

BIGMOSCOW

JANUARY – MARCH 2015 | DIGITAL MAGAZINE

ENGLISH VERSION



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Dutchman Koeleman

How Rembrandt helped
him to sell his food

German Langer

Where big-name
brands come from

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Why Moscow's getting
premium concierges

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2015

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Editor-in-Chief of *Moscow Expat Life* magazine **John Harrison** came to Moscow 30 years ago in search of adventure but stayed on when it brought out the best in his business side

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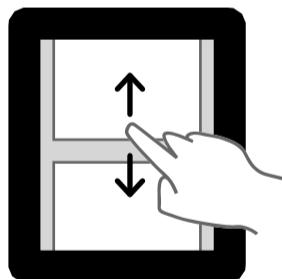
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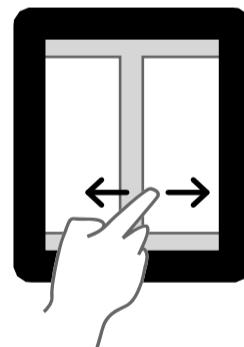
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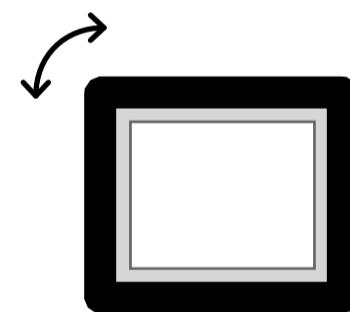
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Rosario Alessandrello, President of the Italo-Russian Chamber of Commerce, calculates losses due to sanctions but remains optimistic

Fighting qualities

Our conversation took place soon after the President of the IRCC has “inspected” Italian restaurants, of which there are about 80 in Moscow and the surrounding area. In all of Russia, there are 120. And the owner of each of them is now thinking about what to use to replace Italian products subject to sanctions. Rosario Alessandrello considers that there is no sense in bringing a buffalo cow from Naples into Russia, but there would be in bringing in equipment for producing the famous cheeses.

— Signor Alessandrello, are Italian restaurants really under threat?

— To be honest, I am very upset. There really is a threat. The point is that Italian restaurants in Russia have to be certified. But a certificate can only be obtained if original Italian products are used in preparing the dishes – for example, mozzarella, burrata, ricotta and other soft cheeses. Fresh vegetables and fruit grown in Italy are required. If this condition is not met, Italian restaurants in Russia automatically lose their certificate. For the time being, they are all carrying on by using old stock. But these soft cheeses will soon have to be taken off the menu.

Furthermore, problems are now arising with fish.

Those who understand the whole seriousness of the situation are thinking about ways out of it. But some are starting to use non-original products. And next year, when they have to extend the term of their certificate, they will risk losing it. The IRCC also takes part in the certification process, by the way.

— I hope you will not be too strict. Businessmen are not struggling because they have been leading La Dolce Vita.

— I realise that. Furthermore, this is not the only damage to our economic relations. The import into Russia of semi-finished products



ABOUT ROSARIO
ALESSANDRELLO



of furs and leather from which footwear and clothes were made here is also subject to sanctions. So far this damage has not been that significant, but it will increase sharply as time goes by. By March 2015, Italy will have lost about one and a half billion euros, if not more. For example, Russia has always been among the leaders for the import of Italian grapes, but now that import has been cut by half. The same applies to dairy produce, tomatoes and much else.

In recent years, Italian products have been sold in Gastronomie No. 1 in the Moscow GUM and in such shops as "Alphabet of Taste", "Globe Gourmet" and "The Seventh Continent".

These are the major distributors of Italian products. Muscovites have

become accustomed to eating in restaurant chains with traditional Italian cuisine. There are hotels in the Russian capital which have the right to sell Italian products. All this must be preserved. Such a super-city as Moscow should not be deprived of original Italian pizzerias. But this could happen if they are deprived of their main ingredients: flour, cheeses and tomatoes.

It is not only agricultural producers and the leather industry which are suffering because of the sanctions. The supply of processing equipment for the oil and gas industry and engineering has been reduced. We shall see the consequences of this in 2015. And as for consumer-goods products, we shall feel the losses here very soon.



I hope that by March of next year, the sanctions of each side against the other will be lifted.

But all the same, I remain optimistic. I hope that by March of next year, if Russia, Ukraine and the EU come to a suitable agreement, the sanctions of each side against the other will be lifted, and relations will return to what they were before. It could happen that all the 28 countries forming the EU will refuse to prolong the boycott against Russia. And even now, some EU countries are coming out in favour of giving up sanctions. They are proving too expensive.

introduced by the EU, we sent out an official communiqué, which was quite severe in relation to the economic war unleashed at a time when civil conflict was already raging in Ukraine. At the heart of it all is an internal conflict within one country. It is understandable that both the EU and Russia have been drawn into it. But anyone who takes a political conflict into the arena of trade is making a strategic error.

Sanctions against Russia, it was thought, ought not to cause any harm to American and European companies.

Anyone who takes a political conflict into the arena of trade is making a strategic error.

The Italo-Russian Chamber of Commerce at once became aware of the new situation in which we find ourselves as a result of the Ukraine crisis. Therefore, we are doing all we can to arouse interest in Italian enterprises working in Russia and in Russian enterprises operating in Italy. It is understandable that the IRCC must protect the interests of its associated members. And after the first sanctions against Russia

They were intended to slow down the development of Russia's economy. But Russia responded with countermeasures, which mainly hit European businesses, including Italian ones importing their products onto the Russian market. It turned out that we suffered even more than others, because agricultural produce forms a large part of imports from Italy. And they are all produced by small and medium enterprises.



– *Can the Italo-Russian Chamber of Commerce do anything to help them?*

— We have undertaken an important initiative. We have called on all members of the IRCC not to give up, not to panic, not to retreat from the positions they have gained. In these difficult times, one has to show wisdom and real fighting qualities. The circumstances must be resisted, and a way out of the most difficult situations must be found. The main thing is not to lose our Russian clients, not to let them go away to our competitors, to find new commercial niches. Furthermore, the same applies to our Russian partners having production centres in Italy.

I realise that this isn't easy. There are serious problems arising in the banking field too. Many Russian banks used to top up their reserves of foreign currency through the

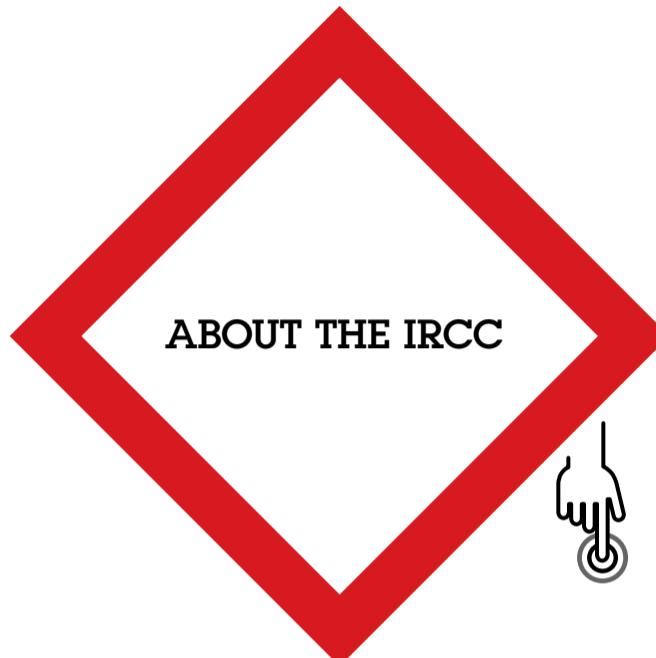
European banking structures, and this option is no longer available. And this is a serious loss for Russia.

Russians cannot get credits in European banks, which creates great difficulties, unbalancing financial schemes in force. But one must hope for the best and hold on. Everything must be done to get us out

of this quagmire. Russia and Italy have a long-standing commercial market.

– *An import replacement process is under way in Russia, new trade partners are being sought. Those same Italian cheeses are now being produced in Tverskaya oblast, brought in from Turkey...*

— We realise that countries not belonging to the EU have been given



In these difficult times, one has to show wisdom and real fighting qualities.

a chance to become established in the Russian market. This applies mainly to the Asian-Pacific region and Latin America. But it must be understood that Italy makes special products of exceptionally high quality. No-one can make fresh burrata cheese from the cream and milk of buffalo and other cows better than the Italians. It was first made in 1920 on the Biancini farm, and the secret of its production is kept there to this day. Of course mozzarella can be imported from Turkey, and it is even equivalent in composition. But it is not the original product, embodying all the characteristics which it should have. That's why it tastes different.

We do not want to lose clients who understand this taste. If they become accustomed to a lower quality product, it will be much more difficult for us to return to the Russian market. Large-scale procurement of equipment is now going on to enable Italian cheeses to be made here in Russia. We are importing not only the equipment,

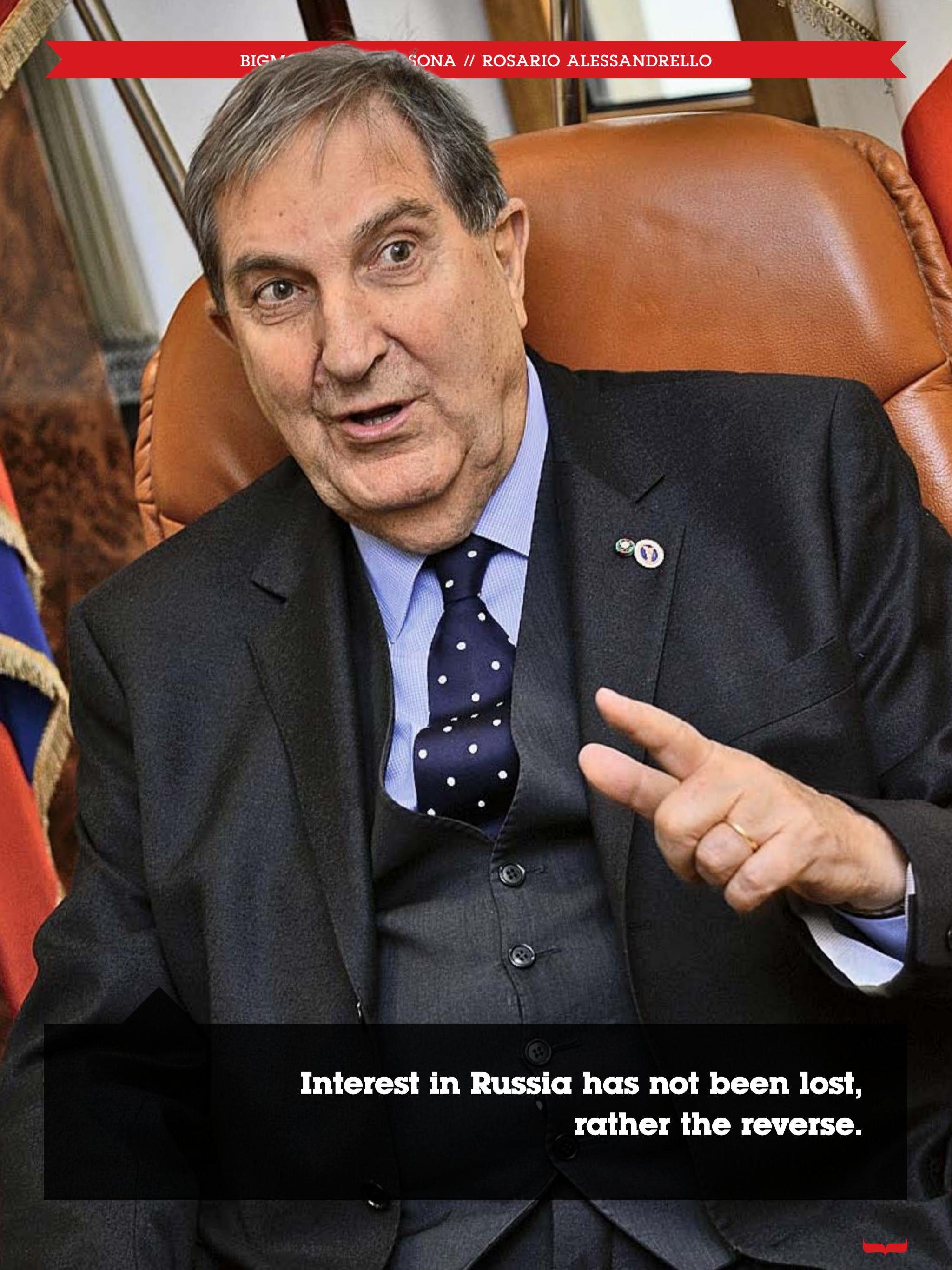
but even the people who know how to use it.

— *So maybe it will be Italian entrepreneurs who bring in not products, but equipment and technologies?*

— Maybe. Indeed, they are already doing so. They are seeking Russian partners for opening joint ventures. Of course, every effort must be made to ensure that the mozzarella made here in Russia is as close as possible to the original. But all the same, all the ingredients for its production will not be enough. You can't bring buffalo cows here from Naples to produce the milk for real burrata cheese. It takes years to import cattle into Russia. And the pastures here are not the same, and the climate is not so suitable. What sort of milk will that be? For example, Parmesan is produced throughout the world, but believe me, real well-matured Parma cheese can only be obtained in Italy. It takes months to ripen. These are complex technologies

**Real well-matured
Parma cheese can only
be obtained in Italy.**





**Interest in Russia has not been lost,
rather the reverse.**

and production systems which have been developed in Italy over several decades. And then the cow must be fed in a certain way if her milk is to be made into cheese like that...

— All right, let's leave the cows grazing in Italian meadows. But then what can Italian investors bring to Russia?

— It is not possible to bring the entire production chain here. Only some of the equipment and technical

a major Italian producer of building ceramics, the MARAZZI GROUP. The result of this union was the KERAMA MARAZZI group, a leading Russian producer of ceramic tiles and ceramic granite. The creation of Atlas Concorde Russia is a new step in the process of the growth and Russian market share of Atlas Concorde. Way back in 1993, this company was one of the first Italian manufacturers to start exporting its ceramic products to Russia, and it won leading positions in quite a short time.

Russians recover amazingly quickly from any crises.

personnel can be brought to Russia. And the same soft cheeses are being made here from raw material supplied from Italy. There are already examples of this in Tverskaya oblast, Rostov and Vladikavkaz.

There are even more examples of Italians transferring the production of building and finishing materials to Russia. This is all somewhat easier than cheese. It is mostly technologies and equipment that are needed. As long ago as 2005, the Russian company KERAMA became part of

The Italian company Mapei has also become established in Russia, selling construction chemicals. This market segment is not affected by sanctions, and investors need have no fear of entering it. And another reason is that a real construction boom is taking place now, not only in Moscow but throughout Russia.

Many furniture production facilities have also been created on Russian territory with the aid of Italian investments and technologies. Mobilitalia is operating successfully



here as a representative of Italian furniture factories in Russia. And this field continues to have good prospects, because Muscovites and Russians as a whole realise that Italian furniture is not just a brand, but primarily a sign of quality. And although the consumer goods market is in recession in Russia today due to the lower rate of the rouble, I do not think that this will last long. Russians recover amazingly quickly from any crises.

— Are you explaining this to those of your fellow countrymen who are potential investors? Or are they waiting for the lifting of sanctions?

— I regularly bring to Russia Italian investors who are ready to open joint ventures here, or to represent their interests here. They are willing to work in Russia even though they can see that there is a wide range of problems here in many fields. For example, in the transport infrastructure: on the railways and motorways, and at airports. They can suggest ways of solving all these problems, and this is precisely the purpose of my activities. The point is that investors want not simply to sell their goods, but also to find a reliable Russian partner. The Chamber tries to help them in this.

So interest in Russia has not been lost, rather the reverse. This applies to widely different fields, beginning with projects for creating high-speed railways, and ending with the development of fast food chains. There is considerable interest in the field of urban construction. The Italian firm Land Milano srl recently won the open international tender for an architectural concept on Khodynskoye Field in Moscow. And this is not the only architectural studio from Italy which is represented in Russia. Italians are not averse to building motorways, bridges and underground railways here, and building them at a contemporary level of technology. I personally know several such businessmen. When they find out how much money is being allocated for these purposes from the Russian state budget, they dream of entering this market. Furthermore, unique experience has been built up in Italy of turning transport hubs into full-scale commercial projects, where people can buy something and enjoy their leisure. The new railway terminals in Milan and Bologna are positive examples of this. Our experience in organising suburban transport is equally interesting in view of the active development of this field in Moscow now. And no sanctions hinder our cooperation here. ■



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FROM **ROSARIO
ALESSANDRELLO**
FOR THOSE WHO WANT TO START
A BUSINESS IN MOSCOW

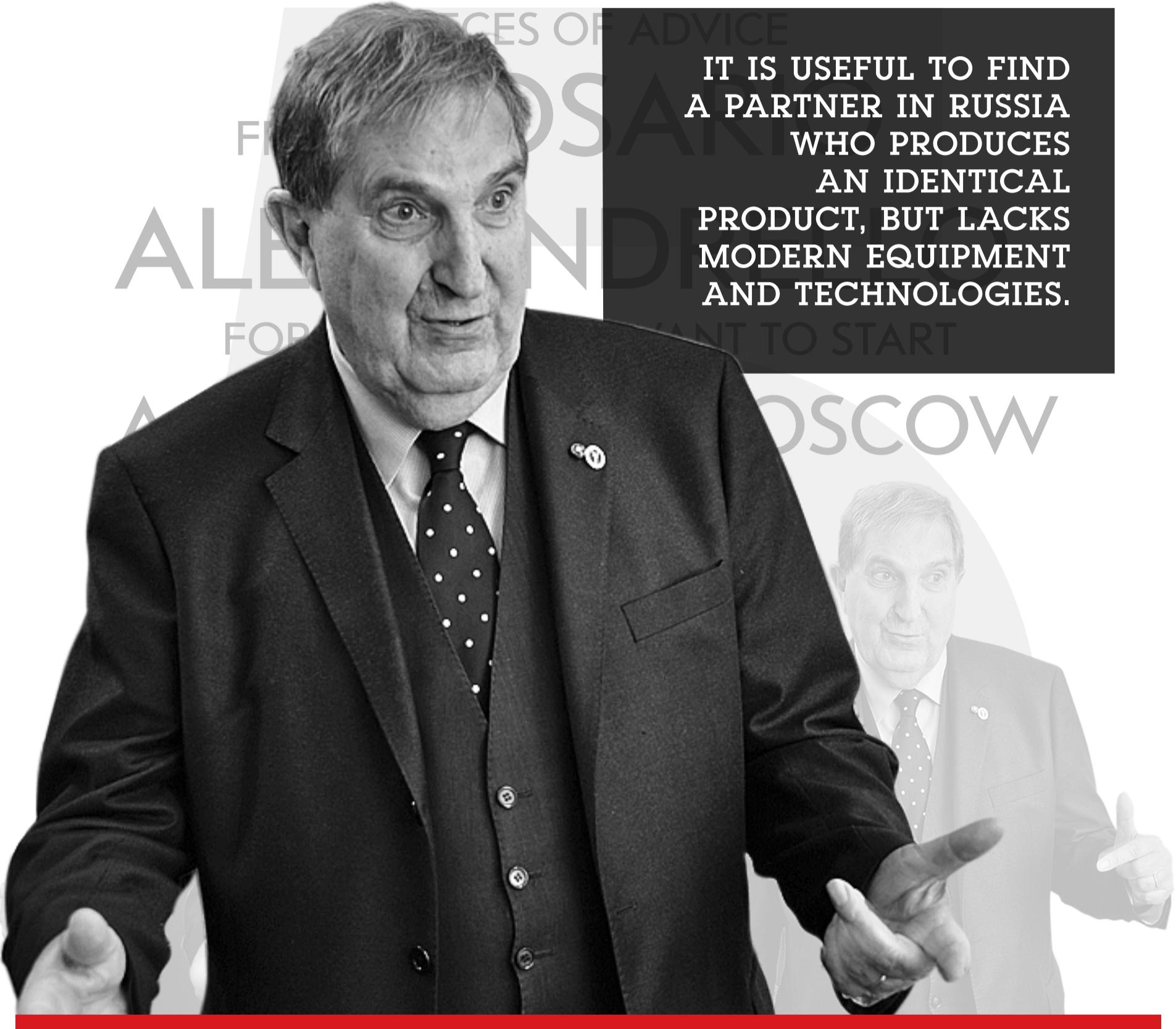


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YOU HAVE TO COME
TO RUSSIA
WITH A GOOD
QUALITY PRODUCT
RECOGNISED ON
THE INTERNATIONAL
MARKET.



Behind each piece of advice lies the experience and knowledge of a man who has worked. Touch here to find out.

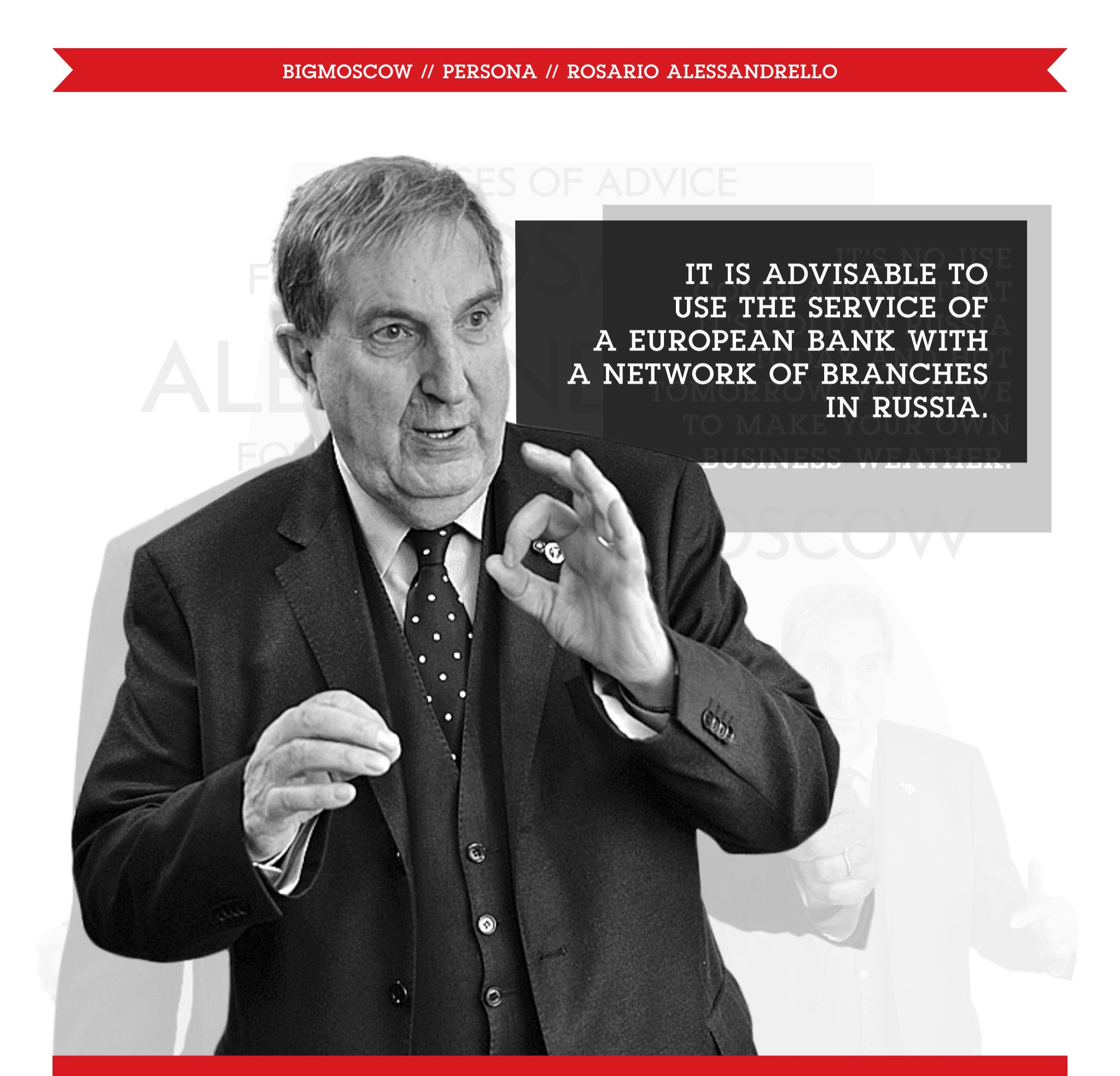


IT IS USEFUL TO FIND
A PARTNER IN RUSSIA
WHO PRODUCES
AN IDENTICAL
PRODUCT, BUT LACKS
MODERN EQUIPMENT
AND TECHNOLOGIES.

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IT IS ADVISABLE TO
USE THE SERVICE OF
A EUROPEAN BANK WITH
A NETWORK OF BRANCHES
IN RUSSIA.

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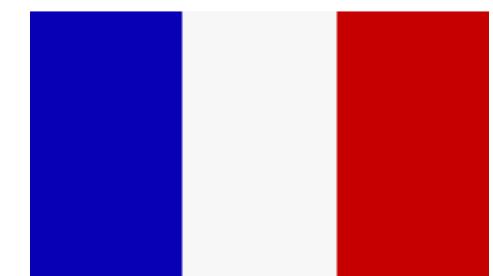
PERSONAL EXPERIENCE



Dutchman
Koeleman
*went into
partnership with
Rembrandt in
the catering
trade*



German
Lange
*is making
global brands
in Moscow
stand out even
more*



Frenchman
Rodi has given
*Muscovites
the opportunity
of having top
class personal
assistants*



When he opened a bar in Moscow, Dutchman **Hans Koeleman** recreated a colourful corner of Amsterdam in the Russian capital

Night Watch

BY: SVETLANA SAMODELOVA | PHOTO: YEVGENY DUDIN | TRANSLATION BY: JASON J SHAW

*He could be compared with Captain Frans Banninck Cocq from the famous painting by Rembrandt "The Night Watch" (De Nachtwacht). It matters little that the canvas was painted back in 1642. The vigour of the Dutchman, his zeal, and wholeheartedness mirror that of his seventeenth century compatriot. **Hans Koeleman** spoke to BIGMoscow magazine on how he created a colourful corner of Amsterdam in Moscow, on herrings, and on the ins and outs of the Moscow catering trade.*

"THE NIGHT AWAITS YOU"

– I first came to Russia when the winds of perestroika were blowing, and the country was turning away from the socialist model of development. Moscow seemed to me to be a pretty grey place. The streets at that time were poorly lit. But its sheer size made an impression on me: towering buildings, sweeping boulevards! I came to do business. And, straight away, I threw myself into my work.

The country was undergoing rapid and radical reform. Based on what used to be USSR Gosteleradio (the State Committee for Television and Radio Broadcasting),

the TV company Ostankino was born. New channels came into being: Channel One Ostankino, RTR, MTK and 2x2, TV-6 Moscow... TV was becoming commercialised at a rate of knots. A company of media brokers invited me to come and set up selling of advertising space on TV. I also ran the programme scheduling on RTR: I put on serials like soap operas, and programmes like "Football without Borders". The market had only just taken shape, and working in it was insanely interesting. Russia was

readily taking on board anything new. People were very up-front with no "hidden agenda".

– **What struck you most of all?**

– At the time, there were still no mobile phones, and to phone abroad you





I came to do business. And, straight away, I threw myself into my work.

had to go to the central telegraph office, book a call and then wait for a further three or four days until the line was free. We had to play the system. We'd bring little gifts for the girls operating the phones: imported lipstick and underwear. And they started to connect us much quicker with Holland.

– When was it that you started your own business?

cafe. By then, we had garnered a fair amount of experience. In putting on exhibitions, we had carried out building work. Our experts drew up all the necessary paperwork and selected the buildings.

– Were there any problems with renting premises?

– We opened the Stanislavsky between 1994 and 1995. At the time, we paid \$5,000 for 600 square metres a year. In Moscow these days,

In Moscow these days, everybody knows the word “realtor”, and rent prices are now simply sky-high.

– I was moving in media circles and had an extensive database at my disposal. I started putting on various marketing events. Things took off, and in 1992 I established the agency AMS. We provided the full range of advertising services and were involved in organising and conducting marketing and other public events. We also took part in projects for opening bars and restaurants. Some of our clients were the City Space bar at the Swiss Hotel, the Stanislavsky restaurant, and the “One for the Road”

everybody knows the word “realtor”, and rent prices are now simply sky-high – they have gone up by 10–12 times.

– Are Russian partners reliable?

– Yes, you can count on them. Signing the contract and drawing up the invoice take up a lot of time. But, once all the “papers” have been sorted out, the money is transferred immediately. No problems there. There is a lot more bureaucracy in Holland than there is here.



– *Where did the idea of opening your own bar come from?*

– Following the crisis of 1998, the market for our company contracted. We mainly organised events and exhibitions. My Russian partner had his own premises in a very old building in Patriarch's Ponds. He didn't know what do with this property, so I suggested that he open a bar there. There were absolutely no problems regarding

and the bar counter "with a history". It's Belgian and is over 150 years old. I wanted to create a particular ambience in the bar. Not like the one in Russian ones: you order something, eat it, and go. The concept behind my establishment is that of a "local" where everyone knows each other and talks to each other.

– *Why did you call the bar "The Night Watch"?*

There is a lot more bureaucracy in Holland than there is here.

the documentation. That is just what our agency AMS specialises in. The difficulties arose from elsewhere. We had to carry out extensive plumbing work. There had been a tourist agency located there before. We had to fit out a kitchen. I didn't rush to enlist the help of a designer: I did all the interiors myself. You could say that De Nachtwacht is a little corner of Amsterdam, a typical small bar, of which in Holland there are many. All the furniture was made by local craftsmen. The only things I brought from Amsterdam were the prints

– I wanted there to be a link with Amsterdam and with something international. Holland is associated around the world with flowers and painting. One of Rembrandt's most famous paintings is "The company of Captain Frans Banninck Cocq and Lieutenant Willem van Ruytenburgh prepare to march out", which for the last two centuries has gone by the name of "The Night Watch". In my opinion, it is a suitable name. All the more so, as it is also possible to translate it from the Dutch as "The Night Awaits you".





"A BARMAN SHOULD NEVER HAVE EMPTY HANDS"

On the wall in Hans Koeleman's bar hangs a copy of the painting, lending the establishment its own particular rhythm: defenders of the city, Amsterdammer fusiliers. Essentially: a company of militiamen is pouring out onto the square, pikes and muskets glint, a drum is beating...

Work in the bar, too, is sometimes just as busy. The landlord relates how he chose his staff:

– The bar here is quite small. Two chefs and two barmen, well, waiters, work on shifts. Finding the right people was fairly difficult. The main thing that we need is for them to be young and able to cope with a lot of physical exertion. And also to have a certain innate sense. For example, someone comes up to you and orders a beer, then a second... But by the third time, you should already be asking them: "Same again?" That kind of sense you have to be born with.

When I was recruiting staff, I looked at how tidy they were, how they smelt, and suggested a trial run working in the bar on a Friday night when we are at our busiest. The main criterion for being selected was: a barman should never have empty hands. If he comes out from behind the bar to, let's say, bring a menu, then, on the way back he should grab either an ashtray or an empty dish or glass. If a barman goes back behind the bar with empty hands, then I make a note of it. If it happens again, then I will let them go.

I have Russians working for me. On the whole, they are students. They start off working a half-day, then they go full-time.

Opinion



Simon Connolly,
manager of *City Space*
bar&lounge



– What do bartenders in Moscow get paid on average?

– 1500–2000 roubles a day. It's a decent rate. On the other hand, many landlords take people for a trial period and pay them the minimum. And then, after three months, however well they did their job, they sack them, and then train up new people on the same miserable money.

– Who are your customers?

– Mainly Dutch people living nearby, but also Moscow residents and visitors to the city. We have a lot of regulars ranging from students to senior managers. An eminent plastic surgeon looks in. There were four

The crisis caused by sanctions and general instability does of course influence the clients' purchasing power. All businesses being paid in roubles are now losing income, but our client base is not noticeably reduced. People have to eat and drink, even in times of crisis. Obviously there is strong competition between bars and restaurants in the Moscow market, but the capital's market is big enough for new players always to find a place, including in our sector. You just have to act professionally. The general concept of an establishment, its "unique face", is extremely



friends from a large multinational, but since the sanctions, we haven't seen anything of them.

I try to welcome all of my customers and chat to them, and many of them become my friends.

"THERE ARE A LOT OF GOOD BARS IN MOSCOW BUT THERE IS ONLY ONE LIKE MINE!"

– Which drinks and snacks is there the greatest demand for?

– Wine and Dutch beer. As for snacks, it's satay – that's chicken in a spicy peanut sauce, bitterballen – little balls with meat stew inside them, deep-fried, but the main one is barrelled, slightly salted herring. They

are served with onion cut into rings, and you eat them like so: you take one end of the fillet, tilt your head back, and drop it whole into your mouth. But ever since the sanctions there have been problems concerning the herring.

– Can you not replace them with Russian, far eastern herring?

– Dutch herring are not like any other herring in the world. They are small but very tasty and oily.

– What would say about the competition?

– There are a lot of good bars in Moscow but there is only one like mine! It is a little corner of

Expert



Aleksey Tikhonov,
*independent
business analyst*

Due to the fall in the value of the Russian currency, the number of visits to Moscow bars will undoubtedly decrease in the short term. Nevertheless, certain negative factors exerting a negative influence on the general level of consumer demand in the capital could in reality have a positive effect on the bar visits statistics. For example, a reduction in out-of-town tourism will undoubtedly have a positive influence on the bar visits statistics. In other words, strange as it may seem, bars could become a sort of "Giffen good", the demand for which increases in spite of





I try to welcome all of my customers and chat to them, and many of them become my friends.

Amsterdam. On Sundays, people come in to watch the football. In the evenings, they sing Dutch songs in unison. It is, essentially, a club with very much a Dutch sing-along atmosphere.

– *How would your job differ if you had the same bar in Amsterdam?*

– The number of customers would be roughly the same. The income, too. The one thing is that the tax situation in Russia is better.

– *Which brings in the most money: your company or the bar?*

– The bar is like a hobby, like a club. This place is too small to bring in a lot of money. The main income comes from the company which employs 12 people. They are lawyers, designers, builders. At the moment, for example, we are opening a 1,000 square metre restaurant. We are carrying out market research, working up the concept and the design. I also use “De Nachtwacht” as my office: it’s a good marketing vehicle for AMS.

“HERE, HUMAN RELATIONS ARE VERY IMPORTANT: NOT AT ALL LIKE IT IS WITH US IN HOLLAND”

– *How do you perceive the mentality of Russian people?*

– People here vary a lot. There are many different nationalities living in this country. In 1991, I went on a long journey from Rostov-on-Don to the Caucasus. In the mountains live the most hospitable people. I wasn’t sober there for a single day, and I tried as many new dishes as I could.

– *Is it really necessary to know the Russian language to be able to work in Russia?*

– Obviously, it is best if you are going to be speaking to your work colleagues and clients in Russian. I regret not spending enough time learning Russian. I had lessons but didn’t show much enthusiasm for it. When I was working in television, everybody spoke in English.

– *What would you compare working in Russia with?*

– With a roller-coaster: one minute you are hurtling downwards at a crazy speed, then you are flying upwards just as quickly.

– *What do you like and dislike most about Russia?*

– Any foreigner will tell you that the best thing the Russians have are: the women! But I don’t like the traffic jams.

– *Do you have any favourite places in Moscow?*



– The Hermitage Garden, and Patriarch's Ponds, where my bar is. This is where the novel "Master and Margerita" by Mikhail Bulgakov is set. Here, in winter, there was one of the most popular ice rinks in Moscow, where Lev Tolstoy used to bring his daughters skating. Now, my children skate on the ponds.

– *Is it worth coming to Moscow to start your own business?*

– If you have the time and the money, then, yes, it is worth it. You

can do a lot in Russia. The people are welcoming. I'm struck by the friendship which blossoms between people here. Here, human relations are very important: not at all like it is with us in Holland.

Foreigners should know: it is possible to become attached to Russia "with all your heart". I, for example, when I leave the country, start to miss it after two weeks. It draws me back. I already couldn't live anywhere else. ■

**Here, human relations are very important:
not at all like it is with us in Holland.**



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*The German **Danilo Lange** founded an advertising agency in Moscow and is creating market trends for the whole world*

Serious and Long-Term

BY: VLADIMIR DEMCHENKO | PHOTO: FRANCESCO ROSSINI | TRANSLATION BY: JACK DOUGHTY



*While promoting the Red Bull brand in Moscow, he realised that he wanted to work for himself. He founded his own business and is now promoting not just one brand on the market, but dozens of brands. "I shall return to Germany some day" says **Danilo Lange**, Managing Director of the Louder advertising agency, "but not today and not tomorrow. My business is in Moscow for the long term".*

LOGICAL LOGISTICS

– “I’ve hardly worked in Germany at all”, *Danilo Lange admitted at once*. “After university I found work at Red Bull, and went to London to promote its product there. Then to Ireland, then Austria. I liked that brand. I’m keen on snowboarding and windsurfing, and an energy drink aimed at active young people was very much in line with my own outlook. When the company asked me to go to Russia in 2003, I did not hesitate for long. All sorts of things were being said about your country, of course. But I tried not to think about the bad things, and then I saw, as they say here, the Devil is not as black as he is painted.”

– What did you do in the Russian office?

– The trouble was that there wasn’t any Russian office. We were operating through distributors at that time. They were big companies, we had no complaints about them, the market was growing. However, this arrangement was not flexible enough. Imagine that the distributor orders a large batch of our drink. This usually happens when the previous batch is coming to an end. The money is transferred, and the distributor keeps asking every day when the goods are going to arrive. But it takes us time to dispatch them, ship them and put them through customs. Furthermore, it would be no bad thing to prepare promotions of some kind, advertising materials and gifts. This cycle can take up to



About Danilo Lange



two months. And this is time enough to lose the market! So the question arose: should we open an office in Russia or leave things as they were? To find the answer, we came to Russia. The delegation included lawyers, consultants, marketing specialists and your humble servant.

– So you came to assess the situation. Were you here long?

– Initially, for a fortnight. But this was not long enough to get to grips

with the situation. We returned and studied the market for six months. As a result, we came to the unambiguous conclusion that we had to have an office in Moscow. We needed our own logistics system with its own warehouses to keep the supply of goods going continuously. And we also needed a company to promote the brand. And that was the right decision. In three years, our office grew till it employed 200 people, and regional offices were opened in St. Petersburg,

Novosibirsk and Vladivostok. Sales doubled each year.

– Was it difficult to open a firm in Russia? I mean from the technical point of view.

– You know, when you come from a major international company, there are no difficulties. How much do you think it costs to start up a firm? About a thousand dollars. But if your company pays twenty thousand, and engages the best lawyers and consultants, you have nothing to worry about. It was more bother to open our own agency later. But even that was not really difficult, I assure you.

NOT THE STRONGEST COMPETITORS

– Why did you decide to stay in Russia?

– I always wanted to start my own business. Working in a big company, I learned to think flexibly. I realised that setting up a business was not so difficult as it appeared at first sight. If I had decided to do this in Germany,

I would have had to work my way into a market already full to bursting with a whole load of competitors. But here, I saw a niche for an advertising agency. A wide niche. Of course, there are such agencies in Russia too, but having worked in Moscow, I could see that they were not the strongest of competitors.

– In what sense?

– Let's say you want to order a box like this (*Danilo Lange points to a well-packed bottle of whisky*). In the countries of Europe, there are many companies which would undertake this. Here in Russia, there are also many who would like to get the order. They will say: Of course, we'll do it, it will be even better. But you sign the contract, and then after some time, they call you: "We can't manage a red handle, it will be white. But that's not very important, is it?" Then they ring again: "Against that background, the lettering comes out black, not brown. But that's nothing, surely?" And there can be any number of such calls. The result is

There are such agencies in Russia too, but having worked in Moscow, I could see that they were not the strongest of competitors.



that you get not what you wanted, but only something vaguely like it. But the box makers just shrug their shoulders. That's the Russian mentality, they say. In Germany or any other Western country, such a thing is simply not possible. And I realised that I could always find clients who were used to the European standard of quality. And so it proved.

– Did you open the firm on your own?

– Of course not, no way. I could never have taken this on all by myself. Only with partners. At first, they were Finns. They already had their own

agency, which I helped them develop. But then I left, because I decided to do business with my Russian friends whom I had got to know when I was still working at Red Bull. In general, the choice of partners is a very difficult matter. To attain the required level of trust, you have to know people very well, you have to have dealt with them for several years. But I can't imagine doing it without partners. Our business is concerned with creativity, with ideas, which are often born in brainstorming sessions. Partners help in taking difficult decisions, they suggest what result will follow in one case or another.

Opinion



Ilya Kulakov,
*Managing Director
of the advertising agency*
TM-Design



In our business, a lot depends on the qualifications of the creative employees – the designers and copywriters. One can only compete in the market by offering a product of good quality from the creative point of view. Danilo Lange undoubtedly does offer such a product. That is why he has such an impressive list of clients. However, this does not mean that he does not have worthy competitors. Even ignoring the market leaders, i.e. the big international agency chains concentrating on equally big clients, there are quite a few strong players in the





CONSTANT TIME PRESSURE

– *What is the nature of your business?*

– We are a creative advertising agency, specialising in trend marketing. When a major firm with a name known world-wide starts up a PR company covering the whole world, we do it in Russia. We pick up the initiative and break it down to suit the local market. True, it can happen that our initiative spreads all over the world. For example, one of our partners is the Porsche car company. We carried out

a video mapping project with them. We gave them the very first work, and they spread this trend all over the world.

With this project, we were rated among the top three on a specialist American site. And our project for BMW was shown in their Munich headquarters, and all the regional marketing directors applauded. We are proud of that.

– *So most of your clients are foreign companies. Why don't you work with Russian brands?*

– Very few Russian companies sell their products as a brand. Furthermore, many local businessmen pay more attention to SR than to PR – relations with the State authorities and lobbying. It seems to them that this is more reliable and profitable. But we don't handle that at all. We specialise in promoting brands aimed at young consumers, like Adidas, Subway, etc. But I don't rule out the possibility of working with Russian companies in the future. It's just that we have enough on our hands right now. Many Western companies are sending us proposals for participating in their tenders and campaigns. And that is sufficient for us, we don't want to expand too quickly.

Even if I were hungry, I wouldn't eat a whole elephant at once. I would eat slowly, one piece at a time. It's the same in business.

A certain Russian bank recently suggested that we should give away 500 gifts: balls, torches, boxes... That isn't our style, and we respectfully declined. But I cannot foresee the future. Perhaps in a year's time I shall have to run from door to door in search of clients. And then we would be happy to fulfil such an order.

– So the Western business principles which you studied at university work like clockwork here, without failures?

Expert



Konstantin Ugodnikov,
*Head of Economics
Department
of "Lenta.ru" portal*



The advertising services market in Russia is long past its formative stage. It is one of the most competitive markets in the country, including several thousand advertising agencies, from the biggest, such as News Outdoor, to small advertising agencies employing only a few people, mainly operating in the regions. The high level of competition forces the players in this market to be more specific about their specialisation and the sector in which they operate, and to raise the level of their own creativity. The economic sanctions



– I wouldn't say that. There are local nuances here. The most important is deadlines. The difference between the expected and actual times of carrying out work. In Russia, everything is done at the last minute, under constant time pressure. I don't know why. Even if you plan something in advance, in some incomprehensible way, everything will be finished in emergency mode on the very last day. You just have to be prepared for this.

Why? "Oh, we forgot to tell you. This restriction applies for the whole of next week." And we had 20 trucks. And we were pressed for time, but had to wait for permission for a whole week. This is not a criticism, you understand. It's just a recognition of the fact, it turns out that way very frequently. We try to work out the time taking all possible force majeure circumstances into account. But something which could not in any way have been foreseen is bound to happen.

I realised that I could always find clients who were used to the European standard of quality. And so it proved.

For example, at the Olympic Games, we had a project for an American house. We opened it on time, there was a splendid ceremony and everyone congratulated us on a great result. But if only they'd known what it cost us! We had planned everything beforehand, we had been granted the site by the organising committee in good time. But when they began bringing in the materials, it turned out that at this very time, freight transport to Sochi was closed.

Another factor is the cost of leasing an office. In every European city, we are used to finding offices at 200-300 dollars per square metre per annum. But in the centre of Moscow, it's 900- 1000 dollars per square metre. This is just nonsensical. How can we find room for our staff at such a price? It takes up all our profit! Leasing prices in Moscow are becoming lower now. The sanctions, the crisis... One should not say so, perhaps, but for a healthy business this is all to the good.





I can't imagine doing it without partners. Our business is concerned with creativity, with ideas, which are often born in brainstorming sessions.

THEY KNOW HOW TO SELL THEMSELVES

– And what about your staff? After all, they are Russian too, they also have the Russian mentality...

– Not necessarily. When they join our company, not a trace of this mentality remains. Anyway, the personnel problem in Russia has many aspects. On one hand, I like the way my people work. They don't just do what is asked of them, they study, they learn,

brains. Our creative staff forms the main component of our success.

– So how do you solve this problem?

– In various ways. At first we only took on people through employment agencies. That's the first filter, the agency itself weeds out those who are clearly not suitable for us. But we don't have staff problems now, we don't use agencies any more. We are known in the market, and we receive several CVs

In Russia, everything is done at the last minute, under constant time pressure.

they ask for more and more work... But on the other hand, there are problems too. For example, you get a CV from a 23-year-old girl listing a life experience and career path that it would take me an hour to tell you. Obviously it isn't true, but she considers herself the ideal candidate. In Russia in general, there is a big problem in the gap between people's ambitions and what they can actually do. Many of them know how to sell themselves, but when it comes to the actual job... And yet we are selling

every week. Most of them we reject at once, but there are people we meet and talk with. And occasionally we even create a position we didn't have before especially for one of these.

– Do you pay your staff less in Russia than you would have to do in Europe?

– It depends on the position. Rank-and-file staff receive about 20% less. One of the reasons for this is that they pay less income tax here, only 13%. But



in management positions, our people are very well paid. Fully comparable to European rates. By the way, when there is a crisis in a country, you can find good staff for less money. And if the economy is growing, there are fewer people in the market, and sometimes you can't find the one you want at any price. ■

In Russia in general, there is a big problem in the gap between people's ambitions and what they can actually do.



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*Frenchman
Guillaume Rodi
takes on other
people's problems
and is doing
good business
in the Russian capital
on this basis*

Personal Assistant

BY: SVETLANA SAMODELOVA | PHOTO: YEVGENY DUDIN | TRANSLATION BY: JACK DOUGHTY



*He is able to sort out any kind of chaos. He makes the lives of his clients better, simpler and calmer. In next to no time, his staff will book a client into a beauty salon, select the best dentist, reserve an airline ticket or a table in a top class restaurant. **Guillaume Rodi**, the founder of the "Classelite" concierge service, tells BIGMoscow how he managed to form a professional team of personal assistants capable of conducting day-to-day matters and of fulfilling any wish of a client as the occasion demands, and also about the competition and the specific features of working in Russia.*

– In France, I organised various measures, working both for individuals, for whole families, and for companies. It was my job to make their daily life easier. For example, I could order the required room in a hotel anywhere in the world, or organise an individual tour of an exotic country. And also arrange an unforgettable celebration.

– How did you end up in Moscow?

– I organised a trip to Russia for one of my clients. I realised that there was a free niche here. There were very

few companies providing concierge services. So I decided to start a business in Russia.

– How did your relatives and friends react?

– None of them had any fears or forebodings. I felt quite confident, because I knew that there was a high demand for French technology in Russia. People needed our experience. So the company Classelite was formed, a luxury company operating in the Russian and French markets.



– How difficult was it to open your own business in Russia?

– No problems arose, and it didn't take long. I had quite a few friends in Russia, many of whom were working as company managers, including both Russian and French specialists. They explained to me the quickest way through all the administrative procedures.

– So you didn't need to hire a lawyer or a consultant to draw up all the necessary papers?

– No, I went round all the offices myself. I personally dealt with registering the company.

– In Russia they still think a concierge is the old lady who sits in the entrance to the hallway and “X-rays” all those coming in with her piercing eyes.

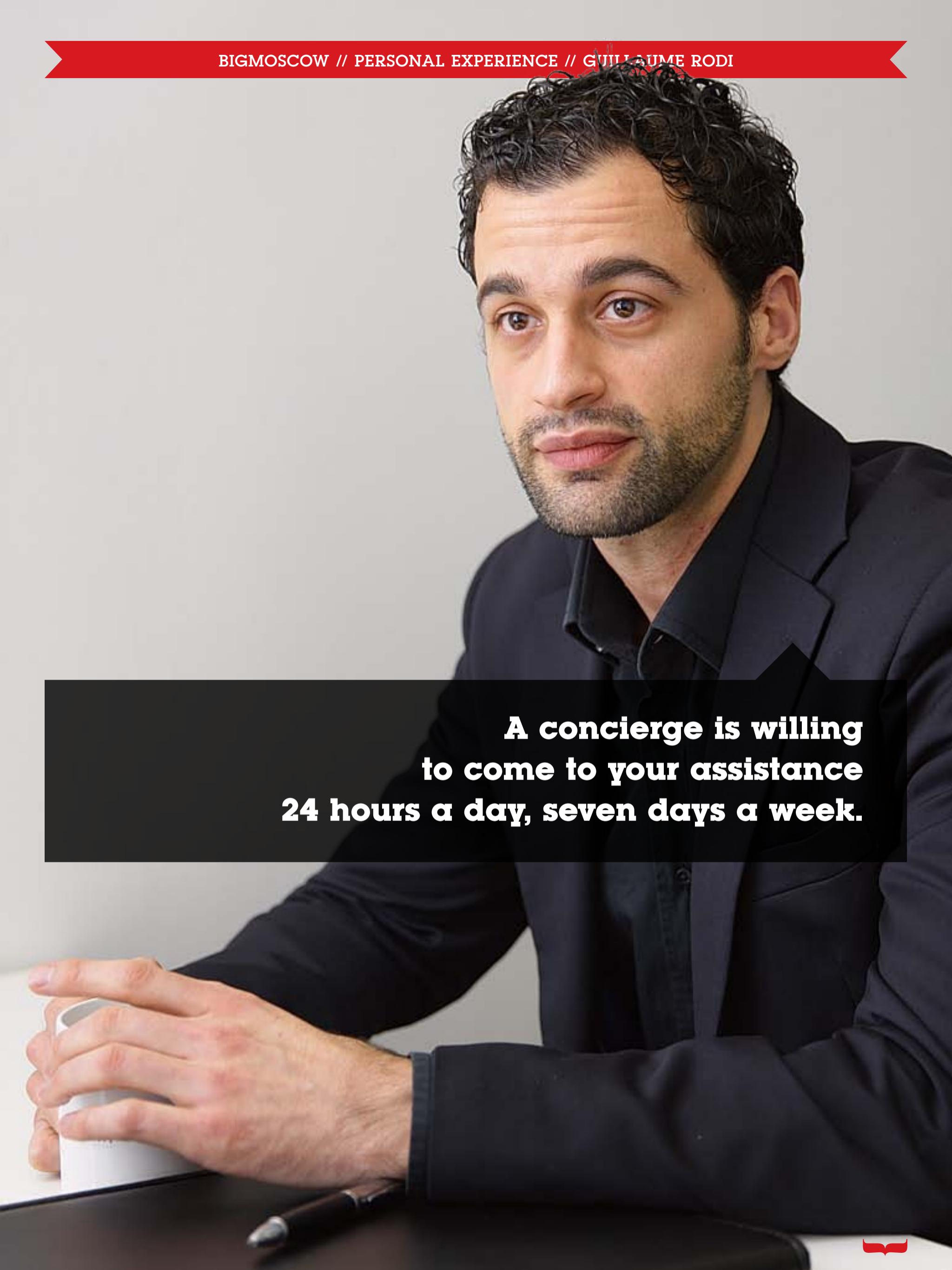
– The word “concierge” is of French origin. In translation, it means “doorkeeper, key keeper, janitor”. At one time, that was what they called the servant who made sure all the candles in the castle were extinguished. The

concierges moved into apartment blocks. Their range of duties expanded. Concierges provided hotel guests and apartment block tenants with all the necessities, and created comfortable conditions for them. In particular, they were concerned with maintaining order in areas of general use, keeping the staircases in good repair, receiving and sorting the mail for the guests or tenants, dealing with mechanics, plumbers and the caretaker, and looking after the plants inside and outside the building. The concierge would often have a set of spare keys for the apartments and the front door.

Gradually the concept of “concierge” took on a new meaning. Now it is someone who is ready to provide services to clients as soon as they require them, and to undertake responsibility for any task: looking for a suitable present, translating a complicated text, organising an individual tour, leasing a limousine, walking a pedigree dog, and so on. Every concierge has a list of partners with several thousand names. The present-day concierge also

I went round all the offices myself. I personally dealt with registering the company





A concierge is willing
to come to your assistance
24 hours a day, seven days a week.



knows all the ins and outs of business aviation. This sort of service only appeared in the expanses of Russia at the beginning of the 21st century.

– Are you confident that you will not find yourself without work in Russia? After all, the high-level officials and managers have their own qualified personal assistants.

– A personal assistant working in a company has certain limitations. For example, you can't ring him at two in the morning because a burst pipe in the kitchen is flooding the place. That's the responsibility of

a concierge, who is willing to come to your assistance 24 hours a day, seven days a week. We offer our clients four subscription contracts and issue four forms of card: Discovery, Gold, Silver and Platinum. Each card covers a certain range of services and client programmes. For example, the “Classelite Home” programme provides service in domestic cleaning, repair and maintenance, and looking after children or those who are ill. A concierge will find you your required hairdresser, cosmetologist, nanny, plumber, electrician, cook and household staff. He will also help you change the interior of your house or apartment with the aid of a team of professional architects and decorators. Under the “Classelite Relax” programme, our staff will send a professional masseur or masseuse to your home, and under the “Classelite Ticket” programme, will book tickets and arrange private visits for you. The “Classelite Travel” programme includes preparing private trips on a turnkey

There are of course firms in Russia specialising in concierge service, but I do not look on them as competitors.

basis with a personal chauffeur and service in a hotel. The “Classelite Taste” programme will provide you with one of the best sommeliers to organise a wine tasting.

If the service contract includes the “Classelite Events” programme, the client is guaranteed an unforgettable birthday or luxury wedding. The “Classelite VIP” programme means you can rely on assistance in overcoming administrative difficulties in the event of a lost passport or applying for a visa. It also guarantees VIP seats at fashion shows and free access to closed evening parties. You can also select professionals to ensure your personal security.

– *What can you say about the competition?*

– There are of course firms in Russia specialising in concierge services, but I do not look on them as competitors, because unlike us, they do not provide “de luxe” services of the highest category. It is within our power, for example, to order a private flight, if a client wants to fly to Courchevel, Megève, Val D’Isère or Grenoble, and then transfer the client to a helicopter. We are able to find an isolated chalet, and also, if required, to organise a tasting of high-class wines. Our phone line is open round the clock to calls from anywhere in the world.

Opinion



***Helena Greschner,
President of G-Holding***



I think that in Russia now, it is still a favourable period for setting up and developing multifunctional service companies. The development of concierge services in the regions is particularly interesting. The simplest thing a concierge service can do is provide services abroad. The infrastructure exists, it is easy to understand, and many of our colleagues are successfully fulfilling tasks set them by clients. But without “connections”, a concierge is powerless in Russia. Do you remember what the Fairy in Cinderella said of the girl’s stepmother? “I would





**I was amazed by the warmth
and hospitality of the Russians.**

– How hard was it to find staff in Russia? What requirements do they have to meet?

– In Russia, as in France, we had no problems in finding the required people. There are many people looking for work here. The main thing is that the candidate should be able to work to the schedule we require. Our concierge has to know English, French and Russian, be mobile, communicable and have good connections. As it worked out, I never had to look for staff. Most of them came to me by recommendation.

– Which gender do you have the most of as concierges? Men or women?

– This work is of more interest to women.

– How do you find clients?

– By word-of-mouth recommendation. If someone is satisfied with the service provided, he advises his friends, colleagues and acquaintances to apply to us.

– Could you tell me the most exotic order your company has ever had to fulfil?

– One client asked us to find and deliver a black panther as a birthday present to a friend. The order was fulfilled in two days.

– How do Russian clients differ from French ones?

Expert



Ruslan Rakhimkulov,
co-owner of
the "Constant"
financial and
investment group



In our view, the concierge services market in Russia has not been very competitive up to now, although the industry is developing almost in parallel with the European countries. This is explained mainly by the fact that we do not yet have a bourgeoisie in the full European meaning of the word; we have to deal with the first generation of so-called "bourgeois", many of whom left the Soviet Union, and therefore there is not enough demand for concierge services. You can't much rely on





**I never had to look for staff.
Most of them came to me
by recommendation.**

– There is virtually no difference. The Russians copy the way of life of the French.

– *Are clients in Russia more generous than in France?*

– In Russia, they more often sign service contracts for concierge services to be provided 24 hours a day, seven days a week, so that they can be sure a request will be fulfilled at any time of the day or night. The French are more careful with their money. There is a difficult economic situation in France just now. The Russians have not yet been touched by this problem.

– *Are Russian partners reliable?*

– I myself do not yet have any partners in Russia, but friends who have been doing business here for a number of years say you can always rely on Russian partners. I would like to say to those who are still wondering whether to go to Moscow or not, “Pack your bags, there is absolutely nothing to fear.”

– *Could you share your personal impressions of Moscow and the Muscovites?*

– In spite of the cold climate, very kind people live here. I was amazed by the warmth and hospitality of the Russians. I would like to mention Russian architecture. I never cease to admire the ancient buildings I see every day.

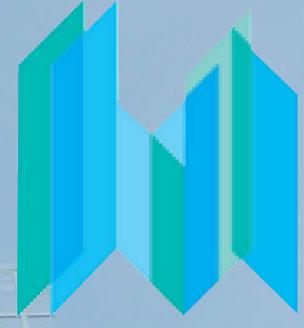
– *How safe a city is Moscow?*

– It is a city which is well protected. There are many police on the streets in Moscow. Both in the centre, and in remote regions, I always feel completely safe. ■



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GOING TO WORK IN MOSCOW



A Business-Like Romance

*As the Editor-in-Chief of Moscow Expat Life, Englishman **John Harrison** knows all there is to know about the life of the expat in the Russian capital*

BY: IGOR LEVSHIN | PHOTO: YEVGENY DUDIN | TRANSLATION BY: JASON J SHAW



*Having visited Moscow during the Cold War years, he came back to start his own business here during the romantic era of glasnost and perestroika. Since then, virtually all of **John Harrison's** business ventures have had a connection with Moscow. The editor-in-chief of Moscow Expat Life tells us who those people who come here from the West are, how they do it, and why.*



— When was it that you first came over to Moscow?

— Way back in 1979. I came for a little bit of Russian language practice. My university friends were learning French or Spanish, but I wanted to do something out of the ordinary. Which is why I chose Russian and Chinese. After university, I received a grant from the British Council to learn Russian, and I spent a memorable year in the Russian capital, practising my Russian and getting to know the Russian culture. I also lived for a time in China, but that was later.

When I got back to London, I started looking for a job. But who's bothered that I know Russian? The Cold War was at its height. It came to the point where I took a job as a taxi driver just to make ends meet.

A job did turn up: in Moscow. In 1987. At the Raduga publishing house. I translated Soviet detective novels and some other dubious literature into English. It enabled me to rent a flat.

Then, I set up my company IntoRussia Ltd. We were helping



businessmen establish contacts, printing brochures, writing screenplays, making films, producing promotional material. But it was only a small company and it didn't really have the resources. Even now, Russia is not the most economically stable country in the world, and then, it was all the more so. Basically, I gave it all up and went back to London. I studied Russian literature and received my doctorate. Then I worked for a couple of years in Beijing. In 2006, I came to Moscow again. I was the chief property editor, and then editor-in-chief, of Passport Magazine.

Coming to Moscow today are highly qualified professionals, top-level management, and not those in search of adventure.

– How did Moscow Expat Life magazine come into being?

— Passport Magazine is a magazine for expats. A couple of years ago, it was experiencing problems, and had to close for financial reasons. The niche for an English-language magazine about foreigners living in Russia became vacant. And so, I turned to the British entrepreneur Kim Waddoup who has been successfully doing business in Russia for several decades. I had known Kim for a long time by then, and we had even been about to start another magazine, but the time wasn't right. And then, two years later, it all came together: Kim and I were in the right place at the right time, and we launched Moscow Expat Life. We adapted several of the concepts from Passport to the new publication. And we concentrated on the life of expats in Moscow, to better understand their issues and concerns.

– Has anything changed in the lives of expats in Russia in recent years?

— Up until the events in Ukraine, Russia was moving towards the West, and the differences with Europe were becoming fewer and fewer. Some foreigners were even complaining about this. Now, even the people who

come here are not the same as before. In the 90s, Russia attracted real cowboys, looking for an adventure. Now though, those who come to Moscow already have their good overseas job lined up here. Expats are sent here by foreign companies or are invited by Russian ones. This went on before, but what is particularly characteristic now, is that: coming to Moscow today are highly qualified professionals, top-level management, and not those in search of adventure. For

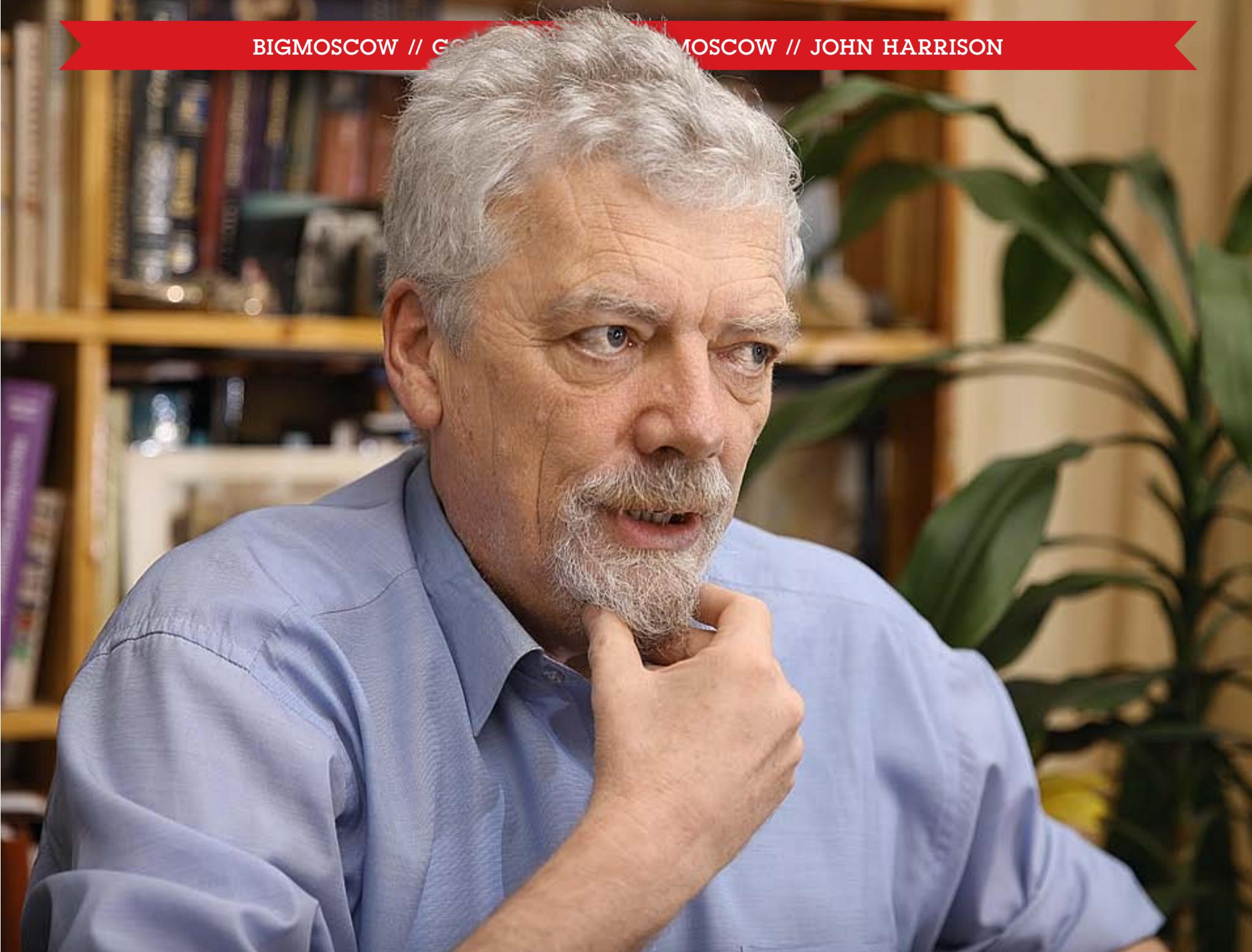
them, Russia is just another foreign workplace, one which pays well, too. Whereas before, the conditions here were considered to be unique. Then, people came here not just for the sake of money and their careers.

– Were you also looking for adventure?

— Of course! On the wall over there, is a painting I did from life in the 90s: a queue for meat. There wasn't any meat. I remember I couldn't even buy sugar. Tinned meat, horsemeat, jars of sprats. But that was an adventure, I liked it! I was enraptured by music,

ABOUT JOHN
HARRISON





I made friends with musicians, hung out with the underground, immersed myself in the cultural scene.

— Do you still keep in contact with those in the arts scene?

—Yes I do. But in recent years, people, Russians included, are more and more concerned only with money. Their psychology has realigned itself towards earning money. And in this respect, Russians are no different from, let's say, the French or Germans. The days of romance have gone. A severe, materialistic way of life reigns

supreme. Even so, Russia is still not the West. Everything here can change within the space of a month.

— Are you not up for adventure anymore?

— For the last ten years, I have been working exclusively as the chief editor of magazines. It started with a magazine about property: I set up and headed the magazine CRE Russia, published in Moscow by ImpressMedia. Then there was the English-language magazine Passport. And now, there's Moscow Expat Life.

We help our readers – expats – to get a better grasp of the fact that they are living in Russia, and not in the West, or in the East, either. The people here have a unique, Slavic culture. Very few understand it properly.

– *In which way, then, are the Slavs different?*

– Friendship here is not like it is in the West. Friendships are built slowly, indeed over many years, sometimes a whole lifetime. And business here, in a certain sense, is clannish. Business partners are often found through friends and relatives. Advertising barely works here, and PR brochures, overall, go straight in the bin. They say that Russians are unsmiling and gloomy. But why am I obliged to be jolly? – asks the Russian. Russians are honest. They are organically incapable of publicising themselves. To a Russian this is an utterly alien cultural phenomenon.

– *Is it possible to calculate how many expats there are in Moscow, in Russia?*

– It is a far from straightforward question because not only do the statistics themselves vary, but so does the way people from other countries are categorised. According to some estimates, about 500,000 specialists come to Russia from Western Europe, the US, Canada, Australia, and New Zealand. Of these, around 100,000 are top-level management. Some maintain that all 500,000 can be classed as expats; others, that only 100,000 of them. Overall, of course, demonstrably more than half of them are in Moscow. There are quite a few in Saint Petersburg, too. Fewer in the other cities. The further away you get from Moscow, the fewer of them there are.

– *In which parts of the Russian economy do expats tend to work the most?*

– You can find expats in any of the large Russian cities where there is industry, and the way they are distributed largely reflects the structure of the Russian economy. There are a lot of expats in the oil and

**Friendship here is not like it is in the West.
Friendships are built slowly, indeed over
many years, sometimes a whole lifetime.**



gas industry and generally wherever there is mineral extraction going on, a lot in the banking sector, in IT, HR companies, and in companies' HR departments. There are many expats in the education system. In terms of numbers, there are more there than in the banking sector, but as far as total income is concerned, their presence in the banking sector is more significant. The role of foreigners in the Russian economy is a noticeable one: vast amounts of money move through the companies they work in.

— And what is the geographical pattern of expats' origins?

— Most of all come from the neighbouring West. Many from Eastern Europe, especially Poland: there are around 50,000 in Moscow and Saint Petersburg. But not all of them are expats in the strict sense of the word: sometimes it would be more accurate to say that they are just living in Russia. There are also a lot of expats from Western European countries: Germany and Britain. There are about

5,000 Britons, more from Germany, but, in any case, they aren't in the hundreds of thousands or even tens of thousands.

— What trends in Moscow expat life have you observed?

— A noticeable reduction in number. I think that over ten years, the number of expats in Moscow has diminished by at least a third. But that is normal. A million foreigners are not what is needed here. Many left because of the crisis: the Russians simply did not have the money to pay foreigners higher salaries. Then, for that money, it was possible to hire two to three local workers who had, by that time, already begun to gather the necessary qualifications. Now, Russians have accumulated experience, enough of it to occupy those positions laid claim to by expats. Of course, many key positions in large foreign firms are still held by expats, but the general trend of replacing expats with Russians will, I think, endure.

The role of foreigners in the Russian economy is a noticeable one: vast amounts of money move through the companies they work in.





— Do expats, your readers, ever find Moscow lacking in something which they are used to in the West?

— For those who come here now: companies provide them with a flat, medical services. Expats receive the full package of Western services. I'm talking primarily, of course, about top management and valued experts. But there are also teachers and doctors.

— Do expats stay on for long in Russia?

— Usually they sign a contract for three to five years. Expats strive to give a good account of themselves in Moscow. As a rule, Russia is not their first overseas job, just another stepping stone in their career. Once they've finished working, they leave. There is a high level of uncertainty here, which is usually the reason why expats go. They get tired of having to solve problems they have only just solved because the situation has changed yet again. But some expats do stay on in Russia long-term.

— Is it difficult for a foreigner launching a business in Russia?

— In the 90s, it was possibly simpler. But it can be done now, as well. The main thing is to respect the laws of the country in which you are living and working.

— We've been talking only about work. What about leisure time? How do you relax?

they used to be. The Russian winter is sometimes similar to those in London. In summer, it's hot. I remember the peatbogs catching fire. That's another one of my paintings: people sitting at VDNKh in smog masks, smoking.

— And the clubs which expats frequent, do you go, too?

— Yes, but more so through work. I never used to. I wanted to talk to Russians, and get to know Russia.

I think that over ten years, the number of expats in Moscow has diminished by at least a third. But that is normal. A million foreigners are not what is needed here.

— I have a dacha near Vereya. There's a house with a garden. But I don't do anything with the garden: I decided to let my land revert to its natural state. The neighbours are horrified.

— Do you not find the Russian winters off-putting?

— They are wonderful. It's a severe climate, but winters are supposed to be cold, otherwise what kind of a winter is that. Although the climate has changed: the winters aren't what

Now I understand that a club can be interesting and useful because it is where people from various backgrounds and various countries share their experiences. That kind of interaction helps you to understand what is going on around you. And, for business, that is always important. ■



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Dress Code

*Dutchman **Paul Commandeur** left his job in a bank to set up business in Moscow providing made-to-measure suits to bankers, lawyers, and other businesspeople*

*A financier by profession, he had never had any connection with the world of fashion. But now he deals in men's suits and can count amongst his clients former colleagues and other financiers. Telling our BIGMoscow correspondent how his commercial enterprise in Moscow got up and running, is company founder **Paul Commandeur**.*

About Paul Commandeur



I saw that for an employee of a Moscow bank, dressing stylishly, observing these rules, was not such a straightforward proposition.

– How and when did you end up in Moscow?

– I came here six years ago. It was suggested that I work for six months in the bank's branch in Moscow. Six months turned into a year, then two years, and, as you can see, I am still here in Moscow.

– But how did it come about that you left your job in the bank and began trading in clothing?

– As a rule, every bank has its own dress code in operation. I saw that for an employee of a Moscow bank, dressing stylishly, observing these rules, was not such a straightforward proposition. My Muscovite colleagues solved the problem by going shopping in Europe. And I myself, from my own personal experience of working in Amsterdam, knew that there are a lot of businesses there

which tailor beautiful clothing for those obliged to comply with a dress code, however strict. That's how I came up with the idea of filling this niche in the market.

– Did you have something to do with the fashion industry, the tailoring business, beforehand?

– Not at all. Mine is a finance background. I graduated from the Erasmus University in Rotterdam. I was born a stone's throw from Amsterdam.

– When did you decide to take your leave of the banking sector?

– I worked in the bank in Moscow for about three years.

Four years ago, I started to discuss our commercial project with my Russian partner. We gave it the name Costume Code. I worked both at the bank and on the new project for a couple of months, all told. And it is now three



years since I have been dealing in suits almost exclusively.

– *Is your partner also a financier?*

– Not at all. Ekaterina Lopatkina has experience in the creative disciplines. She draws well herself and has a marvellous grasp of design, web design, marketing, promotion via social media, and recruiting personnel. We complement each other perfectly. I deal with the logistics, production, the boring accounting side, whereas Katya is more involved with promoting the business using her creative abilities and experience.

Of course, a lot of money goes on the rent, but in our particular case, most money and effort goes into the production of the clothing itself. We use rather expensive material and our tailors are located far away from Russia. But the end result makes it all worthwhile: the cost of us making a suit varies from 29,900 to 70,000 roubles, and depends only on the fabric selected.

– *Did you get a loan from the bank to start your business?*

Facebook and Instagram are the best platforms for us to show people what we deal in.

– *And how much does it cost to start up a similar enterprise?*

– We are often in talks with investors and franchise partners about this because I will say straight off: opening such a shop costs, from the point of initial investment, between four million (about 80,000 euro) and six million roubles, depending on the size. That includes everything: rent, refurbishment, furniture, documentation, mannequins, staff training, and their wages.

– No banks at all. My partner and I invested our own money. Taking out loans is an expensive business, but it's not just that. When you don't know beforehand whether your project is going to be a success or not, going to the bank is very risky. It's a different proposition now, when all the processes are up and running, when our success can be measured in terms of numbers. Now is the time when we can start to discuss investment.



**It wasn't easy: we spent over a year looking
for the tailors. But now that the system
is in place, it is all running smoothly.**

– Is it easy trading with Moscow when tailoring is set up in different countries, and you are using material from abroad? Do you go in person to Italy to negotiate about the fabrics?

– No, we resolve issues with Italy by email. We choose Italian fabrics out of considerations of quality and not of branding. We could create very expensive garments with expensive material from well-known companies, but that's not what we specialise in. I go regularly to Amsterdam only – not only are my friends and family there but the Dutch really know about good suits; there are a lot of companies in Amsterdam like ours, and I pick up ideas there which inspire me.

As for the tailors, they work for us in Spain, France, and Tunisia. Of course, there are fine tailors both in Britain and in Italy, but then our suits would cost astronomical amounts, and that is not part of our plan.

– How did you manage to find these tailors in these countries?

– I am not going to speak about this:

it is our trade secret. It wasn't easy: we spent over a year looking for the tailors. But now that the system is in place, it is all running smoothly.

– But it would be cheaper still to have them made in Russia. Surely, we must have some good tailors here?

– We did try to collaborate with Russian tailors. But the infrastructure which would enable us to start work straight away without any further investment isn't in place.

– Or wouldn't it be cheaper to have them made in, let's say, China?

– In China there are, undoubtedly, good tailors. But we didn't manage to find them. I'll explain. I know about quality. A tailor who sews brilliantly nine times out of ten but who, on the tenth occasion allows themselves to slack off, is no good to us. We need the sewing to be sufficiently good 99.99% of the time.

But there are other people who do the fitting. And they are all

Our strength lies in relatively inexpensive, good quality suits, without any loud brands.





Russians. In all, out of the 15 people on our permanent staff, I am the only foreigner. Fitting is also skilled work but we spent time on recruitment and training and now, after three years of working at it, we have an excellent team.

**– How many shops do you have?
Where is your head office?**

– Two in Moscow: on Spiridonievsky Lane and on Ostozhenka. The premises there are a little smaller

but it is a lovely, cosy place. Here on Spiridonievsky, there is more of a business-like atmosphere. We recently opened a shop in Surgut: our franchise. And our office is in a coworking space, “The Work Station” in Neskuchny Garden.

– It's a great place but there aren't any individual rooms there where you can quietly discuss things not intended for others' ears.

– We have our own table, but no walls. We discuss our work openly but if we need to talk about something confidential, we go outside and discuss everything huddled together under the trees. Or we use the meeting room. It's not the whole team which gathers there, but Ekaterina, our head accountant, our logistics and marketing experts, and I myself, work there regularly. There are 10-15 coworking places in Moscow, but "The Work Station" in Neskuchny Garden is a wonderful, one-off kind of place.

– How important in today's world are the online and offline elements of the trade?

– Facebook and Instagram are the best platforms for us to show people what we deal in. In a photo, you can take a look at the texture of the fabric, the stitching, the buttons, how the buttonholes have been finished: these are the details by which people can judge the quality of the work. People can see the soft shoulder line which lends a suit a fashionable Italian style. There too, on social media, you can

interact with people, find out what clients like and what they don't like. We are not a large company, and the mainstream media like GQ, Men's Health or FHM are not suitable for us due to the cost of advertising.

– Do you have any clients who don't come at all into your offline shops?

– Yes. If they have chosen the material, the cut, the type of buttonhole, arranged a fitting at home through the website, then there is no need for them to come to us at Ostozhenka or Spiridonievsky. It's very convenient. But I don't believe in a clothing trade without shops. There will always be people who want to touch the fabric, discuss the cut. I believe that for such a business, the ideal is a combination of online and offline commerce.

– Are your clients mainly businessmen?

– Yes. Bankers, lawyers, those in consulting: those who work where there is a dress code. Sometimes they order suits for both a wedding and for dinner and parties all at once.

We recently opened a shop in Surgut: our franchise.



– *Do government officials come in occasionally? They too have a dress code.*

– Not really. Usually they have different price ranges, different criteria. Our strength lies in relatively inexpensive, good quality suits, without any loud brands. I would say that in the niche we occupy there aren't any obvious competitors in Moscow, and we are not looking to move into any other niches. A shop has opened now in Surgut. An entrepreneur who likes our idea and is prepared to invest money made himself known there. But we are not planning on expanding after the fashion of the massive Moscow chains. A small company has its advantages. We are not treading on anybody's toes and are taking up our own place.

– *Is Moscow a fashionable city? Or is it lagging behind Europe?*

– Ekaterina follows all that. I don't think that it is lagging behind, but that's not the issue. Business suits have their own rules, some of which are a hundred years old, or more. Employees don't have a choice: they have to follow the rules. But you have to know the rules and know how to play with them whilst adhering to the spirit of them. We know the rules and try to make our suits so that they are not boring: we vary the fabrics and the cut. Russia's problem lies not in lagging behind the fashion world, but in not knowing the

rules. The rules are very simple. You don't come to the office in a green shirt etc. But fashion is whimsical. Following it is not at all like following the rules.

– *Does Moscow offer a comfortable life for the foreigner?*

– Yes, absolutely. There have been big changes over the last five years. In Holland, nothing changes. Bicycles for hire have even appeared on Moscow streets. Obviously, Moscow is not a cycle-friendly city at all. It is poorly set up for that. But I have grabbed a bike a few times already.

– *What type of car do you have?*

– None! I am about to buy a bike here. I've got three of them in Holland, but there they are also a means of transport whereas here they are exclusively for recreation. In Moscow, as in any big city, it is important to strike a balance between working intensely and being able to relax, to be at one with nature, to find a quiet spot. Katya's family have a dacha. I go there sometimes for some peace and quiet. And in Holland I can take a rest from the frenetic pace of Moscow. ■



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Biopolymers for Business

*The startup **Tectum** is successfully monetizing the biomedical achievements of Russian scientists*

Scientists began the development of substances based on the polymer chitosan over twenty years ago. Two years ago, 23-year-old physicist Mikhail Gorshenin set about the commercialization of a unique drug which stops venous bleeding in 30 seconds. But not as a physicist: as an entrepreneur. Mikhail has had further training as an economist.

A talented businessman, he already lectures at the Technology Commercialization Centre of the Lobachevsky State University of Nizhny Novgorod. The winner of a business projects competition, Mikhail Gorshenin attracted the attention of American investor Kendrick White who has been supervising his startup ever since. Next came a placement at Perdue University in the US, and then at the University of Maryland where

he had the opportunity to get to know not only developers of local biomedical projects but also the mechanisms of their commercialization.

Finance first came from the Bortnik Fund's UMNIK programme. Now Tectum is participating in two of the Fund's programmes concurrently: UMNIK and Start. Negotiations are being held with other investors.

«We are holding to the principle that the longer we can manage without investment, the better,” says Gorshenin. “At this moment in time, we are filing an international patent and concluding preclinical trials. After that, our value should rise sharply. If investors manage to put money in before then: great. If not, then they will have to pay even more later on. And they are aware of this themselves.”

**At this moment in time,
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Targeted subsidies from the government were set aside for the startup's patenting.

"I have come to know of many interesting projects," *Mikhail relates*. "I will, in all probability, run another project in a similar area, in parallel. It is something we have developed but we are earmarking it for a separate business. These two are more than enough for me: we have to concentrate on the key idea."

The team is not too big. There are eight medical research experts, and two people (not including consultants) are dealing with the project's commercialization. Outsourced specialists will be getting involved for the clinical trials. ■



***Interview
with Kendrick White,
an investor
in the Tectum project***



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Ecosystem of innovations

*American business angel **Kendrick White** invests in the infrastructure of the Russian innovative economy because that is where the future lies*

He prefers to put his money into young managers who can find practical application for the latest scientific achievements.

Kendrick White, head of Marchmont Capital Partners, operates in a niche with which the Russian state has not so far concerned itself very much – a working prototype at the stage of converting a scientific project into something capable of interesting a venture capital investor.

– You have quite a few Russian projects up and running. Which is your favourite?

– Probably “Tektum”, headed by the young entrepreneur Mikhail Gorshenin. This is a medical-biological project. Russian scientists at Nizhni Novgorod State University have created a new medicinal product composed of both natural and synthetic ingredients. If it is applied to an open wound, the flow of blood is stopped for 30 seconds. The new product is called “Tektum”, the same as the company. It also has antiseptic properties. It is a real revolution in this medical field.

Mikhail Gorshenin, the managing director of Tektum, is a very talented entrepreneur. He works in the CCT,

the Centre for the Commercialization of Technology, of which I am the head. At the age of 23, Mikhail is now using his experience to teach other students how to become an entrepreneur in science, how to make scientific achievements in medicine, biology and genetic engineering interesting and useful for the whole world. While the professors and academics work on the fundamental problems of science, the students are thinking about how their discoveries can be used in practice.

– How did you come across Tektum and its managing director?

Lack of venture managers is a systemic problem in Russia.



– They won a competition, where I was a member of the jury. I congratulated Mikhail and took him to work for me in CCT.

– Talented managers are worth their weight in gold.

– Lack of venture managers is a systemic problem in Russia. We in CCT try to learn from the experience of others. There are many business angels in the USA who are willing to invest in scientific projects at the very earliest stages. And there is very significant state support. One fine example is the Deshpande Center in MIT (the Massachusetts Institute of Technology). An Indian named Deshpande sold his company, Sycamore Networks, for a billion dollars, and gave 70 million to MIT, from which he had graduated, in the form of the Deshpande Center for Technological Innovation and the Deshpande Foundation. The Center gives grants of hundreds of thousands of dollars to enable scientists to move quickly from laboratory experiments

to working prototypes which can be shown to a venture capital investor. In the USA, this is a tried and tested system, but in Russia there is no-one between the laboratory and the venture capitalists sitting in Moscow. It is an empty place.

– You are undertaking projects in a field avoided by many investors, who prefer IT projects. This is particularly true of private investors.

– Yes, in Russia they are certainly more willing to support projects in IT. It is much simpler. You quickly get into the market. You don't need laboratories with complex apparatus, just ordinary computers. Some guys have developed a really interesting game based on complex algorithms and put it in Appstore. Fine! Russia has had some good successes in game apps too. But to create an innovative economy using nanotechnologies or biotechnologies, you need not only the world's mightiest academic science, which Russia

In the USA, this is a tried and tested system, but in Russia there is no-one between the laboratory and the venture capitalists sitting in Moscow. It is an empty place.



has, but also a medium to take the technology into the business world.

As for the experience of other countries, in the USA such projects are financed both by private and state funds. The Deshpande fund is private financing, but nearby in Boston there are many state funds supporting scientific projects. In the University of Maryland they have the Maryland Biotechnology Center and TEDCO, a whole range of financing

academic institutions in the states of Maryland, Virginia and the Federal District of Columbia. There are also clubs of business angels there, willing to invest in the cluster's projects at an early stage. We are studying these organisations and want to bring the best to Russia. This has resulted in 17 startups this year.

– Are you attracting foreign funds for investment?

It is necessary to support not only individual projects, but the development of the whole infrastructure, the ecosystem of innovations.

mechanisms, including business incubators. The MIPS programme, Maryland Industrial Partnerships, also operates in Maryland. The government supports projects in the field of bio-medicine from the very earliest stage. So this makes a sort of “bio-cluster”: Maryland (acting as a business incubator), the FDA (Food and Drugs Agency), and the John Hopkins University (one of the best medical universities in the country). The projects are also supported by such state organisations as the National Health Institute, and many

– The big Western funds are working with already existing projects into which millions of dollars need to be invested. But we are dealing with the very first stage, “pre-seed”. At this stage, grants are needed to create prototypes.

We also work with the Russian Venture Company (RVK) and are in contact with the Bortnik fund, the Skolkovo fund and Rosnano. I consider that it is necessary to support not only individual projects, but the development of the whole infrastructure, the ecosystem of



innovations. Without this, the projects will never get as far as venture financing from Moscow – Runa Capital and Almaz Capital. In Moscow there are Sasha Galitsky and Sergei Belousov, very talented businessmen who are willing to invest in interesting projects, and not only in IT, not only in games, but in projects with a high scientific content. However, they need a scale compatible with their funds: projects in which millions of dollars of

– ***So the problem is that the cycle of projects with high science content is too long?***

– Of course! That is the main problem. Russia is developing an IT economy, because an IT project pays for itself in two or three years. Projects in nanotechnologies and biotechnologies may require investments for eight to ten years. For private investors, this is too risky a business; what is needed here is long-term financing from state funds by

In ten years, a fully developed venture financing infrastructure has come into being in Russia. But it does not have enough high-tech projects.

investments are required. Therefore we are working on proving to the state authorities that it is necessary to work with universities throughout Russia, to create an all-embracing infrastructure capable of developing innovation projects. They must be financed at the very earliest stages, when millions of dollars are not yet needed. Hundreds of thousands of roubles may be needed to make a prototype, or a million roubles for an international patent application.

means of grants – that's the way it's done all over the world. It is profitable on a state scale because such projects help the growth of the entire economy. An innovation economy cannot be built on projects which pay for themselves in one or two years.

At one time, in the USSR, we had Gosplan for state planning. Now there is no Gosplan, but the market mechanisms are creaking. The monopolists in the oil and gas industry are buying ready-made solutions from American, German or



Japanese companies. The question now is how technologies which appeared in Russia can be commercialised within the country. After all, if there is zero requirement for them, there is no choice. They will be used in the USA, Japan, Israel or China. The global corporations get the scientists and the technologies, and through them the patents. I want to break up this practice. Russian corporations must turn to Russian scientists. In the new difficult conditions, this is a chance for both parties. I am absolutely sure that scientists and managers in Russia would prefer to live and work in their own country, to get rich here, rather than having to take their family to Silicon Valley or Israel.

– Do you have an economic education?

– My baccalaureate diploma was called “Where did Karl Marx go wrong, and what led to the bankruptcy of the USSR?” I studied a large number of cases, and in 1984, in my work at the London School of Economics, I predicted that the concentration on oil and gas, given the low efficiency of the enterprises in that industry, would lead to the country’s bankruptcy. I worked in a bank in Chicago and graduated as an MBA from the Kellogg Graduate School of Management. In Russia I worked at PricewaterhouseCoopers until 1999, then I went over to the EBRD.

– And how did you come to Russia?

– I was always interested in Russia. After the collapse of the USSR, Nemtsov intended to build a market economy by means of shock therapy. I thought it was impossible: you can’t build a market in just a few years. It would simply destroy the country. I wrote to Grigori Yavlinsky’s assistant and offered a programme of work with foreigners. I was familiar with the planned economy of the USSR and knew the ways of the foreigners coming to Russia for easy profit.

– Over what period did the most remarkable shift in the venture capital market take place?

– In the past ten years. Twenty years ago there was nothing, Fifteen years ago the venture market was born. Ten years ago this market began to work efficiently. A community of venture capitalists came into existence in Moscow. They flourished, but now they are working under some stress because of sanctions. Nevertheless, specialists have already appeared, there are banks operating professionally in the venture capital market and there is a system enabling startups to grow and expand their activities. In ten years, a fully developed venture financing infrastructure has come into being in Russia. But it does not have enough high-tech projects.



– *Can you see them in the universities?*

– Of course. The potential is enormous. Take one field: medicine. Opportunities new in principle are now opening up. A smartphone is not just for sending information, it can be a source of information too. It can take video clips and it has sensors which can be applied to the body to take certain readings. It is a transducer. It gives rise to a new type of diagnosis, including the diagnosis of the very early stages of oncological diseases. They are not just for computer games. But these technologies are at the meeting point of mathematics and algorithms on one side, and a very powerful biological school on the other. Russia is capable of a great leap forward here. However,

all these projects take at least six years to bring in any income. Resources are needed. Your business model has to be adapted to the actual requirements of the users. An insurance company might be one such user. Treating cancer at the first stage is a great deal cheaper than treating it at the fourth stage. Our task is to estimate what benefit a technology can give. A professor of biology would hardly be able to do that. Up to now, scientists in Russia have never fully understood the value of intellectual property. They look on it just as a way of obtaining grants. But this is going after short-term benefit. Whereas in building an innovation economy, you have to think more than just two years ahead. ■

An innovation economy cannot be built on projects which pay for themselves in one or two years



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Concealed Reserves

Support for small and medium business at a state level could rapidly increase its share of Russia's GNP



THE GREATEST POTENTIAL FOR GROWTH LIES WITH SMALL AND MEDIUM BUSINESS ENTERPRISES



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A paradoxical situation has come about in Russia recently: the difficult economic situation gives entrepreneurs the opportunity to fill niches which have become vacant due to the introduction of sanctions and restrictive measures, and to take an active part in the development of the country's market with benefit to themselves. This applies to both Russian and foreign entrepreneurs. Furthermore, the greatest potential for growth lies with small and medium business enterprises, to the development of which the authorities have decided to pay particular attention.

Due to its history, Russia has come to be a country of large enterprises. They form the main source of income for the budget. And until recently, it was profitable for large companies to buy technologies, finished products and services abroad, without expending time and resources on doing their own development. Now that the situation has changed, it is recognized that this policy was wrong. In talking to people from the ministries and authorities involved in examination work, I can see that more and more specialists are coming round to the opinion that it is not possible to move forward without changing the rules of the game and doing away with the barriers which have slowed down the development of our economy for the past 15 or even 20 years. After all, you can't build big enterprises quickly. A long period is required for designing and producing equipment and bringing it up to design output capacity. It takes three to five years to create such enterprises.

IN ANY CRISIS, AT ITS OUTBREAK OR AT ITS HEIGHT, A POSITIVE SIDE CAN ALWAYS BE FOUND.



www.acgrf.ru

Also, the share of small and medium businesses in the RF's GDP is only about 20% (In the EU countries it is about 50%). Therefore it is particularly the development of small and medium entrepreneurship which is capable of solving urgent problems of import replacement, creating high-tech. jobs and producing goods and services to support and export agricultural produce.

Certain steps in this direction of an administrative and legislative nature have already been taken. State regulatory mechanisms are being developed and introduced. How can these processes be speeded up? We conducted a poll of our entrepreneur clients, asking them: "What is the greatest hindrance to the development of your business?". The respondents listed three main reasons for development being slowed down, namely the difficulty of access to financial resources, the cost of money and the absence of efficient institutions supporting entrepreneurship.

In spite of the problems of the financial sector connected to the volatility of the currency markets and the absence of access to external borrowing markets, the state is taking important steps to eliminate restrictive factors. Setting up the Agency for Credit Guarantees (ACG) in mid-2014 was one such positive example of state support for small and medium entrepreneurship.

The ACG is designed to help create as comfortable a medium as possible for small and medium businesses. The point is that Russian banks cannot grant loans to companies which do not have sufficient liquidity. The ACG will



enable banks to grant loans under their own guarantees to a wider range of companies and at a lower rate. The recipients of such loans gain an obvious advantage. It works something like this: the entrepreneur goes to the bank and says: "I need a loan for a project. Here is the business plan, here are the assets, see for yourself." The bank replies: "You do not have enough to pledge, you do not have good security, we can't let you have a loan. But the ACG can bear the risk and provide a guarantee for 50% of the liquidity lacking. This will enable us not to set additional limits for you, and we shall be able to let you have the loan."

Such guarantee organizations operate in many foreign countries. Their experience is being studied and applied to stimulate the development of the business community. Our company's specialists have thoroughly analysed the work of such guarantee organizations in Korea, China, Japan, Mexico, the EU countries and the USA.

In November 2014, PwC won a tender conducted by the ACG to develop the concept of setting up a National Guarantee System (NGS) in the Russian Federation. Active discussion of our proposals in the Ministry of Economic Development, the Civic Chamber and on all possible examination platforms began in December.

The work will be completed in mid-February 2015. ■





Employment Package

What are the social obligations towards their employees, incumbent upon employers in Russia?

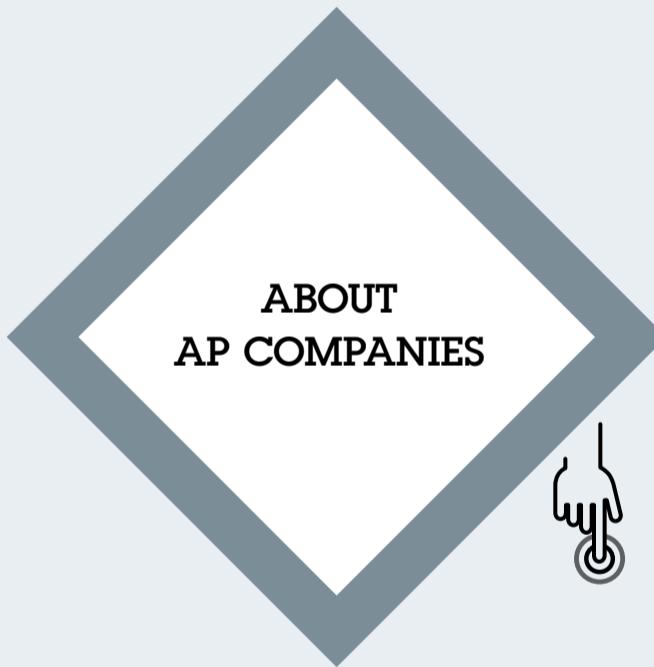


The employment package is an extremely important element on the market in Russia today: it is one of those deciding factors for applicants when weighing up the attractiveness of a job.

*But where does Russian labour law stand on this? And how should the Western businessperson operating in Russia go about putting this package together? Answering these, and further questions, is Director of International Projects at the medical services company AP Companies, **Radmila Sarkisyan**.*

– What is an employment package? What goes into to it? And what do Russian regulators require regarding it?

There are, essentially, two concepts of the “employment package”. The so-called “statutory employment package” which the employer is obliged to guarantee the employee by the Russian Federation law according to the Labour and Tax Code: paid annual leave, paid sick-leave, deductions paid into the Pension Fund and other funds, and statutory medical insurance. And there is the “supplementary employment package”, a collection of compensations and



benefits not provided for by the RF Tax Code or other regulation, which employers offer employees. Each employer decides themselves what to include in the supplementary package and whether to offer employees any additional benefits in general.

– What differences in labour relations are there in this respect between Russia and the West?

The practice of providing an employment package came to us from the West with foreign companies, primarily large multinational

corporations, applying a common Human Resources standard. The system of extra privileges and bonuses was developed in the West, mainly as a recruitment and motivational tool. In Russia, where for a long time the advantage lay with the employer, nobody thought it necessary to introduce any products similar to this. Nonetheless, with time, there was a shift in the balance towards the job applicant, and companies were obliged to introduce intangible benefits in order to attract the best candidates.

– What kind of employment package is usually provided by Russian and Western companies in Russia?

In Western companies, over half of the value of the package lies in various forms of insurance. Above all, medical insurance. In addition to which, many Western companies present in Russia include options in their remuneration package i.e. they offer the employee the option of buying and selling shares in



the company, something which can produce a fairly decent income. This privilege, in the majority of large Western companies, is afforded to high-level management or to managers with a record of service exceeding 10 years.

The contents of the package in Russian companies are virtually the same as those of a Western one. For RF citizens, the employment package includes: payment of average (actual) earnings for sick leave and maternity leave, optional private medical insurance, private pension funds, career development courses, presents for employees on special occasions, and

**IF THE EMPLOYMENT PACKAGE IS PUT TOGETHER
PROPERLY, THEN THE INVESTMENT IN IT WILL RECOUP
ITSELF WITHOUT QUESTION.**



passes for children to holiday camps. As well as this, the employer often takes it upon himself to pay for food for employees, refund travel costs or provide company transport, provide interest-free (or low interest) loans, find rented accommodation (if the employee is moving from another city to work), pay for gym membership and mobile phone costs, and provide other benefits.

For foreign senior managers, the employer arranges additional benefits such as paying for rent on a flat, for car ownership and a driver where necessary, VIP gym passes, education, including schooling for children, and trips home. Year on year demands regarding the level and scope of medical insurance are on the rise.

If it is a matter of small or micro businesses, the situation there is nowhere near as good. According to the figures from the Russian Federal State Statistics Service alone, 19% of citizens of working age are employed in the shadow economy and are paid “under the table”. With such companies, even statutory payments into funds, and payment of sick leave and regular

leave are not always guaranteed for employees. If it states in a job advert “full employment package”, then, more often than not, this refers to the employer fulfilling the statutory obligations: paid leave and sick leave.

– How should the Western entrepreneur starting a business in Russia go about putting such a package together? What would be the best strategy in the case of a small to medium-sized business?

If the employer is interested in attracting loyal and qualified staff, then there is no way round a good employment package. First of all, it should include medical insurance. It may well be worth putting together two different packages: one for Russian employees and another for foreign employees. Russians have a Statutory Medical Insurance policy (OMS), which entitles them to free medical services but this does not extend to expatriates. As I said earlier, if it is a small company, then an officially declared salary and paid leave may well

**IN MANY WAYS, STARTING A BUSINESS IN RUSSIA
IS SIMPLER THAN IT IS IN EUROPE.**



be decisive enough for many potential employees when weighing up whether to accept a job.

For the entrepreneur, it is worth carefully studying the market they are intending to enter. In certain spheres of business there is a serious lack of qualified personnel, so the package should, at the very least, be no worse than that offered by competitors. But there are also areas where, on the contrary, the employer has many potential staff to choose from. Here it is possible to economise on the employment package somewhat.

It is important to remember the fundamental function of the employment package: increasing the company's attractiveness, motivating staff, increasing work productivity, securing a sustained intake of staff to the general trades, and the long-term stabilising of your workforce. If the employment package is put together properly, then the investment in it will recoup itself without question.

– *What are potential mistakes or pitfalls in this area of labour relations? How can they be avoided?*

In the current economic climate, we are witnessing a sharp rise in the cost of services, including medical and insurance services. It is vital to choose reliable partners. If it transpires that an insurance company is unable to

pay out, then employees will not be able to receive any assistance from their company private insurance policy (DMS). Also, the employee might find difficulties arising regarding settlement of insurance pay-outs when working with an insurance company directly. The ideal therefore is to work through an international healthcare management company like AP Companies. That kind of mutual arrangement reduces to a minimum the risk of non-payment, as well as simplifying communication due to service companies having their own levers of pressure on both the insurance companies and the medical establishments.

When formulating an employment package, it is worth bearing in mind that medical insurance remains for the majority of job candidates (around 77%) the most important element of the package. In second place is free training. Then come mobile phone bills and gym membership. For executive personnel, an incentive might be the providing of free meals (about 35%) and the chance of taking out a loan to buy a house (about 30%).

– *Which trends can now be observed in the sphere of social welfare? What influence are they having on the employment market and labour relations?*



The sphere of social welfare is undergoing constant redevelopment. If we are talking about those aspects which may be of interest in the context of the employment package, then, arguably, that would be education and healthcare. The employer has the capability to fine-tune one or two of the benefits offered in their employment package. What is more, now there are free distance courses for further education and improving qualifications available at a level that can compete with courses which are quite expensive. Thus, it is possible to economise on certain options, and, as a result, offer something else in addition.

– *What advice would you give to a Western entrepreneur launching a business in Russia? What should they pay most attention to?*

They should study Russian legislation meticulously. In many ways, starting a business in Russia is simpler than it is in Europe, but the aforementioned has its own nuances which are important to be aware of. It isn't worth cutting costs on staff if it is your intention to build a strong and competitive company. Don't forget that salary expectations in different cities in Russia may differ many times over, so, if the profile of

the business allows for working with employees remotely, then it is worth looking for them in some of the smaller cities. There are quite a few qualified experts there who would ask for a salary half the size of, say, that of someone living in the capital. Many successful Western business models might not work in Russia due to several factors regarding the mentality and layout of the country. Therefore, it is worth studying the market before putting your idea into practice. But the most important thing is: having a solid team. ■



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WE SIMULATE SITUATIONS



russia-consulting.eu



Sanctioned Business

Even under sanctions, Western companies can develop business activities in Russia, you just have to avoid unnecessary risks

BY: ULF SCHNEIDER | PHOTO: EVGENY DUDIN | TRANSLATION BY: JACK DOUGHTY



*Pressure on Russia from the West in the form of sanctions and the Russian Government's responsive measures are undoubtedly a temporary phenomenon. And even now, this is no reason to wrap up business activities in Moscow. You just have to minimise the risks associated with sanctions. **Ulf Schneider**, managing director of Russia Consulting, writes about this and other features of business in Russia today.*

SITUATION



The Moscow branch of a German company was headed by its managing director, a Muscovite. He worked well, there were no complaints about him. Suddenly he is sacked. An application is written, and under Russian law, he must be discharged one month later. But he still has two weeks' leave, which means he actually leaves after two weeks. In such situations in Germany, a company has three months, six months, sometimes a whole year. For Germans, this is very unexpected, they are in shock, they don't know what to do. You can't find a replacement in a month, let alone a fortnight.

In Russia, consultancy companies provide a service: the selection of a temporary managing director or the temporary fulfilment of his functions by the company itself, i.e. outsourcing the functions of the managing director. Here we can offer our services, as a company fulfilling the functions of a managing director, or providing our own staff to fulfil this function. It is a new idea for Germans that a managing director can be not only an individual but also a corporate legal entity (in Germany, he can only be an individual). In this case, the client preferred the corporate entity form, by which we become the company manager for the client, and our organisation undertakes the functions of a managing director. Meanwhile, they selected a candidate in Germany. He was familiarised with the situation, came to Moscow



SITUATION**2**

A Germany company makes high-quality products, components for cars. It's a small production line, with only 500 people, but they are all world market leaders in their field. One car in three carries their components. They are interested in opening a branch in Russia, but it is too big a project for them, so they are seeking a Russian partner in the same line of business. The potential partner sends representatives to Germany, but they are disappointed by what they see: a small factory in the provinces. Negotiations are not getting anywhere.

It is worthwhile for Russian companies entering into negotiations with Western ones to ask an expert beforehand how the negotiations should best be conducted. But the reverse is also true: it is also useful for Western companies to find out in advance the particular features of negotiating with Russians. In this case, we advised the client to invite the head of the Russian company to visit them and to conduct the meeting at the highest level; to have an expensive limousine at the airport, if not at the very steps from the aircraft. A representative delegation, consisting of the entire management of the company, should meet the exalted guest at the factory gates. Then the negotiations, then dinner in an expensive restaurant. And so on. The Russian businessman gained a quite different impression, and the contract was signed.

IT IS USEFUL FOR WESTERN COMPANIES TO FIND OUT IN ADVANCE THE PARTICULAR FEATURES OF NEGOTIATING



SITUATION**3**

A Western company is operating in Russia, where it has many partners and subcontractors. It looks as if they do not include any who would be subject to sanctions. But how to be sure of this? In the Western company, they begin studying extracts from registers and other sources, and they find that it takes up too much time and resources, and does not produce a lot in the way of a comprehensible result, because there are too many documents, and sometimes they do not explain the situation sufficiently. To carry on conducting business as before runs the risk of incurring fines, and quite big ones at that. The problem seems insoluble.

The company applied to us, and we found a solution. Our IT specialists have developed a program relating to data from the Unified State Register of Legal Entities with accounting databases, making it possible to clarify the organisational structure and connections of virtually any Russian organisation. In this case it became clear that the Russian partner, a supplier of screws and other fixing materials, was indirectly liable to sanctions. All they had to do was change the subcontractor, which was not very difficult. But if they had not done so, it would have meant a big fine.

**ALL WESTERN COMPANIES
KNOW ABOUT SANCTIONS,
BUT UNFORTUNATELY THEY
DO NOT KNOW WHAT PROBLEMS
MAY ARISE IN CONNECTION
WITH THEM.**



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After the Winter Holidays

In the first months of the New Year, Moscow's leading exhibition venues will host the top international shows setting the trends for the entire business season





ACCOUNTING AND AUDIT 2015

expos.ru

27.01 – 30.01

**Venue: All Russian Exhibition
Centre (VVTs)**

Theme: Accounting and Finance

The 22nd dedicated “Accounting and Audit 2015” exhibition is one of the main events in Russia’s financial year. Last year, the exhibition welcomed over 7,200 industry professionals, including more than 3,600 finance directors and chief accountants, and over 1,400 directors and middle-ranking managers, who visited Moscow from various Russian regions, as well as from Belarus and the Baltic States. The programme includes dozens of seminars, lectures, speeches, discussions, and training sessions. The whole gamut of industry issues will be discussed, including those related to small and medium-sized businesses. It is expected that the exhibition will be attended by around 4,000 people.

**EXHIBITION
SECTIONS**





EVENT EXPO-2015

event-expo.ru



Venue: Central House of Artists

Theme: Event Industry, PR

Before, EVENT EXPO, organised by Event Technology (OJSC), was held simultaneously with the IPSA Promotional Products and ProMediaTech exhibitions. It is now an event in its own right. It will take place in the centre of Moscow at one of the most prestigious art venues: the Central House of Artists. The aim of the exhibition is to form an event market structure and its own segment within the exhibition industry. EVENT EXPO is a business platform for demonstrating professionalism, creativity, and innovation. Amongst those taking part are event organisers, corporate clients, representatives of city and regional government, and marketing and event agencies.

**EXHIBITION
SECTIONS**





ДЕТСТВО / KIDS RUSSIA-2015

kidsrussia.ru

11.03 – 13.03

**Venue: The “Crocus Expo”
International Exhibition Centre**
Theme: Kids’ Stuff

The 9th international exhibition of goods for children “Kids Russia” is the leading industry platform for business contacts, each year showcasing the latest developments and setting the trends for the new season. More than 300 leading manufacturers and dealers from two dozen countries, over an exhibition area of 15,000 square metres, will introduce more than 10,000 visitors to their business propositions and achievements. Contributing to the exhibition will be the international World of Toys pavilion, and the stand for new products, What’s New!

**EXHIBITION
SECTIONS**



newElectronics® / RUSSIA



NEW ELECTRONICS 2015

new-electronics.info

24.03 – 26.03

Venue: Expocentre Central

Exhibition Complex

Theme: Electronic Components

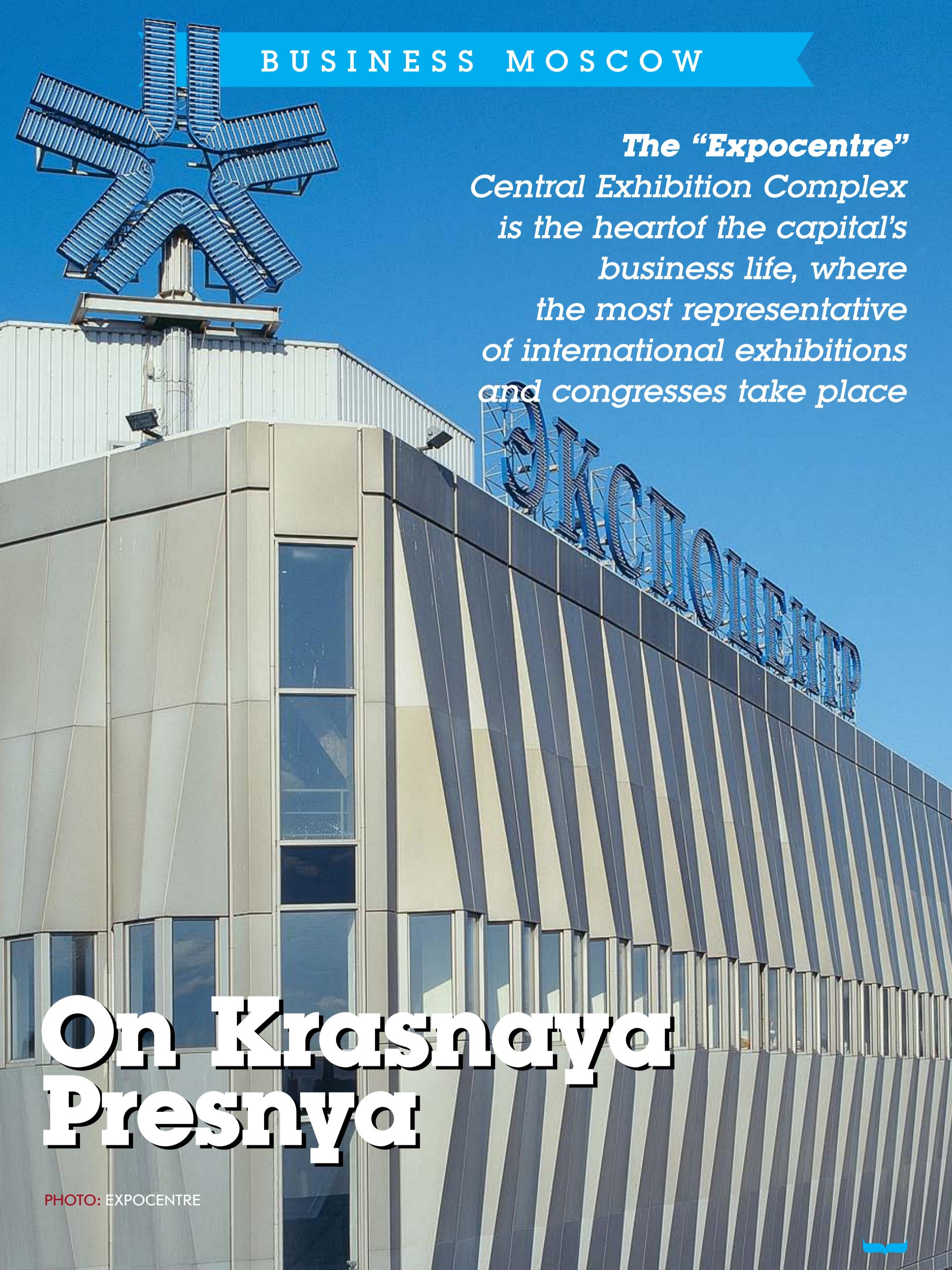
Russia's main international exhibition of electronic components and modules brings together under one roof 250 companies from 15 countries presenting over 1,200 microelectronics brands. Over the course of three days, the exhibition will be visited by more than 9,000 specialists from various industry sectors: the Military Industrial Complex, the energy sector, telecoms, aerospace enterprises, transport, industrial electronics, and much more. The programme includes numerous conferences, seminars, and presentations. ■

EXHIBITION
SECTIONS



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BUSINESS MOSCOW

*The “Expocentre”
Central Exhibition Complex
is the heart of the capital’s
business life, where
the most representative
of international exhibitions
and congresses take place*

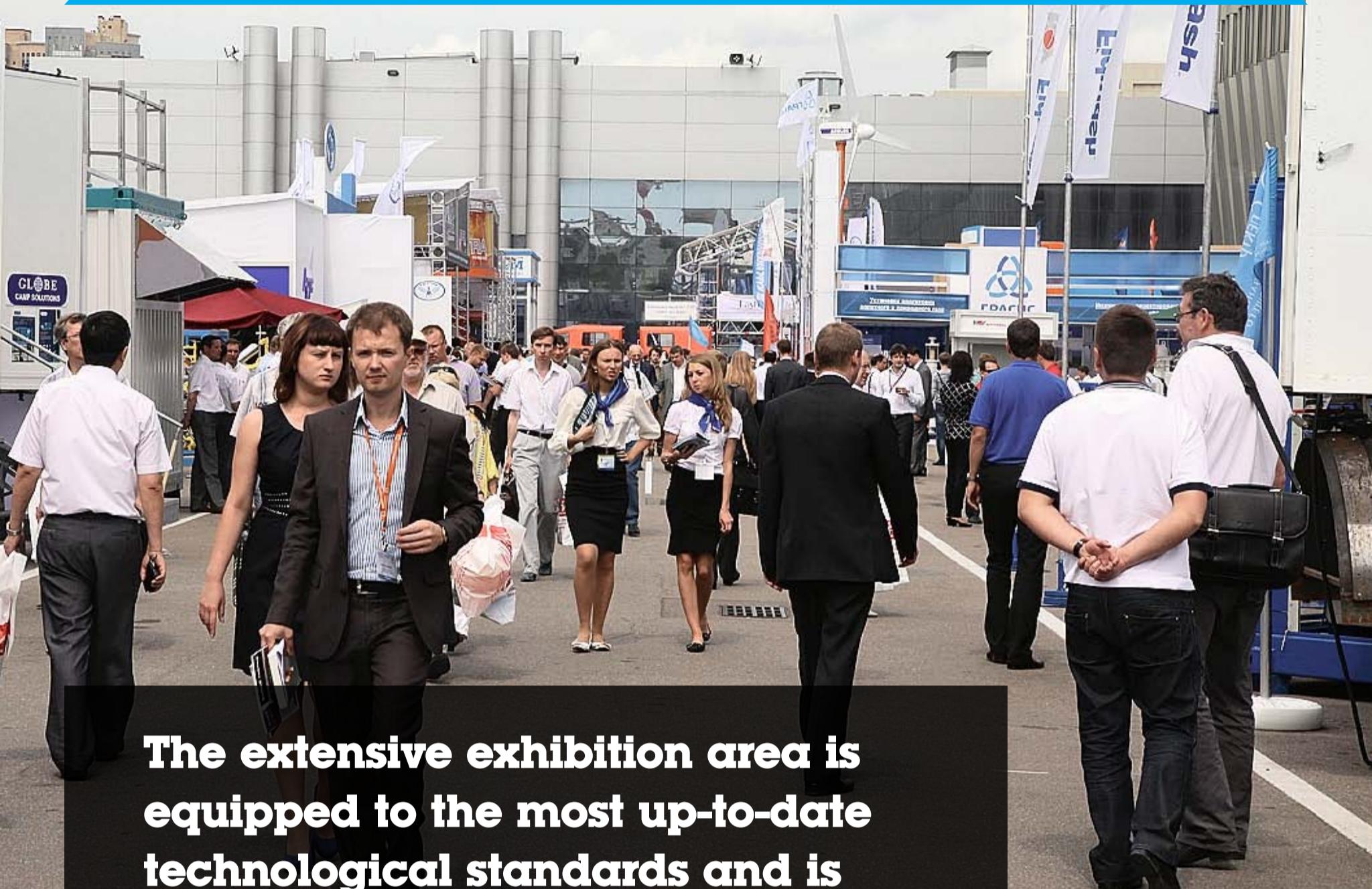
On Krasnaya Presnya

PHOTO: EXPOCENTRE



**“Expocentre” (TsVK) is located
in Moscow’s historic centre
on the picturesque Krasnopresnenskaya
Embankment. A short distance away
from the skyscrapers of “Moskva-City”.**





The extensive exhibition area is equipped to the most up-to-date technological standards and is used to its maximum efficiency.





The Expocentre's exhibition and congress events receive the unwavering support of Russia's Federal Executive Authorities, the Russian Federation's Chamber of Commerce and Industry, and the Moscow City Government. The President of Russia, Vladimir Putin, has set foot within the walls of the Expocentre on more than one occasion.



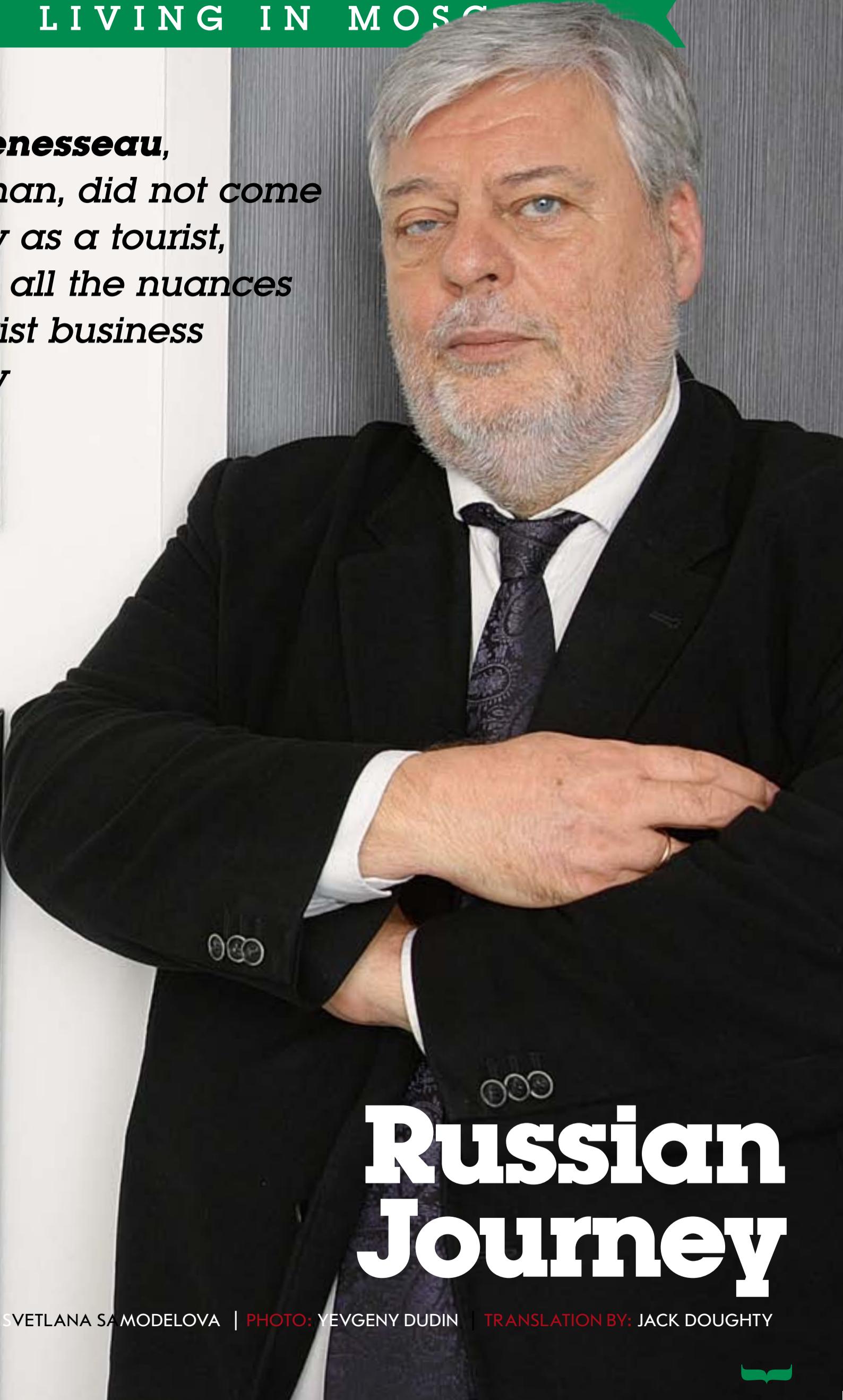
As CEO of Expocentre (TsVK) Sergey Bednov points out, the exhibitions and congresses held here “always were and always will be, for businesspeople from more than 100 countries round the world, an effective tool in their professional activity, a road to success, and a platform for the realization of the most creatively ambitious plans and ideas.”



The Congress Centre of the Central Exhibition Complex sees the most important of strategic issues being discussed and the most important business decisions being taken.

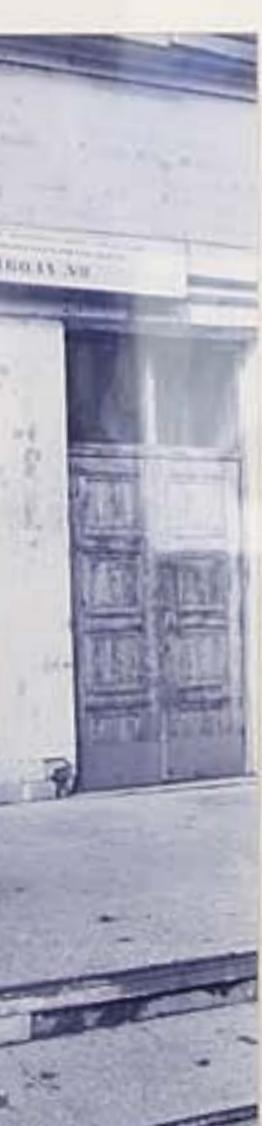


Gilles Chenesseau,
*a Frenchman, did not come
to Moscow as a tourist,
but knows all the nuances
of the tourist business
in Moscow*



Russian Journey

BY: SVETLANA SAMODELOVA | PHOTO: YEVGENY DUDIN | TRANSLATION BY: JACK DOUGHTY



*He has been living and working in Moscow for 30 years now. In Soviet times, he edited texts for foreign broadcasting in the Novosti press agency. Then he was the Moscow representative of the French agency CGTT, and now he holds the post of commercial director of the tourist company Tsar Voyages. The 56-year-old **Gilles Chenesseau** spoke frankly to BIGRUSSIA magazine about his experience as “a fighter on the ideological front”, about how the tourist business and Russians have changed over a quarter of a century, and about how he used to live and how he lives now.*

“A SMILE AND FRENCH PERFUME WERE PUT TO USE”

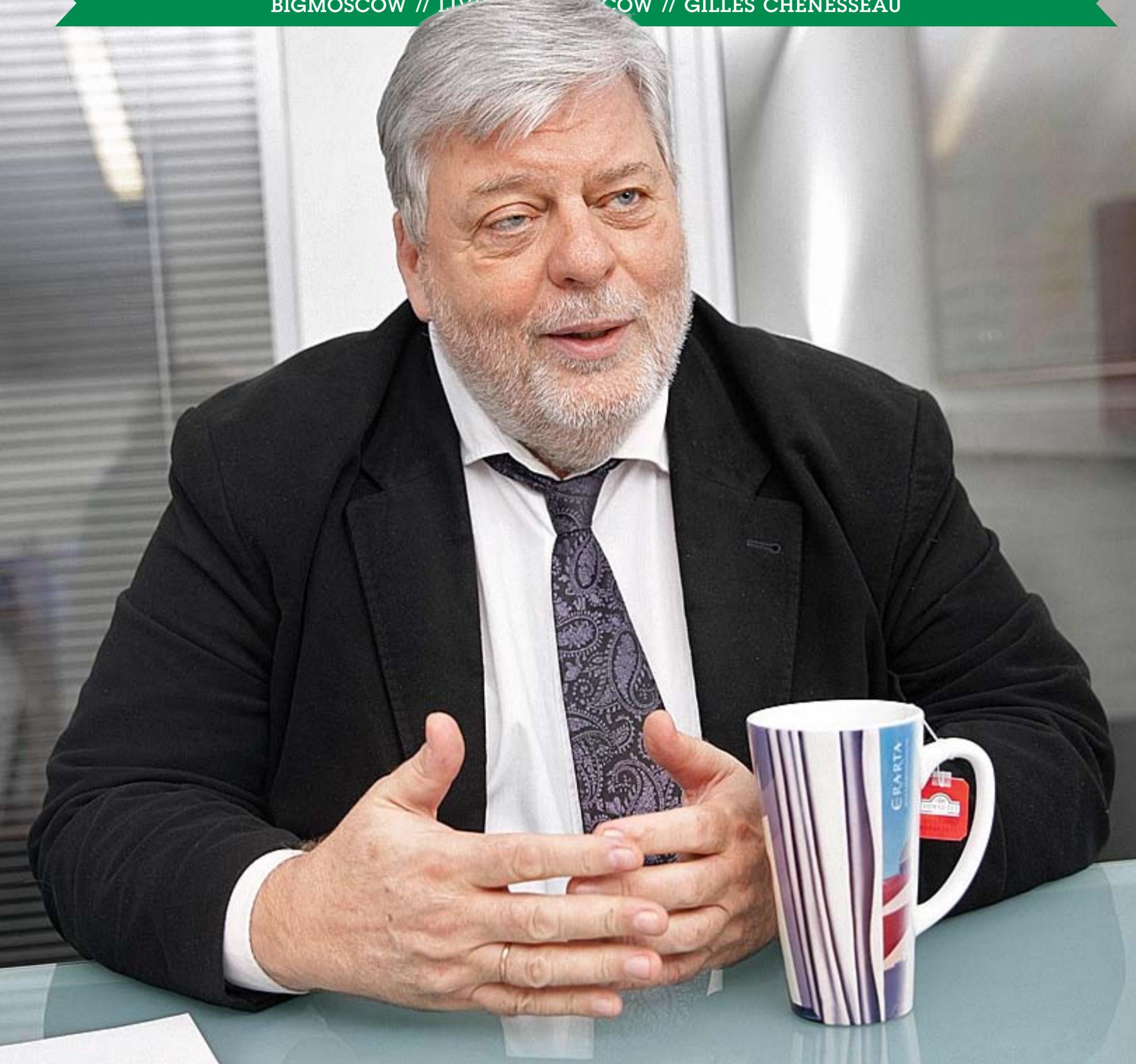
– I came to the Soviet Union thanks to my beloved wife. In the eighties, I was working as a guide. One day I found myself with a French group in Moscow, where I got to know a charming excursion guide called Olga. In 1983, we decided to start a family and went to France. Although Olga spoke excellent French, she just

couldn't get used to living in France. Then I came to believe the widely-held opinion that Russians could not live anywhere except Russia. At that time, one of my acquaintances working in Moscow for the Novosti Press Agency (APN) told me that they needed a native French speaker as an editor. They got me a visa, gave me an apartment, and in 1984 my wife and I returned to Moscow.

– *How did you adapt to life in the USSR?*

– I was an experienced man. I was born into a large family. By that time I had studied in the philology faculty at university, and worked as a truck driver and in a canning factory. I received the wage of an ordinary Soviet office worker and had no





special funds to buy anything in the Beryozka shops, where goods in short supply were sold for foreign currency, but we got by somehow. Living conditions didn't seem to me to be that important in life.

I was struck by the low production standards by comparison with France. It was paradise for industrial

and office workers. No-one worked very hard. In the Novosti press agency I coped with my set work by 12 noon. I earned a bit on the side, in particular in an insurance company which helped French people abroad.

– How did you get into the tourist business?

– In 1988, I became the representative of the French agency CGTT Voyages, which had been organising tours of Russia since the fifties. This was a very interesting time, a time of changes, economic reforms were taking place. Previously, Russia had been a closed country, but now it was beginning to become closer to Europe and the rest of the world. We were the connecting link between our clients and Intourist, the agency which in Soviet times had the monopoly of hospitality. In those days there were not enough rooms in hotels, and part of my work was to persuade administrators in hotel receptions to take in our guests rather than anyone else's. A smile and French perfume were put to use.

– Did the flow of tourists increase?

– Russia was something exotic for everyone, in effect it was a different civilisation. Travelling round Europe, tourists saw basically the same things. They were within a single culture, they all listened to the same music, at the same food and wore similar clothes. But in Russia everything was different: the cities, the way of life, relations between people, the ideology, the cars... It was a real trip abroad! I worked for CGTT Voyages for 25 years. In 2010, because of the crisis, the agency closed. I and some of the team organised the

company TSAR Voyages, where I am still working as commercial director today.

“SINCE THE CRISIS, THE SITUATION HAS BEEN RECOVERING RAPIDLY”

– How has the tourist business changed in Russia over those years?

– The principle of the work has changed. Previously we had two main partners, Intourist and the Chamber of Industry and Commerce. We did not choose the hotels and guides ourselves. But now we have a completely free hand. We choose the hotels, check the excursion guides and bear full responsibility for the product we offer. Previously, trips to the three capitals – Moscow, Kiev and Leningrad – were very popular. And also tours of the “Golden Ring” (a group of medieval towns and cities that form a ring to the northeast of Moscow). Interest is still shown in these towns today. But our cruises are particularly popular, especially the Moscow – St. Petersburg cruise. It isn't very expensive, it doesn't take up much time and is very well organised. Tourists are given the opportunity to see the main sights of Moscow and St. Petersburg, and also the small towns of Russia. It is a leisurely, restful holiday. We were one of the first to offer visits to Kizhi in Karelia, reaching the islands on





**In Russia everything was different:
the cities, the way of life,
relations between people.**

snowmobiles across the ice. We are trying all the time to find something original – for example, we recently began offering a tour of the old Moscow country estates. The “Estates Ring” includes the museum and nature reserve “Melikhovo”, where the writer Anton Pavlovich Chekhov lived and worked, “Polenovo”, where the renowned artist Vasili Polenov created his paintings, and also “Yasnaya Polyana”, the home of Lev Nikolayevich Tolstoy, where he wrote “War and

a trip for an association of enterprise managers. They usually meet once a month, invite interesting speakers, maybe an orchestral conductor, maybe a doctor to talk to them about stress. They also go somewhere abroad once a year to learn something new. This year they chose St. Petersburg. We selected interesting people for them, who could talk to them entertainingly and knowledgeably about Russia.

We are trying all the time to find something original – for example, we recently began offering a tour of the old Moscow country estates.

Peace” and “Anna Karenina”. We also organise trips to Lake Baikal.

– Who are your clients?

– Two main groups: those who come with educational aims, and those who have business interests here. Tourists of the first group are mainly middle class, married couples and families. Group tourism has been getting more and more popular recently. Apart from their business meetings, business people also want to see the city sights. For example, we recently organised

– What can you say about the competition?

– We don’t have that many competitors. Russia is a specific market, there are not many companies which specialise in tourism here. Many of them have no branches in Moscow. And this has to be taken into account.

– How many people work in your agency?

In the Moscow office, 24, of whom four are French.



– How difficult is it to find staff?

– We require well educated people, with higher education and with several foreign languages. It is not hard to find the people we need in Russia, the difficulty is in holding onto them. Income in the tourist sector is low, we cannot afford to pay higher wages. What happens is that our staff gain some experience, and then they are offered a job in a bank or an insurance company. Now we have succeeded in finding a certain balance between the atmosphere at work, wages and keeping the staff interested. And the turnover of personnel has become less.

– Are your staff given trips abroad?

– We do all we can to ensure that other people travel, but we ourselves don't travel much. The Russians have a proverb for this: "a shoemaker without shoes."

– Are your Russian partners reliable?

– Business relations in Russia are more personal. Of course, there are administrative considerations, such as the signing of contracts, but all the same, the personal relations between the partners, and the trust which they have in each other, are more important. The signing of the contract is a secondary matter. And on rare, very rare occasions, we have unpleasant surprises.

– Now is not an easy time. Sanctions have been introduced in connection with the events in Crimea and East Ukraine. What difficulties are being encountered because of this?

– The political and economic situations are both unstable now, and the economy, as you know, does not like unknown quantities. Entrepreneurs are not taking part in agricultural and food-industry exhibitions because they have nothing to exhibit.

People in the West see no particular difference between Ukraine and Russia, and do not realise how far one country is from another.





**I am very happy in Russia.
I have never had any problems
in socialising with Russians.**

In January and February 2014 there was a fall in the number of tourists because of the political situation, because people in the West see no particular difference between Ukraine and Russia, and do not realise how far one country is from another. Some do not travel to Russia, fearing they may experience hostility because the European Union supports the Ukrainians. In 2014 we had 25% fewer tourists than in the previous year. But now the situation is changing. We have many orders for next year. One of the pluses for Russia is the fact that since the crisis, the situation has been recovering rapidly. But even the present situation has a positive side: the rouble is very cheap now, so it is now cheaper to travel as a tourist to Russia than to some other country. And we naturally take advantage of this.

"I DON'T MUCH BELIEVE IN THE 'SLAVONIC SOUL'"

– How did you find the mentality of Russians?

– I am very happy in Russia. I have never had any problems in socialising with Russians. It seems appropriate here to quote the best definition of a friend: someone we know well and love in spite of it. I don't much believe in the "Slavonic soul". People here have their good and bad points as they do everywhere.

– What do the Russians and the French have in common?

– We have a common culture, common Christian roots, we have the same tastes in art and literature, but a different view of cuisine. The French are very courteous, easy to get along with, yet you somehow can't get into their soul, they are quite reserved. But the Russians prefer not to "keep themselves to themselves". I have always been a sociable person, but thanks to the Russians I have become really open.

– Have the Russians changed in any way over these years?

– People in Russia now work in a new rhythm. They have less free time. A cult of success reigns in society. There are no longer that solidarity and willingness to help each other that existed in the time of the Soviet Union. But at the same time, the Russians have begun travelling more, become wealthier, and are open to other cultures. Young people are more open. This is a remarkable generation, they are optimistically inclined, educated, clever and hardworking. This is Russia's real strength.

– You never succeeded in fully learning the Russian language?

– It's a very difficult language. Perhaps I would speak Russian better if my wife's French were not so good. My



experience shows that it is possible to work in Russia without a firm grasp of Russian. But it is better to take Russian lessons from the very beginning. A foreigner living permanently in Russia now simply has to know the Russian language.

– *In all these years of living in Moscow, have you found favourite places for leisure in the capital?*

– I am amazed by what the Moscow authorities have achieved in the city's parks. And I'm not just talking about the giant ones like Gorky Park or Sokolniki. The small parks have also been transformed, for example Dubki Park in the vicinity of the Timiryazev metro station, where my daughter Lyuba often takes her child, my grandson, for a walk. We walk among

the flower beds, and we both have the feeling that we are somewhere in Paris. I am a great lover of classical music, particularly the concerts in the small halls in the old country estates and merchants' houses, such as, for example, the Muraavyev-Apostolov estate on Staraya Basmannaya, or the Zubov-Polezhayev estate on Taganskaya.

– *Is it worth coming to Moscow to work?*

– The quality of life in Moscow is quite high. It's a harsh climate, of course, but the apartments here are well heated, sometimes even too well, so you have to keep a window open. You may love Moscow or you may not, but if you love it, you do so with all your heart. ■

Russia is a specific market, there are not many companies which specialise in tourism here.



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BIGMOSCOW

iPad magazine on how a foreigner can conduct
his small and medium business in Moscow

Published with the support
**of the Department for External Economic
and International Relations of Moscow**

Certificate of Registration of Electronic Media no. FS77-52596 dated 25th January 2013

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