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МЕЖДУНАРОДНАЯ КОНФЕРЕНЦИЯ СТУДЕНТОВ,
АСПИРАНТОВ И МОЛОДЫХ УЧЕНЫХ

ЭЛЕКТРОННЫЙ СБОРНИК МАТЕРИАЛОВ
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PROSPECTS OF CROWDFUNDING IN RUSSIA

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Most start-up projects need external investment and it is not easy to find a business angel for a starter to help, especially now, in crisis time. Thus, the burning question for an entrepreneur is "where to take money from?" One of effective ways to attract investments in business can be crowdfunding. Oxford Dictionary defines crowdfunding as "The practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet"[3].

Crowdfunding is poorly known and developed in Russia, but has a long history in different economies. Learning from stories of success in crowdfunding abroad can help to create a suitable model or algorithm for Russian reality. Therefore, the article is aimed at evaluation of crowdfunding as a means of raising finance for a project, examining what crowdfunding techniques can be adapted to Russian reality and offering other possible measures that could help to implement crowdfunding in Russia.

Obviously, crowdfunding is not the only means of raising funds for projects. What makes it unique, innovative and efficient?

There are four most popular means to attract funds for projects: bank loans, private investments, state funds and crowdfunding, the latter being becoming increasingly popular. A bank loan is very expensive way to attract funds and very risky, because often profits from the project do not reimburse the interest of the loan. Also, it is not easy to find the bank to grant a loan. While with crowdfunding, one does not need to pay interest. There is less risk of achieving break-even and receipt of funds does not depend on the current financial status of a lender.

The problem with private investments is that investors are not interested in creative or marginally profitable projects, even if these projects are breakthrough. Whereas crowdfunding supports most interesting and innovative projects.

Those who apply to public funds can suffer from a lot of bureaucratic procedures, as well as a limited amount of granted money, sometimes not enough for a project. In comparison with public funds, crowdfunding does not need much paperwork and can attract a large volume of funds.

Thus, crowdfunding has multiple benefits as a means of fundraising, which include: less risk of the project financial failure, variety of interested parties, not necessarily from financial spheres, little paperwork to be done, etc.

Moreover, crowdfunding is a unique way of attracting investment projects, first, because investors can be found globally and second, advantages of high technologies can be used. Both benefits are embodied in crowdfunding platforms. Basically, these are online resources that allows attracting funds from around the world via having open access for all internet users.

The map below represents the number of crowdfunding platforms in different countries by the end of 2014, which total 470 all over the world.





Fig. 1. Distribution of crowdfunding platforms worldwide

It is clear that USA is the leader in crowdfunding as it occupies 45 per cent of the total major platforms. Other countries have not more than 30-35 platforms each at their disposal. Unfortunately, Russia shares the bottom of the list with India and China with only 2 per cent of crowdfunding platforms in the world. As Russia has a great potential for investment, as well as projects in need of funds, the number of platforms is obviously insufficient and need to be increased.

Another important point is to consider potential investors who can be involved in crowdfunding and how to motivate candidates for crowdfunding. Usually interested parties are internet users and potential clients who support the idea of the project and want it to be implemented for different reasons including making profit. Another group of crowdfunding investors make those who is eager to personally participate in the project development, become a shareholder and thus, get the opportunity to manage the organization in the future. Some investors take part in crowdfunding to enhance their reputation or simply advertise themselves. Other motives to invest may be an increase or change in one's social status, desire to make their life more varied, full of interest and adventure, and even more social-oriented, like making investment for the development of the city, region or even the country.

Investors' motives and the sphere to investment considered above influence methods of encouraging investors. From crowdfunding history, both tangible and intangible methods can be learned.

The simplest method is public appreciation of investors for their support, e.g. mentioning them in advertisements, on the product label, the organization's website, commercial or street boards.

One of other standard methods of rewarding crowd funders is to supply them with one of the first sold new products. This method is often used in investing books, films and different products.

For those providing large investments their reward can be such playing a role in a film, actively participate in the project implementation, or making a part of project management team. For those who invest to be able to manage capital and company the reward is developing projects into the businesses.

In each particular situation and for every potential crowdfunder the question of motives and rewards is answered individually. This is true about all countries, including Russia and should be taken into account when starting crowdfunding procedure.

To rely on crowdfunding as a fundraising means one should also consider if it is efficient and effective in all types and spheres of business.

The first crowdfunding project started in 1997 when fans of the British rock band Marillion organized an online campaign to raise funds for a music tour, but nowadays crowdfunding is widely used in various spheres.



According to the latest data, total volume of investment in projects is 7.800.000.000 dollars. The pie chart below shows the distribution of investments in different business spheres: medicine, shopping, games, sports, events, movies, internet, cafés.

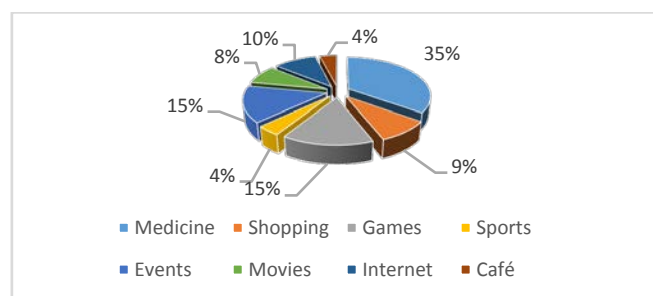


Fig.2. The share of investment in various business spheres

From this pie chart, we can see that the most of investment is in the healthcare with 2.730.000.000 dollars or 1/3 of all funds. The reason for it is a strong interest to creation of advanced medical equipment from individuals and corporate investors. Another substantial, almost equal share of crowdfunding-risen investment is into entertainment with a lot of fans being ready to support their favorite bands and solo artists.

Least of all investments is made in sports projects, the possible reason being that most of sports projects are funded by the government or international funds and the ideas related to public catering, where the market is already saturated.

Unfortunately, the statistics about Russia is not available as we are in the beginning of the road to crowdfunding but learning lessons from best practices can help project managers to apply the following techniques in crowdfunding used abroad.

Below we consider the experience of Alexander Mittal and Boris Silver, the founders of FundersClub crowdfunding platform. They point out three main phases each including different actions to realize a particular idea [2].

Phase 1: BUILD YOUR AUDIENCE

1. Start a blog. At the end of the day you want people to trust you enough to hand over their money so invest some of your money in a domain, web hosting, premium theme or custom web design.

2. Create a landing page you need a page on your new website that will encourage people to sign up to join your email list.

3. Join the online communities of your target audience. Find out who the key influencers in your niche are by using different tools.

4. Create useful blog content based upon your persona research.

5. Promote your content on your social media channels and contact some of the bloggers and key social media users to help you share your content with their audiences.

Phase 2: SETTING UP YOUR FUNDING CAMPAIGN

1. Offer unique rewards to your backers.

2. Set a realistic deadline. It's important to take this into consideration when you are planning your campaign launch.

3. Create a Press release and video, once you have your launch date planned in it's time to craft a press release.

4. Make a video on your landing page. Easier to attract people with visual aid, and it will show the seriousness of your ideas.

5. Decide upon your funding goals.

Phase 3: THE CAMPAIGN IS LIVE



1. Guest Blog some more; reach out to the people who sent you the most referral traffic to your email list and write another guest blog for them.
2. Let your audience know. Let everyone know your project ideas is now live.
3. Send out your press release.
4. Provide regular updates to keep your audience informed of what is going on.
5. Praise your big backers publicly.
6. Monitor your performance versus your goals

Mostly applicable for Russian reality are phases 2 and 3 because they are aimed at providing information to people who are not familiar with the project idea and help to create the optimal environment for the idea realization. The problem of implementation of phase 1 in Russia can be in problems with involvement of third parties, such as bloggers, magazines, newspapers and other media persons who seem to be not much interested in crowdfunding.

Below is the algorithm created by the author of the paper with consideration of Russian opportunities of integration crowdfunding in Russia:

- 1) Identify the most promising areas for crowdfunding.

The first priority is the public welfare programs being in urgent need of finance, e.g., construction of various facilities and support of vulnerable citizens. Also worth to highlight the technical and engineering spheres. At the last, we need highlight the cultural sphere, which are not funded without good reason.

- 2) Find similar platforms. The next step is using the experience of crowdfunding platforms in similar areas in Russia and abroad. There is no need to re-invent the wheel.

- 3) Creation of new Internet platforms based on foreign models from various spheres, this will help to cover a wide range of ideas that need funding.

- 4) Providing legal protection. When the creation of crowdfunding platforms becomes a Russian reality legal protection of such platforms is required to prevent losing investors' money, and create conditions for investment to reach those who need them.

- 5) Control of information. After all legal procedures pass, standards for information of sponsored ideas are to be created, including general description of the project and the essence of the idea. This can legally secure investors and help to raise money for the project implementation.

- 6) Create models of reward. Last, but not least is the development of different models remuneration for those involved in crowdfunding.

The main purpose of this article was to provide an algorithm for implementing crowdfunding in Russia. To do this, the background situation with this method to raise funds throughout the world was analyzed and the prospects of introducing crowdfunding in Russia were considered. The main prerequisites for crowdfunding success were identified as determining the potential investor's motives and developing correspondent methods to attract investors and maintain cooperation with them. Another priority was to identify the most promising areas for crowdfunding and those in most need for investments.

The abroad experience in crowdfunding implementation has revealed much similarity in motives, system of awards and spheres of priority for crowdfunding. Most crowdfunding techniques can be implemented in Russia, the method becoming even more promising in current crisis time when less state investment is made in economy.



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HOW TO GET OUT OF ECONOMIC CRISIS USING WORLDWIDE EXPERIENCE?

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Introduction

In the end of 2014 Russia faced a new economic crisis. Experts and politicians assume that this crisis would be far more considerable and appreciable for the population in comparison with 2008-09 crisis. Acknowledged economic experts offer various methods to recover from the present situation. The key idea of their suggestions is stimulation of small and medium-sized business involved in production and technologies and not in feedstock exporting.

This article presents the author's considerations of publication examining the causes and effects of the crisis and reflecting on the steps taken by the RF government to manage the crisis. Furthermore, the attempt is made to analyze the worldwide experience in crises managing, in order to find tools that could be applied in Russian reality.

Causes and effects of the 2014 crisis

The obvious fact is that Russian economy deeply depends on world oil prices. Feedstock occupies the dominant share in structure of exported goods.

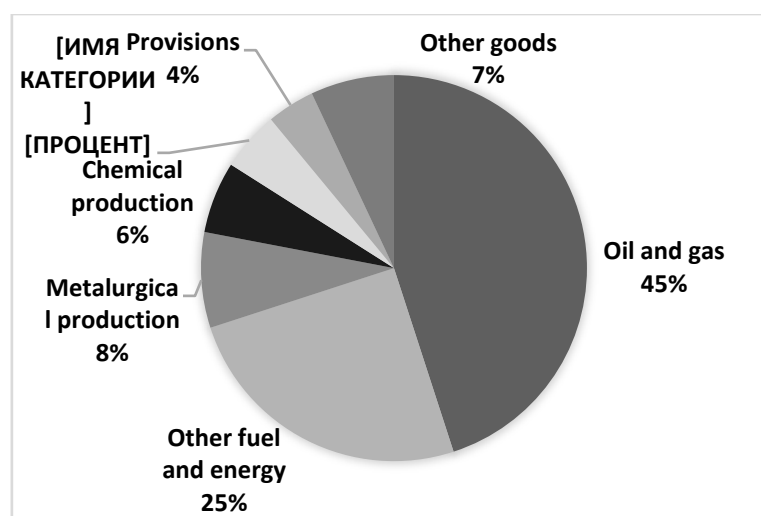


Figure 1. The structure of Russian exports for 2012 year

This fact can be substantiated by the theory known as “Dutch disease”. It explains the apparent relationship between increase in economic development of natural resources and decline in the manufacturing sector. The mechanism is that an increase in revenues from natural resources can make nation's currency stronger compared to that of other nations, resulting in the country's other exports becoming more expensive for other countries to buy, and imports becoming cheaper, making the manufacturing sector less competitive. As a result, the nation can observe increasing unemployment rate, decreasing rate of net exports, and finally falling trend of GDP.



Bar charts 2 and 3 below provide a visual evidence for this statement. The volume of exports was increasing from 2010 until 2013. However, the growth of GDP was decreasing in that period.

On the background of existing structural economy problems, oil price collapse proved to be the most impressive shot for the crisis to start. Other reasons are worrying political situations and hostile economic sanctions on the part of the European Union as a reaction to the Russian position in the Civil war in Ukraine.

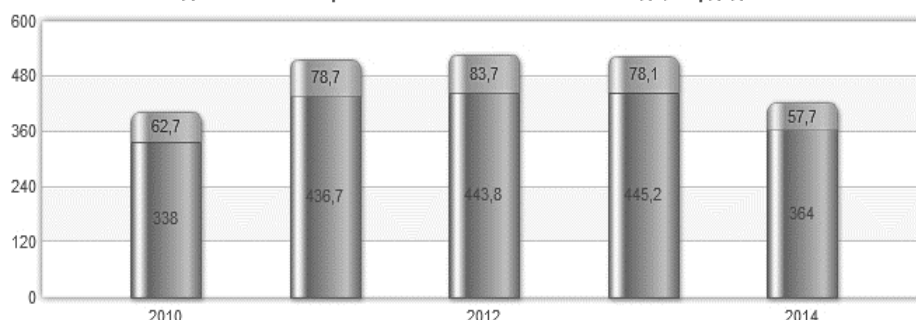


Figure 2. Dynamics of exports for 2010-2014, billion \$

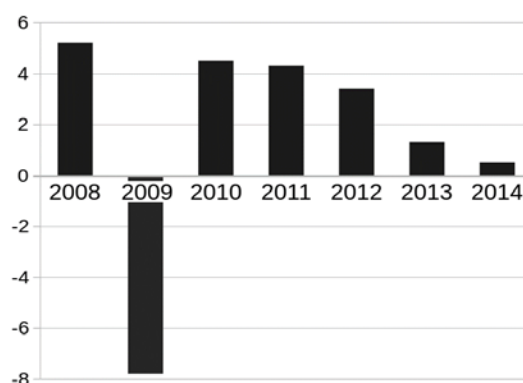


Figure 3. Russian GDP growth for 2008-2014

As for the negative consequences of the crisis, they are the following: devaluation of ruble by about 41 per cent; increasing of capital drain and credit rating reduction; rise in inflation; key interest rate elevation; decreasing of real income of the population.

All listed crisis consequences are interrelated, the common feature being the negative impact on Russian economy. Nevertheless, examining of these relations is beyond the scope of this article. In the next part, the focus is in the lessons that can be learned from world history of crises management.

International experience in crisis management

Economic crises is a regular event in modern economic systems and a part of their development. The critical question in crises times is what measures should be taken to overcome the crisis with as less loss as possible. The answer can be found in the analyses of the crisis causes and correspondent measures taken by the countries successfully managed a certain crises. The table below presents the behavior of the USA, Sweden and Thailand in different periods facing different crises.

Country	Crisis	Actions assumed	Result
Thailand [1]	1997 Asian financial crisis	<ul style="list-style-type: none"> • Increasing the role of the private sector; • restructuring of distressed financial institutions; • supporting exchange-rate stability by managing the interest rates; • budget deficit caused by increased spending focused on boosting social safety; • capital infusion into banking sector; • privatizing some public banks; • corporate debt and bank restructuring. 	Returning to positive growth in 1999
Sweden [2]	1991 Swedish banking rescue	<ul style="list-style-type: none"> • State guarantee for all bank deposits and creditors of the nation's 114 banks; • totally data revelation; • restructuring of some banks; • non-admission of private banks that can improve their situation by their owners to government help; • rising interests rate up to 500% (for few days). 	Growth of export, international confidence bringing money back into the country, economy normalization in 1993.
USA [3]	2007 Subprime mortgage crisis	<ul style="list-style-type: none"> • Decreasing of the discount rate; • recapitalizing of banks, purchasing of "toxic" assets; • structural banks bailing-out by government or nationalizing; • avoiding foreclosures. 	Recovering of economy till 2010

As can be seen from the table, some actions taken by the governments are quite similar, like recapitalizing of banks and capital infusion into separate sectors of economy. However, some of the measures taken are contrary to each other: while Sweden and Thailand raised the key interests rate, while the USA threw it down.

The reason is in the difference between types of economies, and the reasons for crises. For instance, the USA is a well-developed economy, but with huge problems inside the bank system, particularly, troubles in mortgage sector. Thus, the US economy did not demand structural reforms. At the same time Thailand with its emerging economy suffered from the outside infusion and became "overheated", thus, the only solution was in the system reformation.

No other country can prescribe Russia the best receipt to manage the crisis and to minimize the losses, but the knowledge of worldwide experience can be helpful so, further in the paper the attempt is made to examine Russian crisis management plan and find the merits and demerits of it, basing on the best practices of crises management.



Russian crisis management plan

On January 27, 2015 Russian government published the crisis management plan for 2015. This document included the most urgent measures to be taken to stabilize the economy in crisis period. There are four key directions of government aid: systemically-important banks and concerns, small businesses and social care. These measures are traditional in crisis management: systemically important organizations stabilize the economy, while social care prevents social strain, and small business are the key element to getting out of crisis.

The main points of the crisis management are the following:

- capital infusion into bank sector;
- formation of the bank of “acid” assets;
- purposeful assignation of resources from National Welfare Fund to systemically important concerns and banks;
- finance assignation for agricultural business support;
- simplified procedures for small business registration and optional tax remissions for some spheres of it (decision about tax remissions would be taken in a region).

Analyzing the measures proposed by the RF government, the conclusion could be made that authorities take into consideration the worldwide experience of crisis management. One of obvious lessons learned is investing into businesses and organizations that the country’s economy holds on. For example, resources from the National Welfare Fund have been already transferred to “SMP-bank”, “The Bank of Russia”, “Rosneft”, “Gazprom” etc. These actions enhance economic stability.

Moreover, the plan provides a system of actions to stimulate small businesses to increase their role in Russian economy. Similar measures were taken in Thailand in the 1997 crisis and proved successful.

What makes today’s situation even more problematic is that Russia today is practically isolated from the rest of the world and suffers from the pressure of economic and political sanctions and loss of foreign investments as a result. However, the case of Sweden crisis demonstrated that even in crisis a sustainable economic system could invite investments into the economy.

Unfortunately, Russian economic system is not transparent enough with a high level of corruption. For instance, authorities tend to distribute resources between managers of state companies, who have quite close relationship with ruling coterie. This supports a manager, not an organization. [4]

Summing up the examined points, the crisis management plan includes measures, which considered the world best practices of crises management and the reasons for the economic crisis started few months ago - deep structural problems of resource-based economy, negative political situation and oil prices decrease. The main problem as we see it is to provide transparency and prevent corruption in their realization.

Below are our suggestions to make the crisis-management plan implementation more efficient and effective:

First, **creating conditions for the transparency and honesty in economy system**, that is, providing a public access to information about government economic operations, i.e. resources of National Welfare Fund allocation, tenders, etc., like Sweden authorities did, when they faced a 1991 crisis.

Second, **providing financial support for core companies and banks to prevent the economy collapse**. This point is highly important and it should be done according to the above stated principle of transparency.

Next, **developing the business-friendly zone**. The only way to stabilize and strengthen the economy, to rise investments is to develop and support small businesses on the national



level. Besides supporting by tax benefits and procedural simplification, small businesses need safe environment with secured property.

Finally, providing **support to the disadvantaged groups**. Disadvantaged people are particularly sensitive to everyday rising prices. Therefore, the role of the government is to cushion the negative consequences of inflation for them.

No suggestions made are innovative but, they are in line with the world experience in crises management, which proved to have helped economies to recover completely from their crises, and there is a hope that the proposed additions to the 2015 RF government crisis management plan can be helpful.

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**THE NEW DEVELOPMENT BANK BY BRICS COUNTRIES:
OPPORTUNITIES FOR CHINA AND POTENTIAL CHALLENGES TO
EXISTING INTERNATIONAL ECONOMIC REGIMES**

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BRICS countries (Brazil, Russia, India, China, South Africa) plays a significant and growing role in the world politics and international relations. In 2013 there was an informal meeting of BRICS in 2013 in St. Petersburg, where the participants discussed the key idea of creating a New Development Bank (NDB), its structure and size of the capital. The second meeting was at 6th annual BRICS Summit, held in the Brazilian city of Fortaleza in 2014. The highlight of the meeting was a final agreement on the establishment of the bank.

According to the BRICS, the new financial institution must be an alternative to the World Bank and the International Monetary Fund. Division of voting power at the IMF, going on 70 years, is very much a political subject. Based on a quota system, each member country is assigned a quota, or monetary contribution, that is supposed to reflect the country's relative size in the global economy as measured by GDP. This quota also determines each member country's voting power. However, these quotas have not been revised for many years while the contribution to global GDP from the emerging BRIC economies has grown dramatically (China's voting power currently sits at 5% while it now makes up roughly 10% of global GDP). As a result, the BRIC countries carry a disproportionately low amount of voting power in the IMF (J. Hartley, 2014).

The BRICS bank will be capitalized at 50 billion USD, which will finance infrastructure and industrialization projects. Also, there will be a 100 billion USD Contingent Reserve Arrangement (CRA), from which members can borrow in order to halt any balance of payments crises. The pool of contributed capital to the BRICS bank, which is equally shared—is being funded 41 percent by China, 18 percent from Brazil, India, and Russia, and 5 percent from South Africa (R. Desai, J. Raymond Vreeland, 2014).

Talking about the significance for China of the establishment of the NDB, apparently, China will play a central role in the bank process. But not only by contributing the largest share, but also due to a rapid economic growth and a large number of unmet needs in the field of infrastructure and environmentally sustainable forms of development such as renewable energy and innovative technologies. Lack of infrastructure stops the development of China's ambitious projects and the NDB will be a resource for covering emerging needs.

By placing headquarter of the NDB in Shanghai, the city will strengthen its status of financial world capital, which is primarily benefit business development and investment, enhance the prestige of Chinese financial system and its institutes with experts. Overall, the cooperation contributes to regional and infrastructure development.

Thirdly, the active discussion is going on about the currency for the NDB. The credo is "all currencies are equal", but seems the renminbi will be more equal than others. Beijing has a long-running efforts in order to optimize cross-border use of the Chinese currency, especially for trade-linked transactions, and the NDB will help to gain a further boost (W. Middelkoop, 2014).

There is another point of view that the NDB will be a "demonstration of China's global leadership" and rising power in world affairs. According to Sean Goforth, a researcher at Portuguese Institute of International Relations and Security, since China already has a long history of developmental aid in Africa and Latin America, but the benefits of Chinese-



financed roads and the like have consistently served Chinese demand for natural resources. Moreover, many countries are dangerously dependent on Chinese demand for their commodities. A NDB dominated by China might create imbalances too, reinforcing dependence on commodities rather than encouraging manufactures, and supporting decisive government over democratic government (S. Goforth, 2014).

Conclusion

China's rapid growth has transformed it into the world's second largest economy, but its ability to play a proportionate role in development finance through the World Bank has been constrained by the low voting rights. The fact that the leaders of the BRICS nations have committed to the creation of a new Development Bank for infrastructure and sustainable development is signal of reshaping of the world financial system. This institution would strengthen the voice of developing and emerging economies in the development finance architecture (S. Griffith-Jones, 2014).

In this process, China has played a leading role by contributing the largest share and expressing an interest in development of infrastructure projects. However, for the bank this role of China has both advantages and disadvantages. If China were to account for a higher share of paid-in capital, additional advantages would emerge, such as a higher level of total paid-in capital, given that China commands such high levels of reserves, which could then lead to higher levels of lending by the BRICS bank). But also the potential disadvantage of creating excessive dominance by China in the governance and decision-making of the BRICS bank (S. Griffith-Jones, 2014).

The New Development Bank is a sign of a changing world. Changes can be seen gradually, however, this decision was inevitable for BRICS and may challenge the current global financial system.

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FRANCHISING IN RUSSIA. DEVELOPMENT AND PROSPECTS

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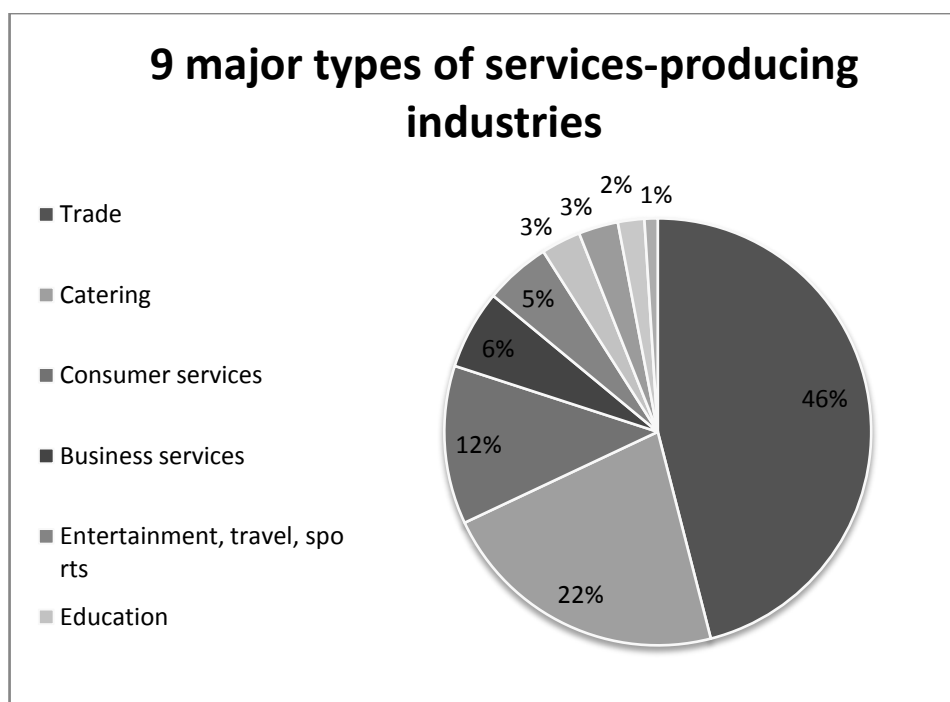
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If you ask any person, who has economic qualification “What is franchising?” He tells you that franchising is a type of relationship when one side transfers to the other side the right to a certain type of business, using the developed business model. Today, franchising is one of the most effective ways to improve the efficiency and competitiveness of businesses and that is why franchising is becoming more common in Russia.

After analyzing the franchising system the main advantages can be identified: a franchisee uses models with proven effectiveness; there is the opportunity to start business with a successful entry into the market; a franchisee has a choice (potential franchisee has the opportunity to get acquainted with the business of the franchisor before buying a franchise); there is the opportunity to reduce risks; the cost of advertising and marketing is reduced; a delivery system is guaranteed.

However, besides the advantages, there are some disadvantages of franchising: franchisees are required to follow the rules and regulations established by the franchisor, and this way, they do not have freedom of action; a franchisee buys materials at a higher price because it is profitable to the franchisor; a franchisee cannot influence the issues of centralized marketing and advertising, but they are forced to pay for marketing campaigns; the legislative base to regulate franchising in Russia is incomplete.

Let us consider the main economic activities that the franchising system uses.



The diagram shows that the trade is the undisputed leader. The trade occupies almost half of the global market of franchising. Almost a quarter of the market belongs to catering. It is connected to the fact that trade and catering are the most popular activities that quickly pay for themselves [2].

Let us consider the peculiarities the franchising market *in Russia* and prospects of its development. According to statistics 85 % of new companies stopped their business activities during the first five years. While the number of dissolved companies created by the franchise system decreased by 14%. In Russia, the conditions for small businesses are not sufficiently developed, in connection with this interest to franchising is growing.

During the 2013 turnover of franchising market has grown substantially. Image 2 reflects the international position of the Russian market [4].

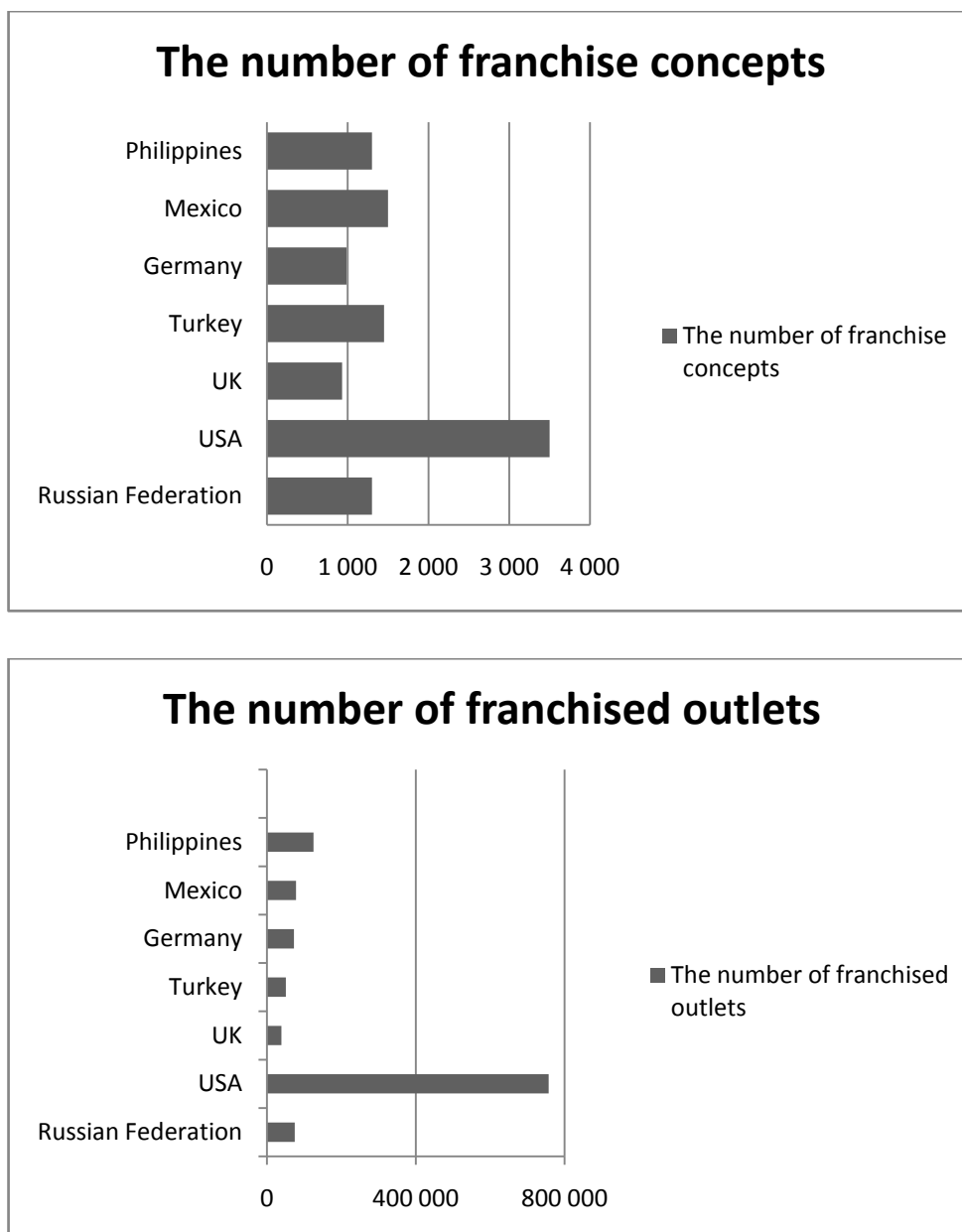


Image 2. Franchising in Russia and in the world (2013)

The effectiveness of the franchise model depends on the economic situation and the level of development of business in the market is dependent of a given region. Franchising is widely used in only a few regions of the country. They are major economic centers - Moscow and St. Petersburg. There are several regions where franchising is developing rapidly. This Tyumen region, Chelyabinsk region, the Republic of Tatarstan.

In the illustration shows the structure of franchising in Russia (Image 3). The most popular are the franchise in the retail sector. Second place goes to the service sector, in third place - the franchise in catering [2]. In this case, a similar distribution of franchises' activities differs little from the global indicators.

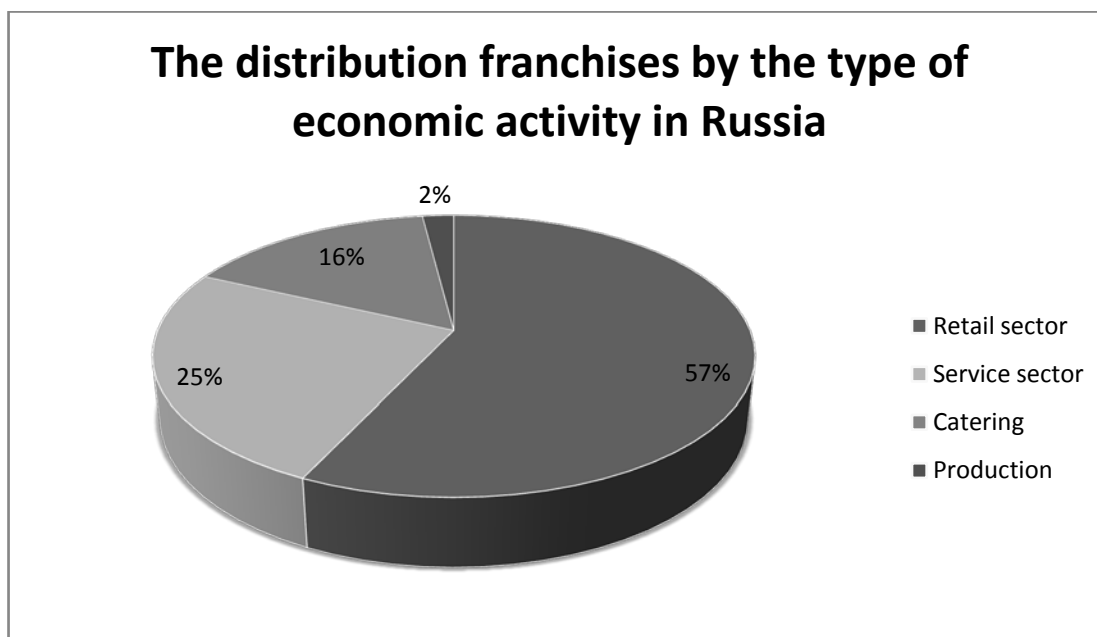


Image 3. The distribution franchises by the type of economic activity in Russia

Official statistics keeps silent any market data on franchising. The unified list does not exist because the franchise is not specified in a certain type of business.

Unofficial statistics says that the business of the franchise adds to the country's GDP by 3,5%. For example, in the US, this figure rises to 10% (2013). According to experts of the European Franchise Association, over the past three years, the franchise market in Russia increased by 98%. High growth rates of franchise are projected for five years forward.

There are many factors that hinder the rapid development of franchising in Russia. For example: the absence of legislative base, the absence of reliable communication with the franchisor, lack of specialized intermediaries between the franchisor and franchisee beginners in business.

In Krasnoyarsk franchises are represented in such sectors as retail and catering. At the moment, there is information about the 67 franchises opened in Krasnoyarsk. Every year more and more world-known organizations are opening in the form of franchises. For example, there are such companies as KFC, Subway, Adidas, Zara and others. It is being

planned to open the Mc'Donalds. The main advantage of foreign franchises is an opportunity to attract foreign capital.

As for most popular domestic franchises, they are “33 Penguin”, “Expedition”, “Red Cube”, “Yakitoria”. A major player in the Russian market franchises is Krasnoyarsk’s “Belini group”. This company sells its franchise across the Siberia and plans to enter the Ural. The domestic franchisors promote the development of small business in Russia. They are more reliable in the unstable international economic and political situation. Market franchises and franchising in Krasnoyarsk have not formed yet, but its potential is huge [3].

In conclusion it can be said that the franchising has become one of the most effective tools for the survival of small businesses it’s connected with the increased turnover of large and medium-sized trading companies. Predictability, the calculated, minimum risks - all these advantages of doing business franchising are particularly relevant in view of the current recent geopolitical situation. Today, the most important task is to improve the business climate in the country, as well as raising the level of economic security and an increase in GDP due to internal resources.

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SUCCESSFUL BUSINESS IN ASIA: OVERCOMING CULTURAL BARRIERS WITH FEATURE FILMS. EVIDENCE FROM INDIA

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For 2014 the relations of Russia with Europe and America became much complicated. Contemporary political situation which includes numerous sanctions, an unstable economic situation, the law exchange rate for Russian national currency, and etc. made business dealing of Russian and European countries difficult. On this evidence, developing of business relations with Asian countries is becoming more and more relevant and prospective. Some Russian banks and companies have already transferred part of its assets in Asian banks. It is logical to assume that the Russian businessmen are thinking seriously about moving their business towards Asia. According to the Financial Times : “Megafon, the country’s second-largest mobile phone operator, said on Thursday that it had converted 40 per cent of its cash reserves into Hong Kong dollars at Chinese banks, with the remaining 60 per cent being held in rubles. Sources close to Norilsk Nickel and Novatek said the nickel producer and Russia’s second-largest natural gas producer had also started moving some of their foreign exchange holdings out of the dollar”.

However, can the Russian business, accustomed to the European style of cooperation, adapt quickly to the distinctive Asian atmosphere? Many businessmen believe that under the influence of globalization business relations have become standardized and business success does not depend on culture and traditions to large extent. Most of business owners do not give enough attention to cultural exchange.

Asian countries are known for their well-established culture. Each country has its own peculiarities. It was decided to limit the research to one country. We have chosen India as the object of the study for the reason that India’s economy, as well as China’s one, is developing rapidly. That is why it occupies a significant place among Asian and world economies. India is among the top ten countries in the world in level of GDP [2].

Nowadays heads of Russia and India often have ministerial meetings and expand bilateral contacts within the summits, conferences and political visits. Countries cooperate in different directions: military-technical cooperation, agriculture, transportation, trade, energy, the nuclear field. Governments are working closely together to create favorable conditions for Russian business in India. “...pursuant to the India-Russia consultations on visa/consular matters which took place in Moscow on October 10, 2013, it will be sufficient for business travelers to submit written requests from designated national associations of businessmen as justification for the purpose of travel[1].

Business in India has an advantage of cheap workforce. The Indian government is friendly to foreign business, which helps to reduce the number of unemployed, creating additional places for work. To attract foreign investment the Indian government has reduced taxes and simplified many of the restrictions on trade. The most popular business sectors are tourism, trade and catering. They are the most attractive for Russian businessmen.

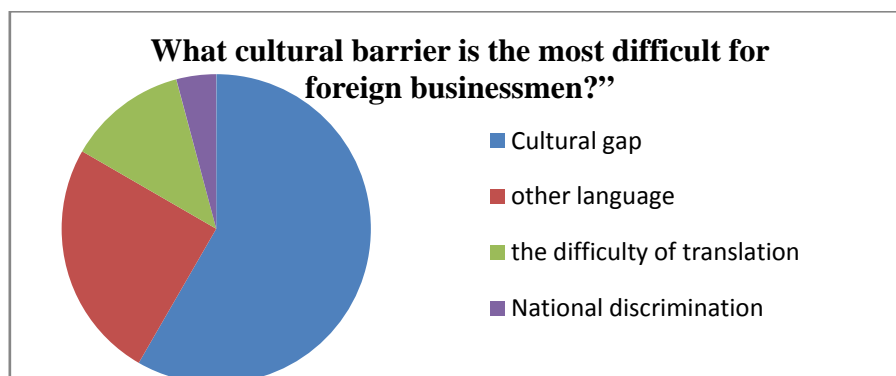
However, the simplification of political and economic problems does not solve the problems of intercultural communication. The technique of business communication and business dealing in India is original and even exotic according to European opinion. Business custom in India is closely connected with morality and cultural traditions. “India is diverse with varied and distinct geographical regions each having its own language, customs and festivals. The country is comprised of a rapidly developing population. At present, 70% still



live in villages and work in agriculture, 13% work in the industry sector and 17% in services. Literacy is highest in the South at almost 90%. This is contrasted with Northern regions where the literacy rate is only about 45%. “[4]

Some Indians (25 people participated) were interviewed within the research. The initial question was the following one: “What cultural barrier is the most difficult for foreign businessmen?”

- Cultural gap (the difference of religion and traditions) 56%
- Other language 24%
- The difficulty of translations 12%
- National discrimination 4%.



According to the survey the most significant problem for foreign business is ignorance in language and culture.

No one can deny that life experience is the best teacher to fill cultural gap. Just being in the country you can understand its nature. However, the businessmen, who carry a financial liability and risk their capital, are interested in being pre-prepared for the difficulties which they might come across in another country and avoid cultureshock.

Nowadays, when information technologies are highly developed, there are many ways to explore the features of cross-cultural communication. It is possible to use the manuals of intercultural communication, online forums, trainings and seminars, cultural tourism. One more way to learn about cultural and business features is watching cross-cultural films.

Movies are good for perception due to the brightness and clarity. They affect us in the different directions (emotions, senses...). Learning with movies is not tiring; it is exciting and can be combined with other activities.

Movies, as a way to explore cultural characteristics, in particular in the field of business, have a number of advantages (according to Ellen Summerfield):

- Increase the knowledge about our own and other cultures
- Raise awareness; awaken interest in and curiosity about other cultures
- Allows us to “experience” other culture
- Enhance our cross-cultural skills (e.g. empathy, listening, mindfulness)
- Develop critical thinking
- Speak to and evoke emotions
- Make communication patters (verbal and nonverbal) visible

However, everybody knows that feature films contain a large amount of imaginary elements that are suitable for improving its position in the film rating according to the director’s or producers’ views. That’s why it is necessary to make sure if the film reflects

reality. As a resource for the study of Indian culture, we chose the movie “**Outsourced**” (directed by John Jeffcoat, India/USA, 2006).

Plot: When a Seattle-based US firm Western Novelty decides to outsource its call centre to India, it asks Mr. Todd Anderson (Josh Hamilton) to train his replacement in India, which he has to accept reluctantly. Right from the first day of his arrival in India, Todd encounters a series culture shocks and unusual situations with Indian people. He starts understanding this new country, its culture, people and society slowly and steadily. In the process, he gets good support from his manager Purohit (Asif Basra) and female colleague Asha (Ayesha Dharkar), who also starts liking Todd later. When things are progressing forward, and centre starts performing with its full potential, the company again decides to outsource jobs to China for saving huge costs. The centre in India is being closed and its employees should look for another job. Todd helps Purohit to get a new job by recommending his name to Centre Head of China office. At the end of the movie, Todd comes back to US, but his has sweet memories of India, Asha and his colleagues with him [3].

In the study, some Indians were asked to express their opinion about this movie. There are some of them:

Rejendra (21 years old): “I like this movie because it shows exactly Indian culture, thinking of Indian people.

Subham Kundu (27 years old): “Indian manner to carry on business has some difference from European. I think that business success in India depends on an understanding of culture so it is important to know about it. The film can help foreigners to make the image of India”

Jaggs (23 years old): “I have been to Europe and can say that their business it different. Europeans need to learn our culture as we explore their one”.

The film “Outsourced” clearly shows the cultureshock experienced by foreigners in India. It also demonstrates the difference between the Eastern and Western cultures. On the example of acculturation process of the main hero, businessmen can learn some ways of adjusting cultural problems; such methods as the introduction to the traditions and dinner together with the residents, participation in national holidays, homestay, reading national literature etc.

Russia is actively developing relations with Asia, including India. India has its own unique way to run business. Success in this sphere may depend on understanding of the cultural aspects in a large extent. Unprepared person cannot avoid cultureshock while moving to a country with a different culture. Especially this shock is dangerous for businessmen, who always bear the responsibility and risk. However, there are a lot of ways to prepare people for the cultural contrast. One of them is movies about intercultural communication that can help businessmen develop a more detailed understanding of the country and its cultural features; it is very important to start a successful and thriving business.

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COMPARATIVE ANALYSIS OF APPROACHES TO REAL ESTATE VALUATION IN RUSSIA AND ABROAD

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Key words: real estate assessment, cost approach, income approach, comparable approach, direct-comparison method, income capitalization method, cost capitalizing method, integrated method.

The transition to market economy has resulted in increase of the number of companies contributing to the stabilization of *Russian* economy. Companies specializing in the appraisal of various types of property are in the top of the list of those emerged recently. The property objects to be assessed are the following: businesses, real estate, intellectual property.

Russian companies involved in the property appraisal do not have such rich experience, as companies abroad; so, the study of best practices and analyzing opportunities of their adaptation and integration into Russian appraisal industry can be useful for each appraisal company's successful development, as well as for the industry in whole.

This article focuses on a comparative analysis of Russian and foreign approaches to real estate assessment, review of existing positive trends of foreign experience introduction in the industry. The author draws the reader to the conclusion that flexible approach to assessing specific property object based on integration of different appraisal methods and approaches can ensure the most accurate procedure and reliable appraisal results.

The main task of property appraisal is to recognize the property rights of the owner and the market value of the property for eventual transfer of those rights. Transfer of ownership rights can be as onerous and gratuitous. In both cases, the owner (seller), as well as the buyer (recipient) receives information about the estimated profit or loss from the sale / purchase (transmission / reception) property from appraiser. In addition to the mentioned market value, there are other types of value, such as insurance, investment, etc., to determine. Together they make the total value (as well as selling price) of the real estate, usually determined by involving the appraisers services.

It should be noted that the most important requirement for the correct appraisal of the object of any property it must be reliable, that is authentic without any doubt in assessment. Based on the critical importance of establishing reliable market value appraisal is to be carried out by qualified, specially trained independent experts - appraisers.

This article discusses methods of real estate valuation, the topicality of the problem being explained by direct interest of all segments of population in the real estate as an object as this is a place to live and work.

To look for opportunities of introducing best practices of foreign appraisal industry below a comparative analysis of approaches to the real estate valuation in Russia and the USA are presented.

Traditionally, in Russian practice of real estate valuation the following basic approaches: cost, income and comparable are used. Each approach involves applying specific methods of appraisal, and requires compliance with certain standards and the availability of sufficient factors (Fig. 1).



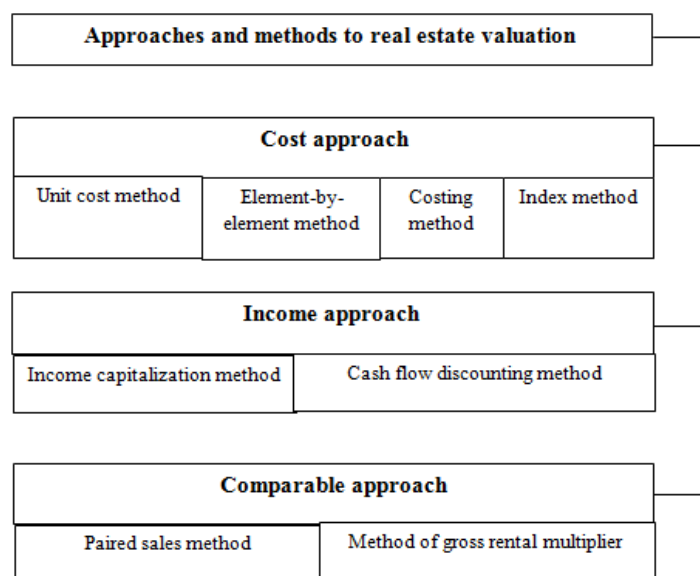


Fig. 1. Main approaches and correspondent methods to real estate valuation

In American practice of real estate valuation five main methods are used. They are presented in Figure 2. Let us take a brief look at the features of each of them.

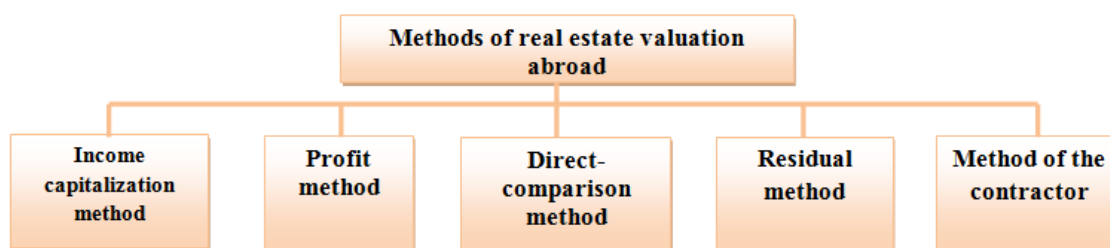


Fig. 2. Main methods, applied to real estate valuation in USA

Direct-comparison method is based on direct comparison of binding to a specific basis for comparison, and, if the characteristics of the estimated object have higher rates than comparable, higher price will be paid for it, if lower, real estate will be estimated like less attractive and the result will be a lower price.

The *income capitalization method* is nothing more than the estimate of the present value of annual net rent at a fixed rate investment. In other words, it is a method of complete discounted stream.

The *profit method* is based on the profit as the market value of the estimate depends on the potential cash flow received from it, i.e., property is considered as a unit of production. In this case, potential expected income deducting all costs is calculated.

In the *residual method*, the appraiser determines the market value in reproducible form - either by comparison or the investment method - and source from it "total cost of development," that is, all of the costs that would be incurred to bring the property into a corresponded shape. These costs may include the destruction of the existing building, internal works, installation costs, payroll payment, etc., sourcing these costs from the total market value. So here this method gets name.

By the *method of the contractor* market value can be equaled to the cost of reconstruction. Market value of uncultivated land is estimated by adding the cost of repairing

the new building which would perform the function of an existing building, and, so, from this information adjustment is made for depreciation and obsolescence of the existing building on the new hypothetical unit.

These *five methods* proved to be useful in *American practice* due to the fact that information about transactions in the property market is *confidential*, the parties do not reveal the real value of the property, and, as a consequence, there is no reliable data on their transactions. This creates difficulties in the study of commercial and industrial properties, as appraisers need to spend time checking and comparing information with respect to similar transactions.

Foreign and especially American experience of real estate valuation is becoming more widespread in the *Russian practice*. Only three American methods of real estate valuation have become popular. They are *direct-comparison method*, *cost* and *income capitalization method*. However, these methods are introduced in modifications presented in Figure 3.

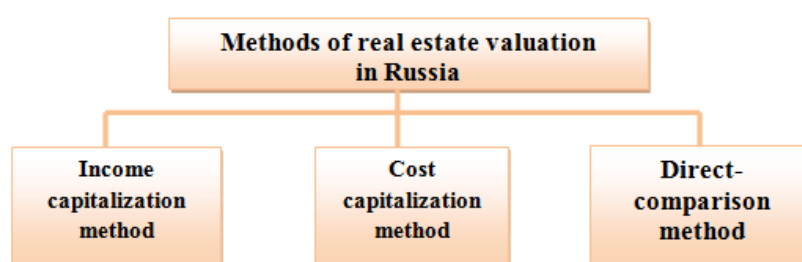


Fig. 3. Main methods, applied to real estate valuation in Russia

The core of *direct-comparison method* is in selection of the maximum corresponding to the parameters and conditions of a new transaction of any object - representative by already existed transaction, or through the use of the calculations created on an array of previously made deals mathematical statistical model based on the market value of a combination of factors market pricing.

Cost capitalization method implements a set of procedures that allow determining the value of investments in a particular object of social labor, and then capitalizing on it on the basis of complex accounting operations.

The income capitalization method means calculation of the value of real estate property brought income, followed by its market capitalization basing on the same statements as in the previous case.

The main difference between Russian and American real estate valuation is the starting value for calculation, namely, the basis of calculations in foreign practice are market prices, and in contrast to administered prices, that is artificial planned prices used in Russia until recently. Second, in the USA the complex of calculation procedures is used, which assumes application of a pool of coefficients concerning all sorts of factors (valuation, tax assessment, sales prices, partial payment, discount rates, income capitalization, tax, market value standards, etc).

Regardless of the approach applied, the task of any valuation methodology is to establish minimum requirements, compliance with which ensures the correctness of the assessment. Consequently, any technique used in a method should be standardized, that is suitable for inclusion in the system of any object or its component valuation in order to reflect the most essential characteristics of an object of evaluation.

At the same time methodical support of valuation should be adaptable, allowing, if necessary, making a consistent detailing of calculation algorithms. This is essential to prevent possible miscalculations and errors in the real estate valuation, which is highly probable with

applying only one technique and even one approach, because there is a risk of inadequate reflection of objective socio-economic conditions of market pricing in price parameters.

The way to avoid the limitation of one method used can be in closer studying of success stories of foreign companies engaged in real estate valuation, applying the valuation techniques that combine the experience of Russia and foreign countries.

Appraiser's awareness of the techniques adapted to the specific property, taking into account international experience are important for a successful real estate object valuation. The appraiser's ability to choose the best valuation methodology for specific conditions and purposes of the appraisal or create a tailor-made complex technique based on applying a combination of techniques from different existing approaches can allow achieving the most objective results in real estate valuation act.

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MARKETING RESEARCH OF KRASNOYARSK CULTURAL INSTITUTION SERVICE MARKET

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As a famous American poet and writer Archibald Macleish said: «The arts are always in trouble. It is their nature to be in trouble». We can strongly agree with this statement. In our country the economic profitability of the art activity for a long time constrained by a limited purchasing power of population. The low profitability of this sphere is a consequence of its low attractiveness for qualified managers. The Krasnoyarsk Krai is an industrial area and there is ample evidence that the government pays more attention to the industry markets such as fuel industry, energy, mechanical engineering, defense industry. Therefore art sphere suffers from the deficit of investments.

At the same time those of us who enjoy performing arts such as music, dance, theater and opera want to see this market prosperous. The transition to market relations forced a lot of cultural institutions to realize that marketing approach is the key to effective work. Fortunately, cultural organizations stopped considering themselves as closed systems implementing only government programmes which are financed from budgetary funds, but started to take customers' desires into consideration and meet their needs.

It appeared that there are not so many marketing researches devoted to cultural institutions. Thereby, this report is a part of the course paper and the first step of the research project on cultural market. In this way, the goal of this report is to review a general situation on the market of Krasnoyarsk cultural institutions and the assessment of motives and reasons of satisfaction (dissatisfaction) of consumer demand.

An important point is determination of supply on the market of cultural intuitions in Krasnoyarsk. The structure of the state and municipal cultural and educational institutions of Krasnoyarsk is presented in table 1.

Table 1. The structure of state and municipal cultural institutions and education institutions of Krasnoyarsk Krai

Type of cultural institution	The total number	Including reference of Russian Ministry of Culture
Institutions of higher professional education	2	2
Institutions of secondary professional education	6	0
Children's music and artistic schools, art schools	127	0
Institutions of additional professional training	1	0
Theater institutions	20	0
including independent creative teams	20	
Museums	70	0
Public libraries	1181	0
Institutions of cultural and leisure-type	1276	0
Recreation and entertainment parks	3	0
Zoos	2	0
Cinemas	3	0
Film Institutions	1	0



Briefly speaking, the market of cultural institution service in the Krasnoyarsk Krai is rich in diversity. It is important to review every part of it separately. To evaluate a general situation on this market the survey was held. 115 people were interviewed and in accordance to the received data 41.5% of respondents prefer to visit theater institutions rather than any other arts related places. Thus, in this report the theatre service will be examined.

One of the main problems of the consumer market research in transient conditions is the determination of the market size and the degree of consumer demand satisfaction. Potential market size is the maximum possible volume of sales, when all potential consumers buy goods on the basis of the maximum possible level of consumption. The true market size is a real sales volume of an analyzed product. The calculation of the potential market size and the true market size of professional theaters in Krasnoyarsk city are presented in table 2.

Table 2. The calculation of the potential market size and the true market size of professional theaters in Krasnoyarsk

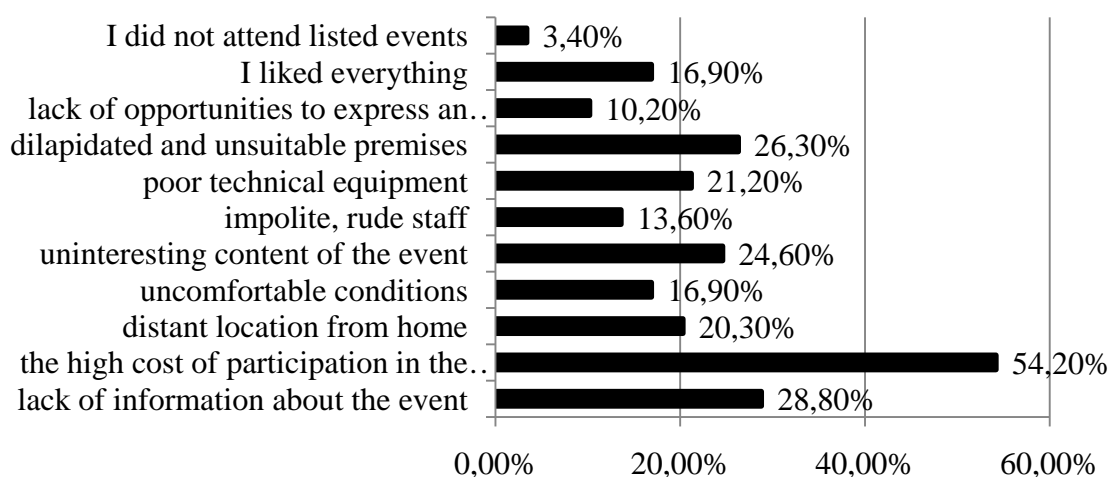
The name of the theater	Number of seats in the auditorium	Number of performances	Potential market size of professional theaters, people (number of seats * number of performances)	Number of visitors (true market size)
Krasnoyarsk Musical theater	1014	341	345 774	138 945
Krasnoyarsk State Opera and Ballet Theater	877	313	274 501	145 664
Krasnoyarsk Puppet Theatre	the main hall – 96, foyer - 24	485	58 200	43 846
Krasnoyarsk Drama Theatre named after A.S Pushkin	chamber stage – 49,42; great stage – 500	368	217 488	100 595
Krasnoyarsk Young People's Theatre	small hall – 100, great hall - 455	378	209 790	74 192
Total:	3157	1885	939 451	503 242

The collected data and calculations show that the potential market size is almost twice larger than the true market size of professional theaters. This result can be attributed to errors of the calculation and also indicates the problem of filling auditoriums. In other words, not every performance has a maximum number of spectators.

The survey was aimed at eliciting why people do not visit the cultural institutions in our region. Firstly, visitors were dissatisfied with a service they have got. Bar chart 1 shows the degree of consumer satisfaction with theaters and the reasons of consumer dissatisfaction.



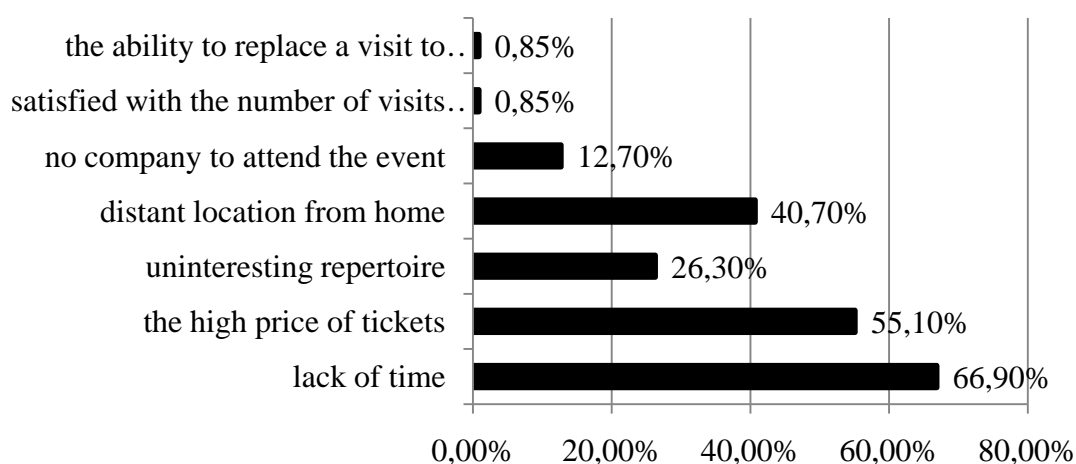
Bar chart 1. The reasons of consumer dissatisfaction in concert organizations



We can safely assume that overwhelming majority of visitors who have already attended the concert organization events were not satisfied with the cost of participation. It is clear, because 61% of interviewed were students. 28.8% of interviewed visitors noted the lack of information about the event. 26.30% did not like the premises conditions.

Bar chart 2 shows the reasons why people do not visit concert organizations such as theaters.

Bar chart 2. The structure of things which prevent people from visiting concert organizations such as theaters



As we see, there are three main factors that prevent people from visiting Krasnoyarsk concert organizations. These factors are the lack of time, high prices of tickets and distant location from home. This fact confirms the information presented in the previous Bar chart.

To sum it up, by the main reasons of consumer dissatisfaction received by the questionnaire we can note some important points for Krasnoyarsk cultural concert organizations. Firstly, it is important to determine a pricing policy. Different kinds of sales, actions and discounts can contribute to the decrease of the visitor's dissatisfaction with high prices. Secondly, concert organizations have to promote themselves and their activities, for example, using

web-sites and posters. Finally, restoration and repairs of cultural institution premises could allow attracting more consumers.

This report is a part of marketing research and directed to find out a general situation on the Krasnoyarsk cultural institution market. The development of the situation improvement methods for cultural institution market will become the next step of this research.

In conclusion, obviously, successful integration of art market is impossible with no solution of management problems. The government has to create special programmes for art management and marketing training for the professionals providing opportunities to get education and grants as well as to be involved in an internship in this sphere.

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BITCOIN - VIRTUAL CURRENCY

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Introduction

We're living in the age of globalization, informatization and computerization, this fact has an effect on our society. Scientific progress became a cause of Artificial Intelligence development. Short time ago scientists discovered Higgs boson, invented Electrocar. The global monetary system is changing too.

In 2008 an unknown programmer Satoshi Nakamoto posted a message to the network, which explained the essence of the new electronic money system. This system is called Bitcoin and uses currency: Bitcoin or Cryptocurrency. In our opinion, the topic of Cryptocurrency and Bitcoin is relevant, therefore we decided to study it in details.

Methodology

We were carrying on the scientific research during two-month period (February and March 2015). 24 first-year students (14-07, SFU IUBPE) were interviewed. In addition to this, Internet and the other sources of information were used. We summarized the information of the Bitcoin system in order to understand the information about Bitcoin better. Besides, we interviewed one of the leading teachers of our institute - Molchanov M. A. and knew his opinion about Bitcoin. Next, we found Bitcoin Statistics of the rate fluctuations against the dollar. And, of course, we used the statistics of Bitcoin spreading by countries in the world.

Results

The interview of 14-07 group showed that many people don't know about Bitcoin. This term was even mixed up with Beethoven – German composer or the Dog from popular film. So, as the result, we should mention that the awareness if this phenomenon is low.

If we want to evaluate and to understand Bitcoin, we should understand its basis. We will try to note the most important things of what we have learned.

Firstly, Bitcoin is **virtual currency**. We don't have it in our material world. You need to know only the number of your personal account and password and you can pay the bills. There are special payments Bitcoin - terminals. By the way, a few days ago, Lenovo announced the release of Bitcoin-debit cards.

Secondly, the specific characteristic of this currency is that **it doesn't "feel" the inflation**. Because, Bitcoin system doesn't have "The central bank", therefore this system is decentralized, and nobody can control it. And there is no emission, as in any other traditional currency. Because, there are a fixed amount of coins: 21 million. This is the fixed amount. By the way, now Bitcoin coins are comparable to the gold coins.

Rate fluctuations Bitcoin

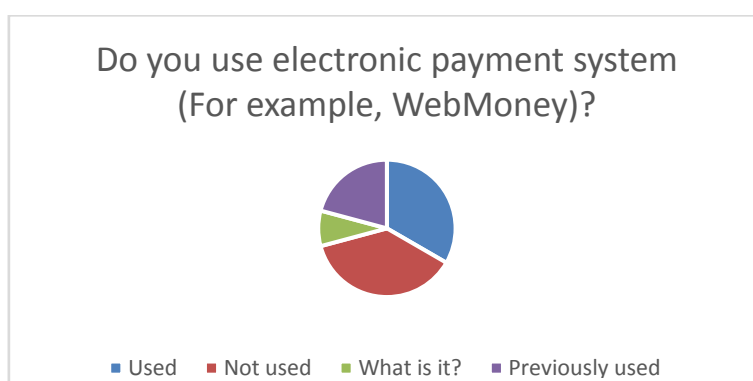


Thirdly, Bitcoin system is completely anonymous. No one knows about you and you don't know about your partner. On the one hand, it gives unlimited freedom, but, on the other hand, such anonymity can lead to crime. For example, drug dealers transfer the large sums of money through the Bitcoin system, and nobody can stop them.

One more point should be mentioned, the sum of transferring (or payment) **isn't limited** and the speed is **momentary**. This is a great advantage in contrast to standard banks. By the way, Ben Shalom Bernanke – ex-chairman of the US Federal Reserve, noted this Bitcoin's advantage.

Finally, the most important thing is methods of getting Bitcoin coins. Generally, there are 2 ways to get Bitcoin coins.

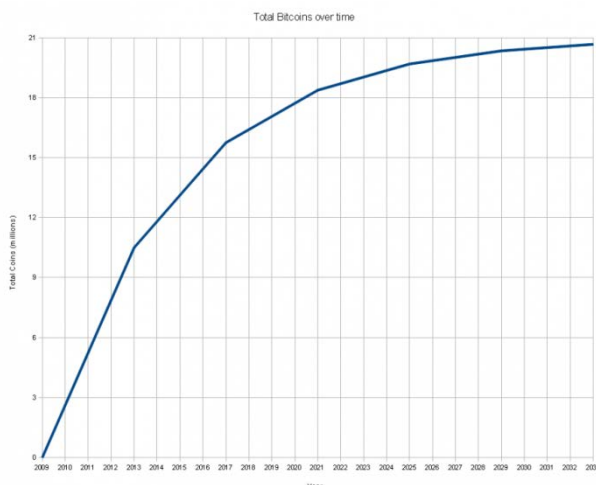
The first method is usual and well-known: to buy as much as they need by the currency rate. One third of the respondents from experimental group use electronic payments system, and 20% of those who used, consequently, Bitcoin may be developed in Russia, we don't take in to consideration to the other countries.



The second method is called «mining». The essence of mining - to select a crypto key. For this the special programs are needed. This method is rather complicated as: 1. there is one password, and **many** combinations of this key, you can choose the combination for year, decads; 2. the power of the home computer is not enough. Therefore, people buy more computers and do mining alone or combine with over people in the “pool” and share the profit with each other.

The second method is difficult by the fact that each next key is more difficult than the previous key, and you'll spend more and more time for choosing. By the way, the original Bitcoin currency rate was determined by multiplying the energy, which computer used, into the cost of electricity in the USA and it was divided by the amount of received coins.

Today 13 million Bitcoin coins are in circulation.



From the graph, we can see that we will get a new coin by 2033. What's next? One Bitcoin is divided into tenths, hundredths, thousandths. By analogy with cents and pennies. And it is constant, if the demand is growing, the rate should grow too.

The lecturer Molchanov M.A. expressed critical opinion about Bitcoin. The important disadvantage of Bitcoin isn't controlled. Therefore, the criminals can steal the people's money. As it was mentioned, that system doesn't have the main Controller. We don't know who the Satoshi Nakamoto is: the man, or the group of people. Because it is a pseudonym. Satoshi thinks that crypto currency can be useful.

Also, we pay your attention to the Bitcoin's spreading around the world. The largest holder is USA.

USA	3,1 mln
China	2,7 mln
Germany	2,5 mln
The UK	1,9 mln
The Russian Federation	1,2 mln
Malaysia	0,9 mln
Others	0,7 mln

Conclusion

In conclusion, we would like to mention all of the major components of the system Bitcoin.

- Decentralization
- Anonymity
- Unlimited amount of transferring
- Non-inflationary
- Fast transferring

Therefore, in our opinion, Bitcoin has the future. Now our economists have to think how to use the crypto currency in the national interest. Nowadays there are about 20 Crypto currencies in the world, and we cannot ignore this fact. USA and China have Bitcoin's stock exchanges. It is the future. Unfortunately, electronic currency is still poorly developed in Russia, and the Central Bank of Russia do not recommend Russian banks to invest in Bitcoin.

From our point of view Russia needs its own national Crypto currency. We can create it in a short time. Russia has the basis for this. It will give a lot of advantages for Russia. This is a great opportunity to improve the investment climate in the Russian economy. And we understand that the state should control this currency. We can't ignore it. In other words, we need to take the best from this experience with Crypto currency and create our own unique e-currency.

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УДК 338.5

PSYCHOLOGY OF PRICES: HOW CUSTOMERS PERCEIVE YOUR PRICES

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When you think about what price to charge for your goods, please note that you are an educated economist and marketer, who uses a lot of formulas for calculating the optimal price. And your client is just a person who thinks in a different way. You absolutely do not know and cannot know which thinking processes are taking place in his head, but you should be aware that he takes a decision whether price is adequate or not only concerning his own thoughts and quirks, which can be totally incomprehensible for you.

Therefore, we would like to draw your attention to such features concerning the psychology of price perception.

1. If customers make purchases in your store, it does not mean that they are satisfied with your price and quality of goods.

Perhaps all of your customers, who do not complain, actually, are very unsatisfied with your work and, in particular, with the price. Maybe they just have no alternative. But as soon as an adequate competitor appears – all of your customers immediately desert you in favour of him (and it does not mean that he is better, maybe you just got your customers with some trifle, for example, you have 15 cents more expensive).

2. Each person has the corridor of prices for each product in the head.

In other words, it means that everyone has his/her own perception of the rate of money and rate of comfort or dissatisfaction.

The perception of "high" prices is not connected with prime cost or with real value. It is your client who believes that it costs so much. And that's it.

Perhaps you have already noticed, sometimes people do not think for a very long time, choosing goods, which cost 2500 or 2800. At the same time, they will not buy bread, which costs 20 RUB because near their house they always buy it for 17,5 RUB.

3. People are guided by "a nice wrapper".

Another aspect that could be mentioned is that the vast majority (nearly 90-95 percent) of customers, believe that the goods in a new box and with a beautiful ribbon are much better. That is why there is a huge demand for Chinese iPhones and other nonsense that just barely works, and costs as a good but non-brand thing. The main idea is that they just have a well-known logo!

Example with services is even more banal. A beautiful report with 50-70 pages in pdf format or a colorful PowerPoint presentation looks much nicer and more trustworthy than just "word"-document. And it does not matter that only 5 lines in 70 pages keep to the point, and in addition, they are wrong.

4. Your price must be justified and approved.

On Web sites, in the shops - everywhere you need to show to customers why option 1 costs more than option 2 and option 3 is more expensive than the second one.

If you try to explain your client complexity and difficulty in performing certain tasks – in this case it will not be additional value for him. It's necessary to use intelligible and clear arguments and reasons.



Table 1. Rules of argumentation

Wrong	Right
This is a new version	There are a lot of new pieces
There is a more powerful processor	The computer will run faster
It has more megapixels	It has sharp image
This brand is reliable	This firm is cooler

5. Customers buy not individually, they do it generally.

People are ready to buy 1 item for 1 ruble. But they are not willing to pay 500 rubles for 1,000 units of the same goods. It's such a big sum – 500 rubles!

This happens all the time. Recall shopping in the supermarket. People come out of it with full sacks and feel indignant, because as they say, they have come to buy a loaf of bread but spent almost half a salary. Why does it happen? You go to the store and suddenly you see a bottle of milk for 45 RUB, and flakes for 80 RUB, and a bottle of oil for 60 RUB and finally, bread for 19 RUB. Everything is so cheap. And finally, when you pay the bill, you have over 500 RUB. And you are shocked! Is it still so cheap?

5 pricing strategies based on psychology

1) Discounts

For example, it's a common knowledge, that a tactic of increasing the price by 20% and offering a discount of 10% is perceived better than simply raising prices.

2) Factitious time limit of the offer

"Only one day a sensational price drop! 50% discount on the entire range of products!"

These ads proclaiming "only one day" panic, are known as artificial time limits.

Buyers are afraid to miss out on a bargain because they do not want to feel a sense of regret of missed opportunities (so-called "fear of loss").

Also, people will feel the psychological need to resort to shopping, watching how other visitors hurry to take advantage of your discount (so-called "herd behavior effect").

3) Price appeal

Price appeal is the official name for all those figures ending with "9" which you see on the price tags in your local store.

A study conducted by the researchers from the Massachusetts Institute of Technology and the University of Chicago has proven that prices ending in figure "9", create an increased customer demand for products. This psychological phenomenon is due to the fact that we read from left to right, so when we are faced with a new type of price \$ 1.99, the first thing we see - is "1", so subconsciously perceive the price as "closer to \$ 1 than to \$ 2." In fact, ending a price in "9" you convince the client that offer him a bargain.

The prevalence of "charming price" creates funny opposite effect. While prices ending in "9", mean in the mass consciousness "the best price", the price, uncompromisingly ending in "0", convinces buyers that it's "a prestigious price". So if you are selling a product "up-market", such as a diamond ring, you'd better end the price of your product with zeros, thus providing your customers with the impression that they are paying more for something that is really more expensive.

4) The use of mathematical illiteracy

What do you consider as a bargain: "to buy one item and get one more as a gift" or "to buy 2 items with 50%-discount"? According to a study conducted by the researchers from the University of Minnesota, most people would prefer the first option, although both variants are identical to the column "final expenses" (to buy 2 items at half the price of the full price of each one is the same as to pay a full price for one item, and to receive the second one free of charge).



5) Price configuration

What price do you find more attractive to pay at the restaurant: 250 or 250.00? The first variant is obviously more attractive .

There is a psychological basis for such display of prices: "long prices" seem to be "more expensive" than "short prices", but from the mathematical point of view, they are absolutely identical.

In addition, prices composed of many signs seem to be higher because consumers subconsciously always recite them in their minds, and it takes more time than reciting of the usual number recorded in a simple form.

Summing everything up, pricing is an extremely important process that requires careful consideration. It is necessary to take into consideration opinions of both parties – buyers and sellers – to make the price favorable and reasonable as well. Putting the right tactics into practice can result in unexpectedly attractive results.

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**THE ANALYSIS OF EXTERNAL ECONOMIC ACTIVITIES OF
KRASNOYARSK KRAI FOR 2008-2014**

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The XXI century is the age of technological progress, globalization and integration. The inclusion of Russia in the foreign economic cooperation with other countries helps achieve sustainable economic growth in Russia, sustainable development in the Russian regions in the economic aspect.

Regions of the Siberian Federal District are active participants in external economic activities. These regions include Krasnoyarsk Krai. Its share in the foreign trade of the country for 2008-2014 constantly was about 1,5-2,0%. The region accounts for 22% of foreign trade turnover of the Siberian Federal District. This fact provides leadership in the ranking of the edge regions of the district.

Thus, the relevance of this work is to investigate the foreign economic activity of the Krasnoyarsk Krai and to identify the prospects of regional development in the international market.

In the analysis of foreign trade activities of the Krasnoyarsk Territory for the past seven years, we can see that even in the presence of negative processes in its economy, the region integrates very well in international trade. At the beginning of 2014 the share of exports in foreign trade had 84,7%, imports – 15,3%. Overall, exports exceeded imports by almost 5,5 times. In 2014, the trend of increasing the volume of foreign trade with the Commonwealth of Independent States (CIS) countries edge by 47,5%, the reason for this is not only an increase in export sales by 12,8% and imports by 18,8% compared to 2008. Foreign trade turnover edge with neighboring countries and distant ones in 2014 amounted to 6256,8 thousand US dollars (USD). Compared with 2008, sales decreased by 3930,1 thousand USD (38.5%). It should be noted that Krasnoyarsk Krai exports its products to 81 countries. Transactions on imports carried out with 77 countries. [5]

By analyzing the changes in the dynamics of foreign trade turnover of Krasnoyarsk Krai, the following areas were outlined:

- exports to South Korea, Turkey increased by 2 and 1,5 times, respectively, in Finland imports from Krasnoyarsk Krai increased by 47,8%, and to Japan by 20%; a slight decrease in exports to the Netherlands and Switzerland was up to 10% of the previous level, delivery to other countries had undergone a reduction to 57% of the level in 2012;
- imports from Egypt increased more than by 5 times, and from Turkey and Switzerland by 2,3 times; imports from China, Finland fell by no more than 5%, and the Netherlands dropped by about 30%; imports to other countries decreased by 40% compared to 2012.

Largest trading partners of the region in export transactions in the reporting period were: Germany, China, Netherlands, Republic of Korea, Turkey, as well as Switzerland; in import operations they were China, the US, Germany and Finland.

Geographical focus of exports and imports is shown in Figure 1.



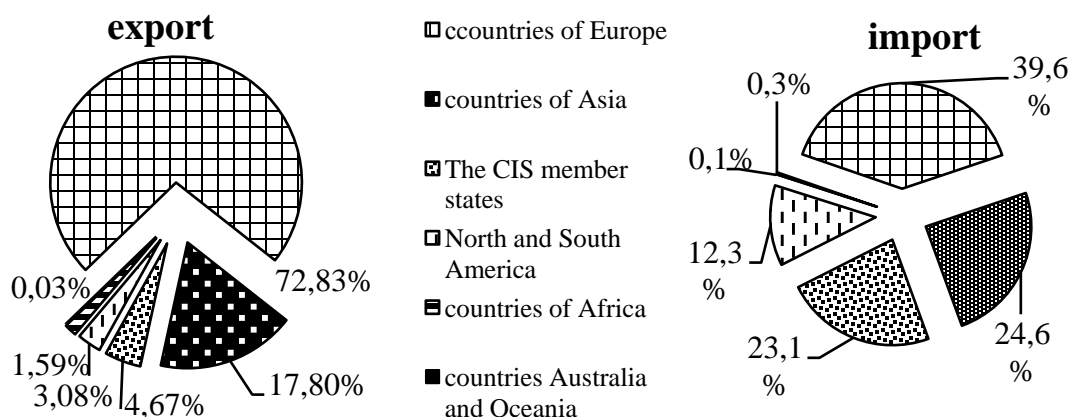


Figure 1. The share of exports and imports of foreign countries in 2014

A larger share of foreign trade turnover of the Krasnoyarsk Krai takes export. The structure of regional export is determined mostly by raw materials and its products. The main exports include non-ferrous metals (aluminum, nickel, copper), wood and wood products. The main consumers of these products are the United States, South Korea, Turkey, Germany, the Netherlands and Sweden. In 2014, as before, the main exports are metals and articles of them 77,9% of total exports (nickel – 40,9%, copper – 17,1%, aluminum – 18,4%), chemical products, rubber – 4,4%, wood and pulp and paper products – 6,6%, machinery, equipment and vehicles – 0,9%.

The main trends of export operations include:

- the total amount of exported products decreased by 30% compared to 2013;
- taking-out of metals and products from them in terms of value increased by 73,5 million USD;
- sending abroad wood, pulp and paper products were higher by 0,4% in 2014;
- goods of fuel-energy character have been exported to more than 40%;
- the total amount of exported goods decreased by reducing the export of organic and inorganic chemistry, as well as engineering products.

Several large industrial enterprises, such as the United Company RUSAL Plc, OJSC MMC Norilsk Nickel («Norilsk Nickel»), The Stock Company «Production Association «Electrochemical Plant» (SC «PA Electrochemical Plant») in Krasnoyarsk, «Lesosibirsky LDK No.1», Krasnoyarsk Synthetic Rubber Plant, Achinsk Refinery.

The share of imports in the Krasnoyarsk Krai is 15,3%, which is by 5,5 times less than its exports. The basis of the imported goods are machinery, equipment and vehicles – 42,9% of the total imports, followed by products of the chemical industry constituting almost one-third of the imported goods, and metals and their products accounting for 6,2% of imported products. In 2014, the largest import partners in the region were Germany, China, the USA, Finland and Uzbekistan. The largest enterprises-importers in the region are United Company RUSAL Plc, OJSC MMC Norilsk Nickel («Norilsk Nickel»), KrasAir, Joint Stock Company «The Gulidov Krasnoyarsk Non-Ferrous Metals Plant», ISS-Reshetnev Company, JSC «Kanskaya tobacco factory», Co.Ltd «Coca-Cola Bottlers» Krasnoyarsk, Joint Stock Company "Russian Railways" in Krasnoyarsk.

The main trends of import operations include:

- decrease of the total volume of imports by 2,2% compared to 2013;
- decrease of supply of products of organic and inorganic chemistry 10%, such as aluminum oxide;

- in terms of value of machinery, equipment and vehicles, including aircraft and spacecraft with spare parts for them and water transport were imported about half the size;
- increase of volume of imported products and food with agricultural raw material approximately 4 000 mln. USD.

Exports and imports of services of Krasnoyarsk Krai are 8,3 times less than the total volume of exports and imports of goods: exports of services - 7% of exports of goods, imports of services – 3,2% of the imported products. The main partners in the services exported in 2014 became the Netherlands, Turkey, Hong Kong, China, and in the imported services – the Netherlands, Panama, Germany, Vietnam, the United States and Switzerland. In 2014, the export of services rendered in the amount of 418 721 thousand USD and import - 652 164,9 thousand USD. It is in total higher more than 5,1% in comparison with 2013.[1]

Trends observed in the export and import of services:

- exports dominated in the total volume of export-import operations with other countries. It took 60,9% of the total turnover;
- among operations on exports and imports of services between CIS countries and the CIS member states the first group of countries took most positions. The volume of transactions in terms of value with non-CIS countries is by more than 800 thousand. USD that is more than the amount of similar transactions with the CIS countries;
- in export-oriented services with foreign countries a large share of transport services is occupied by services of air, water land transport – 19,9%. In services imported character is dominated by business services rendered by non-CIS countries accounting for half of all imported services;
- until 2013 the financial services had a positive direction, but in 2014 they are hidden, perhaps, it was a consequence of the recent developments in the political arena associated with the Ukraine and the imposition of sanctions against Russia.

As a result of the foregoing facts, it is possible to highlight regional competitive advantages of Krasnoyarsk Krai:

- rich natural resource base;
- a large number of enterprises of various kinds;
- a highly scientific and innovative potential that allows to create new high-tech industries;
- high energy supply of the region. In the region there are hydroelectric power plants including 7, 9 power plants, 3 condensing power plants;
- equally distant from the Asian and European markets.[2]

In connection with the latter advantage it is necessary to take into account some negative impact on foreign trade activities of Krasnoyarsk Krai that is caused by such factors as high transport costs, lack of information about markets, the complexity of the procedures of customs clearance of goods and high customs duties on goods, mostly imported software industries.

Taking into account all the factors affecting the foreign economic activity, there is an opportunity to reveal prospects for the development of Krasnoyarsk Krai:

- intensification of export-import relations with Asian countries and the growth of the share on the eastern edge of the markets, the development of transport schemes with the countries of the east: transport links;
- the possibility of partial import substitution for products: meat, vegetables, cereal grain products, ranging from animal feed to flour and semi cereals;
- restoration of light and pharmaceutical industries (in connection with the sanctions reduced supply of veterinary vaccines, vitamins and fertilizers, developed and produced mainly in the west).



To implement various projects and keep positive dynamics of the growth of the region and more extensive inclusion in international relations as well as opening new markets it is necessary to make some changes such as:

- development of intellectual projects funding support of businesses: the design of new and adapted software to the specifics of the region;
- creation of a common information base of potential foreign markets, entering into it the specifics associated with the local laws, as well as the placement of the regulatory framework necessary for the transaction of the partner country;
- possible improvement and development of the mechanical engineering sector for export purposes, both for imports and own internal usage within the country;
- investment and the creation of a powerful agricultural sector;
- the development of tourist destinations: the historical, cultural and natural values of the region predispose to it;
- at the level of accumulation of intellectual ideas it can be organized and held, as well as continued as an annual tradition, a variety of forums, seminars, "Brain Ring" and debates on various topics related to the increase of the productive capacity of Krasnoyarsk Krai and its foreign trade.

The value of exports to the region's economy is undoubtedly great, but it is not always positive. On the one hand, funds from abroad on account of payment of export deliveries region, is one of the factors that ensure the economic vitality of the region. On the other hand exports concerns rise in terms of the strategic development of the region. Decline in exports of engineering products and increase exports of raw materials are the evidences of the destruction of the technological potential of the region, the degradation of its industrial complex in the future. It is necessary to take into account the geopolitical situation in the world, the negative attitude towards Russia as a whole and to begin to develop programs focusing on foreign economic cooperation with Asian countries. And so it is necessary to start creating the own agricultural base, raise the production of pharmaceuticals and engineering industry not only for import substitution but also for domestic consumers to compete with products from other countries.

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MODERN PROBLEMS OF INVESTING INTO OPTIONS ON MOSCOW EXCHANGE

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A global financial market nowadays has become a complex structure for trading any possible instruments, whether they are commodities, securities, currencies and etc. For decades this structure has been established worldwide, engaging people into trade and, with increasing globalization, developing its system with thousands of participants trading worldwide on different positions, everyone with his own interests and goals.

Consequently, using the power of math, more and more complex structures were developed by synthesizing financial instruments to the new levels. One of the most important parts of this financial math was derivative - a contract that derives its value from the performance of an underlying entity. This underlying entity can be an asset, index, or interest rate, and is often called the "underlying". One of the most common and controversial derivative nowadays which caught an attention of this research is an option.

By standard definition, an option contract grants the right, but not the obligation, to buy or sell a real asset, commodity or security at a later date, under stated conditions. This contingent claim can be 'free standing', as with put and call options traded on the Chicago Board Option Exchange, or bundled with other features, as in a convertible bond indenture.

In ancient times, goods transactions contracts with embedded option features were important to commerce. The development of exchange trading for free standing option contracts took place from the 16th to 18th centuries. It is likely that trading in both forward and option contracts was a common event on the Antwerp bourse during the 16th century. By the mid-17th century, the active trade in such contracts on the Amsterdam bourse featured a sophisticated clearing process. In England, trading in both options and forward contracts was an essential activity in London's Exchange Alley by the late 17th century.

According to modern views of finance gurus, prior to the mid-19th century, options trading was a relatively esoteric activity confined to a specialized group of traders. But actually, the situation on European markets, with European-style options remains the same. Even after introduction of the Black-Scholes formula which gives a theoretical estimate of the price of European-style options which led to boom in the options market all around the world, the real usage of options for individual investors remains a highly complex issue. Especially on unstable emerging markets.

Today due to an unstable economy, growing geopolitical risks, ruble devaluation and other well-known reasons Russian financial market faces a massive capital run out. This situation also affects the liquidity of the financial instruments of Moscow exchange. The dynamics and volatility growth show the lack of long term investments and the tendency to speculative operations on the stock exchange.

Adding to the stated above, an absence of any popularization programs of both OM and OTC market instruments amid private investors is driving the situation to its dead-end. The rapid growth of an interest rate, a nation-wide belief in the sustainability of real estate investments and an inexplicable fear of any kinds of stock market investment followed by people's low level of the financial literacy, consequently led to a drawdown of business investments of any kind.

In such circumstances, despite all the efforts that Moscow Exchange is trying to handle to raise liquid capital to the market, to change trading terms for market makers, to cut



the trading spreads and etc., it is getting more and more difficult to use such an interesting instrument as option in terms of using it as risk-hedging instrument for mid and long term capital investments.

When it comes to the modern options price valuation models and the methodologies of building linear and nonlinear option strategies in a low liquid and high volatile Russian market, which is, what is more, very specific in case of rapid changes due to geopolitical situation and oil prices, the dilemma of usage of classical classic valuation models like Black-Scholes or standardized real value calculations supplied by stock exchange is becoming very controversial.

The main problems are hidden both in classical models assumptions and in the methodologies of the information supplied by exchange. The research has shown that with different option fair value calculation variations, implied volatility and sensibility rates give different opportunities of signals to buy or sell an option.

Thus, using different methods of calculation of option's sensitivity characteristics to different parameters, the following theses have been formulated:

- Fair value to time sensitivity ratio (theta) in classical model does not meet market reality due to continuity of the trading session is not complied;
- Implied volatility calculation is formed according to specific model and may not match stock exchange parameters;
- Using the received results make possible to implement both arbitrage and delta hedge strategies as well as direct option's time decay and volatility trading.

Considering everything mentioned above, this research handles to study historical data of quotes with usage of different parameters while building a specific model which is able to perform an algorithmization trading process.

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