

BIG MOSCOW

APRIL – JUNE 2014 | DIGITAL MAGAZINE ENGLISH VERSION

What Russia Looks Forward to From Foreigners

A Business-Like Approach

**Englishman
James**

A businessman
with a history book?

**Belgian
Minne**

What can you offer
corporate Russia?

**Italian
Ballotta**

Which competencies
does Moscow lack?

Content

BIGMOSCOW

APRIL – JUNE

GOING TO WORK IN MOSCOW

2014



Personnel Arrangements

Graduate of Rome University's Law Faculty, **Alfredo Gozzi**, was unable to find suitable work in his native land, but unearthed great career prospects in Moscow.



TRADING WITH MOSCOW

Target Audience

Marcel Baltes didn't come to Moscow empty-handed but, rather, with the latest marketing technology. And Moscow retail was quick to see its true value.



STARTUP AND VENTURE

Directly on Air

By making it possible to make money from mobile apps, the startup *AdMoment* is making good money itself.



High-tech in Russian

The German **Damian Doberstein**, Managing Partner of *eVentures*, talks about his fund's Russian projects and why there are such good prospects in the Russian mobile advertising market.



TRENDS



Look Who's Here

A new model of consumer behaviour is emerging on the Moscow market, opening new niches for businesses, western ones included.



CONSULTATIONS



Accounting and Control

CEO of *Chayka-Audit*, **Nikolay Palenov**, reveals how the Western businessman in Moscow can painlessly take care of accounting needs



1

2

3

4

1

8

7

5

How to Read the Magazine



1 Main Menu

Touch the screen for it to appear.

2 Previous Issues

All previously downloaded BIGMOSCOW issues in your Personal Library

3 Back

This arrow takes you back to previously viewed content.

4 Contents

Complete list of issue's contents.

5 Detailed Contents

List of contents with preview of each page, brief announcements, indication of the authors.

6 Quick Navigation Panel

Quick transfer through pages of the issue.

7 Social Sharing

8 Bookmarks

Icons



Additional content



Link



Send E-mail



Video



Read more



Next article



Scroll through text

6

PERSONA

*The Englishman
David James,
National Director
of the company
“Baker Tilly Rusaudit”,
considers that it is
best to begin doing
business in Russia
by studying
a history book*

BY: VLADIMIR MOKHOV | PHOTO: YEVGENY DUDIN | TRANSLATION BY: JACK DOUGHTY

A Business-Like Approach

*He has lived and worked in Poland, Great Britain, the Czech Republic and Slovakia. He worked for a while in Moscow too, but in the media business. Last summer **David James** returned to the Russian capital to head the Russian department of the international company Baker Tilly.*

— David, we are meeting in difficult times. The level of trust between Russia and the USA has fallen sharply, first because of the Snowden scandal and now because of events in Ukraine. There is even talk of sanctions against Moscow. How do Western businessmen react to all this?

— I would be telling a lie if I said that they are indifferent to it. But all the same, I hope they are thinking somewhat differently. Firstly, businessmen understand that the media have to compete in the market for sales. And to do this they sometimes have to seek out enemies, to look on the seamy side. The more newspaper scandals there are the higher the circulation. Hence the fairy tales like the broken toilets or wolves

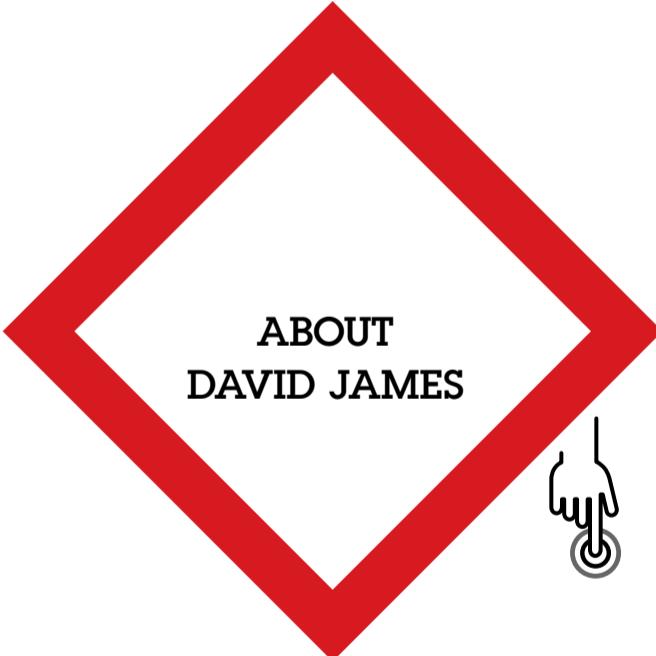
roaming round the hotel at the Olympic Games in Sochi!

Business has no reason to malign Russia. Business is based on cooperation. And an experienced

businessman will never take such fables at face value. He will sift out the tendentious information. He will prefer to see with his own eyes or to ask those who are themselves doing

business in Russia. Therefore those Western businessmen who actually went to Sochi will surely have realised that it is possible to invest money there.

Of course, the roots of the present political tension lie much deeper. And although it will hardly be a return



ABOUT
DAVID JAMES





to the Cold War, I remember a good Russian saying: “War is war, but dinner still has to be served regularly.”

So business has to secure this “dinner”, to make a profit. It is getting more and more difficult for foreigners to make a profit at home. Another factor is that Western banks have practically stopped giving credit for business. They gave credit to private individuals for cheap property and got rich in the process. This is one of the reasons for the recession, the financial crisis. Against this background, no political storms can suppress interest in Russia. Its economy is growing – not by much,

true, but growing. The private sector, in which foreigners can invest, is developing. And it is hardly likely that anyone will give this up for the sake of politics.

— Foreigners are traditionally fearful about corruption in Russia.

— I can say that Russia now has much stricter anti-corruption laws than many other countries. Of course, the struggle against corruption is not bringing instant results. But again, businessmen understand that corrupt practices in state institutions are not a purely Russian phenomenon. Incidentally, many people are amazed today at the corruption which has been revealed in the European Union. For me, this was no surprise. A year ago I took part in the IFAC Forum of Firms in Vienna, where among other things the prospects for investments in the post-communist countries were discussed. Many were afraid to invest because of corruption. But I drew attention at this forum to the fact

Business has no reason to malign Russia. Business is based on cooperation.

that according to the Transparency International index of perceived corruption, most of these countries, though not in the top ten, were in a “better than average” position. And if you don’t invest in these countries, where do you invest? In my opinion, my hint was well received.

I think such forums should be held more often in Russia too. Particularly now, when politics is prevailing over economics. It is important to clarify

this course is going to change in any way. For people to be willing to pay taxes, they must not be too high. And the Russian income tax rate is one of the lowest: 13%. In the European Union it is much higher. The VAT rates are lower in Russia too.

— Baker Tilly Rusaudit facilitates the development of the business of foreign companies in Russia. How does this work? How does the conversation usually start?

Russia now has much stricter anti-corruption laws than many other countries.

positions, to get to know each other better. And it is second nature to clever people to learn and check everything thoroughly before acting. Many in the West fear the excessive influence of the Russian state on business. These fears are also greatly exaggerated. If it had no influence at all, the big “sharks” would be snapping up everything. You have to have a sensible combination of anti-monopoly measures, independent courts and fair and efficient taxation. All these exist to some degree or other in Russia. And I don’t think that

— We start with a warning: your competitors are already operating here, and there are quite a few of them. But if you are afraid of competitors today, tomorrow they will come to your market and put the squeeze on you there, because the profit they get in Russia is high enough for them to do this. Because Russia’s potential is enormous. If you put it off, you could lose out altogether.

And then I remind them of the difference, for example, from Asia. In Europe there are only three cities with



a population of over ten million, namely London, a major financial centre; Istanbul, which is on the threshold of the European Union and acts as a bridge between Europe and Asia; and Moscow, which could also be called a bridge, but between the huge markets of East and West. There are very many Chinese and Japanese goods and firms in Moscow, far more than is believed in the West. And to enter Eastern markets, you have to go to Singapore or Hong Kong. You only have to come to Moscow to arrange cooperation.

All the more so, since the Moscow authorities have set course for turning the Russian capital into a major international financial and commercial centre. Here you have all the conditions for such a partnership. No less important is freedom of action. There is no dictatorship of big international



corporations. After all, Snowden, whom I mentioned earlier, showed that the liberties of which we were so proud turned out to be myths. Russia is one of the few countries capable of showing true independence. So many businesses could well find refuge here, refuge

for capital which it is hard to place in the West.

Of course you can try to find a tax haven, a quiet resting place, in some of the offshores. But they are all very small, whereas Russia is big, and is not liable to be influenced by numerous influential interests. In times like these, this is very important. The extortionate tax introduced in Cyprus on bank investments last year taught us a lot. Russians suffered there too, their investments became worthless in the twinkling of an eye. But most of them did not stamp our feet in rage, they took a philosophical attitude to what

Many in the West fear the excessive influence of the Russian state on business. These fears are also greatly exaggerated.



had happened. They did not blame the Cypriots, because they had suffered just as much. And that was sensible. If you think about the development of business in the long term, you have to look for a refuge free from storms. In this sense, investments in Russia are strategically justified. The important thing is not to get it wrong tactically: in choosing the industry, the region and your partner.

— How does Moscow look in this respect?

— The Russian capital has a great advantage in its size. In territory and population it is the equal of the Czech Republic. Add in the whole Moscow region, and it is equal to the Czech Republic and Slovakia together! But to return to politics, one cannot fail to sympathise with foreign business people in Ukraine. If those who came to power from Maidan stay there long, I do not think this will help the development of business in Ukraine. In choosing where to invest, you must not ignore the question of political stability in the country.

— Which sectors of the Moscow market do you think are the most attractive for investments?

— All sorts of different ones: trade, education, services, construction. There is a real construction boom in Moscow just now. The city is allocating vast sums to the development of the transport infrastructure, and many Western firms are happy to take part in this. For example, a partner of mine from Ireland is successfully building high-class offices and reception areas. His clients recommend him to others, and his orders keep on increasing.

You know, Muscovites have a good appetite for Western goods. And this appetite persists in spite of the saturated state of the market. I think there will always be a demand here for language and business teaching programmes. There are quite good business prospects in the information technology field. Not to mention the fact that many enterprises, including in Moscow, need to replace obsolete equipment and introduce advanced Western technologies. What isn't a field for investment?

Muscovites have a good appetite for Western goods. And this appetite persists in spite of the saturated state of the market.





**The Moscow authorities have set course for turning
the Russian capital into a major international
financial and commercial centre.**

— When you speak of Western goods, do you mean goods imported from the West or Western brands?

— Brands. The goods themselves may be made in China or even somewhere in Africa; there are many Chinese firms there now. Among the Chinese, fewer and fewer are willing to work for ten dollars a day. The middle class is growing rapidly there. Therefore many Western firms are exporting their products from there. It's a pity, of course, that production is being reduced to such an extent in the West itself. But there will always be a demand for quality craft goods one way or another. A business acquaintance of mine in Spain produces excellent shoes, and sells them on average for €600 a pair. But in Russia they can be sold for €1000 a pair. Russians aren't chasing after cheap goods any more. Permit me to recall another Russian saying: Saving pays twice over.

By the way, when I was working in Poland, I saw how the Chinese were trying to take part in carrying out large road-building projects. They tried very hard, but in vain. In the end, the contract went to the well-known Austrian firm Strabag Societas Europaea. I do not think the Russians are less discerning...

— David, you haven't been disappointed in these half-year periods in Moscow, have you?

— One thing I would like to experience is a real Russian winter! Some foreigners don't like it though. They say, not without reason, that what is health to a Russian is death to a German. Can you imagine, this winter it was actually colder in Warsaw than in Moscow! So I soon adapted to it, including to Moscow distances and the local transport. I think the most convenient form of transport is the Moscow Metro. I am not afraid to wander around Moscow at any time of the day or night. I walk with a pedometer, my daily standard is 10,000 paces. But in Warsaw, there were very few places I would risk walking about in the evening, and the same in London. But here I visit the Botanical Gardens and the parks, and feel completely at ease. It's never rough here. ■



Join in a discussion
of the article
on facebook.com



PIECES OF ADVICE
FROM **DAVID JAMES**
FOR THOSE WHO WANT TO START
A BUSINESS IN MOSCOW



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

PIECES
FROM DAVID JAMES
FOR THOSE
A BUSINESS

**YOU HAVE TO THINK UP
A BUSINESS PLAN IN DETAIL
AND KEEP STRICTLY TO IT.**

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



RELIABLE ADVICE
FROM DAVID JAMES

TO START

A NEW COW

FIND A RELIABLE RUSSIAN PARTNER.
THIS IS PARTICULARLY IMPORTANT IF YOU
INTEND TO STAY PERMANENTLY IN MOSCOW.

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

PIPER JAFFRAY
FROM DAVID JAMES

TO START

SCOW

OBSERVE RUSSIAN LAWS. FIND OUT AS SOON AS YOU CAN HOW THEY DIFFER FROM YOUR COUNTRY'S LAWS. DON'T RELY ON THE IDEA THAT "EVERYBODY DOES IT". DON'T EXPECT THAT BECAUSE SOMEONE ELSE HAS GOT AWAY WITH IT, YOU WILL TOO.

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





STUDY THE HISTORY OF RUSSIA,
AND NOT ONLY OF THE 20TH CENTURY. THEN YOU WILL
LOCAL PARTNERS ARE MORE AMENABLE
IF YOU CAN COMMUNICATE WITH THEM
WITHOUT AN INTERPRETER.

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

OF ADVICE
FROM DAVID JAMES

IT TO START

MOSCOW

STUDY THE HISTORY OF RUSSIA,
AND NOT ONLY OF THE 20TH CENTURY. THEN YOU WILL
UNDERSTAND, FOR EXAMPLE, WHAT THE CRIMEA MEANS TO IT.
YOU WILL GRASP THE LOGIC OF MANY OF TODAY'S EVENTS.
AND THEN IT WILL BE EASIER FOR YOU TO DO BUSINESS HERE.

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



PERSONAL EXPERIENCE



***Belgian
Rick
Minne***
*is making
new inroads
into sports
marketing*

***Italian
Massimiliano
Ballotta***
*is
strengthening
his business,
and with it,
Italian-Russian
commercial
ties in Moscow*

***Frenchman
Thierry Cellerin***
*is helping
his Moscow
clients extract
tangible profits
from the virtual
world*

On the Hairpin Bends

*Belgian **Rick Minne** is running a thriving business in motorsports in the Russian capital, carving out new inroads into sports marketing and corporate events*

This native of Bruges and many-times Belgian Rally Sprint Champion set up RMServices in Moscow and has, for the last five years, been involved in organising motor racing events and in sports marketing in general, bringing this segment of Russian business up to international standards. How did he come to be here in Moscow, and where did he get the idea for starting his own business? What kind of obstacles did he encounter on those bumpy roads of Russian business? Rick Minne kindly agreed to chat about this with our BIGMoscow correspondent.

THE WILL TO WIN

– I have been mad about cars since I was a child. From the age of 18, I started taking part in rallies. It became a way of life for me. It's not surprising then, that once I had received specialised training as a Vehicle Operations engineer, I set up a transportation business. I was involved in the express delivery sector.

In 2007, one of my clients decided to start his own business in Russia. I set off to Moscow with him as his business partner. And, just then, the financial crisis struck. We had to close two of our shops in the capital. For two years, I worked at a certain Moscow transport company. And then, I started my own business. I started off with marketing and arranging motorsports events. By

then, I had already made friends with some Russians who were also very much into motor racing.

– Was it complicated registering your enterprise in Moscow?

– Our head office is in Smolensk: the one in Moscow is a representative office. Smolensk is very conveniently



www.rms-russia.com

About RMServices



located: between Latvia, Belarus and Moscow. As regards the company formalities, everything went quickly and smoothly and was sorted out in three weeks.

– What were your impressions of rural Russia?

– When I first went to Smolensk, it seemed to me as if I had gone back in time. Unlike in Moscow, there were no traffic jams. There were only three

buses on the main square. But now the region has seen a lot of investment and everything is changing rapidly.

We operate both in Moscow and throughout Russia. We have been putting on navigational rallies, sprint competitions, slaloms, and setting up overnight races on the European model. We have been getting routes ready with the same kind of conditions as professional ones. In this, we have been actively working alongside the

regional department of DOSAAF (The Voluntary Association for Cooperation with the Army, Air Force and Navy).

– *How do Western European rallies differ from Russian ones?*

– Such events in Europe usually take place on an asphalt surface, whereas in Russia they are mainly on forest terrain. In the West, the preparation takes from six months to a year. Permission has to be granted by the mayors of all the cities the rally passes through. Issues related to insurance policies and safety regulations have to be ironed out. In Russia, everything is a lot simpler.

– *Do Russian clients have any unique characteristics compared with Western ones?*

– For Russians, there is a lot that comes as a new experience for them. Auto racing in Europe has long enjoyed great popularity. A lot of people come along as spectators and to have a go themselves at some of the contests.

only started to grow here a few years ago when Vitaly Petrov made it onto the podium in the most prestigious event in motor racing: Formula One, and also when Evgeny Novikov finished in the top three in the World Rally Championship (WRC). In terms of clients, in Europe they are more disciplined. In Russia, for example, they can postpone the same event more than once.

BEHIND THE WHEEL

– *What are the initial costs for getting a team together? Are they less than in Europe?*

– Of course, in Europe, it is more expensive. In Russia, for a team comprising a driver and navigator, you need only 5,000 roubles.

– *No doubt the organisational outlay is less, too?*

– In the West, a small rally, similar to the one I put on here, costs four times as much. Even though the range of people involved is as wide as it is in the West: from the managers

I have a great deal of experience in motorsports, so I will always be, at the very least, one step ahead of them all.



landladies providing accommodation. And there is the widest variety of cars, which all have to be assembled in their own way. The length of the course is the same, though: 300 - 400 km. But in Europe at the moment, in economic terms, all is not well.

– Is being in this business in Russia more profitable, then?

– Definitely! For wealthy clients, we organise rallies in fast, expensive supercars like Ferraris and Maseratis. The start is in Moscow, it goes through Smolensk and Pskov, and the finish is in St. Petersburg. The plan is to provide TV commentary from the races. At the finishing line for the intermediate

stages, we put on parties so that people can get together afterwards and relax.

I have also come up with something exclusive to Russia: the corporate driving day. Companies invite their clients or business partners. They get to meet leaders in the world of motor racing. After those invited have been for a spin with a team of well-known drivers, they can then sit behind the wheel of a sports car themselves. These are a unique kind of master class. The cars are painted in the company colours. It's a totally one-off way of doing business, but it works.

– What kind of car do you race in yourself?

Opinion



Denis Levinsky,
PR Director
of Eventum Primo



the application of this theme in marketing is growing. There are not that many professionals in the market who deal with motor sport, so to ensure a high level of events and qualified technical expertise, mixed teams of car gurus and marketing professionals are being set up.

The cost of a Moscow startup in the field of PR and event organising is from 5,000,000 roubles. This figure is made up of the costs of creating the organisation, renting office space, procuring office equipment, paying salaries to staff, developing a website and taking measures to attract clients.



– A Ford Fiesta ST. It has a two-litre engine and is specially designed for rally driving. About 100 of them were supplied to Russia but, now, there are less than 20 of them left on the roads.

– *And what do you think about Russian cars?*

– The Lada Kalina took me by surprise. You cannot compare it with the Lada that was made in the Soviet Union. We used to joke about that car that it has four pedals: accelerator,

– *Where is it easier to attract sponsorship: in Russia or in the West?*

– Now, in the West, due to the crisis, it is by no means easy to find sponsors and clients who are willing to invest in sports marketing. In Russia, the difficulty is of a different kind. Companies are still not very familiar with motorsport: you have to explain everything to the clients in great detail. What helps, is that Moscow is the centre for business of the whole of Russia. After all, the head offices

What helps, is that Moscow is the centre for business of the whole of Russia. After all, the head offices of many large companies are located here.

brake, clutch, and the fourth one is for pumping up the airbag.

– *Have you mastered the Russian language yet?*

– I started learning Russian whilst still in Belgium. I have an assistant there who translates everything for me. But I am attempting to master the language. On my days off, I drive beyond Moscow and go out of my way to talk to the country folk.

of many large companies are located here. We attract clients from all sorts of industries: oil companies, famous brands, those involved in sports car manufacturing, as well as firms producing popular clothing labels. We put their adverts directly onto the cars.

– *How difficult was it finding a common language with wealthy clients, owners of expensive cars?*



– I don't have any difficulties with them. They are all avid car-lovers: we have a lot in common. What surprises me is something else. Russians think that the more expensive something is, the better quality it is. For example, I recently bought some winter tyres for my car at 2,000 roubles each. My Russian friend's reaction was: "Wow, what a bargain!" He himself had paid out 9,000 roubles per tyre. Yet there is virtually no difference between them and my relatively cheap tyres.

– What would you say about the Russian mentality?

– Russians are very warm-hearted, always ready to come to your aid.

If I make a mistake in Russian, no-one laughs: everyone tries to correct me, subtly. A distinguishing feature of Russians is their hospitality, especially in the countryside. A few years ago, fate took me to Vyborg on the border, with a professional Peugeot rally team. We stopped in a tiny village, and an elderly couple fed us as if we were part of their family. You won't encounter anything like that in Europe.

ONE STEP AHEAD

– What kind of difficulties have you had to contend with?

– Here, there is always something changing to do with legislation, bookkeeping. You go into an official

Expert



Stanislav Koretsky,
Managing Director
of Citrus events
agency



.....,
.....,

2010 and about \$300 million in 2012. Specialists believe that the potential size of the market is as high as \$700 million. Among the main players, it is worth mentioning the strategic events agency "Podyozhiki", the company Eventum Premo and the celebrations agency "Knyazyev". If you compare it with the Western market, I believe that there is no significant difference in the way the top agencies conduct their businesses. To enter the market, the minimum requirement is the development of the firm's style (cost from \$2000) and developing the website (from



As regards the company formalities, everything went quickly and smoothly and was sorted out in three weeks.

establishment and they say: “A new decree has been issued”. And the next day, they are already passing amendments to it. I have a permanent residency permit. But, every year, I have to prove yet again that I am working in Russia and paying tax according to the proper procedures.

– How many people work at your company?

- There are five employees on the staff, and we hire more people for specific projects and events.

– Who are your competitors?

– Well, that’s the point: we don’t have any competitors in Russia! But I know full well that they will appear very soon. When people see that a business is successful, they also want to try something in a similar vein. I have a great deal of experience in motorsports, so I will always be, at the very least, one step ahead of them all.

– Have you learned how to negotiate with Russian officials?

– In the early days, in order to get to see the head of the region, I had to visit two dozen officials of varying ranks. They all had their own opinion on what needed to be done, and how it was to be done. Concluding agreements took up an awful lot of time. But now, when organising motorsports events, I just go straight to the regional head and receive the “all-clear” without any further delay.

– Are Russian partners reliable?

– You can be misled by both Russian and western partners. I had a few problems with certain companies. As soon as I felt that they might be deceiving me, I terminated our cooperation there and then. You have to rely on your intuition with such things.

– What is your opinion of Russian roads?

– The roads are like roads. Foreigners like to joke: “Beware of anyone driving down a Russian road steadily and in a straight line. They





**In the West, a small rally,
similar to the one I put on here,
costs four times as much.**

are drunk. You can only drive straight here, without avoiding the bumps and potholes, when it's below zero". But the problem lies not with the roads but with the drivers on them.

– Is the driving culture different from that in the West?

– Just a little! At first, I still used to be taken by surprise. When I would brake in front of a crossing pedestrian, several drivers behind me would start honking their horns. There were some who would rotate a finger near their temples, as if to say: are you some kind of idiot, stopping? Now, of course, it's no longer like that. Everything is changing for the better with that.

– What do you have planned?

– I am preparing for an active cooperation with a certain large Russian company involved in organising exclusive, "top-of-the-range" events.

– Is it worth coming to Moscow to do business?

– Without a doubt! In Russia, the ones who thrive are those who are bold and prepared to take on any challenge and to improve themselves constantly. And what, in life, could be more interesting than that? ■



Join in a discussion
of the article
on facebook.com



*There was a time
when Italian
**Massimiliano
Ballotta** set about
opening up
the Moscow market
for himself; now, he is
opening up
new markets
for his clients*

Professional Competency

BY: NIKOLAI MIROSHNIK | PHOTO: YEVGENY DUDIN | TRANSLATION BY: JACK DOUGHTY



Massimiliano Ballotta, Senior Partner at the Moscow law and consultancy firm Legalife, travelled the world and worked in a number of countries, before finally settling in Moscow to run a consultancy business and help strengthen Russo-Italian business ties.

– You have worked in the US, the Middle East, Europe, China... You've been involved in finance, corporate management, and in international projects in the clothing and food production industries, in design and architecture, engineering, communications... How did you manage to combine all of this?

– Professionalism, competence, and commitment. For me, these are the three most important concepts. As for the geographical range...well, here's a recent example. A certain European footwear company requested my help to enter the Russian market. Once they found out that I also had a good understanding of the American market, they suggested doing the very same in Florida. We are putting together a preliminary analysis here in

Moscow, and preparing to go over there to Miami in May to carry out the “field work”.

Massimiliano has become used to being in far-off countries since childhood. His father, having served in Italy's then largest state industrial-financial holding company, The Industrial Research Institute (IRI), worked abroad a great deal and took his son along with him. Whilst still a young boy, Massimiliano lived for a while in Nigeria and Iran. Then, in

England, the US, and Israel. And he travelled a lot around the world even after he had taken up permanent residence in Moscow in 2000. It is only

ABOUT
MASSIMILIANO
BALLOTTA





**Compared with large international law firms,
we are faster, more attentive to the client,
and – why hide it? – we are less
expensive, too.**

in the last six to seven years that he has “settled down” somewhat and begun to focus on the main thrust of his activity: developing Russo-Italian business connections.

By his own admission, he ended up in Moscow quite by chance. For a long time, Russia lay beyond the sphere of his business interests. And then, one day, he became acquainted with a woman from Russia who had holidayed in Italy. She was a specialist in corporate and commercial law, had studied in Saratov and the United States, worked for a few years in the Moscow section of White & Case – an American law firm with branches in a number of countries – and finally set up her own company, LegaLife, in Moscow.

Massimiliano became interested in this project and, in 2000, became a company shareholder. And, in 2007, he began working for them himself, both setting up and heading something new

at LegaLife: a consultancy department.

On the company website, where we are introduced to the team of two dozen colleagues, it is indicated that in the Consultancy Department, apart from Massimiliano, there work only two others, both Russian. How do the three of them cope with such a large volume of work?

– We three make up the permanent staff, – *Massimiliano patiently explains.* – But we invite in extra people to work on specific projects. Generally, we recruit them right here, in Moscow. But, in legal practice, if arbitration proceedings start up in any of the Russian regions, we are granted assistance by the local law firms.

Our interviewee bemoans the fact that, over recent years, having vetted various candidates, he is of the strong opinion that finding qualified experts in his field is far from easy. The standard of Russian professional

The market in Europe was carved up long ago. The Moscow market, too, is gradually becoming saturated, but the prospects for startups here are greater than they are in the West, as was the case before.



training, he maintains, still lags behind that undergone in Europe. Now, of course, he is aided in his search for specialists by the personal connections and contacts he has built up over his 14 years of work in Moscow. However, there is stiff competition on the local market already. Although, on LegaLife's competitive advantages, Massimiliano's reply flows unfalteringly:

– Our competitive advantage lies in our unique positioning on the market. We are a Russian law firm with international experience and the appropriate professional competency. Compared with large international law firms, we are faster, more attentive to the client, and – why hide it? – we are less expensive, too.

They have had an element of luck: the company started during a period of rapid growth for Russia's economy. It developed, it could be said, in parallel with this growth. If, at the start, in 2000, there were but a few



employees, by 2007, there were already 20 people employed at the company. It is Massimiliano's strong conviction that Moscow provides the kind of opportunities for business which have long since dried up in Europe.

– If, in 2000, we had set up a similar company in, say, Milan, the financial and economic capital of Italy, then, by 2014, we wouldn't have been able to count the same number of clients we have today from amongst such international grandees. Nor, as it happens, from those based in

**Russians prefer to work with friends.
They trust them more, even if their
competence is lacking.**



**Moscow gives you the chance
to bring in quite good money.**

Russia either: we have worked with Gazprombank, with Alpha Bank, and with Mosinzhstroy. The market in Europe was carved up long ago. The Moscow market, too, is gradually becoming saturated, but the prospects for startups here are greater than they are in the West, as was the case before.

Massimiliano's clients are not only "grandees". LegaLife also works with medium-sized, and even small, businesses. The number of Russian customers is growing but still accounts for no more than 30% of their entire clientele.

The search for new clients is the main aim of any business in the service sector. It is Massimiliano who deals with this personally. He arranges seminars in Italy for various business associates, prepares and distributes business communications. And, this year, he is even going to deliver a series of lectures on Russia and Italy's economic ties at the University in his hometown of Bologna.

In Moscow, too, the search for clients is aided by participating in the activities of professional organisations: the Italian-Russian Chamber of Commerce, the Association of European

Opinion



Ulf Schneider,
*Founder and Managing
Partner, RUSSIA
CONSULTING Group*

for Russian investors in Germany has been much less prominent up to now, and does not display uniform tendencies.

Moscow is very dynamic. If you have been away from Moscow for a year, there will be much that you do not recognise. Therefore, a consultant in Moscow must be prepared for much more intellectual flexibility to carry out his work properly. Moscow is one of the most expensive cities in the world. You will be surprised to hear me say that when I founded RUSSIA CONSULTING in 2003, its starting capital was 50,000 euros, and

Businesses, and the international network, LAWorld, which brings together more than 50 law firms with branches in 90 cities throughout the world. It is those colleagues from LAWorld in London for example, who, where appropriate, will recommend the very same LegaLife to their clients in Moscow.

- Clients: they are the bedrock of our business, – *emphasises Massimiliano*.
- All the more so in Moscow. Setting up a law firm with just a couple of people in the Russian capital is not a costly enterprise. But getting bank loans for a company without any material, let's say industrial, assets, is extremely difficult. Such a company can only expand by attracting new clients. As luck would

have it, Moscow gives you the chance to bring in quite good money. However, the cost of renting office space in the city centre here is considerably higher than in Europe, and the salary levels for lawyers is also 30-40% higher than back in Milan. For us, the Moscow market is very interesting: there are many companies which have need of serious legal support.

- ***And what would you say on the subject of Russian clients? Is working with them difficult? Is there anything particular to them which is down to their being Russian?***

- In terms of working with clients, the best place of all is the US, – *replies Massimiliano*. – There, they pay more

Expert



Aleksandr Pechersky,
*Managing Partner
and Managing
Director of ALT R&C*

of customer, intensifying this tendency. By comparison with Europe and the USA, the Russian market is denser and more competitive. It would be hard today to find a company in Russia dealing, for example, only with consultancy in the field of pharmaceutical logistics, though there are many such companies in the West. The lion's share of customers is in the big business and state sector. Historically, the market has developed so that medium business has grown very rapidly, unlike

the large-scale industrial and construction sectors.



attention to professional competency than to personal relationships. Whereas Russia, in that respect, is more like Italy, in that interpersonal relations are very important. And, both over there and over here, competence alone, without those well-established personal relations, will not be enough. To tell the truth, it is worse in Russia: those relationships may be there, but they do not always come with that professionalism. Russians prefer to work with friends. They trust them more, even if their competence is lacking. The situation is changing now, but 10 years ago, that is precisely how things were more likely to come about.

Massimiliano has felt at home in Moscow for a long time. The Russian capital, he is certain, provides the foreigner no fewer opportunities for a comfortable existence than other big cities around the world. In 14 years, he has not once, for example, felt in fear for his life.

– It may well be because I live right in the centre of the city, – *he says*. – It is clean there, orderly, and you are aware of law enforcement agencies being around.

And he is in no way hindered by what he himself admits to being an insufficient knowledge of the Russian language: the majority of his many Moscow friends speak at least some English.

– You know, in my profession, where details in negotiations with clients are important, you have to know the language very well. But, I don't have enough time for that. Which is why we have a division of duties: I tend to deal with foreign clients, and my Russian colleagues deal with their fellow compatriots. But I have been particularly lucky. As a rule, for the foreign businessman in Moscow, Russian language is vital. Knowing the language does help an awful lot.

The Russian legal system is very much out there on its own: there is no point thinking that everything here is exactly the same as it is in Europe.



As the conversation turns to those pitfalls which lie in wait for foreign businessmen who are only just finding their feet in the Russian capital, Massimiliano is categorical:

– The greatest danger is sloppy thinking. Thinking that everything in Moscow is going to be easy. That it's enough, let's say, to have a good product, and that you will sell it straight off. That's not the case at all. Here, for a start, there is already serious competition. There is no small number of bureaucratic difficulties, if only with the customs authorities. The Russian legal system is very much out there on its own: there is no point thinking that everything here is exactly the same as it is in Europe. The legal code in Russia is, overall, relatively young and is still developing. Let me give you an example. In the West, practices related to minority shareholders have been established for a long time and have been addressed in detail. In Russia, this issue, from the legal standpoint, has only just started to be developed in the last four to five years. So, when a matter gets to the stage of court proceedings, the judges, at times, do not have a clear or detailed legal frame of reference.

Or, here's another thing which I myself still find astonishing to this day, – says Massimiliano with a smile. – We Europeans are used to planning our

business. For two Italian businessmen, it is par for the course to designate a certain day two to three months away for a meeting. In Russia, this is virtually impossible. Here people prefer to come to agreements on the hoof, at the last minute. There is no doubt that the market is becoming more professional, but the tendency to do business à la russe persists.

I have kept until the very end of the interview a question which lies somewhat beyond the scope of our conversation about business. On the LegaLife website I read that the firm provides free legal aid to those who are socially vulnerable, as well as to children's sports clubs.

– Yes, from time to time we try to do something socially useful, – says Massimiliano, appearing almost a little embarrassed. – In my opinion, this is something peculiar to law firms. Providing assistance to some pensioners, veterans, and disabled people... Or, let's say, to young sportsmen. We love tennis and we have helped a young team to sign their first professional contract. These things are no big deal but, to us, they are important. ■



Join in a discussion
of the article
on facebook.com



*The Frenchman
Thierry Cellerin
and his digital
agency
BuzzFactory ensure
that the wind
of public opinion
always blows
the way you want*

Digital Wind

The 33-year-old French citizen lives in Moscow, but his native element is virtual space, groups and pages in the social networks, blogs, forums and specialist platforms. Thanks to his company, which specialises in internet marketing and PR, including marketing on the social networks (Social Media Marketing – SMM), Russian and international brands can create the most pleasant impression on their customers and increase their sales. The company also offers services in the field of Search Engine Optimisation (SEO) and PR.

– I graduated in law, but I thought it would be a boring field to specialise in. I was attracted by advertising, with its bright creative solutions. As it turned out, in one instant I changed not only my field of activity but my country too. It was a real New Year's story. I met a Russian girl, and on the eve of 2002, she invited me to Russia. Finding myself in Moscow, I assessed the great scope of this country and felt that

there were opportunities here unlike any that existed in Europe. To start with, I found a job in 'RIA-novosti' (the State Information Agency of the Russian Federation). I worked in the foreign department, speaking mostly English and French (though I can also speak Italian and German).

–Why, you're a real polyglot! No wonder they took you on at once in 'RIA-novosti'!

– On the other hand, I knew no Russian at all then. I didn't study the language as such, I picked it up in conversation with my girlfriend, colleagues and friends, and I was soon able to understand what people were saying. What I particularly liked about Moscow was the fact that here you can find the very job you like and find interesting. In Western Europe you





Finding myself in Moscow, I assessed the great scope of this country and felt that there were opportunities here unlike any that existed in Europe.

usually work at what you are offered rather than at what you really want to do. In Moscow I knew very well that if the agency closed for some reason, I could find another job straight away. That's what the market is like here.

– *However, you left paid employment and set up your own business. Tell me how that came about.*

– Before opening my own business, I worked in real estate for a time. In

decision, I consult two or three specialists and ask them “What would you do in this situation?”

– *How many people work in your agency?*

– A digital agency works mainly with small self-contained teams of independent co-operators. Our main tools are social media monitoring systems. Actually on the books, I have five people, not counting two

We have spent a considerable amount of money and a good deal of time on creating our own technology.

2006 I was working in advertising, and two years after that I had this idea of a digital agency, offering services for marketing goods and services on the internet. I had two French partners, but I had to do most of the work myself. By that time I already had a company, dealing with legal matters and bookkeeping. Those who worked there spoke excellent French, so there was no problem with filling in the necessary forms. My Russian acquaintances helped me too. And to this day, before taking an important

freelance bloggers. We have spent a considerable amount of money and a good deal of time on creating our own technology. Companies working with bloggers do not usually know how many people have actually seen their message. Our technology makes it possible to obtain highly detailed information about this in real time, without surprises or deceptions. Everything is very transparent.

– *How do you select the specialists you need?*



In Europe a bank is always a partner in business, in Russia, not always.

– By recommendation. Apart from professionalism, it is important to me that a person should be responsible and not let me down. I don't expect my staff to come to the office every day. The main thing for me is that they should do a good job and do it on time. How they organise their work is their own affair.

– *How much do specialists in your line of work earn in Russia?*

– It varies. It can be 30,000 roubles, or it can be more than 100,000.

– *What difficulties have you come across?*

– There's a problem with the bank. In Europe a bank is always a partner in business, in Russia not always. It is very difficult to make contact with the administration of a bank. Fortunately I have good partners who are accountants. But to this day, the bank takes up a lot of my time.

I never pay anyone "back-handers". This means there are some clients I simply can't work with. The way I think of it is that if someone is

willing to take a bribe to give me an order today, another contractor might come along tomorrow, offer a bigger sum and take my order away. Unfortunately, there are dishonest contractors in our market. They simply deceive their clients, showing them any number of hits. Customers still don't know their way around our field of activity, monitoring social networks. But we, I repeat, are totally transparent.

– *How much does it cost to rent a small office like yours in the centre of Moscow?*

– From 50,000 to 100,000 roubles a month.

– *Is it hard to find clients?*

– It's easy now, because the company has already won a good reputation. Apart from that, I am actively engaged in the CCIFR (Franco-Russian Chamber of Commerce and Industry). I head the Marketing and PR Committee. We organise a lot of conferences. I have no difficulty finding new clients from among those who attend them.





– How do Western clients differ from Russian ones?

– There are two factors here: the company itself and the people who work for it. The companies here differ considerably. Some are no different from Western companies, others are for more specific purposes. As for specialists, on the Russian market there are both super-professionals and total idiots.

– What impresses you and what irritates you about the Russian national character?

– I like the kindness of Russians. I am often invited to celebrations as a guest and accepted as a member of the family. People open up completely, they open their souls to you, as the Russians say. There is such a high level of trust. But if we are talking about business, I am somewhat dismayed by the fact that Russians do not like to look into the future. After doing something once, they intend to carry on doing the same for the rest of their lives. This is very different from the Western market. There, businessmen think this way: “OK,

done that, what shall I do next? Could the process be improved?"

– *What do you think is behind this?*

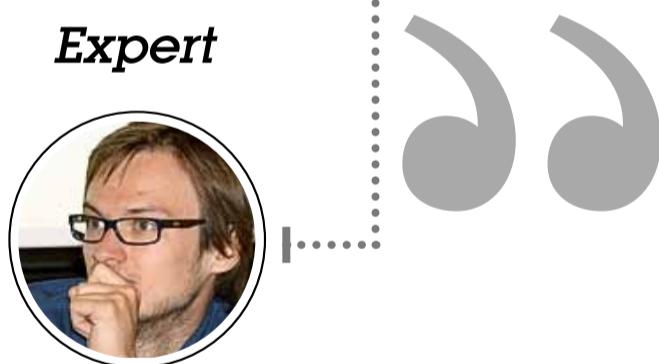
– I believe it is just the present level of the local business culture. Russians do not make long-term plans. Sometimes they open their business, and if it doesn't bring in a profit after a year or so, the business closes, the cash is taken out, they buy a big car, and that's it. They are a success in life! The French have the opposite problem. They sometimes look too far into the future. I was shocked when a 24-year-old Frenchman said to me one

day: "When I retire on pension, I'll..." But that won't be for 40 years!

– *What have you to say about your competitors?*

– There is one "Begin" – a system of placing media advertisements on the internet. This is quite a big platform, which aims not for quality but for quantity. But we work in the blogosphere with those who have nothing to do with "Begin". So in effect, we have no competitors.

– *Is it essential to know Russian to do business in Moscow?*



Dmitri Chistov,
Media Director of Internet
Media Holding

automatic promotion systems and the creation of 'dead souls' – accounts of non-existent people. On the other hand, the activities of brands and companies in the struggle for people's attention create quite a considerable information flow in the social media. According to several studies, more than 60% of users no longer pay attention to brand messages in the social networks. Nevertheless, the millions of people who use the social networks every day and the wish, backed by money, of companies to establish communication with them have their effect. The development of



– I speak Russian quite well, but I have difficulties if I have to write it. Of course you should learn the language of the country in which you work; it makes it easier to understand the local mentality and adapt to it. I know several foreign companies which have opened in Moscow and then suddenly closed down. Russia is not Europe, here many surprises await you. You have to go with the flow, and a knowledge of Russian is a great help in doing so.

– Is it worthwhile for a Western person to come to Moscow to open a business?

– It depends what business idea you have, in which sphere you intend to operate. But there are many successful examples. For instance, two Frenchmen came here, opened pancake stalls from scratch, without any help, and now they are prospering. And an acquaintance of mine started an internet store selling socks; he is now doing very well. You can certainly make money from small projects here.

– Are Western preconceptions of Russia changing?

– Previously, foreigners were sure that Russia was a big country with a lot of drunken people. Now they

Opinion



Gleb Shuklin,
*Russian Association
of Electronic
Communications*



among the clients of SMM agencies, which make the market more dynamic, flexible and interesting. The new possibilities of the social networks, the increased search functions for example, are also influencing the development of SMM services. The term Social Media Optimisation is coming back – businesses are beginning to order promotional services both on Facebook and on VK. The picture of the advertising niche is also being radically changed by more and more people using mobile apps. Companies keep having to adjust to the changing conditions of delivering their content to users, because here activity, sensitivity to



consider that Russia is a big country with a lot of rich people.

– Do you intend to stay long in Moscow?

– Russia still has a lot of economic potential. I have a company here which I intend to expand, many business ties, friends and plans. And I have a Russian girlfriend here too. What more do you need for happiness? ■

Russia is not Europe, here many surprises await you. You have to go with the flow, and a knowledge of Russian is a great help in doing so.



Join in a discussion
of the article
on facebook.com





Personnel Arrangements

*Italian **Alfredo Gozzi** came to Moscow from Rome in search of work, and turned out to be the ideal recruit for a recruitment agency*

When only 14, and still at secondary school, he worked at his father's company servicing and maintaining industrial equipment. After graduating from the University of Rome's Law Faculty, he spent several years in the Italian branch of a German chemical concern. The economic crisis forced the firm to cut the staff of its Italian representation by half, at which point this out-of-work lawyer had the idea of seeking his fortune in distant Russia, in Moscow. An idea which turned out to be a very good one indeed.

About Brunel International N.V.



– After I was laid off, it became apparent that finding another job in Italy would prove virtually impossible. My wife and I made some enquiries, sought advice, and came to the conclusion that although the economic crisis was, of course, a global one, in Russia it was never going to be on the same scale as in Italy. And that in such a huge city as Moscow, the chances of finding something to put my efforts into were immeasurably greater. The plan was a simple one: move to Moscow at the height of the crisis, and then come back. But, as you can see, I'm still here.

– *When did you move here?*

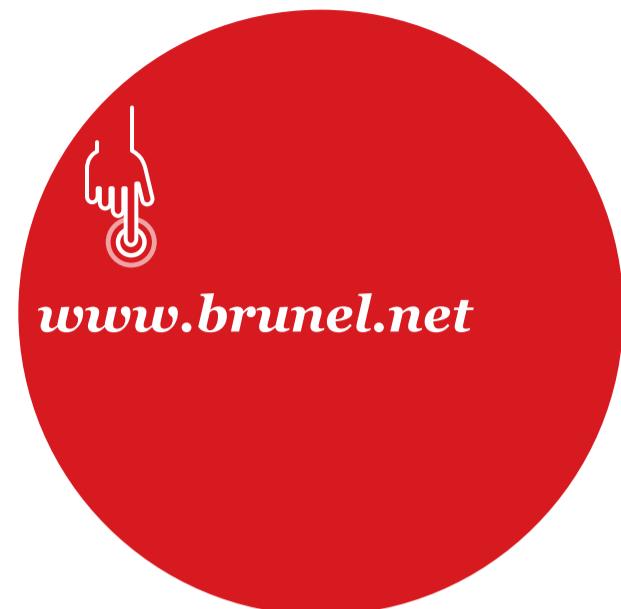
– November 2009.

– *And did you find work straight away?*

– Yes, pretty much straight away. At Brunel recruitment agency.

– *What do your professional duties entail?*

– I am a recruitment consultant. The company operates two



programmes. We recruit top and middle-ranking managers. Aside from the normal programme of liaising with clients, we also widely use an outstaffing programming for recruiting a specialist to be taken on by a company. That is, our agency hires the employee itself, pays their salary, and makes them available to the client, as if leasing them on a contract. Brunel is one of the world's leading recruitment agencies for this. In Russia, it is number one. Here we have more than 500 such employees, mainly in the oil and gas sector. In Russia, the "oil scene" is our trump card.

The plan was a simple one: move to Moscow at the height of the crisis, and then come back. But, as you can see, I'm still here.

– Do you yourself deal exclusively with the “oil scene”?

– Not exclusively, no. My sphere of activity also takes in retail, engineering, construction, and manufacturing. The work is simple in some ways but very complicated in others. On the surface, it would appear to be mainly talking to people, making phone calls... But, you know, you have to deal with the most difficult “matter” there is: human matter. Every candidate has their own mentality, their own quirks, ways of thinking, and some goings-

– Does the Moscow branch of Brunel look for staff only in Russia or in other countries, too?

– In principle we look all round the world but we find the overwhelming majority of candidates in Russia.

– How is the search carried out?

– There are many tools. Personal contacts, dedicated internet portals, social networks. We have our own database and anyone can send their CV to us directly.

You have to deal with the most difficult “matter” there is: human matter. Every candidate has their own mentality, their own quirks.

on can be quite unexpected. And it is not always easy convincing, bringing together, and “marrying” a specialist to the hiring company.

– The employers, are they generally large corporations?

– Far from it. I have been recruiting managers for small and medium-sized businesses.

– Do you ever entice employees from other companies?

– It does happen. The hiring company, for example, might ask us to seek out a chief accountant with solid experience in retail chains. Such people are not usually sitting twiddling their thumbs.

– Does the Russian employment market differ from the Western one in any way?





People in Moscow are frequently paid considerably more than in Europe for the equivalent position.

– It has own characteristics. Well, the Moscow employment market in particular. If you take the rest of Russia, the situation there is somewhat different. The market in the Russian capital, compared with the US or Europe, has a noticeably higher degree of staff mobility. People stay in the same job for a lot less time than in the West. As a result, there are always a large number of offers on the Moscow labour market and such a high demand. I call Moscow “the candidate kingdom”.

– What goes to explain such a mobility?

– The fact that the Moscow labour market is still relatively young. And the strong impetus in Muscovites to earn money quickly, to quickly build a career. This focus on career building quickly leads to such phenomena as a low level of horizontal mobility. Let's say a senior accountant agrees to move somewhere as chief accountant. But persuading him to take the position of chief accountant is difficult if the salary increase isn't so great. But the advantages are not always

only material. The same job at another company may have better prospects for professional growth and promotion, a more developed and comfortable corporate culture. Lots of things. But such arguments are not really taken on board here yet.

Linked to this, by the way, is another specific characteristic: the gulf between the level of professionalism and that of salary. People in Moscow are frequently paid considerably more than in Europe for the equivalent position. There is always little genuine talent around, and companies, naturally, want to get their hands on it. A “salary war” is starting up. Some put pressure on the employee to move by way of high remuneration, and, where he is already working, they try to keep hold of him by offering additional perks.

– What are the typical demands from the candidates themselves, apart from a large salary?

– In Moscow, particular attention is paid to the geographical location of the job: how far away from home it is.

The market in the Russian capital, compared with the US or Europe, has a noticeably higher degree of staff mobility.



Which I completely understand, knowing the extent of the city and the gridlock: something which I cannot get used to myself, either.

People don't like doing overtime. They prefer working hours to be clearly set out: from now until then...

– *Do any issues arise around work discipline?*

– Far be it from me, an Italian, whose compatriots have never been counted amongst the most disciplined, to read the Russians a lecture on this subject. But it is probably fair to say that the Germans, Dutch, and Swedish have a stronger work ethic...

– *If you are not going to read a lecture, then, which faults amongst Russian workers would you say stand out to foreign employers?*

– Some would say that your specialists don't have the right attitude towards their clients. I think that it is a matter of a mentality which is changing, albeit slowly. I repeat: the market economy in Russia is still young. Client-focus, the urge to prioritise the customer's requirements: that will come with time. People still think more about their careers and short-term gains, often not realising that by “wooing” the customer you are encouraging them to come back to you, and that that will lead to more profits further down the line.

– *Does the standard of Russian education give rise to any criticisms at all?*

– It depends on the educational establishment. The best colleges turn out very good specialists.

– *Your Russian really isn't bad at all...*

– Alas, it could be better. I started to learn Russian in a systematic way when I first moved to Moscow. I went on courses. But after a month, I found a job, and I became pushed for time. When you are getting in at ten, or even eleven, at night, you don't always have the energy for doing homework.

– *Is being able to speak Russian essential for the candidates you recruit?*

– These days, for many of our clients, it is.

But there is one thing you should understand. Only a few years ago, foreign firms working in Moscow preferred to fill management vacancies with foreigners. They didn't have a great deal of faith in Russians. But now, anyone can see that the number of qualified Russian workers is large. And that they are sought after for even the highest positions.

– *What do you think overall of the Russian capital's business environment?*



– In Moscow, there is greater potential for increasing your business connections than in Italy. There, members of middle management have their own social circle, which is fairly narrow and exclusive. Whereas here, different communities integrate. I am always receiving invitations to conferences and official events. There are loads of societies: Italians working in Moscow, British-Russian ones, the European Business Association, the American Chamber of Commerce... You can meet whoever you want to there: from the CEO to the secretary; there are expats, and Russians, too, and not just from Moscow. Everyone has their own approach to life, to work, their own take on situations... It's fascinating: on both a professional and on a purely human level.

– How do you spend your spare time?

– With my family. Other than that, I like to go running in Moscow's parks at the weekend. These are my favourite spots in the city. We live in the Leninsky Avenue area. There are two little, but

very nice, parks there. I go running come summer or winter. I try to keep in shape.

Also in summer, I take my mountain bike and head off to Bittsevsky Park or the Sparrow Hills. The city is empty with everybody at their dachas. I ride along the riverbanks. On a sunny day, Moscow is wonderful. You can ride up to the middle of a bridge and take in the view. It's beautiful!

– You run in winter? Does the cold not get to you?

– I'm used to it. I have a liking for ice and snow. I mean, in Rome, there are only two seasons: spring and summer. Whereas here, there are four. I have already got used to everything in Moscow, with the exception of the traffic jams. I really like to go by metro, for example.

– So you are completely settled in Moscow...

– Yes, I like living and working here. Although it's not an easy city. But it keeps changing for the better. You can buy

In Moscow, there is greater potential for increasing your business connections than in Italy.





whatever you like in the supermarkets. The prices, though... But you can find anything you want. It feels like the capital has grown in wealth. Now, here, so much more money is circulating than 10 years ago.

– What advice would you give to someone coming to Moscow, following, so to speak, in your footsteps?

– I would recommend anybody planning to work here for a while, first of all, to make contact with compatriots or acquaintances already living in Moscow.

Don't arrive without having set yourself some aims in advance. The employment market in Moscow is gradually becoming saturated. Although, I'll say it again, the possibilities here are significantly greater than in the West. It is worth, perhaps, giving it a try here for a few days, having a look around. Quite a few of my fellow Italians have already done so. Rung up, asked around, asked to meet up, flown over... I'm always glad to help out. All the more so as it can be of interest to me on a purely professional level. ■



Join in a discussion
of the article
on facebook.com





Target Audience

*By providing Moscow consumers with geolocations, German **Marcel Baltes** is steadily increasing sales for Russian retailers*

*Recognising, whilst still at university, that learning Russian could become a competitive advantage, he came to Moscow and, for the last three years now, has been turning his cutting-edge German marketing know-how into a booming Russian trading business. Answering our correspondent's question is CMO of Lokata, **Marcel Baltes**.*

About Marcel Baltes



Our advertising doesn't annoy people: on the contrary, it generates interest.

— **Where did you get the idea of coming over to Moscow from?**

— As a matter of fact, I started learning Russian whilst still at school. It just happened like that, quite by chance. Russian is a very difficult language. It occurred to me that while most people choose English or French, if I learnt Russian, then further opportunities would present themselves to me; that it would help me to find an interesting job. I carried on learning Russian after school, at university. And, as it so happens, I got to know some guys there who I later did business with in Russia.

— **Did Russian come easily to you?**

— Not at all! In 2010, I came to Moscow for five months on a cultural exchange programme at the Financial University under the Government of the Russian Federation. And, although I passed my exams, I still hadn't completely mastered the language. So I decided that

I absolutely had to return to Moscow to finish off learning Russian.

— **But you didn't return to the Russian capital purely for the sake of the language, did you?**

— Needless to say, no. Good prospects working in a rapidly developing Russian trading company opened up for me. Damian Doberstein and Oscar Hartman set up KupiVIP. That is the very same Oscar Hartman who, along with Pascal Cleman and Marina Treshchovaya, formed the startup incubator Fast Lane Ventures. They were launching a startup company every month. It was causing quite a stir! And, right after university, I set off for Moscow to work at KupiVIP. I decided: I'll work for a while, and then see if staying in Moscow was both possible and what I wanted. It was possible, and it was what I wanted. There was another factor, too. I had got



to know some German fellows who had launched a startup in 2008 and who had already sold its company Axel Springer. This startup turned into what is now known as Bonial International Group. They went global, operating in Germany, France and Spain, and they were setting their sights on Russia. The result of which, in 2011, was the project Lokata.ru: a Russian version of the portals set up by Bonial International all around the world.

— Advertising is the engine of commerce. But it is also a major irritant. How do you drive trade without irritating the consumer?

— The whole difference between advertising which works and that which irritates can be described in a single word: relevance. If a company earns money from advertising, then all of its business depends upon such relevance. But we don't ram anything down the consumer's throat. Russian trading organisations send us information on what they can offer customers, and we process this information, post it on our system, and whether the user wants

to look at it is up to them. But people download our app because it is handy: you can be walking down the street and find out where there is a supermarket or a specialised shop nearby, and what they sell there. We get over 600,000 downloads, and have a high rating: 4.5- 5 stars. That says that our advertising doesn't annoy people: on the contrary, it generates interest.

— Working in a commercial enterprise in Moscow you are bound to have come up against problems which you wouldn't come up against in the West. Which of them is the most serious?

— The attitude towards the target audience, the recognition of the importance of targeting. If you want the people most likely to buy your product to see your advert, and not just random people, you know that you are deliberately sacrificing your breadth of reach. This is disconcerting to Russian retailers. But such is the law of the market: there is nothing you

Retail chains are more geared up towards traditional media. It has to be explained that online advertising encourages offline sales, too.





**I decided: I'll work for a while, and then
see if staying in Moscow was both possible
and what I wanted. It was possible,
and it was what I wanted.**

can do about it. When it is a matter of image promotion, raising overall brand recognition, then there is no dispute: the more people who see it, the better. But for businesspeople engaging in retail trade, they need people to come into their shop and part with their money, which means that they have to show their advert, first and foremost, to those for whom it is of genuine interest. That is far more important than the overall number of viewings. Russia is five years behind Germany in this respect. As ever, Russian trading companies are mesmerised by the opportunities offered by television, by huge advertising hoardings in the streets, and those little posters above the escalators in the metro. Fine, let's say a million people see an advert on television and in the metro. What of it? How many of them will be coming into your shop?

– Who are your clients? Big business? Medium-sized?

– We encompass all the main retail categories: electronics, furniture, food... Two dozen categories, and

we have partners in each of them. Of course, it is better to have dealings with large chains operating across the whole of Russia.

– Do sellers jump at the chance to join your service?

– It varies. Sometimes negotiations don't go smoothly at all. Precisely for the reason I was just talking about. Retail chains are more geared up towards traditional media. It has to be explained that online advertising also encourages offline sales, too, not just purchases made over the internet. If both the search and the sale take place online, then it is easy to work out the conversion rate: here is where someone clicked on the link, and here is the result of it - goods bought to the value of 1,000 roubles. But the mixed kind of commerce is quite prevalent. The customer goes on Google or Yandex, researches on the internet the specifications and options for the product required, reads the reviews. Chooses the shop which is a little bit better and a little bit nearer, leaves the house, gets on the metro, and buys

There are German retail chains represented in Russia. It is easier for us with them.





whatever they were after. For some categories of goods, the proportion of sales like this is over 50%! A TV, for example, is more likely to be chosen on the internet but bought in a shopping centre. It is an effective way of doing things, convenient for the customer, and it is good for us, as that is precisely the kind of customer we count on. But large chains don't quite get this. Many think in the same the way they always have done: that if an advert is online then it relates to online sales, and that offline sales are exclusively to do with offline advertising. In the real world, any variation is possible,

including the reverse of the one I just mentioned. Someone sees a billboard in the street but makes the purchase at home with a credit card over the internet. But how can you account for that? And, of course, it perturbs retailers that following that path, establishing what it was that resulted in the completed purchase, in such circumstances, is nigh on impossible. It goes without saying that we will work out the conversion rate for you: we have the requisite tools and procedures, but convincing a trading partner of its effectiveness doesn't always work.

— You work with global companies and with Russian ones. Is there are a difference?

— Of course. There are German retail chains represented in Russia. It is easier for us with them. We speak the same language in both the direct and figurative sense of the word. We are familiar with their goods, their way of working, and they understand what we need, and what that will bring them, because they know about equivalent companies in Germany. Working with global networks is usually more straightforward because they are more open, prepared to experiment, and are not afraid of new approaches and technology. Smaller trading enterprises are more cautious. The situation here regarding Russian networks is an interesting one. They are now focused on digital technology. This is, of course, good, on the one hand, but not so good on the other, insofar as the bulk of all of their sales, up until now, has taken place, not over the internet, but offline. Sometimes it's astonishing: we can be talking to a manager about the ins and outs of online sales, at which point, it becomes clear that their proportion of their business is less than 5%. It is as if the other 95% have been completely forgotten about!

Even if we are talking about sales of food where, obviously, goods are selected on the internet a lot less frequently than, let's say, electrical

items, equally the proportion of goods found online but bought offline will be not inconsiderable and really should not be disregarded. The situation now with vouchers is indicative of this. In the US, vouchers are extremely popular, as they are in Germany. In the US, the conversion rate for vouchers is 60%. Over there, for example, there was a most successful campaign run by McDonald's. This is also a particularity of the modern trading company. To sum up, I would say that the main difference between the Russian and European approach is this. The importance of offline sales in Russia is perfectly understood, as is the importance of transferring online, but they don't see the big picture where these possibilities are wonderfully intertwined. In the West, however, they do see this. But I am sure that a joined-up picture will soon emerge in Russia which means that the commercial sector has great potential for growth. Both for us and for others.

— Is it harder working in Russia than in Germany?

— A little, primarily on account of the paperwork. Germany is easier for that. But it is possible to get to grips with it all. It doesn't hamper business very much. There's something else which hampers it: the amount of time taken to sign contracts with large organisations. They can spend a couple of months just



I am sure that a joined-up picture will soon emerge in Russia which means that the commercial sector has great potential for growth.

on checking us out as an organisation, seeing whether we are reliable or not. And then even more time is spent on some kind of internal procedures. It drags on for half the year! What are they up to? No doubt they have their reasons, but it all gets in the way of our, and basically, anybody's, business.

– Which problems are best dealt with by expats, and which does it make more sense entrusting to Russian colleagues?

– Obviously, if it's a case of law or accountancy, then it is better to get a Russian expert. This is no place for a Western accountant. What distinguishes us is that we are part of

a group which has great experience in Germany and the rest of the world. My role is to pass on international experience to our Russian employees. They travel to Germany from time to time, and I speak with headquarters myself every day.

In certain circumstances, it is easier to find the right person in Germany than it is in Moscow. In Moscow, there is no lack of engineers and programmers, but there are far fewer managers experienced in our field. But that is natural. German retail is more than just a decade old whereas Russia has had to start virtually from scratch in the 1990s. However, that gap is narrowing rapidly. ■



Join in a discussion
of the article
on facebook.com





AdMoment

Directly on Air

*Admoment.ru founders **Constantin Rosset** and **Philipp Puenjer** trade in mobile phone advertising in real time*

In August 2012, Constantin Rosset and Philipp Puenjer, both graduates of the Otto Beisheim School of Management, founded the company AdMoment in Moscow. The business idea had already been tried in the West: organising and conducting advertising campaigns in mobile apps and buying advertisements on the principle of an auction of advertising declaration in real time, i.e. Real Time Buying (RTB). So the idea could understandably be expected to work in Russia too.

“The advertiser expects the advertising campaign to be as effective as possible” explains Philipp Puenjer. “Our service takes the advertiser directly to his audience and does not just transmit advertising statements into the void.”

“Your advertisement must be placed in real time so that it will get a reaction from every member of your target audience. That’s what we do. That’s why we called our company AdMoment”, say the project founders.

The market in which AdMoment operates is new and developing rapidly. It is far from saturated even in the West, let alone Russia.

“Mobile apps are being used more and more widely,” stresses Constantin

Rosset. “And more and more advertisements are using these channels. Making money from apps with the aid of platforms like ours is only just beginning.”

The main factor in any startup is the team. “We became friends before AdMoment, we have worked together in other companies, and this was a great help in developing our business rapidly”, say the founders. The first sales were made less than six months later, in January 2013. Up to now AdMoment has conducted more than 100 advertising campaigns in various segments of the market: the motor vehicle industry, entertainment, the media, retail trade, financial services and electronic trading. The company mainly works with advertising agencies for clients such as McDonalds, Visa, Samsung Apps and Toyota.

In November 2013, the venture funds Prostor Capita, e.venturers, Fastlane Ventures and several European business angels invested three million dollars in the startup. These funds will be assigned to implement an active marketing strategy and improving the data processing algorithms. ■



**Interview
with Damian Doberstein,
an investor in the Admoment project**





High-tech in Russian

*The German **Damian Doberstein**, Managing Partner of eVentures, talks about his fund's Russian projects and why there are such good prospects in the Russian mobile advertising market.*

BY: IGOR LEVSHIN | PHOTO: ADMOMENT | TRANSLATION BY: JACK DOUGHTY



— When did you invest in Russian business for the first time? Was it a positive experience?

— e.ventures first investment in the Russian market was Darberry back in 2010. This is still one of the most successful investments for us in the whole Russian portfolio.

— How and when did you get the idea to invest in the AdMoment.ru project? How much did you invest in the AdMoment.ru project? How do you find partners in syndicated investments?

— The AdMoment team were our entrepreneurs in residence in Hamburg. They were looking for their next venture opportunity and decided to have a look at the Russian market. After spending a few months at Fast Lane Ventures, the founders decided to create mobile RTB-focused demand side platform AdMoment, where we supported them first with debt financing, which later converted into equity. Our total current investment in the company is under two million US dollars.

As for syndicated investments this is always a function of which partner suits best for the concrete startup. Several factors should coincide for a syndicated deal: a partner should be interested in the provided opportunity, his experience and portfolio should be in line with core startup business activity and, of course, there should be a good working relationship between us, syndicating VC and the startup team.

— Which of the Russian projects you invested in is the most successful?

— We are very much in favor of NGINX, the world's fastest web server. The service is already supporting operations of such giants as Groupon, WordPress and Facebook, helping them to cope with large traffic volumes. Now the company is working on releasing new paid products. Hopefully we will hear more about their success soon.

— What areas of Russian start-up businesses are the most attractive?

The mobile advertising market was estimated at about 54m US dollars in 2013 and is expected to double by 2015.



— This is a tricky question: the attractiveness of the Russian tech space has changed since 2009: Many niches in e-commerce have their leaders (for example, shoe e-commerce) and some niches like e-commerce of child-related products still suffer from weak unit economics, making them less interesting for investment from our point of view. If we take the current trend in segments of interest on the internet, the Russian market still finds itself at a relatively low-tech level and the majority of people just would not buy things like JawBone bracelets. What we do very much believe in is Russian tech talents, namely developers with an unconventional approach to and interest in technologies and programming: we do expect innovations in programming infrastructure, perhaps 3D printing, advertising technologies.

— How do you communicate with the AdMoment.ru team? How often do you come to Moscow?

— Since the team operates from Moscow, we are quite often in touch with them, doing regular meetings on a monthly basis.

— How do you see the situation in the mobile advertising industry?

— We estimate the segment to be quite attractive for advertisers now and especially in the future. Since

smartphone penetration in Russia is constantly growing and interaction with mobile devices becomes more intensive compared to desktops, advertisers will inevitably want to be represented in mobile apps. The mobile advertising market was estimated at about 54m US dollars in 2013 and is expected to double by 2015 (eMarketer). The only slowing factor for this trend is still lack of experience of doing mobile campaigns and cautiousness of advertisers in working with mobile space, which are all attributes of a very young market.

— Is the Moscow business climate comfortable for European investors? What is your opinion on Government support for venture business?

— We would rather speak about the Russian business climate, since Moscow reflects the overall Russian situation with foreign investments.

Here we may notice that the major working conditions are there, foreign investors can get visas and it is possible to transfer money to startups without major hassle. However, there are still many factors foreign investors fear when thinking of investing in a Russian tech startup: namely, protection of rights of investors and protection of intellectual property rights. The situation is gradually improving in those directions as well; however,



it may take another 10- 15 years for investment in Russia to become as safe as investment in the Czech Republic or Lithuania.

Concerning government initiatives, we have seen tremendous support for the startup industry from the Russian state in the last one to two years. Here we mean multiple regional accelerators, a large seed fund of 200m USD (IIFD), and smaller funds like the Moscow Seed Fund. All these measures make it possible to support new entrepreneurs and allow the government to understand the real problems of the still very young tech sector in Russia. We believe, this course should be continued.

— *What is your advice to potential foreign investors?*

— Always do proper due diligence, invest with local funds and educate yourself about the particular features of the local market before investing. ■



Join in a discussion
of the article
on facebook.com





Look who's here!

The younger generation of those living in “Greater Moscow” is choosing a new model of consumption, opening great opportunities for foreign business



MUSCOVITES' INCOME GROWTH IS WELL AHEAD OF INFLATION

Since the turn of the century, the growth of the Moscow consumer market has been really explosive. The main reasons for this are external: developments not connected to internal factors, namely the sharp rise in energy prices and the constant influx of people into Moscow.

According to official statistics, the number of Muscovites has increased by two million over the past ten years, and now exceeds 12 million. This means that for number of population, present-day Moscow is the second largest capital city in Europe. Only Istanbul is larger (and then only if you include its Asian part). Adding the seven million inhabitants of Moscow oblast makes the capital of Russia the absolute leader in the Old World. According to forecasts included by the city authorities in the “Greater Moscow” project (a plan to expand the territory of the capital itself at the expense of a number of regions in the south-west of Moscow oblast), there will be 24 million Muscovites by 2035. These fantastic figures are turning the capital super-city into an unprecedented market for volume of demand and concentration of sales of consumer goods and services.

Obviously this is a powerful incentive for the development of entrepreneurship, including – even primarily – for the small and medium business segments. Furthermore, it is believed that Western entrepreneurs will also take part in this process, particularly in those sectors in



MUSCOVITES WILL TRAVEL AROUND RUSSIA MORE AND TOURISTS FROM OTHER RUSSIAN REGIONS WILL LITERALLY FLOOD INTO MOSCOW

which Russian business simply does not have enough experience.

The attraction of foreign investments is an important element in the economic policy of the Moscow administration, and this is not limited to major corporate projects. The city authorities aim to create as favourable conditions as possible for Westerners in small and medium businesses. But what sort of consumer will they have to deal with? We can already give quite a detailed description.

Thanks to Moscow's privileged status as the capital, and the generally favourable macro-economic background, which has been maintained in spite of sometimes serious cataclysms of a foreign political nature, such as the present Ukraine crisis, Muscovites' income growth is well ahead of inflation. The consumer price index in the capital rose by 150% from 2002 to 2012, but the earnings index for the same period increased by 580%.

The capital's population is increasing largely because of the influx of young people not yet burdened by financial or family obligations. As a rule, their budgets are open for random expenses and spontaneous purchases. This has made Moscow a real Mecca for unorganised trading aimed specifically at such purchases. This trend is reflected in the halving of the amount spent on buying food in family budgets and the huge rise in what is spent on eating out. Another important factor in the restructuring of



THERE WILL BE AN INCREASE IN THE PROPORTION OF SMALL AND MEDIUM ENTERPRISES OPERATING IN THE MEDIUM PRICE RANGE

the family budget of Muscovites, and indeed of all Russians, is the expected rapid development of the budget air travel industry, bringing with it a considerable expansion in the internal tourism market, on the model of New York, for example. That is, Muscovites will travel around Russia more and tourists from other Russian regions will literally flood into Moscow. And all the capital's guests will need hotels, restaurants and entertainment.

One can also expect a transformation in the expenditure side of the typical Muscovite's budget due to a change in the priorities of the hordes of active consumers who managed to take over the capital in the oil boom period. They have acquired families, bought expensive Moscow apartments on mortgage, and have become much more rational in their expenditure, i.e. more sensitive to prices and less sensitive to prestigious brands.

The stepping up of the actions taken by the capital's authorities against illegal street and internet trading restricts the import (primarily contraband) of consumer goods. At the present time, retail prices for branded goods in Moscow can be many times as much as they are in the West. In fact, it is now cheaper for a consumer to travel abroad to shop during the sales period and buy a selection of non-food products for the entire season. It can be assumed that the expansion of the category of well-heeled but canny



consumers will lead to a reduction in the proportion of goods based on a high mark-up and modest sales figures for specific forms of goods.

This means that in the capital's market, there will be an increase in the proportion of small and medium enterprises operating in the medium price range with a low mark-up, in a smaller number of goods categories, but with wider sales. This niche is already being filled, but it is by no means full yet, and is extremely attractive for Western entrepreneurs.

Moscow will undoubtedly continue to be "a city of bright lights". And the wealth of the capital super-city can only be multiplied by the rise in the mobility of the Russian population and the expansion of the internal tourism market. But the key consumer in the city will be more rational, and so new players in the market, including Western ones, will always find something to offer them. ■



Join in a discussion
of the article
on facebook.com





Accounting and Control

Accountancy outsourcing offers the optimal solution for those Western entrepreneurs starting small to medium-sized businesses in Moscow

BY: LEONID SOKOLOV | PHOTO: CHAYKA-AUDIT | TRANSLATION BY: JASON J SHAW



When the Western businessman starts a small to medium-sized business in Moscow, what does he need to know about the particular nuances of Russian accountancy practice? What is the structure of the accountancy outsourcing market in Moscow, and how does one make best use of this service? Providing the answers to these questions, and more, is CEO of Chayka-Audit, Nikolay Palenov.

– What are the main characteristics of the tax and accounting system in Russia, in contrast with that in the West?

– If we’re talking about small business, then it is worth paying attention to the fact that in Russia, apart from the General Taxation System (OSNO), there is the Simplified Taxation System (USN) in operation also. Such a thing does not exist in the West. The “Simplified” is convenient for those working in provision of services because there are not, essentially, any production costs in this area insofar as there are no goods being

produced. The “Simplified” system takes two forms. In one, the tax basis is all income; in the other, it is income minus expenditure. The corresponding tax rates are 6% and 15% respectively. But, the revenue limit for USN is 60m roubles (around \$2m) per year. So, if a company estimates that this figure will be exceeded, then it is initially inadvisable to apply the simplified taxation system. Under the general taxation system, there are two taxes payable: the tax on profit (20%), and VAT (18%). There are specified categories of goods where VAT rates differ. For pharmaceuticals,

**YOU CAN'T TAKE ON AN ACCOUNTANT
AT 5,000 ROUBLES A MONTH.
WITH OUTSOURCING, YOU CAN.**



for example, VAT can be zero. Correspondingly, the accounting basis is also different. And if, let's say, a company is about to engage in one kind of activity, but in different fields, then accounting for each field may be different: each field will have its own form of tax assessment.

– *Does each field need its own legal entity?*

– Not at all. But the accounting, of course, gets markedly more complicated.

– *In which instances does outsourcing of accounting become preferable, and why?*

– In small to medium-sized ventures, the entrepreneur is usually directly involved in multiple business processes. He has to deal with strategic and administrative issues. Setting up and monitoring an accounts department is no small extra burden. Whereas outsourcing is very convenient.



Furthermore, there are different types of outsourcing. So, you can outsource certain workloads without having to hand over all areas. This goes for other things too, not just accounts. Outsourcing then becomes very worthwhile. If you take on a staff accountant, you have to provide him with a workplace, all of which creates costs: on an office, office equipment, as well as taxes on wages. For the small business, outsourcing works out cheaper. You can't take on an accountant at 5,000 roubles a month. With outsourcing, you can.

THERE IS A LOT IN RUSSIAN RECORD KEEPING WHICH APPEARS TO BE IRRATIONAL. BUT A GOOD OUTSOURCING COMPANY CAN SAVE YOU THE NEED TO DRIVE YOURSELF MAD OVER IT.

– How do you go about outsourcing accounting in Moscow? What do you need to look out for when picking an outsourcing organisation?

– The market for accountancy outsourcing in Moscow is sufficiently developed. Large international consultancy companies operating in Russia also offer these services. But their clients are commensurable.

– As is the price tag...

– Precisely. There are smaller companies which work for small to medium-sized businesses. They all post adverts on the internet, and they are not hard to find. These companies, in the main, have been operating on the market for a long time, with qualified staff, and are reputable. There are also specialists on the Moscow accountancy outsourcing market providing private services as individuals. But you should bear in mind that, for these specialists, outsourced accountancy is purely an extra form of income. They generally have their basic work which will always be their priority. It's no good expecting high quality service from them. What is more, they are not bound by any formal obligations. They could go under at any time, leaving your company in the lurch.

– How does pricing work on the Moscow accountancy services

market? What is a typical price scale at the moment?

– Prices depend on the number of work areas outsourced. There are a lot of variations. In principle, the cost is determined by the number of accountancy tasks carried out. An agreement is signed and then, each month, the outsourcing company adds up the number of tasks carried out, and presents the client with an invoice.

– How much does it usually come to?

– You can't say straight away. This is an issue we constantly come up against. Clients call us and ask: how much will the accounting cost me? But how many tasks are you planning on having completed? – we ask in reply.

– Let's say it's 20 operations a month. What would be the cost?

– 20 operations is very little, the bare minimum. That's the “simplified”, a few payments per month, one salary assessed, a report submitted... The price for that is in the order of 3,000 roubles. For that, there is a certain scale in operation. For up to 50 tasks – 7,000 roubles. Over 100 – from 15,000 roubles. These are the basic rates for making calculations. There could be some kind of additional dealings with the company, for example to do with overseas trade



activity. If we take on client banking operations, making payments, dealing with currency exchange, then the cost, of course, increases. Also, a lot depends on personnel records: how much salary is being paid, whether we put together timesheets, and other such things. The cost for drawing up personnel records for three employees is 3,000 roubles a month.

– *And, in conclusion, a general question. What in Russian record keeping could turn out to be an unexpected and unpleasant surprise to the Western businessman? What is worthy of especial attention?*

– Obviously, Russian paperwork is substantially different to that in the West. Unfortunately, in terms of greater bureaucracy. This is difficult for Westerners to grasp. There is a lot in

Russian record keeping which appears to be irrational. But a good outsourcing company can save you the need to drive yourself mad over it. And it can also take on dealing with the Russian tax authorities, the Pension Fund, the National Insurance Fund where there are more than enough particular headaches the Westerner will not be used to. Then, you can concentrate entirely on your business without having to worry about any kind of unpleasant surprises. ■



WE SIMULATE SITUATIONS



Look Before You Leap

Before entering the Russian market it should be studied thoroughly so that your knowledge can be turned into a competitive advantage

BY: ROMAN OSIPOV | PHOTO: ALT R&C | TRANSLATION BY: JACK DOUGHTY



*The Russian market is boundless and extremely attractive for Western companies. However, whatever the pace of the competition race, over-hasty actions and decisions invariably lead to difficulties when entering the Russian market. **Roman Osipov**, CMM of the consultancy company ALT R&C, relates some illustrative cases from his own experience.*

SITUATION



A European producer of high-tech film coatings decided to enter the Russian market. A service centre with five working installations was brought into operation in Elektrostal, Moscow oblast. However, the enterprise is only working at 20% of capacity, with no apparent prospects of growth.

The company chose the second route.

Realising their failure, the manufacturers turned to our company for help. Market research was conducted, and it became clear that an extremely unsuitable place for opening a service centre had been selected – one where quality service could not be provided even for existing clients. The target market segment was also selected incorrectly.

Market research indicated that the best prospect would be a centre for pressing moulds for motor vehicle components, and this would require installing other models of coating chamber, which they had not thought of. And the ideal place for such a centre would be one of the Russian motor vehicle clusters or the Urals, and certainly not Moscow oblast, where the target industry segments are represented poorly or



SITUATION



A British industrial enterprise with its own office in Moscow noted with alarm a fall in its Russian sales. Measures proposed by British marketing consultants had not helped. They decided to turn to a Russian consultancy company.

volume, competitors and trends, and secondary, producing recommendations for becoming active in the Russian and CIS markets. The project was focused on increasing sales and on more vigorous promotion in the new markets.

To implement the project, a matrix approach was taken to segmenting the market so that the most problematical segments could be discovered. It turned out that to achieve its aims, the company should not only change its market promotion strategy, but also reform its procurement system in various segments, and optimise the scheme for organising sales in the Russian market, replacing product specialisation in its sales departments by industry specialisation. Thanks to these recommendations, the company managed to increase sales several-fold and also to increase its share of the Russian market.

MARKETING SCHEMES NEED UPDATING. WHAT WORKED YESTERDAY MAY NOT WORK TODAY.

Marketing schemes need updating. What worked yesterday may not work today. Marketing strategy and the scheme of organising business



SITUATION

3

An international company operating in the FMCG sector decided to start manufacturing in Russia, to save on logistics. It turned to Russian specialists to prepare the project.

A thorough analysis was made of logistics costs and the potential cost of opening the new production facility. Research showed that the entry of Russia into the WTO had had a considerable effect on the possible costs, so that it would be unprofitable to set up manufacturing in Russia. This took the company managers completely by surprise. Furthermore, a whole series of questions arose about the present distribution model. Was an importer necessary? How should the procedure of passing through customs be arranged? How could the logistics model be optimised? The analysis led to the realisation that far-reaching changes in the distribution model were needed.

**MANY FACTORS
PULLING IN DIFFERENT
DIRECTIONS OPERATE IN
THE MARKET. THIS REQUIRES
A COMPREHENSIVE AND
DYNAMIC ANALYSIS**

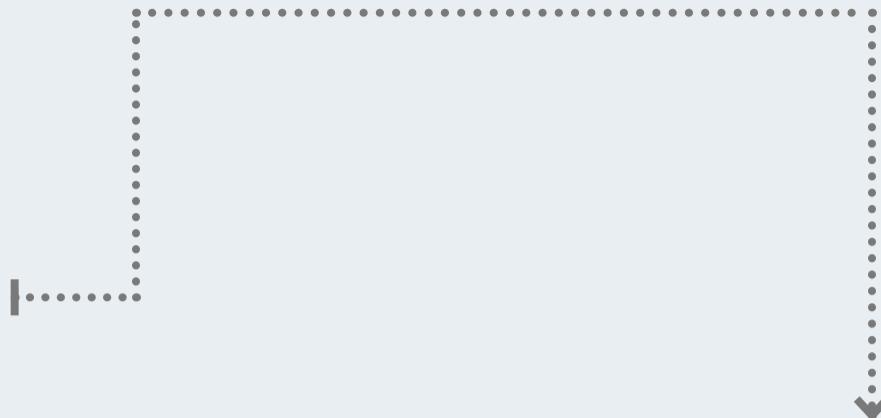
Many factors pulling in different directions operate in the market. This requires a comprehensive and dynamic analysis, covering all market parameters, not just as they are now but also as they will be in the future.



SITUATION



An international organisation applied to us to audit a Russian competitor with whom an M&A deal was planned. An analysis of the customs base revealed serious discrepancies in the sales department data.



Analysing the customs base is a unique opportunity to study the Russian market which is not available in many other countries. But how relevant is this information? We compared the customs base data with those of the client's sales department, which operates with total transparency in the Russian market. There was a vast difference. This meant that the competitors must be in the same situation.

And so the problem was solved, but this episode clearly shows the high degree of competence required in analysing the customs base in relation to complex and non-transparent technical markets. An ordinary research company, dealing in ready-made reports, is simply unable to carry out such work at the required level.



Join in a discussion
of the article
on facebook.com





Electronics, a Tuning Parade, and an Aquatic Extravaganza

*Moscow's springtime business programme
has been compiled to combine pleasure
with practicality*

BY: IGOR IVANOV | TRANSLATION BY: JASON J SHAW





CONSUMER ELECTRONICS & PHOTO EXPO

cepexpo.ru

10.04 - 13.04

Location: Crocus Expo IEC.

Profile: Consumer Electronics

The CE&PE exhibition is the biggest market event in the CIS and Eastern Europe for consumer electronics, household appliances and photographic equipment. Traditionally, it is the place where the largest manufacturers, traders, dealers and distributors, as well as consumers of products and services, and media representatives, all meet. By demonstrating new products and technologies to potential customers, the exhibition helps to not only attract industry investment, but also to help speedily introduce new products to the market in Russia

EXHIBITION
SECTIONS



and the CIS, and to formulate and optimise the development strategy for the following year for the consumer electronics, household appliance and photographic equipment industries. It is expected to be attended by over 150,000 visitors, including both experts and ordinary consumers, from Russia, the CIS, Europe and Asia. Amongst those taking part in the CE&PE will be:

Sony, Canon, Nikon, Panasonic, Bose, Lowe, Fujifilm, Olympus, Electrolux and other global market leaders.





MOSCOW TUNING SHOW *tuning-show.ru*

18.04 - 20.04

Location: Crocus Expo IEC.

**Profile: Car Industry,
Car Servicing**

The 6th “Moscow Tuning Show” international exhibition consists of business, sport and leisure combined. And it all concludes with the exceptionally colourful “Tuning Parade” show, where the winners of several categories are announced. The car is not only a means of transport but also the object of pride for its owner: such is the motto of



**EXHIBITION
SECTIONS**



this event, which never fails to attract the huge interest of car-customising fanatics, as well as ordinary car-lovers. As part of the exhibition, the “Miss Tuning Show 2014” beauty contest will also take place. The Exhibition includes, apart from cars and motorcycles, all manner of driver accessories, including



2014!
APX MOCKBA

ARCH MOSCOW
archmoscow.ru



21.05 – 25.05

Location:

Central House of Artists.

**Profile: Architecture,
Construction, Property**

The 19th “ARCH Moscow” international exhibition is taking place alongside the 4th Moscow Biennale of Architecture (curator: Bart Goldhoorn). For almost two decades the ARCH Moscow International Exhibition of Architecture and Design has been displaying the best examples of domestic and foreign

**EXHIBITION
SECTIONS**



architectural solutions. As part of the exhibition, there will be heated and constructive discussions on the principles of the development of contemporary architectural space. ARCH Moscow is the foremost platform for establishing business contacts in the fields of architecture, property and construction.



ЭКВАТЕК 2014 EKWATECH 2014

EKWATECH-2014
ecwatech.ru



3.06 - 6.06

Location: Crocus Expo IEC.

Profile: Water Supply,
Hydrotechnics,
Public Utilities Infrastructure

The EKWATECH forum on water is the largest event in Eastern Europe dedicated to the widest range of water supply issues. On display at the exhibition are all possible types of equipment and services for the efficient use, restoration and preservation of water resources, for water treatment, public and industrial water supplies, wastewater treatment, construction and operation of water supply

EXHIBITION
SECTIONS



systems, and water bottling. As part of the forum, the following specialised exhibition stands have been organised: “NO-DIG Moscow – trenchless technology for construction and repair of utilities”, “CityPipe: water supply systems - construction, diagnostics, repair and operation”, “BW Show: bottling and bottled waters», and “CityTherm: central heating supply». ■



Join in a discussion
of the article
on facebook.com





investmoscow.ru



Instruction Manual

*The Unified Moscow Investment Portal
will help Western investors to implement
those business solutions which will prove
to be of most benefit to themselves
and to the Russian capital.*

The Department of Economic Policy and Development of Moscow has developed and launched a multifunctional portal providing the business community with extensive information regarding investment projects, proposed and already completed, in the Russian capital.

At the Global Entrepreneurship Congress, which took place in the Russian capital in the middle of March, the Head of the Department for Economic Policy for Moscow, Maxim Reshetnikov, presented the Unified Investment Portal for the City of Moscow.

“This Portal will give entrepreneurs the opportunity to see in real time which areas the City is opening out to tender,” the Department Head pointed out.

“Currently in Moscow there are auctions for more than 300 sites to an overall value of around 45bn roubles”. At the Department for Economic Policy, it is suggested that this new internet resource will greatly simplify doing business for investors, Westerners included: an English language version is also available at the click of a mouse.

Indeed, developed in close cooperation with investors and business experts, the investment portal will meet all the needs of the business community and immeasurably ease interaction between business and state authorities. The portal keeps visitors up-to-date with the Moscow City Government’s economic policies devoted to supporting entrepreneurs, stimulating business activity, and increasing the attractiveness of the City Region to investors. Posted on the site is information regarding meetings of the Headquarters for the Protection of the Rights and Legitimate Interests of Businessmen, and the activity of investment attraction organisations. Furthermore, thanks to the portal, communication between the business community and the City authorities is becoming a two-way process: the feedback form proposed on the site



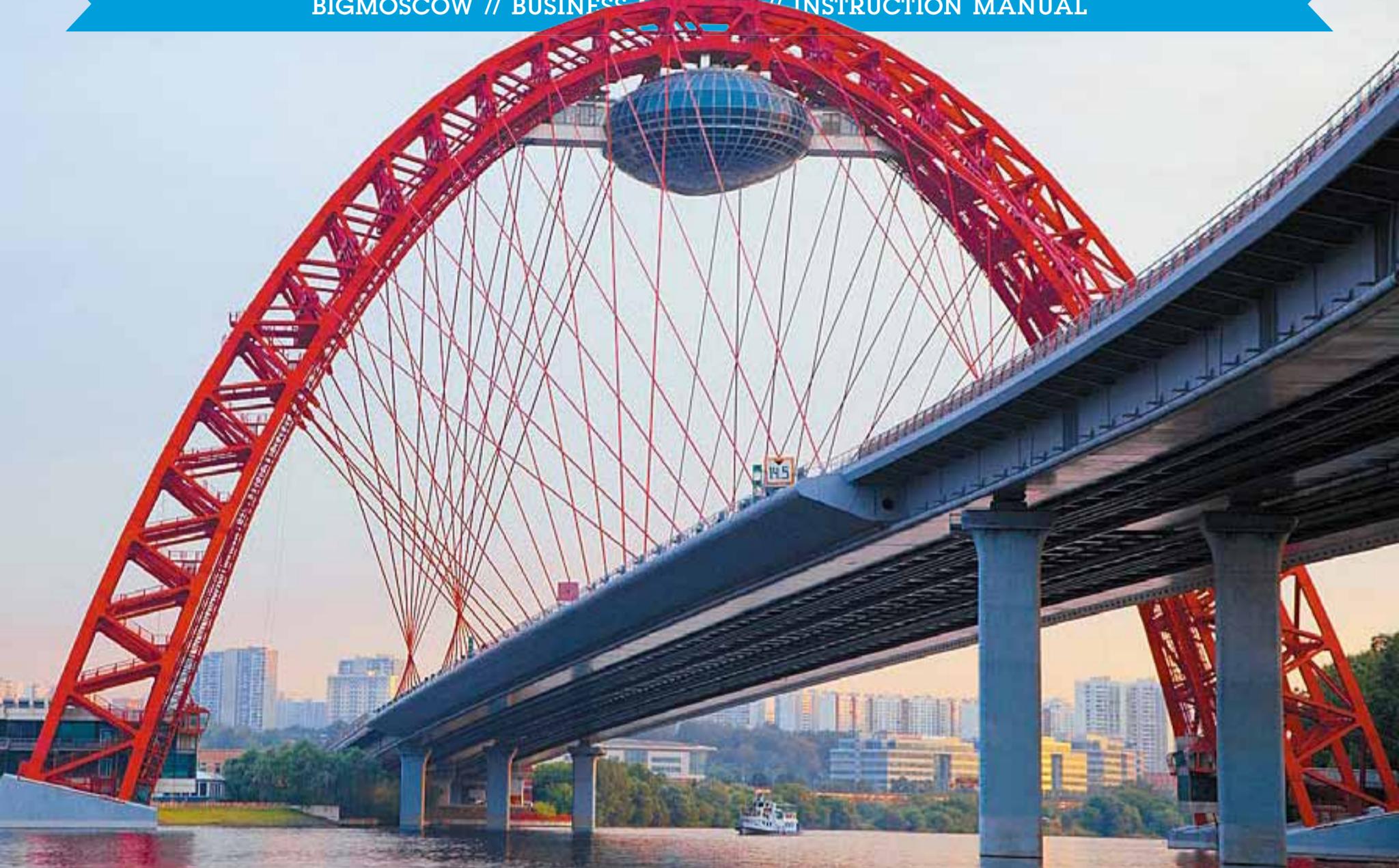


allows entrepreneurs direct access to officials invested with decision-making authority, and, in such a way, to participate in formulating the Russian capital's investment policy.

Set out on the website is all the information necessary to the successful conducting of investment business in the Russian capital. In the "Investments" section, key socio-economic and investment indicators for Moscow are listed and analysed: around 200 indicators from authoritative Russian and international sources. In the "Investor Guide" section, all the most important instances where business and government interact are described in detail; procedural matters are clarified, legal nuances

are discussed, etc. The "Projects" section features an interactive map of investment projects in Moscow. The automated search engine will help you to locate the right project instantly, using certain criteria. On display are up to 11 infrastructure and public welfare schemes including healthcare, engineering, culture, education, and more.

The section entitled "Auctions" constitutes a unified, interactive trading platform for property in the Russian capital. This features an interactive map and keyword-based search engine. All the necessary information regarding the specifications of each property site and the auction process involved is made available. Testimony to the



importance of this section is the fact that 454 property sites in the capital were realised in 2013 alone.

Under the “Events” section, several observations are made every day on what is catching the public’s attention in terms of goings-on in the Moscow business world, new decisions by the Moscow government to help increase entrepreneurial activity, and the forums and conferences that are taking place.

A separate section is devoted to business support. There you are able to find out about financial and non-

financial help for your projects, the amounts and procedures involved, as well as about subsidies, concessions, guarantees, loans, and other forms of business assistance. Also in this section of the portal, one can familiarise oneself with the fundamentals of the regulatory framework safeguarding the rights of investors.

The Unified Investment Portal may have opened only very recently, but it has become highly rated in business circles and by Western investors already. ■



Join in a discussion
of the article
on facebook.com





On the Banks of the River

*The “**Crocus Expo**”
International Exhibition Centre
boasts a perpetually packed
business programme*

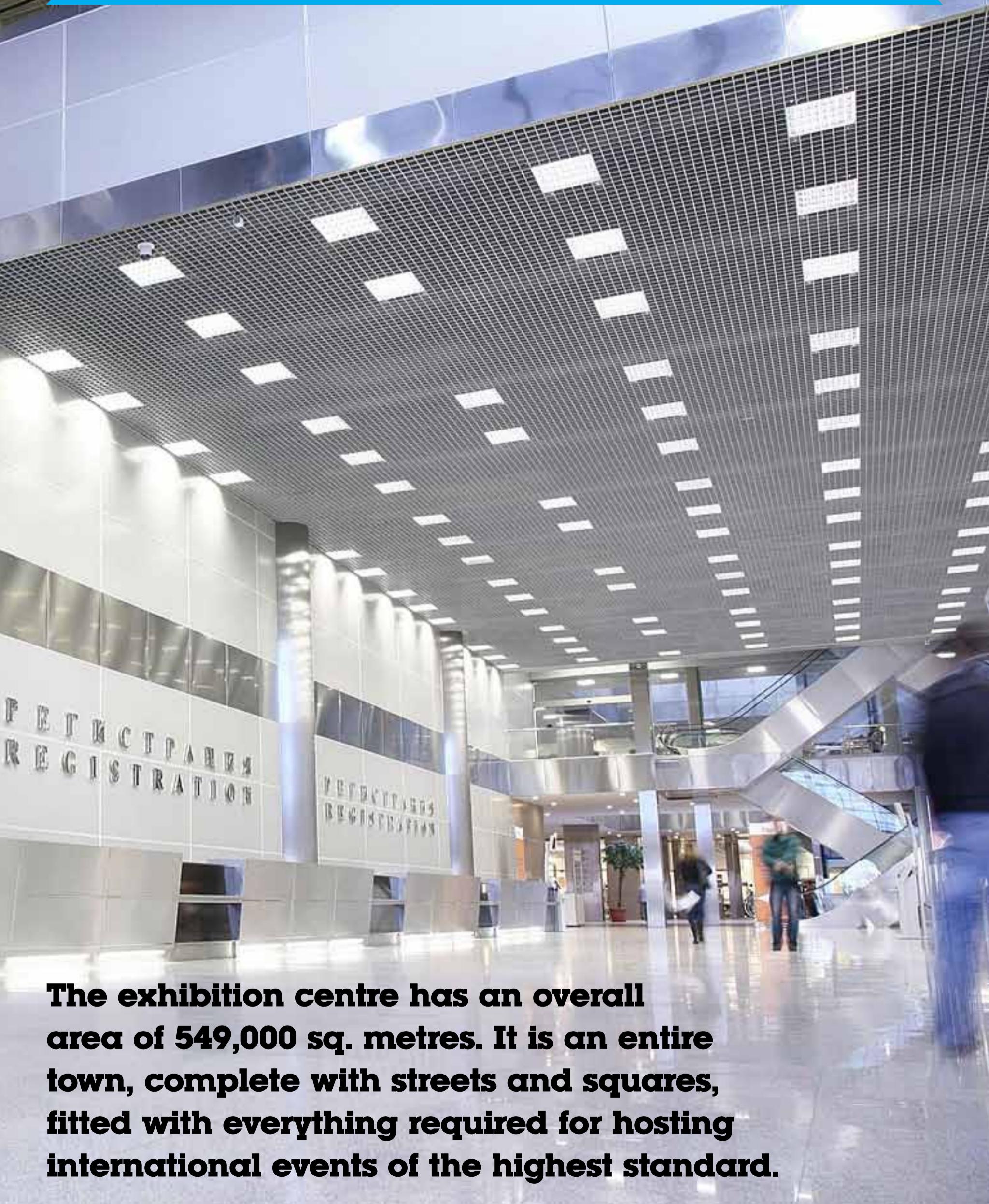
PHOTO: "CROCUS EXPO"





In its picturesque setting on the banks of the Moskva River, each year Crocus Expo welcomes over 300 trade exhibitions, conferences and other public events to its three guest pavilions.





The exhibition centre has an overall area of 549,000 sq. metres. It is an entire town, complete with streets and squares, fitted with everything required for hosting international events of the highest standard.



**Its 49 conference halls,
all equipped in full compliance
with international standards,
and its free parking for 26,000 cars,
mean that any number of guests
can be accommodated with ease.**

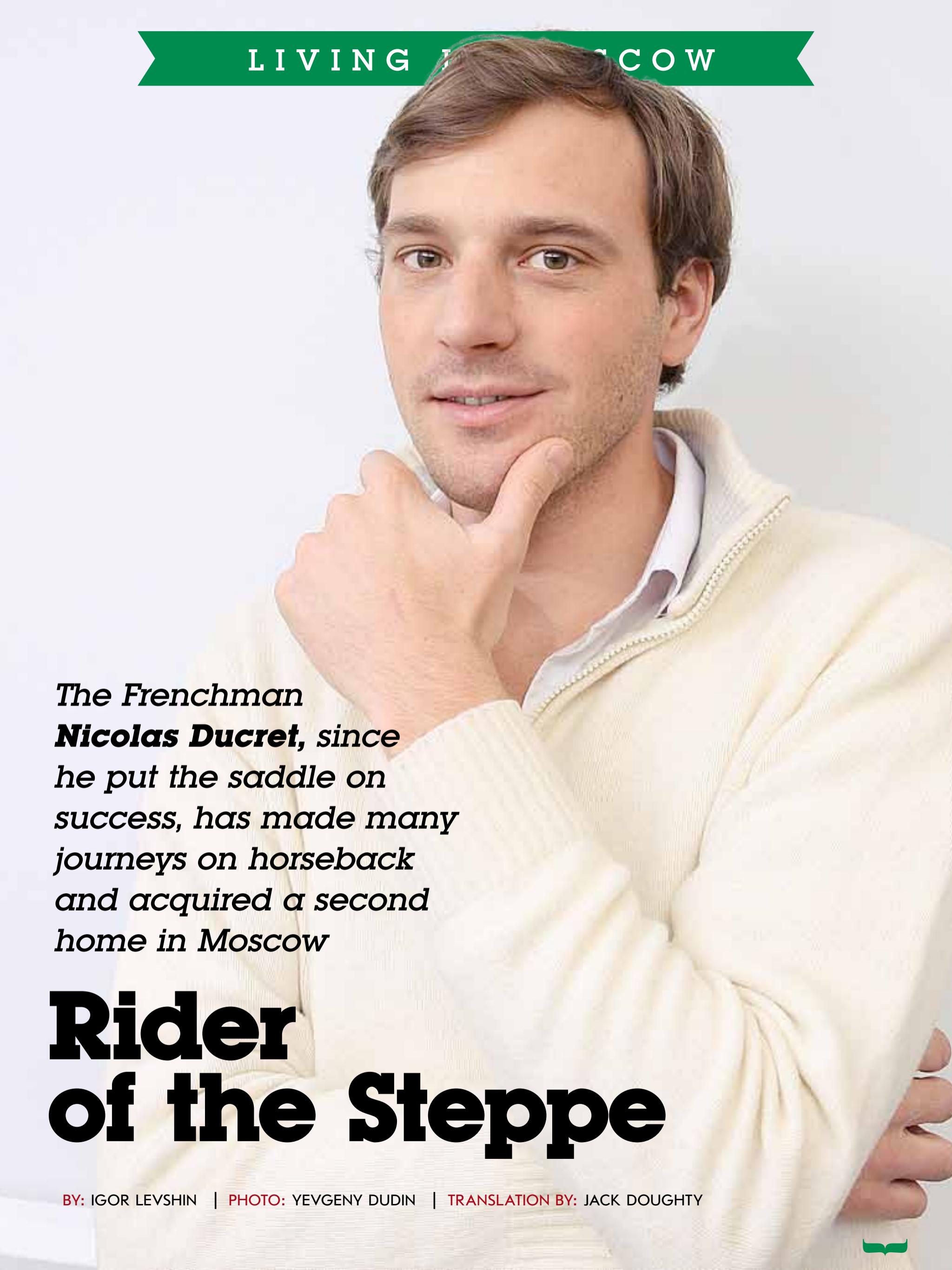


Amongst visitors to Crocus Expo are members of the international business elite. Crocus Expo is no stranger to high-ranking political figures either, as the centre provides an environment conducive to purposeful discussions of the most serious of subjects.



Join in a discussion
of the article
on facebook.com





*The Frenchman
Nicolas Ducret, since
he put the saddle on
success, has made many
journeys on horseback
and acquired a second
home in Moscow*

Rider of the Steppe

BY: IGOR LEVSHIN | PHOTO: YEVGENY DUDIN | TRANSLATION BY: JACK DOUGHTY



The traveller and writer, author of the book "Riders of the Steppe", about a journey on horseback through Kazakhstan and Afghanistan, has lived and worked in Moscow since 2011. How do equestrian sport and travel fit in with business? What is the way of life of the French Diaspora in the Russian capital?

Nicolas Ducret, Deputy Managing Director of the Franco-Russian Chamber of Commerce and Industry (CCIFR), answers these and other questions from our correspondent.

– How did you come to hold the position of Deputy Managing Director of the CCIFR in Moscow? Which was the greatest help in bringing this about, your economic education or your travels?

— Strange as it may seem, my travels, although I do have a good education: I graduated from the High School of Commerce in Dijon and the French Institute of Geopolitics. This is not the first time I have found interesting work thanks to my travels. I have ridden all

the way round the world on a bicycle, crossed the Atlantic in a catamaran and crossed part of Siberia on an old Ural motorcycle. And then of course there was the epic journey from Kazakhstan to Kabul. And each time I found interesting work. It worked the other way round too: my work helped my travels. After I joined the CCIFR, I helped to organise the Moscow-Paris expedition in 2012.

– The project was supported by the Moscow administration, was it not?

I have ridden all the way round the world on a bicycle, crossed the Atlantic in a catamaran and crossed part of Siberia on an old Ural motorcycle.





— Not only by the Moscow administration, but also the Federal Customs Service and a large number of Russian and French companies, although the idea itself came from the Kazakhs. They wanted to ride on horseback the whole way. But they were not permitted to do this, the authorities tried to insist that they move between towns in trucks, and only enter the towns (and leave them, of course) on horseback. But eventually the Kazakhs got their own way! The journey took

two months. I only helped them with contacts and arrangement of events in Paris.

— When did you first climb into a saddle?

— I have been in the saddle since I was six years old. Our family has a house near Nantes, in Brittany. We have our own stables there. Some months ago I bought a horse in France and brought him to Moscow. I take part in show jumping.

– *And where do you keep this horse? Outside the city?*

– No, in Sokolniki. There is an equestrian sports centre there. I rent a loose box there and train every day.

– *Where is it more expensive to keep a horse, in Moscow or in Paris?*

– I think in Moscow. In France, in general, equestrian sport is democratic: this pleasure is available to anyone. Both renting a stable and

example, it is virtually impossible to find an osteopath. Equestrian sport is far less developed in Russia than in France, where there are many horse breeders and vets who specialise to a high degree.

– *Is it difficult for a Frenchman to find an apartment and his customary cuisine in Moscow?*

– The price-quality relationship in the Moscow housing market is unsatisfactory. The rent depends mainly on the district, and at a low

The price-quality relationship in the Moscow housing market is unsatisfactory. The rent depends mainly on the district.

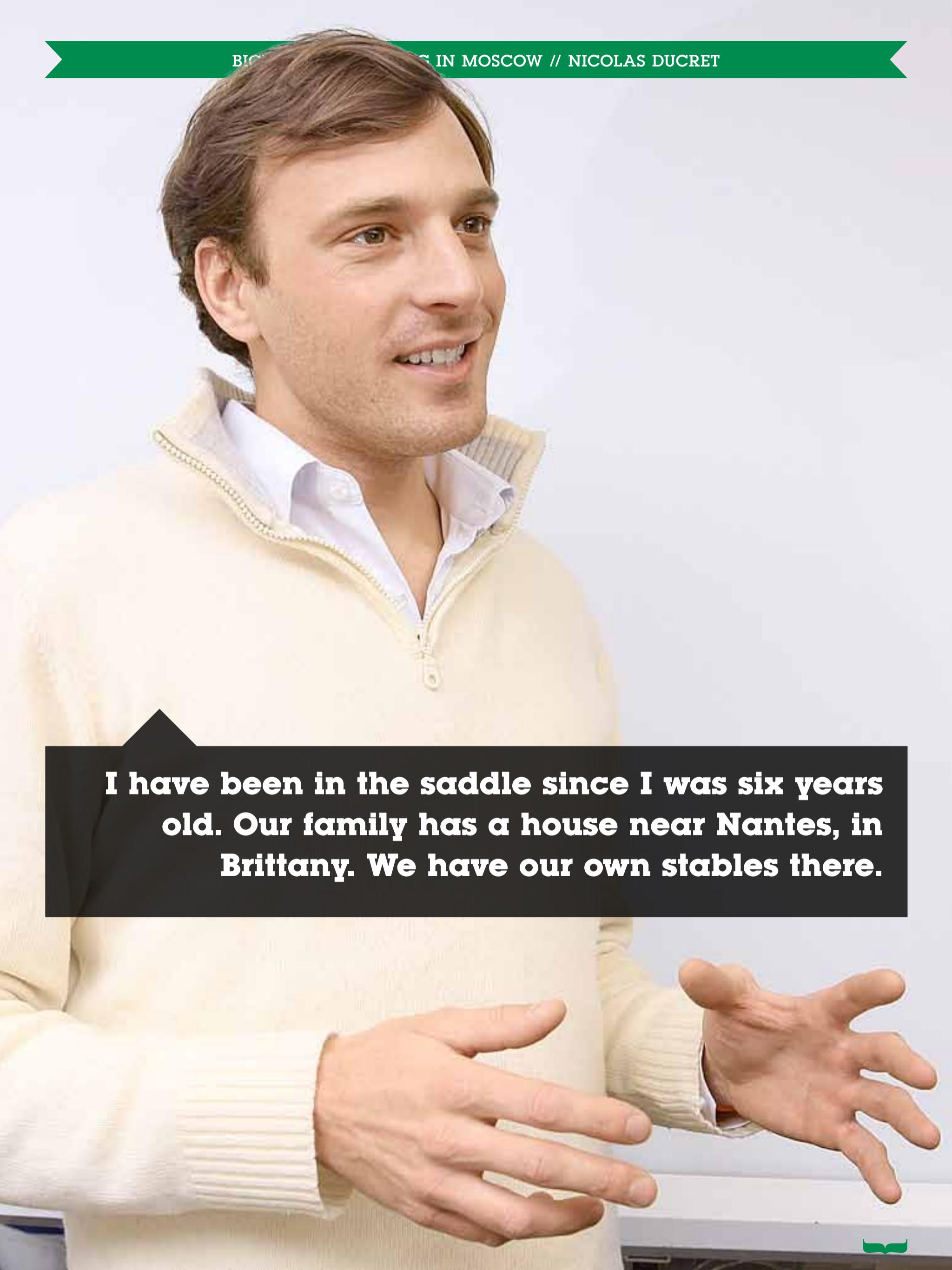
hiring a horse are more expensive in Moscow. In Moscow, hiring a horse for one hour costs 1500 roubles (30 euros); in Paris, it is 20 euros. And the horses themselves cost much more in Moscow. Horses for sport are almost all imported from Germany, Holland or France.

– *Are the veterinary surgeons here well qualified?*

– On the whole, veterinary services in Moscow are of a high level. But there is a shortage of certain specialists – for

rent, the quality can be extremely poor. If you rent an apartment in Paris for 1000 euros, it will certainly be a very decent apartment. In Moscow, for that money, you could get a real dump of a place; you are paying simply for the fact that it is in the city centre. This is not very important for me personally, I simply acknowledge the fact. I myself live in an art-deco style apartment in an old house with high ceilings, in the old city not far from the Pushkinskaya metro station.





I have been in the saddle since I was six years old. Our family has a house near Nantes, in Brittany. We have our own stables there.

The situation is much the same with the cuisine. It all depends how much money you are willing to spend. For good money you can find both a good apartment and good food. But what is much more important to me is the opportunity to travel out of town, train every day at the equestrian sports centre, and to have good friends and interesting work. And in all those respects, everything is fine.

— *What exactly do you do at the CCIFR?*

— We support the French Diaspora in Russia as a whole and Moscow in particular. We help people find each other and to obtain the necessary experience by socialising. CCIFR organises more than 100 events a year. We also do market research for French companies.

There are about 5000 French people in Moscow. Most of them work in French companies and in Russian ones operating on the international market.

— *In which professions do you find most French people?*

— In medicine (French medicine is on an upward trend at present), and in major transport, chemical and pharmaceutical companies. Russia is also the location of major research laboratories of French companies such as Schneider Electric, Saint Gobain and Sanofi. There are also many French people in commerce: Auchan, Leroy Merlin, Decathlon, and in cosmetics, and the luxury industry. There are quite a few French people in the oil and gas industry too.

— *Is it easy for foreigners to do business in Moscow?*

— I don't think it's as hard as all that. For foreigners, difficulties usually arise when they have to deal with the Russian administration. Therefore, if you start a business, it is better to leave such dealings to a local Russian contractor. They know about the finer points here. But there are dangers in that too. There have been cases of Russian partners forcing French partners out of a business after working with them for several years (which happens not only in Russia,

**But everything in Russia is changing rapidly.
A new generation of managers is coming in.**





I visited the valleys of the Tyan-Shan, Pamirs and Hindu-Kush, met shepherds and spent nights in mountain villages, in yurts.

by the way). Russia is a huge market. Even if the economy as a whole is not growing all that rapidly, there are always parts of it which are developing rapidly. For example, although the overall GNP growth in Russia is 1.3%, in the pharmaceutical industry it is 15%. There are many opportunities for all kinds of companies in Russia.

— *It is considered that there are many well qualified engineers, programmers and scientists in Russia, but not enough good managers. Do you agree with that?*

— Yes, Russian managers sometimes fail to meet the requirements of contemporary business. The typical management style here is one in which the boss single-handedly manages all the processes in a company. In European companies, they have long since gone over to a more democratic style, in which all members of staff are involved in the creative process, they all share responsibility and all participate in taking decisions. But everything

in Russia is changing rapidly. A new generation of managers is coming in.

— *What companies belong to the CCIFR?*

— About 60% are French and the rest are Russian. There are big companies like ‘Interros’, ‘Gruppa ONEKSIM’ and ‘Gazprombank’, but many medium and small ones too. Our job is to support business communications. Russian companies usually try to find new clients through us. French ones do the same, and also try to obtain information about the market and want to discuss various finer points.

— *How important is a knowledge of French for a potential staff member of the Russian department of a French company. Is English not enough?*

— Certainly business correspondence is now frequently conducted in English, but there are occasions when a Russian member of staff may have to deal not with business people, but with ordinary

**There are about 5000 French people in Moscow.
Most of them work in French companies
and in Russian ones operating
on the international market.**





French men and women, who may not know English. In any case, for someone who wants a job with a French company, knowledge of French will be an additional advantage. That is why we have organised courses in French.

— **Your book “*Riders of the Steppe. Through the Mountains of Central Asia*” became a best-seller. Tell me about that journey.**

— The journey lasted seven months. I had two horses, one carried



the baggage, I rode the other. I rode across Kazakhstan, Kyrgyzstan, Tajikistan and part of Afghanistan, as far as Kabul. In the mountains you can reach amazing places on horseback which you would not see on normal transport. I visited the valleys of the Tyan-Shan, Pamirs and Hindu-Kush, met shepherds and spent nights in mountain villages, in yurts. It would happen that some shepherd would see me in his binoculars and run some kilometres to ask me who I was and what I was doing there. They always asked me to stay the night. "It's getting late, stay with me for the night, you can move on in the morning." They would slaughter a sheep and make beshbarmak for the guest. That is not a shish-kebab, but roast meat. Very tasty. And the best pieces were given to the guest.

People there live in a patriarchal way. They have neither television nor newspapers. Television tends to make all cultures the same, which is really sad. The richness of the world is in its variety, its many aspects! If someone has a low level of education, he tends to imitate what he sees on television. In

the capital of Kazakhstan I was talking to a woman who was very proud of her son because he sang like Eminem, danced like Eminem and dressed like Eminem. And yet Kazakh culture is far richer than hip-hop! That's why I was so interested in the far-away places which had preserved their own culture.

— Who sponsored this journey?

— There were three sponsors: a French magazine and two French firms, one producing equestrian sports equipment and the other producing equipment for travellers. My photographs were subsequently used in their advertising. One of my horses became the top model for the brand.

— Travellers lead a nomadic life. Are you married?

I travel much less frequently nowadays. But I'm not married – yet. It's not out of the question that like many foreigners in Moscow, I might marry a Russian girl. But right now I'm planning a trip to Kabul – I must go and see to my horses. ■



Join in a discussion
of the article
on facebook.com



BIGMOSCOW

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

Published

by **Department for External Economic and International Relations of Moscow**

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

Joint Editorial Staff

BIGRUSSIA - Business Investment Guide to RUSSIA

Editor-In-Chief Nail Gafutulin

Deputy Editor Vladislav Kulakov

Editors Leonid Sokolov Ekaterina Kolosova, Alexandr Pigarev

Publishing Editors Vladimir Mokhov and Valery Drobot

Head Designer Maria Landers

Editors-translators English version

Jack Doughty, David Tugwell and Jason J Shaw

Editor-translator German version Helga Schulze-Neufeld

Director of Development Artyom Brynn

Editorial Office. Address

office 4, building 2, 15 Amet-Khan Sultan street, Zhukovskiy
Moscow Region, Russia 140180

+7 (495) 741-15-37

wwwbigrussia.org

magazine@bigrussia.org

Link in App Store
German version and Russian version

