single advertisements of the factories of Pekin and Schmoll for the sale of marble soap. By the way, to strengthen the credibility of their products, the latter specifically indicated for a long work as

a master at the Krestovnikovs. This once again confirms the absolute primacy of their company in the industry.

We should agree with Sally West. The author, in her book, analyzes the content of print advertisements and states that in the second half of the XIX century, a new type of entrepreneur was formed in Russia, for whom advertising becomes an important tool of sales policy. Christine Ruane and Marjorie Hilton also discuss the development of advertising as an important element with the changing image from the old-style kupets (merchant) to the modern kommersant (businessman).

#### **4. SUMMARY**

In the record-keeping documents and advertising, the Krestovnikov brothers appeared as a large innovative product that could have a decisive influence not only on the economic development of the provincial city of Kazan and the province as a whole, but also on the dynamics of social relations, including the formation of an all-class urban environment. From the very beginning, the Krestovnikovs' enterprise was qualitatively different from all other productions in Kazan and Kazan province in a number of ways:

- The factory operated all year round;

- There was a constant improvement in machinery and technology;
  
- There was a flexible system of year-round wages, aimed at forming the permanent staff of employees;
  
- Serious attention was paid to sales policy, including such an important tool as advertising.

## **5. CONCLUSION**

Thus, newspaper advertising and the record-keeping documents allow us to characterize the methods of the marketing of their products by such major Russian industrialists as the Krestovnikov brothers. As a result of the study, it can be concluded that they recognized advertising as the most important instrument of sales policy. Thanks to the joint involvement of the record-keeping documentation and advertising materials, it becomes possible to ascertain the reasons why the entrepreneur resorted to printed publications. By advertising, through the proposal of new products, we can indirectly judge about the development of the production, the introduction of modernized technologies. Reference to newspaper advertising makes our ideas about the level of competition in the market and its methods more complete.

Newspaper advertising and record-keeping documents are a valuable source on the history of enterprises, which help clarify the dates for launching new products on the market and expanding the range. Advertising is an important source for characterizing the relationship between producers and consumers. In the face of loss of the company's archive, a number of record-keeping documents and advertising are valuable sources on the history of the largest chemical enterprise of the Krestovnikov brothers in Kazan and they help characterize advanced marketing techniques used by them, which were characteristic of innovative production of the second half of the XIX-early XX centuries.

## **6. ACKNOWLEDGEMENTS**

The work is performed according to the Russian Government Program of Competitive Growth of Kazan Federal University.

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Revista de Ciencias Humanas y Sociales

Año 35, Especial No. 22 (2019)

Esta revista fue editada en formato digital por el personal de la Oficina de Publicaciones Científicas de la Facultad Experimental de Ciencias, Universidad del Zulia.

Maracaibo - Venezuela

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