

ACCORDING TO RANKINGS established by OMNICOM GROUP INC.'s (OMC) Interbrand and published by *BusinessWeek Russia*, Russia's most valuable brand isn't an oil company or a distiller of vodka; it's the Beeline service of the Moscow-based telecommunications provider VIPTEL-COMMUNICATIONS (VIP), which topped the Best Russian Brands list in October 2007 for the third year in a row. "We want people to feel close to our brand, and we've achieved that," CEO Alexander Izosimov says.

VimpelCom launched its mobile cellular network in October 1992 (14 months after the Soviet Union was dissolved). Beeline was approved at a business lunch after Augie K. Fabela II convinced his partner and co-founder Dmitri Zimin that branding would be fundamental to VimpelCom's success. Today, VimpelCom, which in 1996 became the first Russian company to list on the NYSE, reports having more than 51 million subscribers in a territory with a population of 250 million and a license that covers 97 percent of Russia's population and the entire territories of Armenia, Georgia, Kazakhstan, Tajikistan, Ukraine and Uzbekistan. Izosimov says VimpelCom achieved Beeline's pervasive presence in Russia by marketing its services only through the Beeline brand, for which it has developed catalogues of black-and-yellow-striped merchandise, including hats, cups and stackable dolls (right), to use as gifts and to foster relationships with consumers.

Izosimov, 44, who studied at the French business school INSEAD, says he is positioning the company for the explosive growth of broadband and TV video. "Our role will be to provide infrastructure and make it as easy as possible for the content originator to operate," he says. >>



A BUZZ IN RUSSIA

VimpelCom's CEO says its Beeline brand has developed a bond between the company and its consumers.

BY NICK LANSING

» How did Beeline become a recognizable brand in Russia?

We are very proud to be the No. 1 brand in Russia. In Russian, the words *honeycomb* and *cellular* have the same root, so there is a direct link between bees and cellular communication. The brand is based on quality of service. We make phone service easy for people and then have them associate that positive experience with the brand by marketing with it. A lot of people are afraid of high-tech service, so a company that promises that it will be easy and convenient and delivers on that promise is in a strong position.

With the evolution of the market, we came to understand that it's not about new consumers; it's about your existing consumers. People tend to attribute all the positive aspects of their mobile phone to the phone-maker and everything negative to the operator. It's not a great starting position to build a brand and a relationship. And that's what we had to overcome — we had to make our company visible so we could persuade consumers to buy our new services. All the operators in Russia have the same technology, use the same vendors and have the same equipment. It's difficult, from a marketing standpoint, to differentiate your product. We've put our brand on clothes, cups, pens, ties and so many other objects. When people receive items with our signature look, they know it's from Beeline. When they associate

positive feelings with the brand, our business benefits. That's why we make sure every piece of marketing that uses Beeline is consistent with that brand's vision: to brighten a consumer's day by ensuring the ease of dealing with our services and products.

What makes VimpelCom a worthy company in investors' eyes?

Consumers see the brand and investors see the company behind the brand. We've proved our worth partly by listing on the NYSE. Our list-

“THE FUSION OF ONLINE, TELECOM AND MEDIA IS ABSOLUTELY CLEAR; IT IS HAPPENING. IT'S NOT IF AND WHEN, BUT HOW.”

ing provides proof that you can do business — and not just survive, but thrive — in Russia by sticking to the rules. We can build a track record of being a prudently managed public company. That has helped us attract management talent, which is extremely scarce in Russia. It has allowed us to attract really strong people at all levels.

Listing on the Exchange also showed that Russia is not just about oil; there are services and there is a consumer market. VimpelCom and companies like it offer direct exposure to the consumer story in Russia.

What is your strategy for retaining existing customers and acquiring more?

Any company should have a few growth platforms. Clearly we're looking at Russia as a mature market, but we could see quite a bit more growth because the economy is thriving and people are prosperous. We see growth coming from the former Soviet countries and neighboring countries both in terms of new subscribers and increased usage. We're also looking geographically farther away from Russia. For example, we recently signed a joint telecom venture with the Vietnamese government. With a population of more than 85 million, Vietnam offers a great growth platform. We will also be looking for opportunities in the Middle East and Africa.

What about new business opportunities? Is TV in your future?

Sooner or later, the mobile market will slow down. We already see that beginning. Broadband is our growth platform. If you look at the penetration of broadband compared with economic development and plotted against its peer markets, you see that Russia is well below where it should be. We expect an explosive expansion of broadband, and we want to be part of it.

The fusion of online, telecom and media is absolutely clear; it is happening. It's not if and when, but how it will be happening and how the margins will be distributed among different players in the business. Like everybody else, we're trying to figure out our role, but I think we will be involved in infrastructure. I think of VimpelCom as a shopping mall provider: We will provide the infrastructure to get traffic to the retail shops. A lot of boutiques will provide the services and sell to the traffic, and we'll have a piece of the action. ■