

# BIGMOSCOW

JANUARY – MARCH 2014 | DIGITAL MAGAZINE

ENGLISH VERSION

## Real Investments in the Real Economy



**Frenchman**  
**Arnaud Dubien**  
What prospects does  
the City Region hold?

**Italian**  
**Massimo Galano**  
Making a niche firm  
all the rage

**Dutchman**  
**Walter van Dijk**  
Who is Moscow's job  
market looking for?

# Content



Belgian **David Waroquier** is investing in Moscow startups, so convinced is he by the massive potential Runet represents.

**BIGMOSCOW**

JANUARY – MARCH

2014

## TRENDS



### New Consumers

Moscow is breaking all records regarding immigration. And, although a complicated and controversial matter, it serves to guarantee businesses an ever expanding consumer market.

## CONSULTATIONS



### Trading Partnership

On what commercial terms are Russian trading partners prepared to deal with western suppliers? Director of *Unit Consulting* **Tatiana Sorokina** explains.

## WE SIMULATE SITUATIONS



### The Rules of the Game

CEO of *Mauer Group* **Irina Arekhina** warns of the kind of nuances of doing business in Russia which could turn out to be unpleasant surprises for western businessmen.

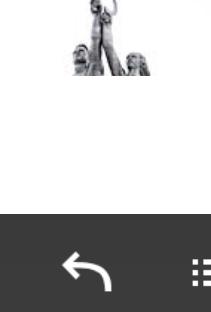
## REPORTAGE



### Invitation to Cooperation

The Moscow International Forum on Foreign Investments: Russia's capital is waiting for western entrepreneurs.

## EXHIBITIONS



### Out of Hibernation

The largest industry-specific exhibitions at Moscow's exposition venues.

## BUSINESS MOSCOW



### Something to Behold

The All-Russian Exhibition Centre's old Soviet pavilions meet high



Home Back Personal Library

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



# Great Moscow

**Aunaud Dubien**, Director of the Franco-Russian Analytical centre Observatoire, describes what the Moscow metropolitan area has to offer Western investors

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

*The “Observo” (Observatoire franco-russe) analytical centre headed by **Arnaud Dubien** was created on the initiative of the Franco-Russian Chamber of Commerce and Industry (CCIFR) to provide all possible market information for foreign investors. Arnaud Dubien has a completely clear understanding of why and how foreign investors should come to Moscow. He also speaks impeccable Russian and has a great sense of humour.*

**– M. Dubien, the Russian authorities never tire of appealing for foreign investors. Yet they still have doubts. Why?**

– I would not take such a pessimistic view of the situation. French investors, at least, are actively going into Russia. The turning point came three or four years ago. Strange as it may seem, it happened at the time of the crisis. Direct French investments up to 1st January 2013 exceeded 12 billion euros. Now it is still more. France rose to third place for level of investments in the Russian economy, not counting investments from offshore companies. The major French players came to

Russia, even if they were a little later than those of other countries. And they were of many kinds – banks, retailers, power generation and motor vehicle companies, chemical and agrarian industrial enterprises.

**– So the crisis drove them to it?**

– This is in fact largely the case. The crisis does not hinder investments in Russia, it helps them. There are opportunities for making profits here. In spite of the objective difficulties, here there is still potential for growth. For example, take Bonduelle – not one of the biggest French firms; it produces tinned vegetables. Just imagine, a third of their total income comes from Russia. They started, like everyone else, by opening their office here, spent some time looking round, and then started their business. And



the business went well. Muscovites have long since got to know Bonduelle peas and sweet corn. What's more, they are all grown not in France, but in Krasnodar Kray. The tins are made on site, and so are the labels... Bonduelle has about 40 partner firms in that region. That means jobs and taxes which stay here, in Russia. In spite of initial fears, the earnings proved greater than in the European Union. It is profitable to operate in Russia. And even those in the Bonduelle management who had doubted the need to stake so much on Russia became convinced that this was their most successful project.

### **– Was Bonduelle's example infectious?**

– Decisions are taken on the basis of market circumstances. After all, a power generation company cannot be guided by the success of vegetable producers, nor vice versa. Each one acts independently, but they are all undoubtedly affected by the general trends. And Bonduelle is by no means the only example of successful

investments. Many other French companies are operating effectively in the Russian market, and in widely different regions.

### **– For example?**

– The French are building a sewage treatment plant at Nakhodka. French partners participated in the construction of the famous “Russki” cable-stayed bridge for the ATES summit in Vladivostok. In the Altay Kray, the leading region of Russia for cheese production, an International College of Cheese Making has opened. In Nizhni Novgorod, the cableway built by the French firm POMA solved an important transport problem. An analogue of the famous Paris food market Rungis is being built in St. Petersburg. The French aircraft firm Safran has already invested a billion euros in the Russian economy, and is considering the possibility of buying more assets. On the eve of the opening of the Olympic Games in Sochi, The Tver Rail Wagon Works and the French company Alstom completed a project for Russian railways to produce

**The paradox is that many do not believe there are far more joint Franco-Russian projects than American-Russian ones.**



two-storey passenger cars, which are already in use on the Moscow line. This is far from a complete list. Economic trading relations between France and Russia are marked by the fact that we have a wide range of cooperation – from agriculture to space and the military-industrial complex. The paradox is that many do not believe that France is the third largest country for direct investments, or that there are far more joint Franco-Russian projects than American-Russian ones.

100 has not only French avionics, but much else that is French as well. The engines are made in Rybinsk at a joint Franco-Russian enterprise. Several hundred French specialists live and work there. And again, not many people know that.

**– *How do you explain the increased interest of French investors in Russia?***

– I notice that the Germans and Chinese also show an interest in Russia

**The crisis does not hinder investments in Russia, it helps them. There are opportunities for making profits here.**

**– *Maybe they don't get enough publicity?***

– Very likely. Although everyone knows that Renault bought AvtoVAZ and the Société Générale acquired a controlling block of shares in Rosbank. The French company Total is developing Russia's most promising oil and gas project in Yamal, and has contributed to the capital of the Russian "NOVATEK" group of companies. And take aircraft construction. The new Russian short-range passenger aircraft Sukhoi Superjet

and are building up their presence here at an impressive rate. France is trying not to be left behind. Why? Primarily because our products – from food to aircraft, trams, turbines for nuclear power stations, being built here in Russia by joint ventures – are in demand. The structure of French exports to Russia is worth noting. Two thirds are high-technology products, helping to modernise the Russian economy. This is the very thing which most greatly concerns Vladimir Putin's





**The Moscow conurbation, together with the oblast, has a population of 23,000,000. It is the biggest market in Europe!**

team. The President of Russia has spoken frankly about this, including in the Valdai International Discussion Club. Whereas other countries supply Russia mainly with various consumer goods, vegetables and fruit, we do not limit ourselves to that, but try to put the emphasis on innovative exports. This does not remain unnoticed by Russian businessmen and state officials.

***– How do you assess cooperation with Moscow? What makes the Russian capital attractive to French investors?***

– With rare exceptions, it is via Moscow that French companies come to Russia. They have their head offices here too. By the way, in the nineties, they came through St. Petersburg as a rule. That was then the “bank window” to Russia.



Moscow is primarily a gigantic market. In “Valdai”, I talked with Sergei Sobyanin, the Mayor of Moscow. He quoted this figure: the Moscow conurbation, together with the oblast, has a population of 23,000,000. It is the biggest market in Europe! And all French enterprises, whether they make cars or produce tinned food, know very well that Moscow is where the power, finances and business partners are concentrated. Here is where they have to be found and persuaded. Altogether, Moscow’s share of Franco-Russian trade turnover is about 50%.

The “Great Moscow” project is being actively developed today. Here is another indicative example. In a recent competition for concepts of the development of the Moscow conurbation, the winner was the project of the French company Grumbach-Wilmotte, the producer of the “Great

**With rare exceptions, it is via Moscow that French companies come to Russia.**

Paris” project. The French have something to share with Muscovites. This concerns not only architecture, but also models of managing the city economy and organising the transport infrastructure – not to mention how rapidly the French chain stores Auchan, Leroy Merlin and Decathlon are developing in Moscow. Virtually all Muscovites and many other Russians know these brands today. By the way, Auchan is now the largest foreign employer in Russia. 25,000 Russians work in its shops.

A shop called Le Bon Gout opened in Moscow recently, specially for the French. After six months of living continuously in another country, many have feelings of culinary nostalgia. That is why, for example, there are shops in Europe for Russians, where you can buy Borodino bread or ice cream in a wafer cup. Many French people live in Moscow. Previously, when they went home, they brought trunks full of food back with them. Now they no longer need to do this, because of the shop, Le Bon Gout. Some French ex-pats, flying

from Moscow to Paris for Christmas, take paté de foie gras with them – just imagine, from Russia to France!

**– That’s a significant example. Does it not show that not only large and medium French businesses can come to Moscow, but small companies too? Is there a place for “the little ones” here?**

– There is, and I know about 50 such French companies. As a rule, they began modestly. and now, some have already become “big ones”. But so far, on the whole, the “little ones” are still small. That is one of the problems. Nor are there that many medium French enterprises here. But that is true of France itself: our businesses are either very big or very small. And then, they are still afraid of going to Russia. Going into foreign markets seems risky to them.

The next stage in the development of our relations is this very attraction of those small and medium French enterprises which have something to offer the Russian consumer. I recently

**The times when you could simply sell something in Moscow are over. Today you need to invest in production.**



talked with representatives of the Desjoyaux company, which makes swimming pools. They are already trading in Russia, but through agents. And now they want to become properly established here, because they can see a free niche in the market. They are noticing the interest shown in their products. Sports, family and country-house swimming pools are very much in demand in Moscow and the surrounding area. And other markets

circumstances? They look at a map of the world and they see Russia! Maybe not a population of over a billion, but 143,000,000 is also quite a fair number. The middle class is growing, and so is consumption.

***– How can Russia be made fashionable for investors?***

– When someone sees that others are getting good profits here, he will ask himself: why shouldn't I try it?

**The next stage in the development of our relations is the attraction of small and medium French enterprises.**

in the world are either fully taken up, or they do not have very good prospects. For example, though there is interest in swimming pools in China, it is too far away. Incidentally, foreign investors are somehow losing interest in China, it is a country which is going out of fashion. French investors at any rate feel some disappointment. They invested too much there, and it has often proved unjustified. There is a very harsh local context there. It isn't easy to find partners. Big money can be made there, but it is very difficult by any standards.

How do investors behave in such

But that is not fashion. To make itself fashionable, Russia needs a different image.

***– That is exactly what you are doing. You are giving analytical support when required to the heads of companies which belong to the Franco-Russian Chamber of Commerce and Industry, you are speaking in the French National Assembly on questions connected with Russia. How much demand for this is there today?***



– This is required in our countries by politicians, deputies and businessmen. Our job is to widen the circle of people interested in Russia. We presented our report “Russia 2013” in the National Assembly of France and at an international economic forum in St. Petersburg. The principle of our work is not to leave out anything important. Whether it concerns politics or the economy, whether it takes place in Moscow or in one of the regions, we try to see the whole picture of events. Everything interests us, even as far as changes in the powers of city mayors. After all, investors have to deal with specific people, they need to understand who these people are, and if they have prospects of power.

At the same time, we try to find out what is going on in France in all fields of her political and economic life. France and Russia have many common themes and interests, and we shall facilitate a considered and rational dialogue on these matters.

Apart from the main report, we produce other analytical products. And we see that monitoring of the Russian regions is in the most demand. Investors are interested in knowing what is going on there. This is why, for example, an Italian delegation visits Chelyabinsk or Saratov. This is normal market analysis. Just imagine, 600 people attended our presentation in the National Assembly of France. There was the sort of queue

you used to get for sausages in the Soviet Union! That’s how much interest there is in Russia.

***– Arnaud, you have painted a very optimistic picture. Nevertheless, what still hinders the development of Franco-Russian relations as a whole?***

– There is a certain negative political background, but it does not hinder the development of economic relations. I would identify several factors. One short-term one, depending on a combination of circumstances, is Syria. Everyone wants to see peace there. They understand, both in the Elysée Palace and in the Kremlin, that the war has to be ended. But there are different approaches to the personality of the present President of Syria. Fortunately after the acceptance of the so-called Putin Plan, the military scenario has receded. In spite of all the public statements and agreements, it is not yet certain that “Geneva-2” will take place and will solve this problem, but passions have cooled.

The Syrian factor cannot be ignored, but we must look further. That is why the Observo centre has prepared 20 proposals for the development of long-term partnership between Russia and France. My own favourite proposal is to invite Russia as a guest of honour to the military parade on Bastille Day, 14th July 2014. After all, we were allies



in two world wars. (From the Editor: After this interview, it became known that François Hollande has invited all the countries which took part in the First World War to participate in the parade, so Russia has been invited to the parade).

All the other proposals are directed in one way or another towards us having more active contacts and offering our experience to each other. And there is no doubt that this is mutually beneficial. There is tremendous need for modernisation in Moscow now, in housing, roads and transport. And if French specialists working with Russian partners are now building the Moscow-St. Petersburg motorway, that means they can build a lot more too. A project for a ring railway round the Russian capital is being developed. That is, it is not just a matter of deliveries or of producing equipment of some kind in Russia, but of solving urgent transport problems. We have experience in solving them, and specific proposals exist. Furthermore, since the expansion of Moscow, it is intended to develop whole industrial clusters here. And we have long had a system of such clusters, there are about 60 of them. They are combined on the territorial and industrial principle. Here too we can be useful to each other, because in France itself, the biggest of these clusters is already cramped, and they are thinking about which countries to go to and with

whom they should cooperate. Many of them are looking at Moscow and the surrounding region.

**– *Which fields are the most attractive for investment in Russia. What still remains uncovered in Moscow?***

– It is always possible to offer something new and more competitive. For example, the fastest internet communication in the world has been set up in France between Paris and Lyon. Why could not the same be done in Moscow? They want to create a major financial centre in the Russian capital. There could be many applications for our mutual efforts here. As for investment attractiveness, virtually all the French companies represented in Moscow are making good profits. I even find it difficult to single something out. Furthermore, much depends on technology, the combination of circumstances, price surges on the stock exchanges and so on. Today it is more profitable to invest in one thing, tomorrow it will be something else. In any case, all investors coming to Moscow reckon on making a profit. And as a rule, they are right.

The times when you could simply sell something in Moscow are over. Today you need to invest in production, and produce a joint competitive product. Just imagine, one Frenchman came to Russia about 20 years ago, opened



a pig-breeding complex near Lipetsk, then began producing special breeds for such complexes for other enterprises, and opened the second stage of his own complex. He now holds very good positions in the market. He has invested 50,000,000 euros and intends to increase his investments to 80,000,000 euros. Would he have got involved in all this if it were not profitable?

A year ago, an opinion poll was taken among European investors. Those already operating in Russia were asked if they would invest here again. And those thinking of coming here were asked if they thought they would put their ideas into practice. It turned out that 90% of those who had already invested in Russia were intending to increase their investments. But of those who were still thinking about it, only half intended to open a business in Russia. What is the conclusion? When you are actually here, you have a better idea of this country's potential. But when you are still over there, at home, you continue to be afraid of something. It is important to pass this critical point. As a rule, those who have come do not regret it. And I don't mean those who fled hurriedly from France like our famous actor...

– ***Since you mention him, what can you say about the Gérard Dépardieu factor? Is this more a matter of PR, or is it a real desire to find a more attractive base for his capital?***

– It was an impulsive step on his part, and unfortunately it ended up as something negative. Negative for all concerned: for himself, for Russia and for France. Such behaviour is unworthy of such a great actor. But it is not typical of Franco-Russian relations. Anyway, he'll return one of these days, because he is 100% a Frenchman.

You need to come to Russia not as Dépardieu did, on the spur of the moment in the style of Cyrano de Bergerac, with no artistry, but in a well-thought-out and conscientious manner. Not harmfully to yourself or your historic Motherland. Although a touch of artistry is necessary all the same. We are French, after all! ■



PIECES OF ADVICE  
FROM ARNAUD DUBIEN  
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.

## PERSONAL EXPERIENCE



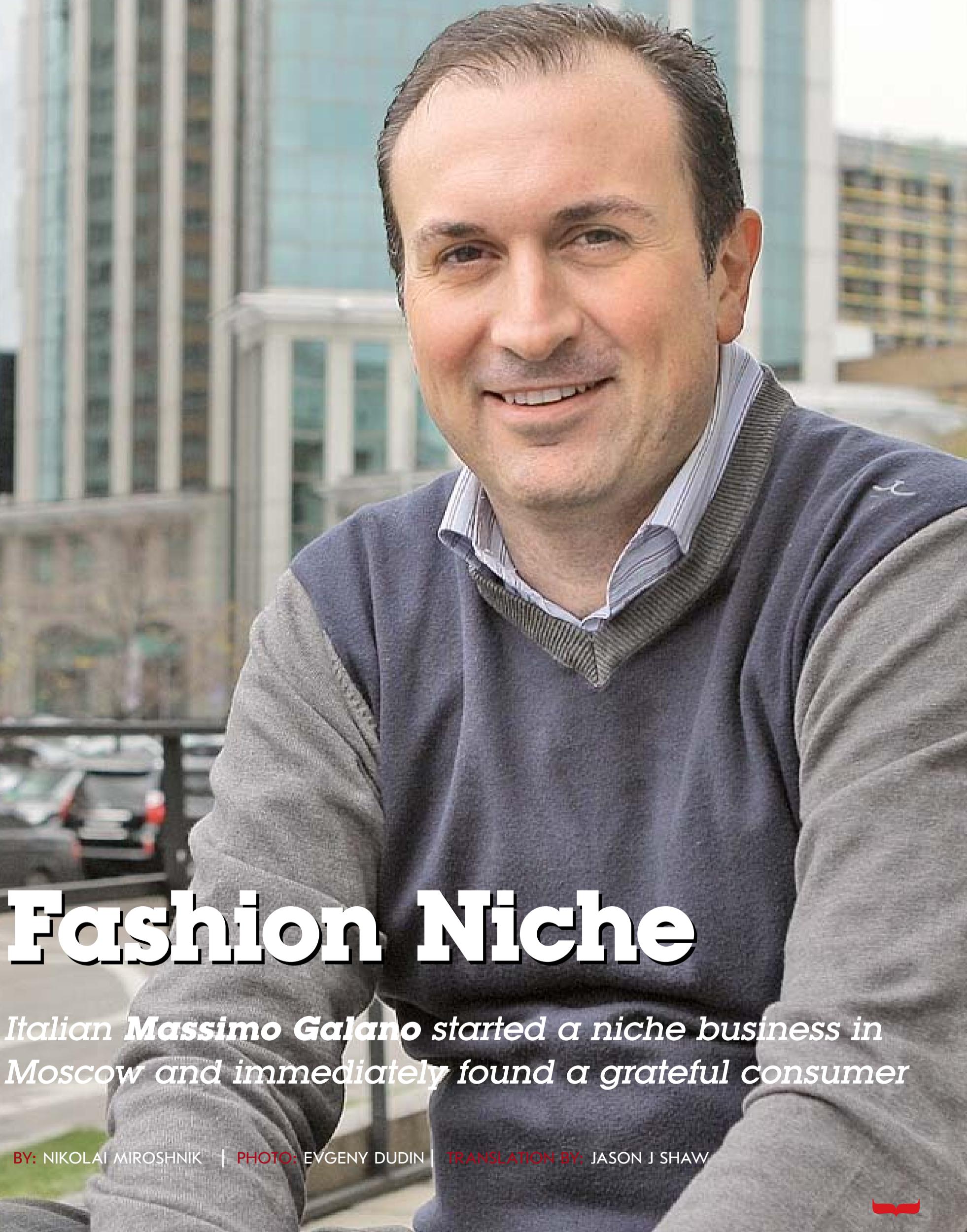
**Italian  
*Massimo  
Galano***  
*identified  
a gap in the  
fashion market  
which he  
proceeded  
to fill with his  
wares*



**American  
*Simon Proekt***  
*listened to  
the internet  
grapevine at  
full volume*



**Dutchman  
*Walter  
van Dijk***  
*knows how  
to select  
specialists  
of genius for  
your Moscow  
business*



# Fashion Niche

*Italian **Massimo Galano** started a niche business in Moscow and immediately found a grateful consumer*

BY: NIKOLAI MIROSHNIK | PHOTO: EVGENY DUDIN | TRANSLATION BY: JASON J SHAW



*Having worked for a decade and a half in the tourism and services industry in the country of his birth, this native of the resort town of Castellammare di Stabia, 25 km from Naples, forsook his native shores, and set sail for the distant, far from resort-like Moscow, in order to set up his own business in the Italian fashion clothing trade.*

## MADE IN ITALY

### **– What was your job back home?**

– For the last seven years, I managed a busy wine bar in the centre of Sorrento. I enjoyed it: I was around people the whole time, and I am a sociable kind of person. But I realised that it didn't have any prospects. And I wanted something more, my own business of sorts.

### **– Is that what brought you to Moscow?**

– I wasn't thinking about Moscow at that time: it was too far away. But then, circumstances, of what I would call an economic and personal nature, coincided. First of all, the financial crisis hit the south of Italy much harder than the other regions. I realised that my bar might not last much longer. It was time to turn thoughts into actions regarding safeguarding my future. And the personal circumstances were that, a few years earlier, a woman from Russia appeared on one of the local internet forums. She

announced that she was learning Italian. We struck up a correspondence via the internet and, in February of 2008, I decided to make the trip to Moscow in order to speak to my “correspondent” in person. The Russian winter, of course, was off-putting as a prospect, but, for us, February is the deadliest month for tourism, and so it wasn't difficult to leave the bar for a couple of weeks.

Then she came over to Italy, and it became clear that we had the same kind of plans as regards marriage, as well as having other things in common. She too was considering going into business for





**We operate completely independently.  
And I don't hide the fact that I am proud  
that we succeeded having begun with nothing.**

herself having worked for over ten years as chief accountant in a Moscow firm.

We quickly came to the conclusion that for us to start our own business in Italy was unrealistic. Our savings were not huge, and finding an investor or getting a loan on favourable terms was extremely difficult too. And so we decided to launch a startup in Moscow.

And that is how I came to be here at the start of 2010.

***– Did you know already what kind of venture you were going to embark upon?***

– The general idea was to start a tourism business: I had had some kind of experience with that. But when we first got to know the Moscow tourism market, it turned out that there were not only a lot of players engaged in the popular Italian side of such things, but powerful ones too. Going into that business required large investments, which I didn't have. So we turned instead to the Italian clothing trade. Italian fashion has always been well appreciated in Russia, and 15 million people in Moscow are a huge market.

***– But there was already plenty of Italian clothing in Moscow too...***

– We had to find our own niche. And that's what we did. We offered young Muscovites without the greatest of income the chance to wear quality clothing stitched in Italy. They are not, of course, world-renowned brands, but rather the product of relatively small companies, of which, in Italy, there are very many. This is clothing of fine Italian quality and, most importantly, it is not expensive. That is the main thing for us. I mean, often inexpensive Italian clothing is sold in Moscow for four times the purchase price.

The niche which we chose also made the task of attracting suppliers a lot simpler. Let's be honest: in Italy there is still the idea of the modern Russian as someone who is extremely wealthy, spending money without a second thought, and only in expensive boutiques. Which is why small producers look upon the Russian market as something remote and unattainable. We decided to change that situation.

**Italian fashion has always been well appreciated in Russia, and 15 million people in Moscow are a huge market.**



**– How did you come across your suppliers?**

– I went off to Nola, a small town not far from Naples, on the advice of some acquaintances. A huge “Wholesale Trading Centre” had opened up there with over 300 companies offering goods made in the Campania region. The centre was set up specifically to stimulate exports of local products, so it was tailor-made for me. Negotiations were drawn out and complicated, despite the fact that almost everybody expressed an interest in the Russian market. But you have to know how midsized Italian business people are: they are very cautious, even more so when market conditions are poor. They would rather bide their time until they are

certain that a new business is reliable and offers more profits than risks. Eventually, our business came into the world like a baby does: small, naked, virtually helpless. We rented a tiny room near to Novokuznetskaya metro with barely any heating. We kept our first samples there, which we had brought over from Italy. We received our first clients there too.

**– What kind of outlay was there: on the room and other things?**

– Launching the business cost us about 30,000 euros.

**– What were the kind of organisational problems you encountered?**



**Sergei Khitrov,**  
senior analyst and head  
of research projects at  
**RBK.research**

offline retail trade, particularly in the regions. Thirdly and finally, the process of buying clothes in an internet store has proved extremely convenient for the consumer.

RBK.research data show that in 2013, the volume of the fashion segment of internet trade reached 73.7 billion roubles (in the previous year it was 51.8 billion roubles). Moscow accounts for 24.6% of the total market, or 18.1 billion roubles. It is obvious that in conditions of such amazing growth, the internet clothing trade market is extremely attractive to investors. Over the part



– I don't recall any organisational problems in particular. The goods we order arrive in 10-20 days with a freight forwarding company: they draw up and present all the necessary documentation to the customs service. My wife deals with the tax and accounting paperwork: as I already said, she is an experienced accountant. A web designer we know did our website for not much money. It's true that we then redid it all when we consulted a specialist agency. They

a stone's throw from Dobryninskaya metro. It has 20 square metres in all but we pay peanuts by Moscow standards: 17,000 roubles a month. We are aiming to minimise all our overheads so we can invest more in new collections, expand our range.

#### NOT ONLY IN MOSCOW

– *Many people in your shoes complain about the indomitable Russian bureaucracy...*

**Both in Italy, and in Russia, there is the tendency to complicate everything. But, at the end of the day, a solution can always be found, one way or another.**

now service the site as well, updating the content, photographs etc. at our request.

– ***And how much do you pay them?***

– 20,000 roubles a month, on average.

– ***Were you cooped up in that room for long?***

– No, not really. We quickly rented an office and fitted out a showroom right in the centre of Moscow near to Kitay-Gorod metro. And now, we have an office

– There is plenty of that, of course. But, as I see it, our countries are very similar in that way. Both in Italy, and in Russia, there is the tendency to complicate everything. But, at the end of the day, a solution can always be found, one way or another.

– ***Does that include the use of bribes?***

– No, we have managed without doing that so far. Although corruption does exist, of course. I will say, without giving

out any names, that there was an incident when we had a completely unexpected and, I would say, groundless inspection thrust upon us. Fortunately, it all ended happily: we weren't found to have broken any rules. But I found out later that this inspection had been "organised" in some way for one of our competitors. But, then again, the same kind of thing happens in Italy.

**– On your site, there are photos of over 300 items of clothing: from coats and jackets to vests and T-shirts, as well as accessories. Are these all available now in Moscow?**

– Anything which is shown on the site is, naturally, in stock, in varying quantities. And, Muscovites can not only order something over the internet and receive it by courier in one to two days, but they can also come to our showroom and, as they say, feel the goods for themselves. This is important for our wholesale clients too.

**– Did you choose the internet as a sales platform out of economic considerations?**

– Out of economic considerations as well. But the main reason is that the internet allows customers from almost every corner of Russia to find us.

### Opinion



**Natalia Balova,  
founder of an internet  
store for contact  
lenses and articles  
for their care**



When we speak of internet trade in Russia, we usually mean a business with no offline shop. Sometimes it doesn't even need an office. Of course you can go into that sort of business now if you have roughly 20,000 roubles. That will be enough for a very simple website with a free engine and initial investments in advertising. Against this background, Signor Galano's investments seem unacceptably high. For comparison, my internet business cost me 200,000 roubles in 2008. On the other hand, Signor Galano has a showroom in the centre of



## We are building a relationship with the customer in the Italian style, almost as if they were one of the family.

### **– Do you have many customers in the regions?**

– They tend to be living in Moscow, of course. But we get more and more orders from the regions: the south of Russia, Rostov, Sochi... We have customers in Samara, Novosibirsk, Ufa. It is still not as easy to get hold of Italian goods there as it is in Moscow.

### **– And how do regional customers receive their orders?**

– By post. We send the goods by parcel post, first class, payment on receipt.

### **– But, what if there is a dress, for example, which doesn't fit, or they simply don't like it, I mean, they are buying it from a photo?**

– That is no problem. One of our competitive advantages is that we are building a relationship with the customer in the Italian style, almost as if they were one of the family. If the goods are unsuitable, or they don't like them, the customer can send them back within the stipulated timeframe, and

we will immediately exchange them or refund the money. Therefore, even if the purchase is declined, more often than not, we retain the customer.

### **– So you are focusing on the regions more and more?**

– It is a balanced process. Moscow is a massive market, but highly competitive. These days when I approach a potential client, I often hear this response from the shop owner: I'm sorry but you are already the tenth Italian to come to me with a similar proposal. I think that for us, representatives of small business, it is precisely the Russian regions which represent the greatest commercial interest. And one of my aims is to become an intermediary between Italian producers and Russian retail operators. We have found dozens of such traders over the last couple of years. They may not be huge, but they have their own outlets in Omsk, Novokuznetsk and other Russian cities. I would definitely like to expand this network. But to do so we need more active support from Italian



*About  
Modabella's  
suppliers*



suppliers. I am in constant negotiations with them but they are still extremely cautious with regard to more remote regions. Moscow, to them, is more comprehensible and convenient, even if only in terms of logistics.

**– *On what terms do you work with Russian wholesalers?***

– We sort out a customised order for them. They pay 30% in advance and the rest on receipt. We deliver the order to them direct from Italy.

## NOT YOUR TYPICAL ENTREPRENEUR

**– *Does the experience you have amassed allow you to pass on some words of advice to those preparing to follow in your footsteps?***

– I don't consider myself to be your typical Italian businessman in Moscow: I am not backed up by a large company. There is no partner firm which would provide some kind of support on the local market. We operate completely independently. And I don't hide the fact that I am proud that we succeeded having begun with nothing. So, as for those who would like to start their own business in Moscow, I would warn them straight away: there won't be any easy times. You must believe that you will succeed, but never forget this: stand still, even for a minute, and you could lose everything.

**– *You have been in Moscow for four years now. How do you find it here?***

– Completely comfortable. I like Moscow. I like the dynamism, the nightlife, the cultural heritage of the Russian capital. I like being able to squeeze my way out of an overcrowded metro and wander peacefully round some picturesque little corner. I love wandering around, for example, near the Novodevichy monastery: it's not far from where I live.

**– *You travel around the city by metro?***

– Both by metro and by car. Trips by car around Moscow are always a big adventure. You never know what is going to happen. According to my own personal experience, and that of people I know, I can venture to say that driving is not far off being the most stressful thing for Italians living here.

**– *Excuse me, but in Naples, you also have serious congestion...***

– But our drivers do at least usually observe some kind of rules. It is the case that I got used to the Moscow style of driving some time ago. I try to keep my sense of humour when I am behind the wheel.

**– *And what else here is not to your liking?***



– I dare say the outrageous cost of living. I'm from a place where the average family with an income of 1,000 euros can allow itself to eat tasty and reasonably high quality food, not only at home, but also, if only once a week, at a pizzeria with friends. It is one of life's many little pleasures, which provide solace and enliven everyday life. You cannot allow yourself that in Moscow with such money. You have to earn more than that here.

***– Do you miss your home country?***

– I go to Italy so often! Clothing collections change rapidly. I have to keep up with them, make choices, come to arrangements. Occasionally I have to photograph samples myself so they can be put into our catalogue or brochure straight away. Sometimes I have to bring them over here. A quick turnover of goods is vital for us. Storing items which will take a long time to sell is an inexcusable luxury.

***– What plans do you have for the immediate future?***

– If, by spring 2014, we have been able to maintain our rate of growth, we will try to expand our range in the upper price bracket and introduce new brands into the collection. Our aim is to constantly strengthen and expand our business. And, so far, we are succeeding. ■



Join in a discussion  
of the article  
on facebook.com





# Share with Friends

*The American **Simon Proekt** has created a business in Moscow on the basis of the Russian grapevine*

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

*He set up his first company when he was still a student. Then he came to Moscow and got serious about business.*

*In 2013, Flocktory, the company he created, became the only Russian project on the WebSummit shortlist (of 150 startups selected from all over the world).*

*How should one react to aggressive business talk? To whom in Russia can you sell a good business deal? What is behind the apparent state of preoccupation of Russians? **Simon Proekt** willingly shares his personal experience with BIGMoscow magazine.*

## **"TELL ME STRAIGHT OUT!"**

– I was born in the Soviet Union, in Leningrad. I was five years old when my family emigrated to America. We lived in Pittsburgh, Pennsylvania, but I finished school in Boston. At university, I studied both engineering and business. During my last year at university in 2005, along with two of my fellow students, I founded the Green Fuel Technologies Corporation. I devoted five years to this project, but the crisis came along in 2008 and the market collapsed. The financing stopped. I had to start again from scratch. I found a job in

one of the big consultancy companies. Although I preferred startups, I wanted to think up some new ideas. After a few months, I was invited to talks in Brightstar Corporation. This is one of the world's leading distributors of mobile devices, with an annual income of ten billion dollars. "We have a good proposition for you", they told me. "How would you like to work in Moscow?" I was taken aback. I could more easily imagine myself piloting a spacecraft than as a manager in Russia.

### ***– How did your parents and friends react to the news?***

– My parents were shocked. But they knew I liked to take a risk, and that for me, the more difficult it is, the

ABOUT  
THE FLOCKTORY  
COMPANY



**"We have a good proposition  
for you", they told me. "How would  
you like to work in Moscow?"**

more interesting. Also, they didn't think I'd stay in Moscow for long. My friends said: "It will be exciting, like in a thriller". Russian news was always presented in a negative way. In the eyes of the Americans, Russia got stuck somewhere in the nineties: banditry, shoot-outs in the streets, monstrous corruption and poverty.

**– *What were your first impressions of Moscow?***

– When we were approaching Moscow, the airline captain announced "Air temperature minus 28 degrees". I had never experienced such cold in my life. At home, if snow fell, it was a welcome event! A colleague from the consultancy company met me in Moscow. I still have a photo of myself standing in clouds of frosty vapour on Red Square, as if I were on the Moon.

**– *Did you remember your Russian?***

– By the age of 14, I had forgotten virtually all of it. I had to learn the language all over again.

**– *Was it difficult to become accustomed to Moscow life and the Russian way of doing things? What was unusual, different from America?***

– You could not have such an informal way of communicating in America in business circles as you do in Russia. In Moscow, in sorting out business relations, you can forget altogether that the person you are talking to is your client. There is no distance between you. Here a foreign specialist can be told directly: "Enough pleasantries, let's get down to business. What do you want from me?" When one of the ex-pats begins the conversation in a roundabout way, he may be interrupted by the words: "No, tell me straight out!"

In America, they are very fond of sending emails. But in Moscow, they aren't. I realised that if Moscow specialists or officials sent an email, it was just a formality. When something happens, here they usually ask: "Why bother with an email? Why didn't you just phone me at once?" In Moscow, they prefer face-to-face meetings.

**The owners of Moscow apartments take advantage of foreigners: they double their prices.**



## In Moscow it's all more difficult, both with accounting and with taxes. Registering a firm takes a lot of time.

**"WHO IS THIS CLEVER GUY WHO HAS COME HERE?"**

**– *How did you manage for accommodation?***

– At first I lived in a hotel. I had to fly to America for consultations once a fortnight. It seems to me as if I've stayed at every hotel in Moscow. It's very expensive, and I would have preferred a purely domestic atmosphere.

Eventually I took an apartment in the centre, on Novokuznetskaya Street. It wasn't cheap: 76,000 roubles (about 1800 euros) a month including all the communal services. But I like this place a lot. It's a very quiet side street, with a green courtyard. But

in general, the owners of Moscow apartments take advantage of foreigners: they double their prices.

**– *You were offering consultancy services. How do Russian clients differ from Western ones?***

– There is not yet a consultancy culture in Russia. It's difficult to sell an idea here. Consultancy is trading in ideas. For example, you suggest ways of improving shops, personnel training, how the goods are set out on the shelves, how to improve the chain of supply and purchase of goods. In other words, the whole cycle connected with the goods, from the truck to the salesperson.

I would go to a company, and they would look at me and think: Who is this clever guy who's come here? He thinks he knows how to do it better than we do, does he? And if I did manage to convince them that my idea was better, they didn't understand why they should have to pay for it. I would spend a lot of effort and energy, and hear: "Great, it works. I worked out the saving from using robots in



**flocktory.com**





The Russian Internet “grapevine”  
has huge marketing potential.

the warehouse. We've gone out to buy some. Well, that's all, all the best!" Meaning, you've told us all of it now, why should we still need you here?

***– And is there a difference in the way companies are managed?***

– Everything is very centralised. The head offices are concentrated in Moscow. The top management decides on the sort of questions no-one at that level in America would bother with. But the system has its good points too. If a manager believes in your idea, then for example, all the shops will change the colour of their price labels from red to yellow the very next day.

I could see the results of my work very quickly, and that pleased me, of course.

**"WE FOCUS ON LARGE COMPANIES"**

***– How did you arrive at the idea of opening your own enterprise?***

– In April 2012. I got to know Ilya Aizen. He is from Russia, but received his management education in Austria. We used to sit for nights on end, thinking up business ideas. This was how the Flocktory startup came about – it's a platform for referral marketing.

*Expert*



**Daniil Khanin,**  
Director of OOO "Krossss"

long been concerning themselves with the problem of conversion. As a result, the market in the USA and Western Europe has long been full of various services offering to solve this problem.

Thus, the Russian market is ripe for the appearance of projects which will work on raising the conversion rate of internet stores by optimising sites and communication with site visitors, and also on attracting motivated customers. The problem of raising the conversion rate on site requires quite well-qualified developers, which ends up having an effect on the price of entering the market.



**– Did you register the company yourselves, or hire a lawyer?**

– It is unrealistic for a foreigner to try to open an enterprise in Moscow himself. In the USA, for example, you can do it in three days on the internet, online. And there don't have to be any stamps. In Moscow it's all more difficult, both with accounting and with taxes. Registering a firm takes a lot of time. You have to spend all day with a notary public and put your signature on about 30 documents. If you are a foreigner, you have to have brought them all with you. There are plenty of specialists in Moscow willing to tackle all these difficulties for you. Depending on the size of the company, you have to pay between \$1,000 and \$5,000 for these services.

**– How much initial capital was required?**

– Very little. We selected a specialist to produce the software for our system. At the same time we looked for investors. We brought in \$220,000 in a few months. That was enough to produce a prototype and start selling.

**– How many people work in your company?**

– In the first stage, we had four people working for us. When we attracted £1,500,000 from the Digital Venture Partners fund, we expanded the company to 14 staff. We now have a group of developers, programmers, analysts and sales specialists.

**– How much do they earn?**

*Opinion*



**Karen Kazaryan,**  
**Chief Analyst of RAEK**



in relation to Internet purchases. Opinion polls indicate that almost half of Internet users cannot even remember from which Internet store they made the purchase, the only thing that matters to them is the price. Therefore a system of referral marketing, i.e. personal recommendations, not only attracts new clients, but also increases the loyalty of the existing customer base. The main thing is that the offer should be mutually beneficial and not intrusive. However, it cannot yet be asserted with confidence that the social



– Such specialists can get 100-200,000 roubles on the market. It all depends on their line of work and experience.

**– *Is there a lot of competition?***

– We have hardly any competitors. This was an empty niche, and we entered into relations with the top stores and banks. Let me explain. An internet store installs our service. For example, whenever a client makes a purchase worth from 1000 roubles, a gift of 100 roubles may be credited towards his phone bill if he shares the deal with friends on social networks and one of them also makes a purchase. Our platform can automatically determine the “influencers”, those people whose opinion carries considerable weight in their whole circle in the social network, and offer them more favourable terms or proposals. This is one of the best marketing approaches. The Russian internet “grapevine” has huge marketing potential.

**– *How do your activities differ from what they would be if Flocktory were operating in America?***

– Over there, I would concentrate more on small and medium businesses, they are stronger there, it is easier to gain access to them and there are easily understandable channels of communication. But in Russia, about 50 companies control 90% of internet business. We focus on large companies. But the product is developing, this is only the start.

**“OUR VIEWS ON FAMILY VALUES COINCIDE”**

**– *Was it difficult to find office premises?***

– I must say that leasing an office is very expensive indeed in Moscow. We tried to find premises inside the third ring road. What we were offered was awful: windowless cellars with rusty pipes running through them.

**We were on the point of giving up in despair when some acquaintances offered us a former artist's studio of 125 sq.m. as an office. We were amazingly lucky.**



It's hard for small companies to find anywhere. We found the estate agents exasperating. They operate in a strange way in Moscow. You get the feeling that they aren't interested in their commission.

We were on the point of giving up in despair when some acquaintances offered us a former artist's studio of 125 sq.m. as an office. We were amazingly lucky. For an office in the centre, you have to pay around 40- 45 dollars per sq.m. per annum. Any halfway decent premises cost \$7,000 to \$8,000 a month. In New York, only a penthouse in Manhattan would cost that much.

### ***– Did you have any trouble with your work permit?***

– To come in as a tourist or on a business visa is fairly easy. But if you want to work in Moscow, you have to have patience. Everything became much simpler once we became residents of the Skolkovo Innovations Centre, Russia's Silicon Valley. Our company was a finalist in the Investor Day Central and Eastern Europe competition (we came second). This is an international conference devoted to internet technologies and innovations. We were also a finalist in Russia Tech Tour 2013.

### ***– In what ways are Russians like Americans?***

– Here, as in America, you have strong feelings of patriotism. "I'm a Russian. My country has many dark sides, but it is the best, because it is my motherland", they say here. I would also say that our views on family values and friendship coincide. It sometimes seems as though Russians are discontented about something all the time, they go about looking very serious and preoccupied. But when you get to know them better, you realise that they are kind, warm-hearted people.

### ***– What presents will you be taking from Moscow to America?***

– My brother has just had a son. I shall be taking my nephew children's books and CDs with cartoon films of Pushkin's fairy tales. I recently took Mom a pair of earrings with semi-precious stones from the Urals. They're unique, you wouldn't find anything like them in America. ■



Join in a discussion  
of the article  
on facebook.com



*Knowing what it takes to land a real genius, Dutchman **Walter van Dijk** set up his own recruitment agency G-Nius in Moscow*



# The Right Person

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

*The employment market is his element. Upselling of the most promising employees is his objective. Just how does a foreigner make it as a professional headhunter in Moscow? What does it take to stay on the trail, gain a reputation amongst the big companies for meeting their senior management needs? How do you keep the competition at bay? And how do you penetrate the mysteries of that enigmatic Russian soul? Sharing all of these secrets with BIGMoscow readers is managing partner of the recruitment company G-Nius, Walter van Dijk.*

## **"THAT'S SOME CITY! THAT'S SOME RANGE!"**

– I am from a small town near Rotterdam. In Holland, I worked for a company that recruited staff. One of our clients supplied the Russian market with agricultural machinery. He needed an official representative in Moscow. There were capable specialists around, but none of them wanted to go to Moscow. I mean, the Western conception of Moscow is all empty shop shelves,

freezing temperatures, and gloomy people wrapped up in furs... Seeing that the hunt was dragging on, my boss asked me: "Do you not fancy working in Moscow for a spell?" I thought about it. Why not give it a go? But first I decided to travel to Moscow, have a look at the place, see what the company did there.

In 2002, flying into the capital of Russia, I gasped: "That's some city! That's some range!" The dynamism, the incredible pace of life was palpable. I sensed that working here would be one big adventure. So I signed a contract with Matrix Agritech.

### **– *What were you selling?***

– Tractors, combine harvesters. Our equipment was more expensive than that made here but it was cheaper to run. It hardly ever broke down.

### **– *And who was buying it?***



[www.g-nius.ru](http://www.g-nius.ru)





**Seeing that the hunt was dragging on, my boss asked me: “Do you not fancy working in Moscow for a spell?”**

– Both agricultural holdings and small farms. Nobody complained about the high prices. They all understood that that's what quality equipment costs. The only problem was getting hold of the money. And just then the government launched a scheme in support of agricultural producers, and started lending them large amounts of money.

***– Tales of the Russian Customs Authorities are in the process of being chronicled. Do you have anything of your own to add?***

– All of our equipment passed through customs. I remember a strange episode. Our loaders were being delivered part assembled. The wheels had been packed separately in boxes. There was an immediate problem at customs. The parts for the loaders weren't listed in the documentation. When they took a look inside the boxes and saw cases in there, the customs officials suspected us of smuggling. They were undergoing a change of management at the time, and the customs officials examined the whole cargo pretty much with a fine toothcomb.

**"I HAVE NO FAITH IN DEGREE CERTIFICATES"**

***– Was it difficult putting a team together?***

– It was. There was a woeful lack of people whom I could explain the gist of the work to in a few words and then: "we're off". It descended into farce. I once asked a recruitment agency to find us a qualified accountant. They sent me a woman who informed me: "I'm actually a secretary but I find it boring and would like to work as an accountant". And then she was staggered when she didn't get the job. We weren't in a position to train anyone: we needed someone qualified who could just slot in, there and then.

***– What kind of requirements did you specify?***

– The candidates were setting out their general education in great detail, their further education, and then listing those companies where they had managed to work for a while. But for me, that's not the main thing. What is important is

**I realised that I could do this better than the recruitment companies. And so, in 2006, some Dutch colleagues and I opened the offices of G-Nius in Moscow.**



mentality. And that can only be gleaned from talking to them in person. It's no secret that a lot of Russian companies are set up like in the army: at the top is the boss who tells you what to do and how to do it. Employee initiative is zero. Most people think like this: "Tell me what to do and I will do it". They remind me of wind-up toys. They are wound up, they work, the winding mechanism runs out, they stop and wait... The westerner's mentality is completely different. Our businesspeople reason like this: "I am

interviews. In the end, I realised that I could do this better than the recruitment companies. And so, in 2006, some Dutch colleagues and I opened the offices of G-Nius in Moscow.

**– *Was it difficult getting the company registered?***

– A lawyer dealt with that: part of their services included registering a business in all sorts of funds, opening a bank account, and so on.

**I have X-Ray eyes. In a one-on-one conversation, I listen to my inner voice.**

taking you on as an expert; you know better than me what you need to do. I am the company founder, the boss. I will tell you about our global strategy but you will decide every day how to act. This is the plan: now it's over to you". That amount of freedom is fine but with it comes a great deal of responsibility. It all balances out.

**– *Why did you decide to start your own business?***

– When I was putting my team together, I was dealing with several recruitment agencies, both international and local. I didn't have much time, yet I was getting 25 CVs a day and holding

**– *How many people work at your company?***

– Ten in Moscow and three in St. Petersburg. I recruited the team personally. A degree means nothing to me: it's only a piece of paper. And I can never be absolutely sure that it hasn't been bought. Unfortunately, that is quite possible here. I don't have any faith in the local "wallpaper" certificates.

I have X-Ray eyes. In a one-on-one conversation, I listen to my inner voice. I needed specialists who could see new possibilities, not just problems. Everybody I started off working with is still here. There is no staff turnover whatsoever.





**– Was it difficult renting office premises?**

– I started off working with just the one person: a recruiter. I found our workplace through someone I know. There were three companies in one room. I would say that renting premises

of 200 square metres isn't a problem in Moscow. The hardest thing of all is to rent just the one room or one workplace. It's even more difficult for foreigners because the office rental market is not very clear-cut and not particularly accessible to newcomers.

## "RUSSIANS DON'T KNOW HOW TO SHOW THEMSELVES IN THE RIGHT LIGHT"

*– You are now based in an historical quarter: Kitay-Gorod. Is that of importance to your business?*

– Our company's aim is to find good candidates for vacancies. Client requests are many. Moscow is densely populated, there is little unemployment. The market is saturated. If it takes me an hour on the bus and another hour on the metro to get to my office, few people are likely to come and see me. But the city centre is convenient for everybody.

**– Who are your clients?**

– Exclusively foreign companies.

**– How do you look for suitable candidates?**

– Through popular websites such as Head Hunter.

**– What commission do you take?**

– 25–30% of the annual salary of each specialist we place. We spend an awful lot of time searching for candidates. To work for less commission would be impossible.

**– Do you look for middle-ranking staff?**



**Maria Koldysheva,**  
managing partner of  
the employment agency  
"AVIS"

market is carved up between the big players, and small companies are not getting the high-profit projects capable of interesting the outside investor. There are two ways of playing it: either to open a Moscow branch of an existing Western agency in Moscow, or you have to "buy" a key person dealing with sales and business development from one of the leading companies, along with a client base and contacts.

If we are talking about the costs of such a project, everything is determined by strategy and aims. Publicity doesn't come cheap, nor do the tools which immediately make an agency high-tech

– Yes, you see, a lot of foreign companies start up from scratch.

**– *Do applicants have to know English?***

– Our clients are foreigners: they can only speak to employees in English. It can be the case that a candidate is a great expert in their field but their English is very stilted. They learned it at some point but not well enough. It's a shame but we sometimes have to turn away excellent programmers, engineers, technicians.

Here's another thing. Russian experts often don't know how to show themselves in the right light, to, as we put it, sell themselves. Our clients are used to seeing people in suits and ties, with wide smiles. That is someone selling

their product. Theirs is a representative function. But Russian candidates can come to an interview dressed in a way we find strange. They can speak in monotones, avoiding eye contact: even though they know English and possess a huge amount of skills and knowledge.

**– *How did you learn Russian yourself?***

– The Russian language is not straightforward. It is nothing like Dutch. When I arrived in Moscow, I went to a teacher twice a week.

**– *Do you rent a flat?***

– Not a flat but a townhouse in the suburbs, in the village of Nemchinovka. It's a whole house, and cheaper than

**Opinion**



**Mikhail Sychev,**  
*Head of HR research  
at Fenix Consult  
Group*

labour potential has all been taken up. Moscow and St. Petersburg have the lowest unemployment levels, at 1.7% and 1.6% respectively, whereas unemployment for the country as a whole is 5.3%. The labour resources of the capital are virtually all employed. So employers are looking to the regions. But that's no good either! The regions are developing new production facilities are opening, the zone in which the capital's companies work is expanding, and qualified job seekers can work closer to their homes.

Furthermore, the high competition for personnel

renting a three-roomed flat in the centre of Moscow. But it does mean being stuck in traffic jams every day.

**– You have been in Moscow for 11 years now. Has the Russian mentality changed?**

– Before, people came with the belief that everything at a western company was great. Over the years they have realised that they also have their own

– You have to fathom the intricacies of the Russian soul. Let me give you an example. The owner of a foreign company says: “I want you to be the head of our Moscow office. But you will be the only employee there in Moscow”. Russians often think like so: “Oh, so now I am the boss”. The main thing for them becomes the office, nice furniture, a secretary, and they clean forget that they are supposed to be making sales.

**Russians travel a lot, have seen different countries and have become a lot more discerning. And they are all the more proud of their native land for it.**

stumbling blocks. Russians travel a lot, have seen different countries and have become a lot more discerning. And they are all the more proud of their native land for it. The atmosphere is different. What was it like before? “Ooh, a foreign company: I’ll do whatever it takes to work there”. There is none of that now.

**“STATUS IS VERY IMPORTANT”**  
**– What does a foreigner who wants, like you, to start a recruitment agency in Moscow need to know?**

And when, six months later, the boss asks: “Where are your sales?”, the reply is: “You know, I have so many things to sort out, so many pieces of paper to sign, to stamp, that there is absolutely no time left for sales”. Status is very important to Russians. Often sales managers make business cards for themselves on which they describe themselves as commercial director.

In the western world, we level out distinctions in terms of position but here sometimes you have to elevate an employee’s status. When someone goes

to a large holding company, they have to have a business card with an impressive title on it in order to sell the goods or services to the clients.

***– What would be different if this same company was operating back home in Holland?***

– I'd be bouncing off the walls over there! Put our office in Holland, and the work would be so much more boring, so much more run-of-the-mill. In Russia, no two days are the same.

***– Do you have a favourite little spot in Moscow?***

– Whenever guests come over, I take them to Sparrow Hills without fail.

***– Is it worth it, foreigners starting their own business in Moscow?***

– Of course it is! It is not the easiest of cities for foreigners. You are not going to be stuffing bags with money after a couple of months. Here you need to work solidly for years. To exert all of your powers. The results are worth it, though. ■

**I'd be bouncing off the walls over there!**



Join in a discussion  
of the article  
on facebook.com





# The Youthful Expert

*In only two years, American **Jared Barol** already has many achievements to his name; and he is not about to rest on his laurels*

*Why did a young American expert set off across the ocean to build his career in the far-flung Russian capital? How easy did he find it, conquering new lands? And what does the foreigner need in order to crack Moscow? **Jared Barol** reveals this to our BIGMoscow correspondent, and more.*

[www.unilead.ru](http://www.unilead.ru)



**America is highly structured. Americans think logically, whereas the majority of Russians are very spontaneous.**

## "THE VERY FIRST WINTER, I BOUGHT A FUR HAT WITH EAR-FLAPS"

– I grew up in the suburbs of one of America's oldest cities: Philadelphia. I studied Russian Language and Literature at university and carried out research into Central Europe, Eurasia and Russia. The first time I came to Moscow was as an exchange student in my third year in. I noticed something instantly: America is highly structured. Americans think logically, whereas the majority of Russians are very spontaneous. For example, some students and I had been making arrangements to go to Red Square five evenings beforehand when, half an hour before we were due to go, the Russians on my course suddenly changed the plan completely, and we ended up going to eat in a restaurant instead. And there a lot of such examples.

– ***Did you manage to find a job back home after university, or did you find***



## ***yourself on the “Eastern Front” straightaway?***

– In the States, I worked on projects related to protecting the rights of indigenous ethnic minorities. I was already working with Russian experts while I was over there.

– ***When were you invited to come and work here in Moscow?***

– That was in 2011, for the recruitment agency Action. It is owned by a Frenchman: most of the clients were French companies. At my going-away party, my friends sent me off with these words: "Stay away from any bears, buy a big shovel for clearing away snow, and don't drink too much

**We went inside. It looked like no-one had cleaned the place since the Second World War.**

vodka". And they weren't joking. That is exactly how many young Americans see Russia.

I was working as a headhunter. I was recruiting highly qualified experts to positions in foreign companies operating in Russia. I have to say that it was ideal preparation for entering the Russian market.

**– *Did you have to shovel any snow?***

– No, but in my first Moscow winter, it reached minus 35. I bought a sheepskin hat with earflaps on the Arbat: its tradename was "Anna". The flaps protected my face and cheeks perfectly from the icy wind and flurries of snow. My friends used to joke with me: "How is your Anna doing?" "She's keeping me warm!" I used to say.

**– *Did you find it hard to lease a flat?***

– When I was looking at relevant letting websites whilst still in America, I was pleasantly surprised at the prices shown. As I presumed, it was possible to rent a flat in Moscow for \$700-\$900 a month. It was comparable with prices outside the District of Columbia. At the time, I was living in a five-bedroomed apartment with a large kitchen and bathroom; there was also a swimming pool, gym and cycle path, and it was a nine-minute walk from the metro. And for this apartment we were paying \$1,200 a month.

When I arrived in Moscow, I was staying with a friend. I was hoping to rent somewhere after a week. I had the phone numbers of several estate agents, and I would drive round with them to look at the flats. And guess what? By the time we'd get to a particular flat, somebody else had already rented it, leaving me feeling rather stupid. I remember I went myself to a place on Tverskaya that was advertised. The landlord had described the flat as having a large room, a kitchen, its own bathroom, and a window looking out onto a quiet, leafy courtyard. When I got there, I saw 10 other flat-hunters hanging around outside the door. We went inside. It looked like no-one had cleaned the place since the Second World War. A dim light bulb was hanging from the ceiling, and the corridor was festooned with the electric lead held in place with insulation tape. The window in the flat was like a cat-flap: about the size of an exercise book. In the one-metre by one-metre bathroom, they had contrived to squeeze in a shower and tray, a toilet, and a washhand basin. And for the pleasure of renting such "opulence" in the centre of the capital, the landlord wanted 35,000 roubles a month (about \$1,100).

After searching for a month, I finally found a one-roomed flat in Polyanka for 38,000 roubles. In winter, a whole snowdrift collected on the balcony,



through the gaps in the frame. I lived there for nine months. But I got a good taste of genuine Russian reality.

**– *How much money do you need in your pocket to come to Moscow?***

– To find a place to live, you need \$1,500, plus the same again to hire the services of an estate agent, and the same again to give the landlord as a deposit. So, that's \$4,500 already. You can live modestly in Moscow, while you are looking for work, on \$700 a month. That's enough for basic food. But you must have some money set aside for your ticket home in case it doesn't work out for you.

**"I WANT IT TO BE SO, AND THAT'S THAT!"**

**– *What would you say about the Russian mentality? Does anything about it surprise you?***

– I gradually came to realise the meaning of the Russian word avos. People in Russia often do things on the off-chance. In other words, with the

unconscious hope of striking it lucky. Sometimes you are in luck and it comes off, but it can also not come off, and success passes you by.

I left the recruitment agency after a year. Then, I was recruiting English-speaking teachers and translators, and providing marketing services to Moscow companies preparing to enter the western market. I was part of several startups.

**– *Are Russian partners different in some way from your American colleagues?***

– American businesspeople calculate both the effectiveness and productivity of everything. But often, unfortunately, Russian businesspeople don't. Or, they have certain kinds of calculations which are just to say: "I want it to be so, and that's that!" That kind of groundless stubbornness.

**– *Is it possible to close a deal in Russia by “word of honour” without having to draw up papers?***

**I would recommend learning Russian, if you want to make a success of it in Moscow.**





If you are prepared not to be naïve,  
to be proactive, and are not afraid of taking  
a few knocks, then you should come to Moscow!



– Here, a lot of people like to talk about cooperation, about collaboration. But in reality, in small businesses in Russia, people often look for ways of cheating both the government and their partners.

***– Have you had a similarly negative experience?***

-Yes. For three months, from November to January, I was working with a school in the Sokol area of Moscow for the children of wealthy Russians. The parents wanted their

offspring to undergo some preparation before they were sent off to study at boarding schools in England and the US. I was teaching literature and helping with marketing. Pay was by the hour. Everything was fine for the first two months. At the start of January, I fell ill. They called me and told me that I had to come in to work. I was working 12 hours a day for the whole of January. They hadn't got round to signing my marketing contract. They were taking a long time collecting the necessary paperwork and permits. In the end,

they said to me: “We owe you a pile of money: we can’t manage it. We can only pay you half”. And they still thought that I would carry on working for them.

## “DON’T SIT WITH YOUR ARMS FOLDED”

**– A lot of people in Moscow now understand English. Does an expat need to know Russian?**

– I would recommend learning Russian, if you want to make a success of it in Moscow.

**– You now work for Unilead Network. What does the company do? Are you happy with the team?**

– The company is involved in mobile advertising, and partner programmes for websites, blogs, and social networking groups. We have put together a young, ambitious team of 25 people working according to the precept: honest work with pay per lead. All three of the company owners are Russian. They are a new generation of businesspeople who want to work in an honest fashion. It is interesting working with them. I report to the CEO, and my work includes business development analysis. I develop strategies for Russia as well as for the rest of the world.

**– How much does an expert of your calibre receive in Russia?**

– 90,000 – 150,000 roubles a month.

**– Would it be more in the US?**

– A little bit more. But there wouldn’t be the same rate of growth. Look at me. I graduated in 2011. And I have already helped to bring about large investment deals, as well as facilitating the start-up of three companies. In the USA, this would hardly have been possible.

**– Do you not have any plans to start your own business?**

– I have experience in designing and promoting my own projects. I find myself now at the stage of generating new ideas based on consideration of past mistakes and failures. Things will become clearer in about four months’ time, but it is too early to say anything about it just yet.

**– Does this mean that it is worth it for the foreigner to go to work in Moscow?**

– It depends on the situation and person involved. The Russian market is very dynamic. You can find investment, so long as you don’t sit with your arms folded. Another thing is that it is not straightforward finding responsible partners. But if you are prepared not to be naïve, to be proactive, and are not afraid of taking a few knocks, then you should come to Moscow! ■



Join in a discussion  
of the article  
on facebook.com





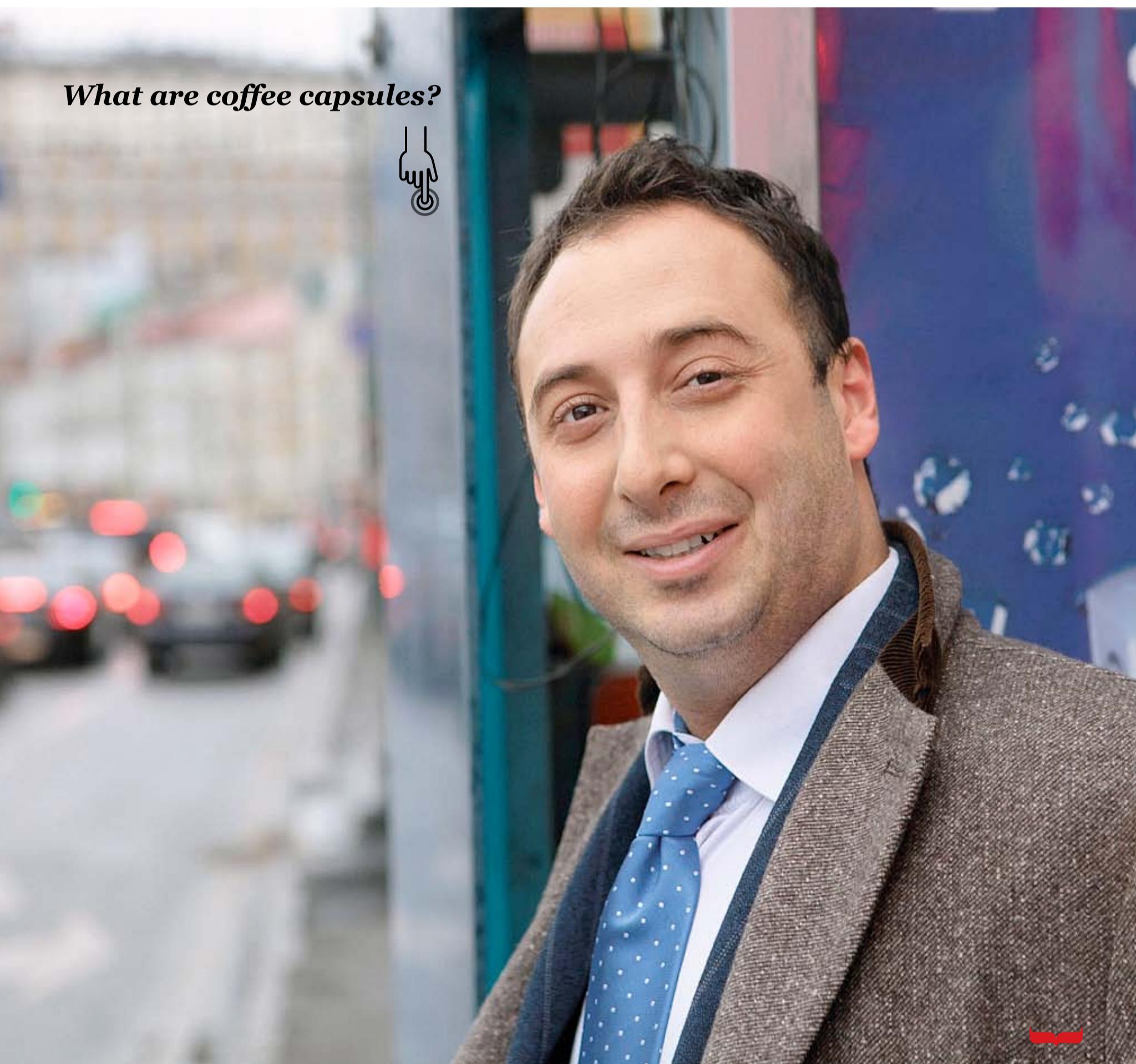
# Logistics through Traffic Jams

*Thanks to the capsules in which **Giovanni Garigliano** trades, Muscovites are drinking the same coffee in their offices as is served in Italian cafes*

*He is noticeable even in the Moscow crowd – a tall southerner, although he was born and grew up in the north of Italy, on the Austrian frontier. Then he studied, and for a long time lived, in the very centre of the country. And now he runs a trading business in the Russian capital.*

---

***What are coffee capsules?***



– Yes, I am of southern origin. My parents are Sicilians. Forty years ago they moved to the north, to the Friuli-Venezia Giulia region. That is where I was born, in the small town of Grado. But I have maintained close links with Sicily; until I was about 20, I spent four months a year there. And today, if I go to Italy not on business, I go to my parents in Friuli or Sicily.

– There are far more opportunities in Moscow; the competition had not yet reached European levels, the taxation system was more favourable, and investments give a much better return, he says, listing the advantages.

**But how could a young university graduate get into a good position in the unknown**

**Sometimes a van delivering only 50 small capsules can take two hours to reach a client through the traffic jams.**

**At one time, Giovanni went to study at the university in Bologna. After graduating from the economics faculty, he spent some time improving his knowledge in Belgium.**

**Then the time came to think about his career. Looking around him with the eyes of a professional economist, he came to the somewhat discouraging conclusion that he would not have much luck in Italy or neighbouring countries in the conditions of the economic crisis. But the prospects in Russia looked very good.**

**Russian market? Giovanni decided to continue his studies – in Moscow.**

– I came here in 2008 and spent a year studying Russian at Moscow State University. By that time, by the way, I already knew English and German in addition to Italian.

Then I tried to find some kind of interesting work, first in Moscow, then in Italy. In the following year, 2009, I returned to the Russian capital and spent a few more months improving my Russian. Again I tried my hand at several lines of work.



In 2010, I worked in Italy for a firm delivering spare parts and components for vending machines; I was responsible for the firm's sales in the countries of Eastern Europe. Then I got to know the owner of the Russian company CIBA-Vending – he was one of our clients.

In 2012, I finally moved to Moscow. I happened to see this same man at an exhibition. I went up to him and reminded him of our acquaintance. The outcome was that he invited me to work in his company, which imported vending machines from Italy. I became the first Italian there.

**taste qualities of the coffee are preserved for a long time, so that the drink can be made to the true “Italian” level.**

**– *Did such machines sell well?***

– For the most part, we don't sell them, we lease them. We sign a contract with some firm, take a coffee machine to the office and install it. Free of charge.

**– *What do you mean by “free of charge”?***

– Free of charge! The machine – they come in different sizes – remains our

**There are far more opportunities in Moscow; the competition had not yet reached European levels, the taxation system was more favourable.**

**In CIBA-Vending, Giovanni was responsible for the development of business in a specific sector: the sale of machines for making and selling coffee in offices and public catering establishments. The machines were of the latest generation – the capsule type. Capsules are very convenient for use in coffee machines, the main reasons being that all the**

property, we service and repair it. And the way our business works is that the client firm undertakes to buy a specified minimum number of capsules from us every month. The minimum depends primarily on the size and power of the machine. That is, from 50 capsules a month to, say, 800 for a coffee machine in a large restaurant. The client firm itself may offer its staff free coffee from the machine or may charge for it; in the latter





**The market here is not yet fully assimilated;  
there is enough for everyone.**

case, we fit the machine with special receivers for coins or banknotes.

**– *And on average, how long does one such machine take to pay for itself?***

– Not very long. In about five months, sometimes less. But it's difficult to calculate it precisely.

**– *Are they popular in Russia?***

– Selling from vending machines is not yet very well developed here. But “real Italian coffee” is a great brand. And now you don't even have to go to a café or bar if you don't want to. So we are installing new machines all the time. It should be said that the vending machine market in Russia is growing at a rate of 20% a year.

**– *I have even heard that this form of trade never suffers from economic crises, recessions have no effect on it.***

– I would go further, and say that the vending trade runs in counter-phase to the economic crisis. MacDonald's for example, finds the same – it is known

that sales of fast food always increase in a crisis. And this is only to be expected. People have to tighten their belts. But they still can't get by without eating or drinking. A person may stop going to a pizzeria in the evenings, but he will dine at home.

Or take coffee. In Italy, a cup of espresso at the counter in a bar costs on average one euro. But in an office coffee machine, coffee of the same quality is only 25-30 cents. So the business has good prospects. And there are several Russian firms involved in the distribution of, for example, the products of the well-known Italian firm Lavazza, which produces different sorts of coffee, coffee machines and capsules.

**– *And how do you get ahead of your competitors? By dumping?***

– No, dumping is the very thing you shouldn't do, because it inevitably leads to trading yourself into a loss and eventually having to leave the market. And the market here is not yet fully assimilated; in principle, there is enough for everyone.

**I have become convinced that  
I can work with Russians no worse  
than with my fellow countrymen.**





Therefore representatives of the various firms operating in this business sector prefer to meet and somehow come to agreement on principles of operation: for example, not to let prices fall below a certain minimum, and not to take existing clients away from each other.

The winner in the competitive battle will be the one who best organises the service, the delivery of the capsules and other ingredients. Logistics is close to being the main expenditure heading in this business. You have to maintain your own large fleet of vehicles. But given the present state of road traffic in Moscow, no fleet is ever enough. Sometimes a van

delivering only 50 small capsules can take two hours to reach a client through the traffic jams. It's a lot of cost for little satisfaction.

***– I know that you are leaving CIBA-Vending. What are your business plans after that?***

– I won't conceal the fact that I came to Moscow to make money. And before I came to CIBA-Vending, I tried my hand as an agent for Italian firms engaged, in particular, in exporting food products and vegetables to Russia. I think this is a line of business with very good prospects.

And today, I am developing my

cooperation – so far only as an agent – with these Italian companies. Naturally, there is no question at present of selling to the big chain stores, that requires a lot of organisation, capacity, and of course, money. But they have managed, with my help, to organise deliveries to some Moscow restaurants. I have just opened my own firm. Now I shall no longer just be an agent, I shall be an importer.

**– *But for that, as you just said, you need a lot of capacity – all that special equipment, warehouses – and that requires money. How much, do you think?***

– Hundreds of thousands of euros.

**– *And where are you going to get them?***

– Partners are required. Italian or Russian, it doesn't matter. I have become convinced that I can work with Russians no worse than with my fellow countrymen.

I should just like to add that I think property in Russia should be bought, not leased. Housing, offices, stores – they should be your property.

**– *Aren't you being too categorical?***

– It is not convenient to lease in Moscow. Apart from the constantly rising and unpredictable payments, a lessee is not protected in any way. Take me – I'm a bachelor, I lease a two-bedroom

apartment near the Belorusskaya metro station. I pay about 1000 roubles (roughly 25 euros) per square metre every month. That's ok, but I know that if they like, they can throw me out of this apartment at any moment.

It's not like that in Italy. If you've lived long enough in a leased apartment, you can't just be thrown out, they'd at least have to take you to court. And there would be enough time to find somewhere else to live.

But that's just an apartment. Just imagine if you suddenly had to vacate a whole warehouse and take everything somewhere else!

**– *But property in Moscow isn't cheap.***

– I know. But on the other hand, it produces income, which it wouldn't in Italy. Anyway, I am planning to open a shop in Moscow in two or three years, selling food products from Italy. If it can be agreed with the partners, maybe we shall eventually turn it into a mini-supermarket or a chain of them.

**– *We wish you every success! ■***



Join in a discussion  
of the article  
on facebook.com





KUPIVIP.RU

# VIP Shopping

**Oskar Hartmann, founder and CEO of the first online shopping club in Russia, has expanded his clientèle of high-fashion brands thanks to successful electronic commerce**



Kupivip Holding was founded in 2008. Oskar Hartmann is one of the Kazakhstan Germans. He opened his first business in Germany, but moved to Moscow to start what may be his main project here.

“I have been in business for 13 years now”, says Oskar. “I spent three years in online trading in Germany, specialising in selling sports diet food. But I wanted to rise to another level. So I moved to Moscow”.

The idea behind his Moscow startup was to sell clothing of the top brands, but not brand new, and sometimes also from the very latest collections with big discounts – up to 85%. Such businesses had already been successful in the West (for example, Vente-privee.com in France). It’s a simple calculation. The top brands really hate their products being sold off cheap – they don’t want to “lose face”. But how should they dispose of unsold goods left over? Closed online shopping clubs – that was how they solved the problem. You sell the leftovers without losing face. But it also gives the consumer a splendid opportunity to acquire luxury goods at a third of their price in the boutiques. But blink and you’ll miss it: the cheap offers are only valid for a very short period.

Oskar Hartmann is convinced that almost all the business schemes that

have proved viable in the West can work successfully in Russia. Provided they are properly organised, of course.

“In 2007, internet trading in clothing and shoes was very well developed in the West, but hardly existed at all in Russia”, Oskar says. Online vendors were not much trusted. So our main task was to overcome mistrust. And our team succeeded in doing this”.

After graduating from Moscow State University, he studied and worked in various countries. He had enough foreign business contacts, but he had no particular business relationships in Moscow. “After I came to Moscow, I asked myself how I could achieve success without administrative resources”, Oskar continues. “It turned out to be quite possible. You just have to build your business carefully and neatly, without it costing too much. I wanted to compete honestly. My greatest advantage was probably my international experience, and I was also prepared to work round the clock to achieve the result I needed. I wanted to work side by side with professionals and to fulfil my obligations punctiliously. And that was how it all turned out”.

Hartmann brought considerable investments to the project – more than £140 million. In the first stage,



the startup was supported by Western business angels. Then the investment funds joined in.

"We have been operating successfully with David Waroquier, our partner in the Mangrove Capital fund, for about five years now", says Oskar. Since the money was not given to us as charity, we are trying to repay the capital as quickly as possible after

multiplying it several-fold". An IPO is planned for 2015, and Oskar Hartmann expects to achieve capitalisation at a level of \$1 billion. This is a perfectly realistic expectation, considering that sales last year were already in excess of \$350,000. ■

**We are trying to repay the capital as quickly as possible after multiplying it several-fold.**



*Interview  
with David Waroquier,  
an investor in the Kupivip project*



Join in a discussion  
of the article  
on facebook.com





# Space to Grow

***David Waroquier, a partner in Mangrove Capital Partners, predicts a real investment boom in Moscow in a few years***

**– When did you first invest in Russian business?**

– In 2006, in a company called Quintura, a developer of search systems. We then supported the media project Entermedia, specialising in multi-platform advertising, including in games. KupiVIP.ru was the third. Then came Drimmi, a social gaming service. We also invested in Oktogo, one of the biggest hotel reservation services. And

of any online trading in this sector in Russia. The internet commerce market was clearly lagging behind, there were problems with internet access and with organising payments - Muscovites had not yet even got used to paying by card. And of course there were delivery problems due to the enormous distances. It's quite an epic to send something from Moscow to Vladivostok.

**Electronic commerce projects in Russia require a lot of money.**

quite recently, we supported HomeMe, a portal for selling furniture online.

**– How and when did you get the idea of investing in the KupiVIP.ru project?**

– I realised long ago that fashion is very important for Russian consumers. And this is an extremely attractive business segment for us as investors. The Russians love fashionable things. All the leading brands are represented in Moscow. When we began discussing how to invest in the Russian fashion industry in 2008, there was no trace

**– But in the West, fashion was already an important part of electronic commerce. It was a real challenge for us to introduce Western business models in Moscow.**



– Quite soon we came to the conclusion that if we wanted to get into the Russian market, the infrastructure would have to be created. Experienced entrepreneurs with knowledge of the local market would have to be found. And we found the right man, Oskar Hartmann. We met to discuss investments in the KupiVIP project in 2008. We talked for two hours and realised that our views coincided. A few weeks after this conversation, the KupiVIP project had already begun.

**– *Is KupiVIP.ru the most successful of your projects?***

– It's the biggest, which amounts to the same thing. In general, in the world of venture capital, success is measured by what we call "exit" – getting out of the business. Mangrove invests in companies at the early stages of their development. Therefore we don't usually talk about profits. But of course, KupiVIP.ru is a success; after all, it is the first in its sector on the Russian market. And it is important not only because it is big. Its example

encourages many talented Russian venture capitalists; people came to believe that it was possible to carry out electronic commerce projects successfully in Russia.

**– *How much did you invest in the project?***

– I can't give you specific figures, but I'll tell you frankly: electronic commerce projects in Russia require a lot of money. Executive discipline is not very high, and there are problems with the quality of service. Therefore, if you intend to open a large-scale business, you have to invest in your own structures: finance, logistics throughout the country, and delivery to the end user ("the last mile", as they say). You have to set up call centres. All this involves considerable expense. It usually frightens Western investors off, but we decided to go ahead.

**– *How do you communicate with those carrying out the project in Moscow?***

**Now there are many completely innovative and original projects. This is an important landmark for the Russian internet.**



– We share not only money, but also knowledge and experience. We give advice, we help with coaching. Participation in the discussion of plans and ideas is characteristic of Mangrove in general. We don't manage the business of our startups, the control levers are fully in the hands of the company management, but we always express our opinion. We are in touch

– ***Is the Moscow business climate favourable enough for European investors?***

– In principle, I cannot see any obstacles to investment. And the process is not that different from the way things are done in the West.

– ***Is bureaucracy a problem?***

– This doesn't directly affect us in Mangrove, but it does indeed affect the

**Moscow consumers are seeking more convenient ways of making their purchases – they no longer want to waste two or three hours in traffic jams.**

with Oskar several times a week, and in the first stages, it was literally every day. Mainly by Skype, of course. In Mangrove I am responsible for Russia and Ukraine, so I am frequently in Moscow, keeping track of the market. And not only in Moscow, but also in St. Petersburg and Kazan.

– ***When do you expect to recoup the money invested in the KupiVIP.ru project?***

– The company continues to grow, but a realistic forecast would be two to three years.

business of the companies with which we work. One of the consequences is that as a rule, there are more people working in Russian startups than in similar ones in the West. This is partly explained by bureaucracy and by the fact that more resources have to be spent on financial services.

– ***What can be done to improve the investment climate?***

– At present there are relatively few investors actively putting venture capital into Russia. The main reason, as I see it, is that foreign investors



underestimate the potential of the Russian market. The second reason is that investors have no clarity about getting out of the project and getting their investments repaid. A venture investor needs to be sure that five to seven years after its start, a business can be sold or taken to IPO, or that a return on the investments can be obtained in some other way. I expect that soon, maybe after a few years, there will be many successful exits from projects, and more and better publicised sales of companies. This success will be an inspiration to many foreign investors.

Let me remind you of the history of Skype. When the company was successfully sold to eBay, it was a revolutionary event which changed the whole world of the venture business in Europe. It divided the age into two: before Skype and after Skype. Something similar could happen in Russia too in the next few years.

In 2012, the Russian electronic commerce market was estimated at 10 to 12 billion dollars, this being less than 2% of retail trade. On average throughout the world, this figure was 6.5-7%. So there is a vast amount of room for growth. The infrastructure is being formed a little at a time, Moscow consumers are seeking more convenient ways of making their purchases – they no longer want to waste two or three hours in traffic jams.

Apart from this, the variety of electronic trade is expanding. For consumers in the Russian regions the accessibility of goods is the key factor. They can obtain through the internet things which are not on sale in shops in their towns. So you could say that both big cities and the regions have good prospects in different ways.

***– How do you see the situation in electronic commerce in Russia today?***

– It seems to me that Russian entrepreneurs are now basing their online companies in approximately the same sectors of the economy as their colleagues in other countries. There was recently a sudden rise in the growth of mobile phone trade, and several interesting projects arose. The growth in electronic trade continues, successes in the online gaming industry are not at all bad, interesting studios of game developers and other talented entrepreneurs are entering the market. Russian businessmen are strong in cloud services and in the social networks business.

The Russian landscape is now very varied. The picture has changed greatly over the past few years. Previously it was all reproduction of Western business models and nothing else. But now there are many completely innovative and original projects. This is an important landmark for the Russian internet.



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

– If you intend to develop a business seriously in Moscow, you should realise from the very beginning that you will have to expend a lot of time, effort and resources on it. It is important for Russians to have personal contacts, meetings face to face, not over the internet. You must at once get used to having to visit the country frequently. Not once or twice a year, but once or twice a month, as we and other foreign investors do.

And another thing: certain legal aspects make certain business categories less attractive. I refer to the procurement of goods abroad. Because of dues and other obstacles, foreign goods are significantly more expensive than local goods. For large companies, this is not a serious matter, but for small ones, insurmountable problems may arise.

**– *What do you think of the fact that many Russian startups are copies of Western originals?***

– If it's a matter of copying some interesting innovative project and adapting it to the Russian infrastructure, then why shouldn't they be? Both KupiVIP.ru and OkTogo.ru have analogues in the West. But there were no such projects in Russia, and they appeared together with their own infrastructure.

**– *What is your opinion of state support for venture business?***

– Government initiatives such as “Skolkovo”, “Rosnano” and others bring great benefit. But you have to be realistic, and realise that not all startups will be a success. Such is the nature of venture business. The main thing is that the project should be interesting and that its leaders should be ambitious and well-motivated. This is equally important for Russian investors and Western ones. ■



Join in a discussion  
of the article  
on facebook.com





# New Consumers

*Migration is making Moscow  
the biggest and fastest-growing centre  
of demand for consumer goods  
and services in Europe*



# ACCORDING TO THE OFFICIAL STATISTICS, THE LION'S SHARE OF THE MIGRANTS COMES FROM THE RUSSIAN REGIONS.

In recent years, the number of migrants officially registered in the Russian capital has been growing at a particularly rapid rate. In 2010 and 2011, according to state statistics, about 125,000 people arrived in Moscow. In 2012, the figure was over 200,000. Judging by the current data, last year's record will be broken in 2013. Between January and August, 147,000 people moved to Moscow. This is almost 38% more than for the same period in 2012. Since 2008, according to official statistics, the population of Moscow has increased by almost 800,000 – more than 7%. This is as if all of one of the ten largest cities in the country had moved to the capital.

Who is coming to Moscow? According to the official statistics, the lion's share of the migrants comes from the Russian regions. Data for the first six months of 2013 show that of the total number of migrants, 90% arrived right here. Immigrants from the CIS countries only comprised 7% of the total. Of course, this is only according to official statistics. In Moscow, as in several other European capitals, there is an acute problem of illegal migration. This problem was particularly marked in 2012, and the Moscow administration took a number of steps to solve it. But of course, it is not a simple matter. It is a long-term process, dependent on the political will of the Federal authorities.

At the present time, the real situation is this. According to UN estimates, confirmed by the Federal Migration Service, the total number of migrants (including illegal ones) in Russia



**IN THE PAST  
FIVE YEARS,  
THE TOTAL NUMBER  
OF INHABITANTS  
OF THE MOSCOW  
CONURBATION HAS  
INCREASED BY NO  
LESS THAN 20%.**

is 11 million. FMS data show that there are about one million migrants from other states living in Moscow, and a further 1.5 million in Moscow oblast.

Thus, in the past five years, the total number of inhabitants of the Moscow conurbation has increased by no less than 20%. What does this mean? First of all, a tremendous growth in the capacity of the capital's consumer goods and services market, and consequently in the capitalisation of all Moscow assets in any way connected with servicing the requirements of the city's population and those of the surrounding regions. On the other hand, the strain on the transport and social infrastructure has increased sharply, leading to an increase in investments in developing it, both from the Moscow treasury and from private-state partnerships of various kinds. Obviously, both these factors create additional opportunities for business, including from the West, and these opportunities cannot be overestimated.

The strategy of the Moscow authorities on migration is not to permit the formation of closed ethnic enclaves. Until recently, most of the migrants from the countries of the former USSR were citizens who were born and grew up in the Soviet era. And a considerable portion of these were non-native inhabitants of the republics of the former USSR which had become independent states.



**THE MARKET FOR CONSUMER GOODS AND SERVICES OF THE CAPITAL REGION CAN EXPECT A CONSIDERABLE EXPANSION. IT IS THE TASK OF BUSINESS, INCLUDING FOREIGN BUSINESS, TO SATISFY THIS MARKET.**

Now the situation has changed. The “new migrants” have arrived, and they are quite different. There is a very large influx of migrants from Uzbekistan, the largest state in terms of population on the territory of the former USSR in Central Asia. They are young people who have grown up in conditions of independence, as a rule with insufficient education, and unable to find a place for themselves in present-day Uzbekistan. And they represent a serious source of social and even political risks. It is not only nationalist groups which have adopted an anti-immigration agenda in recent years, but also some of the Moscow middle class. To all appearances, the Russian and Moscow authorities will have to implement a double strategy, tested in Soviet times in controlling the migration influx of Vietnamese citizens who came to work in the industrial enterprises of Moscow and the adjacent regions. Employers will be responsible for those invited, and for creating acceptable living conditions for them. After the end of their contracts, the migrants are obliged to leave the country.

In principle, this strategy is in accordance with the intentions of most of those arriving from Uzbekistan. But it is hard to expect that these intentions will not change in the course of living and working in the Russian capital. Accordingly, the authorities will have to expend a lot of effort and money to raise the educational level of the migrants. Work on these lines is already going on. A whole network of education centres for migrants



has been created. It is true that raising their level of education still further weakens the migrants' desire to return to their homeland, where in conditions of a stagnating economy, patriarchal tendencies are just becoming stronger. But the integration processes will be intensified, and it is quite possible that a considerable number of these new migrants will also join the ranks of the taxpaying population of the capital region, expanding the consumer capacity of the market.

However that may be, in the medium term, the market for consumer goods and services of the capital region can expect a considerable expansion because of the constant influx of migrants. It is the task of business, including foreign business, to satisfy this market. Ideally, illegal immigration should be stopped and legal immigration carefully regulated. If this is achieved, all forms of business concerned with consumer goods and services will gain from the influx of migrants, since the competition climate will become much less fierce than in the long established Western markets. And only foreign entrepreneurs will be able to value this at its proper worth. ■





# Trading Partner

*How can Western suppliers foster good relations with Russian distributors?*



*The Russian market is huge, and all manner of goods will find their intended customer: more so, if such goods are of a high quality. But, for the Western supplier's goods, the way to the consumer is not without its difficulties. Advising on how to make this road that little bit faster and ensuring that deliveries run smoothly is CEO of Unit Consult, leading consultant on distribution, **Tatiana Sorokina**.*

---

**– What are the differences between the Russian and Western goods markets?**

– The Russian market is still not quite what you would call cultivated. And those commercial practices which work effectively in the West are only just beginning to take root in Russia, and they occasionally experience some difficulty. But there are a few extremely interesting sections of the market which have already passed through this stage and, from the business relations perspective, match Western standards entirely, for example, the foodstuffs market. There is fierce competition, and the mark-up by the

intermediaries in the supply-chain is not overly great.

**– How in general do Western suppliers gain entry into the Russian market? What steps do they need to take?**

– The first thing you should do is to draw up a list of potential trading partners, i.e. those companies operating in your particular market sector — a list of partners, compiled by region, in order to deliver the right level of coverage. Such information is freely available. You can find it on the internet: just use the right search terms, and you will find out

---

**YOU MUST DRAW UP IN DETAIL YOUR AIMS  
AND OBJECTIVES IN TERMS OF BOTH PRODUCT  
AREAS AND GEOGRAPHICAL COVERAGE.**

---



what you need to know. You can also take a look at your competitors' websites: some of them mention who their trading partners are.

***– And how are these distributors categorised? By product?***

– Usually, yes. If we're talking about foodstuffs, then there are distributors under "milk" or "meat" etc. It's the same with other industries, manufactured goods, for instance. With those, however, you really need to be specific, as distributors of manufactured goods offer post-sales servicing too, and servicing for, let's say, air-conditioners, is completely different from that for mining equipment, for example.

***– And then?***

– Then we request from the distributors information on who they work with, and with which networks. Typically, by way of reply, the distributors send a presentation in which they reveal how many clients they are prepared to make available, and who they are. It is on the basis of this, that a decision on

concluding partnership agreements is made. If there were about 30 in the initial list of companies, then the number of partners left will be about 10-15. Ordinarily, this is sufficient for covering the entire territory of Russia. But parallel to this, and more important even, is the need to work on formulating a strategy for promoting your goods on the market. Having partners is a tactic. But they are no use to you without a strategy. Thus is it essential, first of all, to develop a specific commercial policy setting out the conditions with which you are entering the Russian market. You must draw up in detail your aims and objectives in terms of both product areas and geographical coverage: Moscow, St. Petersburg, cities with a million plus inhabitants. These commercial conditions are how, and with what, you intend to incentivise your trading partners. So, the kind of results to be achieved in the half-yearly figures in order to receive what kind of rewards and bonuses. What the discounts will be, for example, on one-off bulk purchases, or for the distributor meeting certain targets. This is most important. After all,

---

**THE MOST IMPORTANT ELEMENT IN BUILDING  
PARTNERSHIP RELATIONS IS TRAINING.**

---



in civilised markets the distributor, first of all, reveals to the supplier who is on his books: the name of the client, how many goods have been sold to them. Secondly, the distributor is prepared to support the brand, and has a budget which, along with the supplier, he is prepared to use to promote the product. It is no small task for a distributor to introduce a new product to his trading networks: he is ready to help with that but there should always be a joint budget for it. And, in the initial stages, it falls precisely to the supplier to take on most of these costs: up to 70% of the budget for promoting the product through sales channels with advertising campaigns, special offers, bonuses for vendors and purchasers etc. This is very important. I can cite as an example the Western supplier of what is a highly unusual product to Russians: low-alcohol cocktails. So thoroughly did they put their promotion programme together by region (they selected, I recall, cities with five million plus inhabitants), that they increased their representation in retail networks from nil to 15%.

***– And what kind of financial sums are we talking about?***

– If it is a case of nationwide sales, i.e. in cities with one million plus inhabitants, then a start-up in Moscow requires hundreds of thousands of roubles per month, and in the regions, it's tens of thousands. Joint programmes for stimulating sales are the most vital tool for entering the market.

***– How else can you capture the interest of Russian distributors?***

– We have been discussing the commercial aspect in terms of prices, discounts, bonuses, and the marketing aspect with the product promotion scheme. The third and most important element in building partnership relations is training. If, say, we're talking about premium goods, then trying to sell them without specialised staff training is simply not going to work. The distributor needs to know what advantages your goods have and how to best get these across to the customer; and this requires training. The best option is for the supplier, if there

---

**ON NO ACCOUNT STAKE EVERYTHING ON ONE PARTNER.  
YOU SHOULDN'T WORK WITH ONE DISTRIBUTOR  
EXCLUSIVELY.**

---



is this possibility, to pay to specially train, as a brand manager, someone who works at the distributor's premises (it is worth taking them in to train yourself). They will then be able to pass on what they have learned about the product to others, and to work with the purchasers and vendors.

***– Are there any potential stumbling blocks posed by the specific nature of the business environment or local mentality which the western supplier should bear in mind on entering the Russian market?***

– An inadequately cultivated level of business relations in certain industries could turn into a problem. I know from personal experience, that in the sector supplying high-cost medical equipment, a thoroughly proper business environment has long since developed: so there is nothing to fear there. But if we are talking, for example, about the supply of children's toys, then that market is still rather primitive. It is entirely possible for goods to be sold in places and at prices not reckoned upon in the agreement.

***– What would you advise Western suppliers when building relations with Russian distributors?***

– On no account stake everything on one partner. You shouldn't work with one distributor exclusively. I've heard numerous stories of exclusive agreements being made, and they all ended badly. If it's a case of reaching areas as far as the Urals, then you need to have from seven to 10 partners. And another thing is: visit your partners more often. See everything with your own eyes. That way, there won't be any unpleasant surprises in store. ■



Join in a discussion  
of the article  
on facebook.com



WE SIMULATE SITUATIONS



***www.mauer-group.ru***



# The Rules of the Game

*Insufficient acquaintance with Russian  
business realities amongst Western  
companies carries the risk  
of unpleasant surprises*

BY: IGOR IVANOV | PHOTO: MAUER GROUP | TRANSLATION BY: JASON J SHAW



*When the game is played according to rules you don't fully understand, the likelihood of victory is minimal.*

*CEO of MauerGroup **Irina Arekhina** understands situations from her own experience which can serve as stark lessons to foreign companies entering into partnership relations with players on the Russian market.*

## SITUATION



A foreign company has invited a foreigner to the post of CEO of its Moscow office. The drawing up of the employment contract has been entrusted to lawyers. Income tax accounts (NDFL) made available have raised several doubts. The foreign company has asked experts to carry out an inspection.

operates across the whole of the former Soviet Union) were completely unaccounted for, as well as his trips back home or to holiday resorts. As a result of this, the amount of over-withheld income tax seemed to be minimal. Over-withheld income tax comes about due to the particularities of the Russian tax code which requires the application of the standard rate of 13%, instead of the 30% for foreigners, in cases where they have spent no less than 180 days in the territory of the Russian Federation. Taking into account these private business trips, the CEO would have clocked up his 180 days later and, accordingly, the period for which he was liable for tax at the higher rate would have been longer. New accounts for over-withheld income tax for the different versions of the CEO's work schedule were filled out. Russian tax legislation has its nuances regarding tax payments by RF non-residents. There are usually many foreigners in Western companies



**SITUATION**

An Austrian company has negotiated the construction of a factory making irrigation equipment with a regional government having signed a memorandum of intent. To carry out the project, a Russian daughter company has been registered. The local government has set aside a plot of land to build on and put the rights to lease it out to tender. However, on the eve of the tender, it refuses to name a price for any subsequent purchase of the land.

According to Russian law, the price for privatised land is calculated as a product of the cadastral values of the site, as well as the rate and divisible factor of the land tax. All three parameters are mutable, hence the government has refused to fix the sum. After looking into the situation, the Austrian company was recommended not to take part in the tender. As a result, the tender did not go ahead due to the lack of any bids submitted. The future fate of the project will be decided in a fresh round of negotiations between the Austrian company and the regional government. A decision to launch the project with the prospects for the privatisation of the area of land being unclear would have been imprudent. This situation could have been envisaged in advance. Russian law does not allow for the possibility of including areas of land under state or municipal ownership in rental agreements, or for conditions to fix the future price of plots of land. Thus foreign companies implementing their projects on Russian territory should acquire land in ownership first, before embarking on the building of any sites. In any case, this issue should be raised in negotiations as early on as possible.



## SITUATION

# 3

A foreign and Russian company have created a joint venture for the construction of a concrete factory. The Russian side has provided a plot of land which it owns, the foreign company is financing the construction. Once the factory has begun operating, the Russian side announces that it is exiting the joint venture and shuts off its partner's access to the manufacturing area having filed for bankruptcy a year later.

Bankruptcy is a fairly widespread means of seizing assets. In this case, an unscrupulous partner, using its property ownership rights to the land, has attempted to take over the buildings and manufacturing infrastructure built with foreign money. The foreign company has filed a counter claim to recognise its rights to the land and received a positive court decision regarding its access to the manufacturing area, but the overall situation hasn't changed. The factory is idle, and each side has filed new claims, one against the other. The result of which is that the ground was prepared for the file for bankruptcy. Further proceedings are in prospect.

Not having foreseen such a turn of events, the foreign company has incurred serious losses. When setting up a parity joint venture, it is best to observe parity in everything including investments. Under no circumstances agree to undertake the construction of manufacturing capacity at your own expense on land which you do not control, or to lease land without a stake in its ownership. Setting up a JV on an equal footing, with various shares at 50-50, in the event of conflict with owners is fraught with the risk of stalemate situations. You should only proceed with your investments into a JV when you have a controlling stake.



**SITUATION****4**

A Western company concludes an agreement with a Russian agricultural producer, putting up a 100% prepayment. But this year's harvest is a failure. The Russian partner is not in a position to supply any produce or to return the funds paid to them in advance.

In this case, it is not a matter of unscrupulousness on the part of the partner, but of force majeure. The supplier promises to correct the situation and fulfil its obligations in the future but there are no guarantees of this.

It is inadvisable to provide a 100% advance payment for proposed deliveries especially in cases where circumstances beyond the partner's control may interfere with contract fulfilment. Western companies often go into such deals assuming that they will be able to defend their interests through the courts.

However, the system in Russia for reclaiming losses via the court is still extremely poorly developed. Assets can be easily removed via legal proceedings (so-called "asset draining"), and then there is nothing to take from the former partner. For foreign companies used to being able to rely on the courts, this turns out to be a huge surprise.

In such agreements, it is necessary to negotiate payment for post factum receipt of goods, or in proportion to their availability. Prepayment should be to the amount the company is prepared to risk as irrecoverable losses.



Join in a discussion  
of the article  
on facebook.com





# Invitation to Cooperation

*Transport, production, public spaces – the Moscow International Forum on Foreign Investments pointed out the spheres of activity in which foreign entrepreneurs are wanted*

***The Second Moscow International Forum on Foreign Investments, organised on the initiative of the Moscow administration, has taken place. For the second year running, it assembled representatives of various authorities, investors and experts at international level to discuss topical problems of the investment climate in the Russian capital and the regions.***

---

State policy in the investment field, the creation of a new international financial centre in Moscow, investments in the development of urban territories, protecting the interests of foreign investors – these and other questions were central to the discussions. The organisers (the capital's Department of External Economic and International Relations) had a specific aim – to present the key lines of development of investment policy, to talk about the conditions for doing business in various sectors of the economy, and to demonstrate the investment potential of the capital and regions of Russia to foreign businessmen. Undoubtedly, their attention was mainly on the speech by Sergei Sobyanin, the Mayor of Moscow. What interesting propositions does he offer at a time when investment activity throughout the world has declined because of the crisis?

**“This forum is only the second one, but it has already gained a certain reputation and attracted great interest from investors all over the world”, the Mayor said at**

once. “**This year, we have about 2,000 attending: representatives of the state authorities, financial corporations, industrial enterprises and small and medium are all at this meeting, and we are ready to do everything possible to make this forum interesting, attractive, and most of all, useful”.**

Sergei Sobyanin mentioned that the population of Moscow had recently passed the 12 million mark, and it continues to grow by about 100,000 every year. More than 20 million people live in the Greater Moscow conurbation, the biggest of its kind in Europe, which is currently implementing a development programme, the main aim of which is to transform Moscow into a more convenient and modern city. The following figures give some idea of the scale of the transformations taking place. In three years, investments in Moscow have increased by 50%, to 35 billion dollars per annum. Most of this money comes from private investors, both Russian and foreign.



Sergei Sobyanin listed several projects which could be the subject of further private investments. Today, Moscow is carrying out one of the world's biggest transport system development programmes – the construction of 160 km of underground railway, 240 km of surface railway and 400 km of motor roads. All this requires investment not only from the state, but also from private investors.

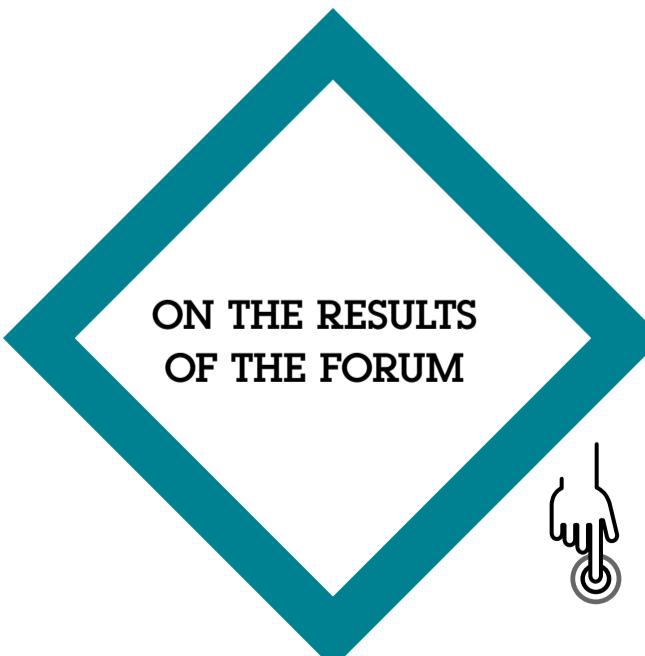
**“At the same time, we are inviting investors to participate in the construction of the accompanying infrastructure, such as car parks and transport interchanges, which will take up millions of square metres of real estate”, declared Sergei Sobyanin. “We are also inviting investors for the development of the infrastructure for the carriage of passengers. Priority development of the transport system will in turn facilitate the intensive, dynamic growth of all the investment projects in our region”.**

Another field for investment is the landscaping of modern public spaces. Every year, new pedestrian zones and parks open in Moscow. These places are a natural attraction for Muscovites, so they are open for

investment in culture, public catering and any other business concerned with services for the citizens. As the Mayor of Moscow said, after the reconstruction of districts, putting them in good order, and the creation of pedestrian zones, real estate normally rises in value by 25-40%.

**“Investors can participate in the restoration and updating of buildings which are part of our architectural heritage”, said the Mayor. “And this is a new trend, because in previous years there was hardly any investment of this kind. Today it amounts to 30 times as much. Hundreds of fine old buildings are being restored, not only at the state’s expense, but also by private investment. The city now has a special programme of favourable leasing for investors involved in the restoration of buildings important to architecture and history. The restored buildings, which are usually in the historic centre of the city, will become available for opening hotels, cultural institutions, company missions and any other businesses”.**

In the social sphere, the Moscow administration is interested in improving the quality of education



ON THE RESULTS  
OF THE FORUM





and medical services, so it will welcome the creation in the city of new private kindergartens, schools, medical centres and even full-blown private hospitals.

**“We have approved a very wide range of methods of attracting investments to the city – from simple privatisation and leasing of buildings to concession**

**agreements in the field of developing health services”, stressed Sergei Sobyanin. “A highly favourable investment scheme has been created for investments in these institutions”.**

Industrial production remains the traditional field for investments in Moscow. Apart from support

programmes for small and medium businesses, we are also willing here to consider proposals from major manufacturers interested in direct access to this huge consumer market and needing qualified personnel, who are available in Moscow. This refers to special city concessions in property tax, land leasing and other matters.

As an example, the Mayor of Moscow cited Renault-Nissan, which recently took the decision to make further investments and approximately double the production of cars at its Moscow site. In response, the Moscow authorities granted several special concessions to support this production.

Furthermore, such traditional Moscow fields as the financial sector, office property, trade, housing construction and many others remain open to investors.

**“There has been quite a lot of talk about opportunities for investments in these fields being reduced or wound up”, the Mayor admitted. “I must say that this is not strictly true, in fact it is not true at all. The total investment in these**

**fields increases practically every year”.**

They are no longer continuing with dense building in the central part of Moscow, there is no more room left there. At the same time, the authorities have opened up new opportunities, to do with landscaping industrial zones and the new territories of Moscow.

Remember that the territory of the Russian capital was recently increased by 150%.

**“This means new opportunities for investment”, stressed Sergei Sobyanin. “Therefore I invite you to join us in implementing the most interesting and most efficient projects in a wide variety of fields, which will interest you, and improve our city”.**

Sergei Chremin, the head of the Department of External Economic and International Relations of Moscow, remarked in the course of the forum that Moscow is still the leader of all the Russian regions for attracting foreign investment. **“In the first six months of 2013, 62% of all investments in Russia came to Moscow, that’s over**

**In three years, investments in Moscow have increased by 50%.**



**60 billion dollars**", he said. Cheremin also drew attention to positive changes in the structure of foreign investments. "**Direct investments have increased several-fold. They came to more than five billion dollars in those six months**", he stressed.

Investments in transport were the main theme of the speech by Marat Khusnullin, Deputy Mayor of Moscow for matters of city-building policy and for building. According to him, about one trillion roubles of Moscow's investment programme have been allocated to the development of transport. It is intended to build 400 km of roads on the new territories. Marat Khusnullin stressed that the Moscow administration is actively developing transport interchanges, building new metro stations and reducing administrative barriers. "**We plan to be among the first five in the world for volume of road construction this year**", the Deputy Mayor declared.

The forum also discussed trends in the development of investment policy in the regions, and the work experience of foreign countries in the administrative



divisions of the RF. Representatives of Tver, Tula, Kaluga and Tyumen oblasts, the Republic of Tatarstan and other Russian regions took part in the discussion.

Foreigners also showed much interest in the forum. "**Relations between Russia and great Britain have become more dynamic. This year the dialogue between our countries became active at state level as a result of the G-8 summit in Great Britain and the subsequent G-20 summit in St. Petersburg**", said Prince Michael of Kent, the patron of the British Chamber of Trade and

**In the social sphere, the Moscow administration is interested in improving the quality of education and medical services.**

BIGMOSCOW // REPORTAGE // INVITATION TO COOPERATION



## **Moscow is still the leader of all the Russian regions for attracting foreign investment**

Industry, in his welcoming address. He also expressed the hope that the great experience and high level of competence of the management of the Moscow Chamber of Trade and Commerce would lead to more effective economic relations between Great Britain and Russia.

Carlos Bronzatto, Managing Director of the World Association of Investment Promotion Agencies, Jan Simons, Managing Director of the Netherlands Council for Trade Promotion, Arvid

Türkner, Director for Regional Development of the European Bank of Reconstruction and Development, Dominique Fache, President of the Sophia Antipolis technology park, Martin Shearer. Managing Director of Otto Group Russia, and Andrew Somers, President of the American Chamber of Commerce, who was featured in one of our recent editions, shared their experience of conducting business in the Russian regions at the forum. ■



Join in a discussion  
of the article  
on facebook.com





# Out of Hibernation

*In the run-up to the spring-summer season, business activity at Moscow's exhibition centres is gathering special momentum*





## CJF CHILDREN'S FASHION

[www.cjf-expo.ru](http://www.cjf-expo.ru)

**25.02 – 28.02**

**Located: Expocentre Central**

**Exhibition Complex**

**Theme: fabrics, fashion, clothing  
and accessories**

“Fashion starts with childhood. Business starts with fashion”. So goes the motto of the biannual International Exhibition of Fashion for Children and Teenagers, which also features maternity wear, and which takes place at Moscow’s Expocentre. Involved in the exhibition are children’s fashion industry professionals from several countries, looking to strengthen their existing

**EXHIBITION  
SECTIONS**



ties and find new potential business partners. The 12<sup>th</sup> International Exhibition of Fashion for Children and Teenagers promises participants and visitors a packed programme, as well as being an ideal way of cultivating mutually beneficial commercial contacts. Added to which, there are expected to be presentations of new clothing lines, and several catwalks.





**HUNTING AND FISHING  
IN RUSSIA**  
*[www.hunting-expo.ru](http://www.hunting-expo.ru)*



**26.02 – 2.03**

**Located at: The All-Russian  
Exhibition Centre (VVTs),  
Pavilion Nos 69 and 75**  
**Theme: sports equipment,  
outdoor activities, tourism**

The Russian exhibition design company Expodesign, under the patronage of the Russian Chamber of Commerce and Industry, and with the support of the Presidential Administration of the RF and the Moscow City Government, is holding the 35th International Exhibition for Hunting and Fishing. Expected

**EXHIBITION  
SECTIONS**



to take part are over 700 companies from several countries, specialising in goods and services related to hunting and fishing supplies and accessories, hunting weaponry, specialist equipment, hardware and transportation, hunting and fishing trips, outdoor activities, dedicated literature, souvenirs, and found objects.





**INTERLAKOKRASKA**  
[www.interlak-expo.ru](http://www.interlak-expo.ru)



**11.03 – 13.03**

**Located: Expocentre Central  
Exhibition Complex**

**Theme: the chemical industry**

The 18<sup>th</sup> International specialised Interlakokraska exhibition is being held with the cooperation and support of the RF Trade and Industry Ministry, the D. I. Mendeleev Russian Chemical Society, and falls under the patronage of the Russian Chamber of Commerce and Industry, the Moscow City Government and the Russian Union of Chemists.

**EXHIBITION THEME**



As always, taking in the exhibition will be the leading western manufacturers of paints, varnishes and lacquers with an interest in the Russian market. Also forming part of Interlakokraska 2014 will be the 8<sup>th</sup> International Salon Surface Treatment. Corrosion Protection and the 3<sup>rd</sup> International Salon Coatings with Specialised Properties.





## THE MOSCOW BOAT SHOW [www.mosboatshow.ru](http://www.mosboatshow.ru)



**11.03 – 16.03**

**Located: The “Crocus Expo”  
International Exhibition Centre  
Theme: boats and yachts,  
boating trips, outdoor activities**

The Moscow Boat Show (international boat and yacht exhibition) will bring together in an extensive display area more than 350 participants, amongst whom are the leading manufacturers of motor and sailing vessels for maritime and river cruises, as well as those of sports equipment and accessories for activity holidays on the water. Visitors

**EXHIBITION  
SECTIONS**



to the exhibition will be able to see over 500 examples of recreational boats and ships, not to mention yachting parts and accessories, moorings, houseboats, diving gear, motorhomes, helicopters, and much more. The Russian yachting market is developing rapidly, offering great opportunities to western companies specialising in this industry. ■



Join in a discussion  
of the article  
on facebook.com



B U S I N E S S   M O S C O W

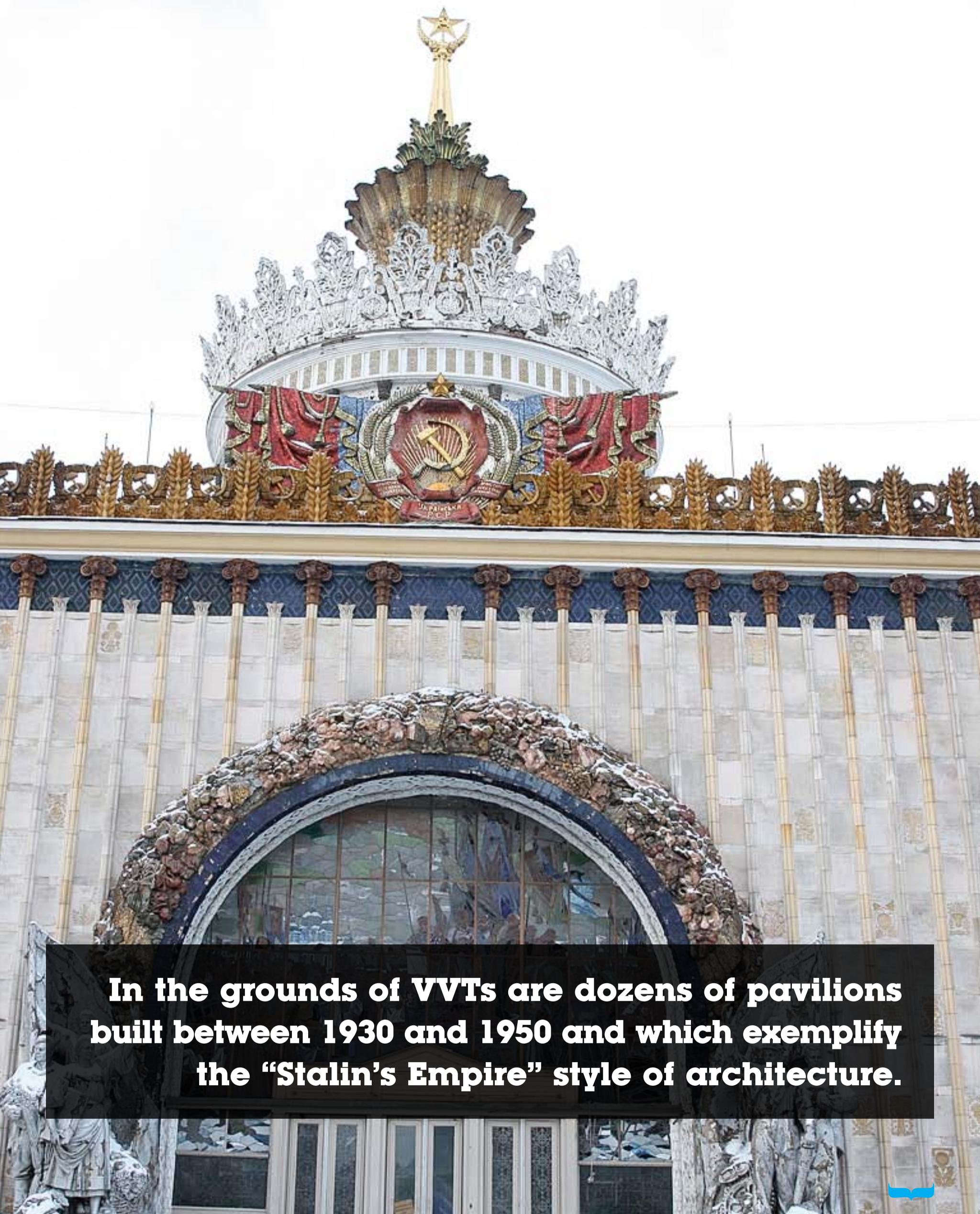
*The All-Russian  
Exhibition Centre:  
modern business  
against the backdrop  
of monuments  
to the Soviet era*

# Something To Behold

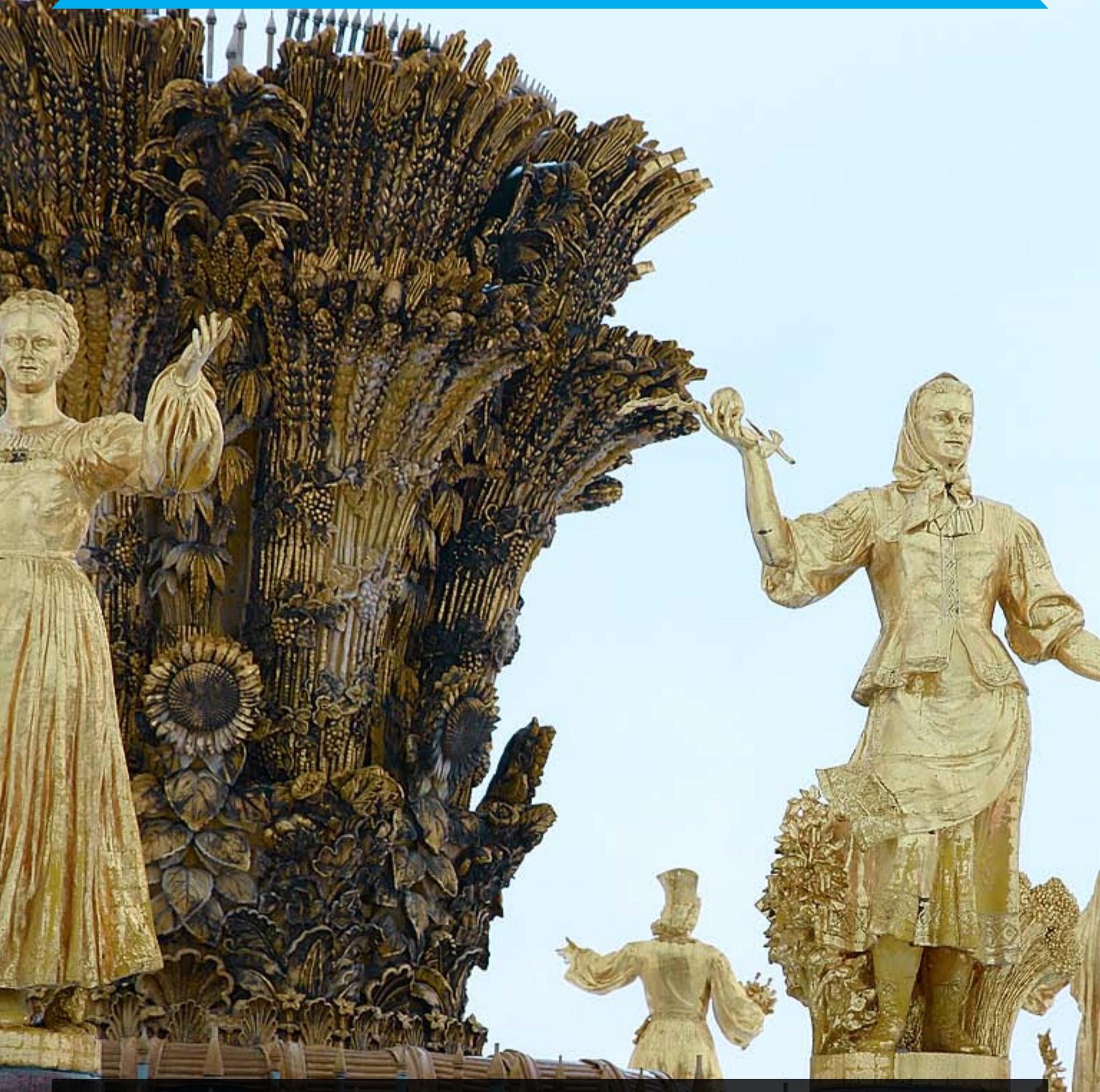
PHOTO: EVGENY DUDIN



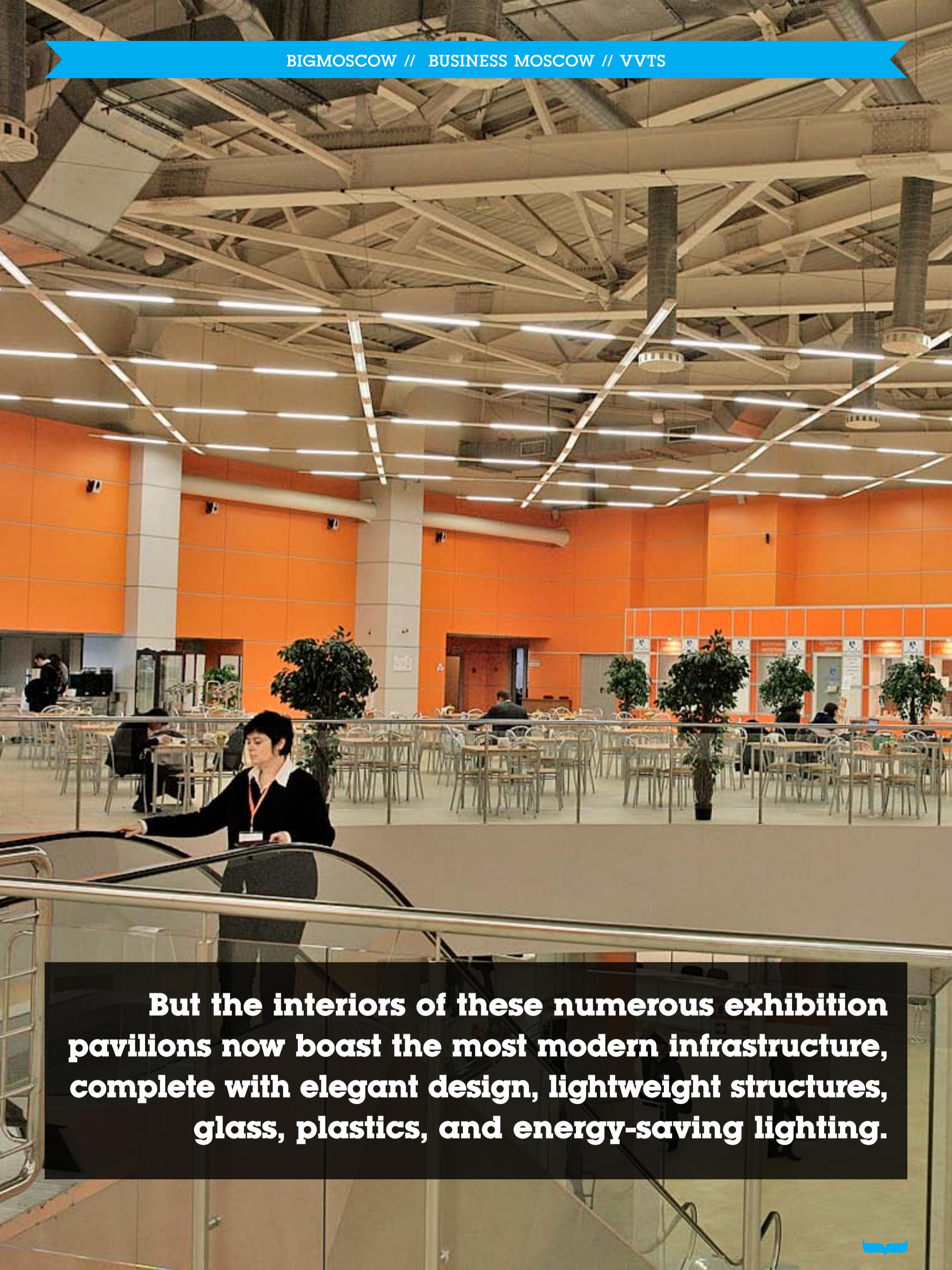
**The VVTs is the former VDNKh, or Exhibition of National Economic Achievements, the USSR's main exposition venue, opened in 1939.**



**In the grounds of VVTs are dozens of pavilions built between 1930 and 1950 and which exemplify the “Stalin’s Empire” style of architecture.**



**The grandiose fountains in this same Stalinist style are magnificent memorials to a bygone era.**



**But the interiors of these numerous exhibition pavilions now boast the most modern infrastructure, complete with elegant design, lightweight structures, glass, plastics, and energy-saving lighting.**



**Products from the leaders amongst the high technology industries are showcased at VVTs, and exhibitions are updated regularly.**



Join in a discussion  
of the article  
on facebook.com



# Leave to Remain

*Having come to Moscow, Irishman **Hugh McEnaney** started not only a happy family but also a successful business*

BY: EKATERINA KOLOSOVA | PHOTO: YEVGENY DUDIN | TRANSLATION BY: JASON J SHAW



*Cambridge graduate and trained English language expert Hugh McEnaney was born in Ireland and has lived in New York, Japan and Australia. In 2007, he moved to Moscow. After working as a teacher for a couple of years, he started his own tutoring business and founded the company Be Your Best. Currently, he is developing a further aspect of his business by arranging trips to his native Ireland.*

**– What made you visit Moscow?**

– Love. In 2005, I met my wife-to-be at a holiday resort. I asked her: “Are you having a nice time?” And she replied: “Sorry, but I really don’t speak English”. I was a frequent visitor to Moscow as a tourist. Aeroflot just loved me: I used to fly all over the place. And in 2007, I moved here permanently.

**– Before you met your future wife, had you had any contact with Russians?**

– Not at all! The only Russian I had heard of was Ivan Drago from the film Rocky. And some of the country’s leaders, like Yeltsin and Brezhnev.

**– And how do you feel about Russians now?**

– Russians are similar to the Irish. Once you know them a bit better, they show themselves to be amiable and will do anything they can for you. I now have lots of Russian friends, and a Russian family: a mother-in-law and father-in-law. They don’t speak English but I try to speak Russian as much as I can.

**– Are you taking Russian lessons?**

– No, I learn by practising it. I like the Russian language: it sounds so fluid. At first, Russians seemed to me to be a little on the gloomy side but now I



[www.beyourbest.ru](http://www.beyourbest.ru)



know the Russian proverb: “Laughter for no reason is a sign of foolishness”. When I go back to Ireland, I see a higher level of optimism there than in Russia. But Russians are optimists on the inside. The Irish are more open on first meeting. Getting to know Russians well takes longer. But at the end of the day, we are very similar.

***– And how do you find the Moscow weather?***

– I've got used to the weather here. When I was about to come here, it was October and everyone in Ireland said to me: “You're going to the coldest

country in the world!” When it snows in Ireland, the schools close, and the hospitals. Traffic comes to a standstill. Pipes freeze, there's water gushing everywhere, and people panic. But the infrastructure in Moscow is so geared towards the cold, that freezing temperatures are no big deal.

***– Why did you decide to start your own business in Moscow?***

– I had a business in Ireland already. I like my independence; I like to work my own hours. Obviously, there are peaks and troughs in business, there are definite risks but, overall, the game



is worth the candle. I didn't start my business in Moscow straight away. Up until March 2009, I was working with various centres of learning, in various places, on various contracts. It worked out that in the morning I had to be on the north side of Moscow and, at lunchtime, I had to be in the south. Not too convenient. Now I am in charge of my own work schedule.

**– *And how long is your working day?***

– From morning until evening. It can be up to 12 hours.

**– *How did your wife react when you decided to start your own business?***

– She thought I was out of my mind. “You should do something else! You won’t have any kind of stable income!” she said. I reassured her: “I have a lot of experience, don’t worry about it, it will work out fine. And the income will be better”. I had faith in my own abilities. The only problem was the paper trail. But both my wife and my clients help me out, as well as anybody

else who understands such things. It’s an open secret that the level of bureaucracy in Russia is very high. In Ireland, I could set a company up in two days flat, online, but in Moscow you have to have a pile of documents. It makes you want to ask the civil servants: “It’s 2013 out there! Have you never heard of the internet?”

**– *How is the business doing now?***

– It’s going well. It’s simply amazing. I’m happy with the way it’s all developing. I’m doing less teaching these days and mine is now more of a managerial role. I have eight colleagues, contractors. I also organise trips to Ireland. Russians learning English often say: “Come on, let’s go to London!” or some other place in England. But I would recommend going to Ireland. Every year we get Irish students learning Russian in Dublin coming to us. I help them out with work. Some do teaching, others go into journalism or business.

**– *Do you have an office? Where do you do your teaching?***

**The only Russian I had heard of was Ivan Drago from the film Rocky.**





– Mine is a virtual school. If an office is needed, I can help arrange one through acquaintances. I meet people in their offices or at their houses. I used to give lessons at my place but I avoid that now: I don't like to mix the professional with the personal. I sometimes hold lessons in a cafe. It all depends on the client.

**– *Have you been to any other Russian cities apart from Moscow? Which city is your***

**favourite?**

– I've been to St. Petersburg, to Samara, to Livny in Oryol Oblast: it's my wife's hometown. When my parents came over for my wedding in 2009, we went for a drive from Moscow to Livny. It's about 460km away. Just imagine: the distance is about the same from the northernmost to the southernmost point of Ireland! And my mum kept asking: "Where is this place? Does it actually exist? Where are we heading?" Of course, if Ireland is my fingernail

on this hand then Russia is the whole of the palm. Moscow leaves a huge impression on people but visitors should also see what lies beyond the confines of the capital. When about 15 of us from Ireland arrived in Livny, it was like an alien invasion. People got used to foreigners in Moscow a long time ago. And, it goes without saying, Moscow is my favourite Russian city: I do live here, after all. Although St. Petersburg is very beautiful.

not particularly healthy, and I have no desire whatsoever to go back. It's hard for people there. I wouldn't be able to earn as much in Ireland as I do in Moscow.

**– *And how do you find the traffic jams in Moscow? Do you have a car?***

– I have a car and it's, no doubt, the cleanest in Moscow seeing as I hardly ever use it. The metro suits me better. You know, you hear complaints that

**In Ireland, I could set a company up in two days flat, online, but in Moscow you have to have a pile of documents.**

**– *Are you intending to stay in Moscow permanently?***

– I'm often asked that question, both in Moscow and in Ireland. I have temporary leave to remain, which will soon become indefinite. Deep down, I will always be an Irishman, Ireland will always be my native home but I have been in Moscow for seven years now. I don't know. We'll have to see. A lot of foreigners come to Moscow for six months or a year, and 15 years later you can still see them here. At the moment, the economic situation in Ireland is

there are too many people on it, and that kind of thing, but I like the metro all the same because it is faster. And something else I've noticed is that a lot of Muscovites think that if you don't have a car it must mean that you are hard-up. That's utterly ridiculous.

**– *And have you come to appreciate the beauty of the Moscow metro?***

– In all honesty, I rarely look around me when I'm down there.





**A lot of foreigners come to Moscow  
for six months or a year, and 15 years later  
you can still see them here.**

People who come here as tourists send me their Moscow photos afterwards, and some of them are taken in the metro, and that's when I notice how beautiful the underground system is here.

**– Do you have a favourite place in Moscow?**

– My favourite place is at home with my wife. I also like Silver's Irish pub on Tverskaya. But I don't get hung up on any place in particular. A couple of bars and restaurants.

**– What is your favourite Moscow restaurant?**

– I like the Indian restaurant Darbar on top of the Sputnik hotel on Leninsky Avenue. It has a fantastic view of the city! It's next door to where we live on Michurinsky Avenue, next to the university. When my wife cooks, the food is really good, and when she doesn't, we go out to a restaurant. I make a good eater but not such a good cook. ■

**The infrastructure in Moscow is so geared towards the cold, that freezing temperatures are no big deal.**



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](http://wwwbigrussia.org)

[magazine@bigrussia.org](mailto:magazine@bigrussia.org)

Link in App Store  
German version and Russian version

