

BIGMOSCOW

JULY – SEPTEMBER 2016 | DIGITAL MAGAZINE

ENGLISH VERSION



Witnessing the Birth of a New Reality

American Close

makes and sells his cheese in Russia

Italian Viani

is here selling his ice cream

Frenchman Weinbaum

set up his smoothie production in Moscow

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JULY – SEPTEMBER

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TRADING WITH MOSCOW





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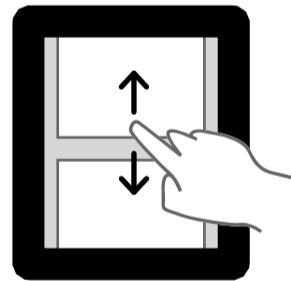
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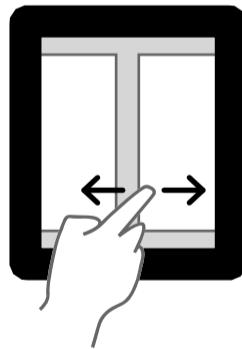
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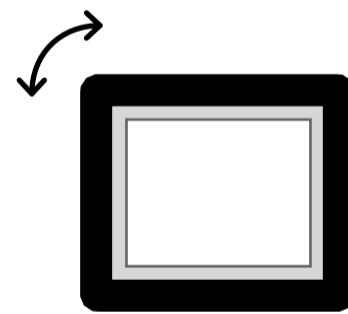
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PERSON

*Head of the Canadian
Business Association,
Nathan Hunt,
has no doubts about
the viability of
the Russian economy
for foreign investors*



The Potential for Business is Here!

BY: NIKOLAI MIROSHNIK | PHOTO: FRANCESCO ROSSINI | TRANSLATION BY: JASON J SHAW



*For graduate of the Russian Studies Department of Yale University (USA) **Nathan Hunt**, God Himself, as he puts it, bid him choose a career in Russia. He arrived in Moscow in 1992. And it has been 20 years now that he has been Director of the Russian Representation Office of the Canadian company Ronald A. Chisholm Limited. And for 15 years he has been Chairman of the Board of Directors of the Moscow Chapter of the Canada Eurasia Russia Business Association (CERBA). Today **Nathan** lets us in on what it is like for the foreigner living and doing business here in Russia.*

– Mr. Hunt, you became the head of CERBA in 2001. Then, it was still called the Canadian Business Association in Russia (KDAR). But since 1996, that is from the moment it was founded, you went onto its Board of Directors...

– That's not quite the case. When exactly KDAR was formed, I cannot say precisely. But in the 90s it was a small organization. And after the default in Russia of 1998, it was left virtually without leadership. The members: you could count them on both hands. There was talk of closing

it down. But I began to protest: why? Let's attract some new members. So they suggested I take charge.

We started to put more effort into hosting business events, to talk more to Russian business circles. In 2003, we began negotiations with different Canadian business clubs oriented towards working with Russia. Ultimately, we formed the present organization, extending its activity to Kazakhstan, and started to work with different former Soviet countries. I consider all this, possibly, to be my greatest achievement during my working life in Moscow.



– Today CERBA has over 200 members. What, given the tricky diplomatic and economic situation, is the dynamic of this membership?

– If the membership has gone down, then it's not by much. About a dozen CERBA members have left the organization in the last 12 months. But in that time, two dozen new members have appeared. These are firms that are newcomers to the Russian market, as well as companies that have been operating here for a long time already but hadn't joined CERBA.

– Why hadn't they joined?

– Clearly, they felt that things were fine with them as they were. But now, in accordance with the official political line, the Canadian government and Canadian Embassy don't have the right to promote the efforts of Canadian firms to expand their activities in Russia: only to support the existing level of business. Whereas, for us, an independent organization, this is a statutory objective.

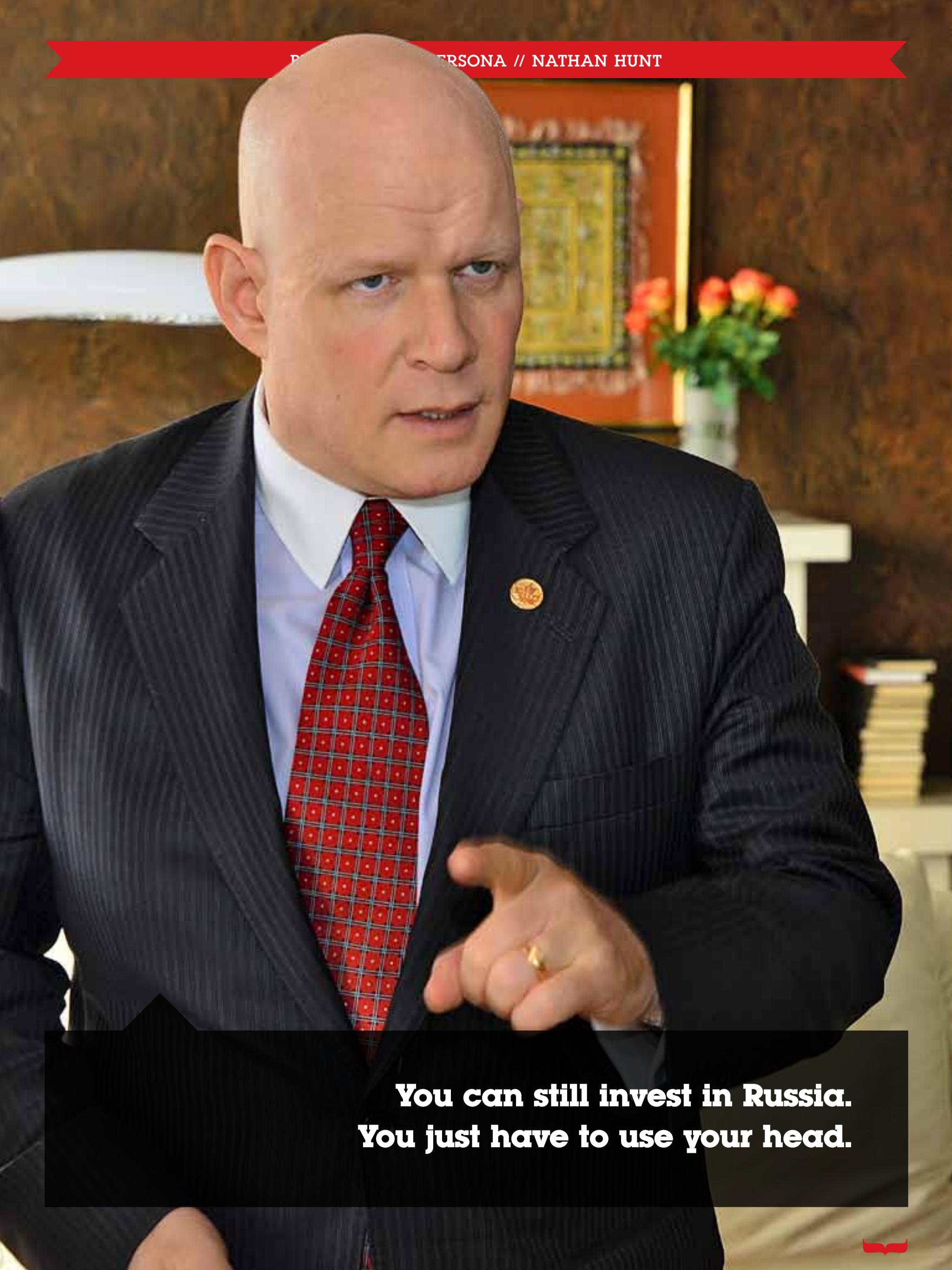


– How many of your members are representatives of small and medium-sized businesses?

– More than half.

– From an economic standpoint, Canada is one of the world's leading powers. However, bilateral cooperation with Russia, to put it bluntly, leaves a lot to be desired. Amongst Russia's trading partners, Canada comes in somewhere around 42nd or 43rd place, with its share of our country's foreign trade being no higher than 0.3%. Is the main reason for this political?

Russians behave significantly better towards foreigners than many in western countries do.



A man with a shaved head and blue eyes, wearing a dark pinstripe suit, white shirt, and red patterned tie, points his right index finger directly at the viewer. He has a small gold pin on his left lapel. The background is an indoor setting with a painting and a vase of flowers.

**You can still invest in Russia.
You just have to use your head.**

– Politics, without a doubt, is the main factor. Over the last two years: definitely. If not over the last ten years. You could put it that the position of the Canadian government hasn't helped the expansion of bilateral economic ties, but that is not quite the case. Five years ago, Russia was included on the official list of priority markets for Canada. But ... but there are other factors at play, too. Well, for one thing, Canadians as investors, and as businessmen, are exceedingly conservative. More conservative than Europeans or even Americans. When it's a matter of taking risks, Canadians, more likely than not, will be the last ones in.

– And yet there are examples of successful cooperation between Canadian and Russian companies. In the mining sector

ABOUT NATHAN HUNT



you can name large firms like Kinross Gold, Global Cobalt, Silver Bear Resources, Barrick Gold... In other sectors too: one of the world's biggest suppliers of automobile parts Magna International has been developing its projects in

Russia, as well as the railroad engineers and civilian aircraft manufacturers Bombardier, and the acknowledged leader in aircraft engine building Pratt & Whitney...

– Yes, we were on the verge of forming several large joint enterprises. But then came 2014, and the events to do with Ukraine...

– But let's return to the Russian-Canadian economic relationship. Big projects are linked to the grandees of Canada's economy. But are there examples of

We started to put more effort into hosting business events, to talk more to Russian business circles.

***successful joint projects
in small and medium-
sized businesses?***

– There are. Relatively small Canadian companies are providing maintenance services on the Russian oil and gas fields, and in the mining industry. There is an IT company that has built a systems integrator for Russian companies involved in communications.

– But has Canadian business in Russia suffered a great deal as a result of the political ups and downs, the sanctions and counter-sanctions?

– You don't have to look too far for examples ... Our company Chisholm was doing great business here for twenty years. Not only was it importing food, meat, mainly, but it was exporting Russian agricultural produce to other countries. We were investing big money in Russia. But now the business is going through not the best of times...



ABOUT CERBA

– ***Are you western businessmen in Russia, having “the squeeze” put on you?***

– God, no! Never! In fact, Russians behave significantly better towards foreigners

than many in western countries do. Whatever the international tensions, not only have there not been any threats to life here – that's not what I'm talking about at all – but not even displays of hostility towards foreigners. And any kind of “machinations” by the governing bodies: not in the least. I'll go further. Many is the time I've been sure that when I go in person to an official establishment with a request, more often than not, it is granted. But when I've sent a Russian colleague, they've said to him: there is a procedure; you have to do this and that, write a request ... In Moscow they have always made minor concessions



**Canadians as investors, and as businessmen,
are exceedingly conservative.**

About
**Ronald A. Chisholm
Limited**



for foreigners, and still do. Whereas, on the contrary, Russians are too strict with one another.

– And what, as an association, do you recommend to Canadian investors: go to Russia or wait for a while?

– No, you can still invest in Russia. You just have to use your head. And find a good, reliable partner. There are problems to do with politics, without a doubt. But they can be dealt with. Right now, products from medium-sized and small businesses are in great demand in Russia. And we say to our people: to operate successfully you have to be here, not just selling your goods from abroad. All the more so as the fall in the rouble has made it profitable. And many have already realised this: albeit on a small scale, they are starting to produce things here.

– Which particular parts of the economy, in your opinion, are worth paying attention to for small and medium-sized businesses first and foremost? What should they invest in?

– Canada has always excelled in developing natural resources: in the mining, and oil and gas businesses. So: in the sectors connected with them. Regarding small and medium-sized business, there are a whole host of companies which could become leaders

here in servicing the Russian giants. If their goods and services, once again, were produced here.

– Are there already any examples of what is called production localization?

– There is an enterprise which produces wrapping tape for gas pipelines. Before, it was imported, now it's made here. There are successful projects in services. A startup has done particularly well: an advertising agency Creative Factory, founded by Canadians in Russia. They sold this business to advertising giants Saatchi & Saatchi for a healthy profit, leaving only the director in place. And there would be more examples if the market permitted. In, let's say, housing construction. We have long been promoting timber-frame houses, and there are successful examples of collaboration in this sphere, including the Canadian firm Hopewell and the residential estate built using Canadian technology to the north of Moscow: Novie Veshki. But you know yourself that the house-building market in Russia has caught a cold.

And I can also name, once again, our company Chisholm. Before, it imported all of its products from abroad. Now, we are already producing something here. It is fairly large investment in several of the Russian regions.



– *But is it difficult overall for the foreigner to set up their business in Moscow?*

– Technically speaking, it's more difficult than in Canada. But if you have a good Russian partner and a good accountant who knows what to do, how to do it, where to go ... Forming a legal entity can be done in a few weeks. In other words, starting your own business in Russia is simple. You just need the desire. And a market.

– *Does corruption not throw obstacles in the way?*

– You can work in Russia without entertaining corruption. Only on the condition that you have zero tolerance towards it. The mining company Kinross Gold, the largest Canadian investor in Russia is an excellent example of this. When it is a matter, let's say, of extending a license, and there are the beginnings of a whiff of corruption, they go to the higher authorities. And they say: we want to extend our licence; there are official requirements, we have fulfilled all of

them, but this authority claims that we haven't. Is that what you think, too? Usually, when the issue is put in such a way to the higher authorities, everything is resolved properly.

All the same, I don't want to say that investors are always right. Occasionally they cite corruption when they have not themselves done everything that was required of them.

– *At the end of March in Moscow there was the 15th Annual CERBA Charity Auction with Vladislav Tretiak. What is this initiative?*

– It was me who thought it up 15 years ago when I was head of the Association. I had just met Vladislav Tretiak. He is a great man. Not because he is a great goaltender in ice hockey, but because he uses his talent to improve the lives of others, especially the disadvantaged and most vulnerable in society. Talking to him is simply a pleasure. And then I had the idea for the auction: selling some hockey memorabilia signed by Tretiak ... And

I see progress in Moscow in many respects, massive progress even. Especially over the last five to six years.



to donate the money raised to charity. In 2001, we raised 5,000 dollars. The next time: 12,000. Recently we have been raising 200,000 each year. By the way, we follow very closely where the money goes, and on what. Every year we make a video report on the money spent and broadcast it to the wider public.

For example, we installed incubators for premature babies at a maternity home. Before, they weren't able to look after all those born with complications, and would lose up to 100 babies each year. And now it's less than ten. Of course, it's nice to know that thanks to our incubators, babies' lives are being saved.

– Do you remember the kinds of difficulties you encountered when you first came to Russia?

– It was the start of the nineties ... As far as business is concerned, there were, for sure, problems to do with economic instability. And with the banking system. In 1998, after the default, the bank we had accounts with collapsed, and we lost virtually all of our money. Everyday life was a challenge. We couldn't get baby food for my one-year-old child. These days, of course, there is nothing like that. Overall, I see progress in Moscow in many respects, massive progress even. Especially over the last five to six years. Driving around the city has got better.

I won't say that there aren't any traffic jams. But there are considerably fewer of them since they brought those green dinosaurs into Moscow.

– Green dinosaurs?

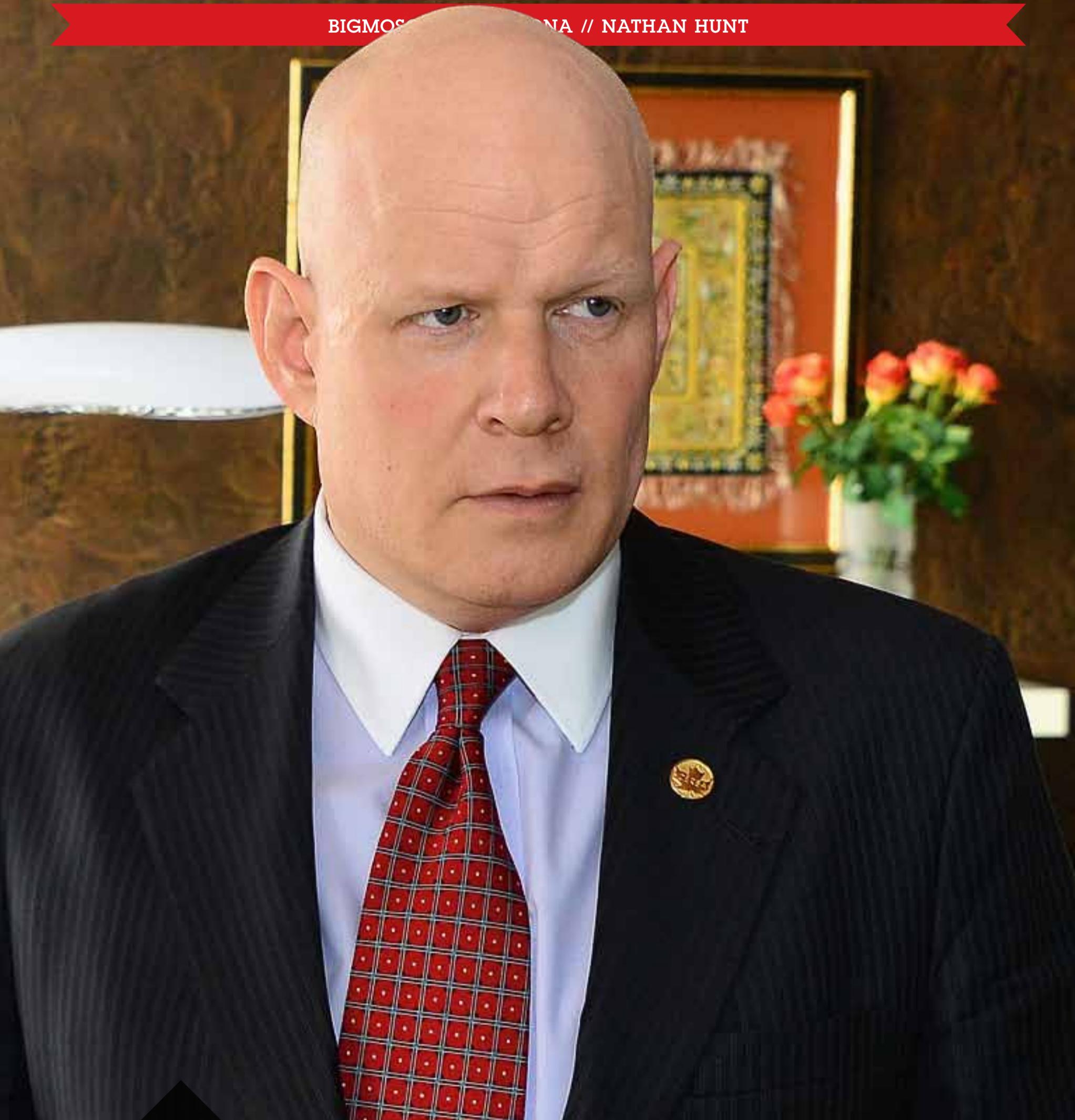
– The tow trucks. At first, I thought it was a terrible idea. A direct crime against humanity. I always used to park on the pavement, why was it that suddenly I couldn't? In fact, everything became much more civilized.

– Does your family live here with you?

– My wife and 17-year-old daughter are here. My son finished at an Anglo-American school in Moscow in 2010. He received an award for being the first pupil to have passed all the way through the school from the reception class to the final year: he was there for a full 14 years. He is now a student at Brock University in Canada: he is studying for a Masters in History.

– You speak really sound Russian. Is knowing the language necessary for working in Russia?

– Knowing the language of the country where you work is always useful. And in Russia it is probably more the case than anywhere else. People here appreciate a foreigner who is familiar with their culture and who is not bad at speaking their



I think that there is still the potential for successful business in Russia. Which is why I'm not about to leave Moscow behind.

language. It makes it easier to strike up a personal relationship. And personal relationships, as I've noticed, are extremely important on the Russian market. In Canada it is quite possible to conduct business by email, or fax, and never meet the person you have a two-million-dollar contract with. Russians, though, when they are establishing relations with a new partner, they like to know the face.

– **You have lived in Moscow for a really long time. Are you planning to keep on doing so?**

– Yes. I'm used to it. Although business isn't going so great. But before I think about leaving, I want to see what other opportunities there are. I think that there is still the potential for successful business in Russia. Which is why I'm not about to leave Moscow behind. ■

Knowing the language of the country where you work is always useful. And in Russia it is probably more the case than anywhere else.

PIECES OF ADVICE
FROM **NATHAN HUNT**
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 in Moscow. Touch here to find out.

FROM

FOR

PIECES OF ADVICE

**INVEST IN A BUSINESS
OF YOURS WHICH YOU
KNOW, WHICH YOU ARE
RIGHT BEHIND, AND IN
WHICH YOU TAKE PART
PERSONALLY.**

Simply handing over money, leaving,
and waiting for it to yield a return
won't work here. Personal
participation all the way
down the line considerably
reduces the risks.

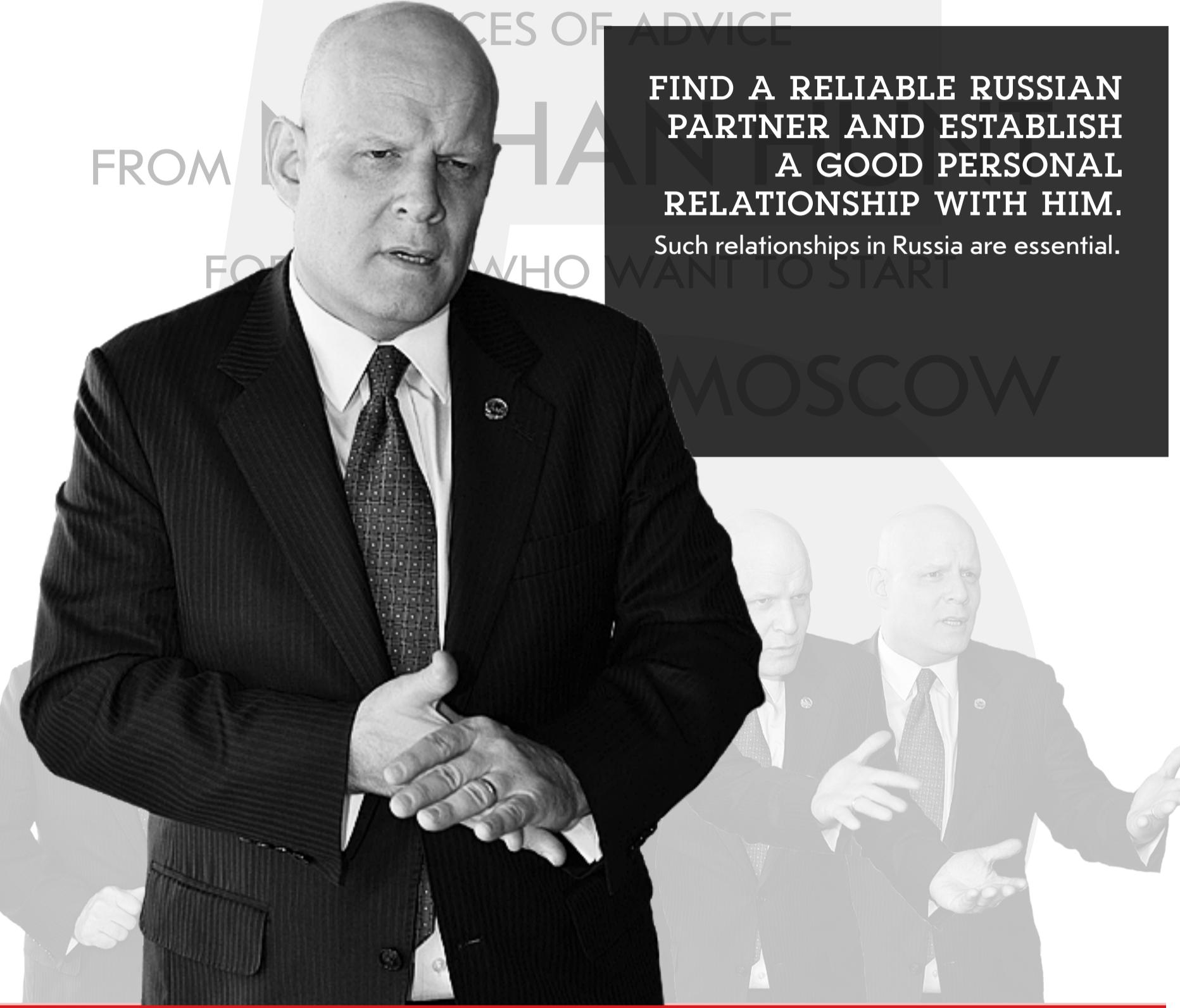
Behind each piece of advice lies the experience and knowledge of a man who has worked in Moscow. Touch here to find out.



FROM

FIND A RELIABLE RUSSIAN
PARTNER AND ESTABLISH
A GOOD PERSONAL
RELATIONSHIP WITH HIM.

Such relationships in Russia are essential.



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

FROM

NATHAN

FOR

PIECES OF ADVICE

WORK THROUGH AND
DRAW UP ALL DEALS
METICULOUSLY FROM
THE LEGAL PERSPECTIVE.

Shaking hands on a contract is both
necessary and important. But only after
the lawyers have done their job.

MOSCOW

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



DON'T BE STEADFAST
THE "OPPORTUNITY"
OFFERED BY CORRUPTION
STAY TRUE TO YOUR
PRINCIPLES

Now is not the time when you can turn up and make a million in three months. You need long-term plans and a long-term strategy. It may appear easier to take the road which makes your life easier in some ways, letting you ignore the law. But you should remember that once you go down that road, you are in a hole which you can't dig yourself out of.



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

FROM

NATHAN

FOR

WHO

WANT TO START

PIECES OF ADVICE
DON'T BE SEDUCED BY
THE "OPPORTUNITIES"
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It may appear that corruption will make your life easier in some ways, letting you ignore the law. But you should remember that once you go down that road, you are in a hole which you can't dig yourself out of.

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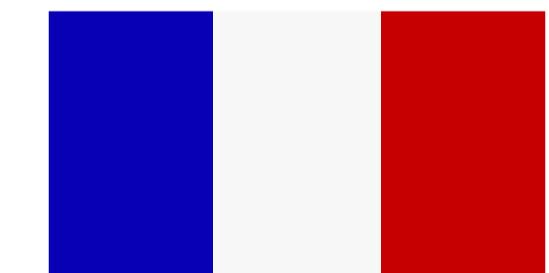
PERSONAL EXPERIENCE



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American **Jay Robert Close** makes and sells 43 varieties of cheese in the Russian capital

The Very Height of Craftsmanship

BY: STANISLAV KOMAROV | PHOTO: FRANCESCO ROSSINI | TRANSLATION BY: JASON J SHAW

Since he was a young man, Jay Robert Close has travelled around a lot. And in 1992, some Russians he got to know in Paris persuaded him to come to Moscow. His life has been connected with the Russian capital ever since. And although he has changed profession many times, he is not about to change the country he lives in. Because now he is successfully engaged in a profitable business he genuinely loves: making the finest cheeses and enjoying the unwavering demand of a large number of both ordinary customers and connoisseurs.

– What was the story behind moving from Paris to Moscow?

– I was living in France, in Paris. I lived on a barge. At a party, I got to know a group of visitors from Russia. As I found out later, one of them was the well-known fashion designer Valentin Yudashkin. They asked me to show them the city. I showed them my favourite spots, and then we went aboard my barge to cook some kebabs. That's how we became acquainted. On their next trip these same people suggested I come to Russia with them. They said that life here is very

interesting. I was feeling depressed at the time, and a trip to an unfamiliar country struck me as a way of snapping me out of my spiritual malaise.

– And off you went?!

– Yes. It was December. The streets were covered with ice. My new friends installed me in the Metropol. They warned me: if you there's anything you don't like, we'll put you somewhere more expensive. But I didn't want to live in a rarefied atmosphere.





**I didn't want to live in a rarefied atmosphere.
I wanted to find out how ordinary Russians live.**

I wanted to find out how ordinary Russians live. I remember they asked me “Do you want to get your hands dirty?” And yes, that is what I wanted! So I moved to Kuzminski and started to observe Muscovites from right in the thick of things. My first impressions were extremely vivid: Kuzminski food market, taxis, the metro... There was a lot I didn't understand. But I found my feet eventually.

– Did it take you long to find work?

– And how was it that you started making cheese?

– As I had a working visa, every three months I had to go out of the country. On one such trip I found my way to Holland. And in Amsterdam I became a huge fan of their cheese-making. I became very interested in the process. I even paid for a few lessons to learn how to make it myself. Also, I had already had more than enough of hired work. So I decided to work for myself.

When I returned to Russia, I immediately took myself out of Moscow

I have lived in many countries round the world and I know what freedom is. I have never lived anywhere with more freedom than Russia.

– I already knew how to do a lot of things: I had worked as a carpenter, plumber, fitter. I knew what working in a kitchen was about. And I landed a job as a cook in a restaurant. Then I became a chef. In all, I worked for almost 20 years as head-chef in many well-known Moscow restaurants and clubs: Justo, Piano Bar, The Hungry Duck, Chesterfield, B.B. King, Coconut, Papa Johns, Zhiguli, Azteca, From Dusk till Dawn... I ended up being a bar manager as well, and even a PR manager.

to the surrounding countryside where I set up a small cheese factory in my house. Due to inexperience, I made some stupid mistakes. I tried to make cheese from the milk they sell in the supermarkets... Now I know: you can't make cheese from such milk, whereas that from the farm is excellent. At first I made cheese for myself and shared some with the neighbours. But then turnover grew and I started to go around famous Moscow restaurants and farmers' distribution outlets





**At first, I made some stupid mistakes.
I tried to make cheese from the milk
they sell in the supermarkets...**

arranging presentations and tastings. And the business took off!

– *And where can you come across your cheese now?*

– In the shop “Evreiskie Shtuchki” [*Jewish Stuff*] in the “Tishinka” shopping centre, in the shop “Tochka”, in the restaurants “Bely Naliv”, “Parka”, “Dom 12”, in the “Moskva” department store... A lot of people who get cheese from me don’t want to buy it from the supermarket. They are genuine cheese aficionados and regularly attend my tastings. We also make deliveries for private orders. You can order cheese on our website, and all details of forthcoming tasting sessions are put out on our social networking pages.

– *How is your production organized?*

– I now have 10 employees: a driver, office staff, salespeople. Three people make the cheese: myself and two assistants. They are experienced cheese-makers who have been on the team for several years already.

– *And where did you buy your equipment?*

– In Holland. I invested over 20,000 euros in equipment. I also had to spend money on building a warehouse and installing cold rooms, and buying containers for storing the cheese in.

– *Is yours a profitable business?*

– All profit goes on expanding it.

Opinion

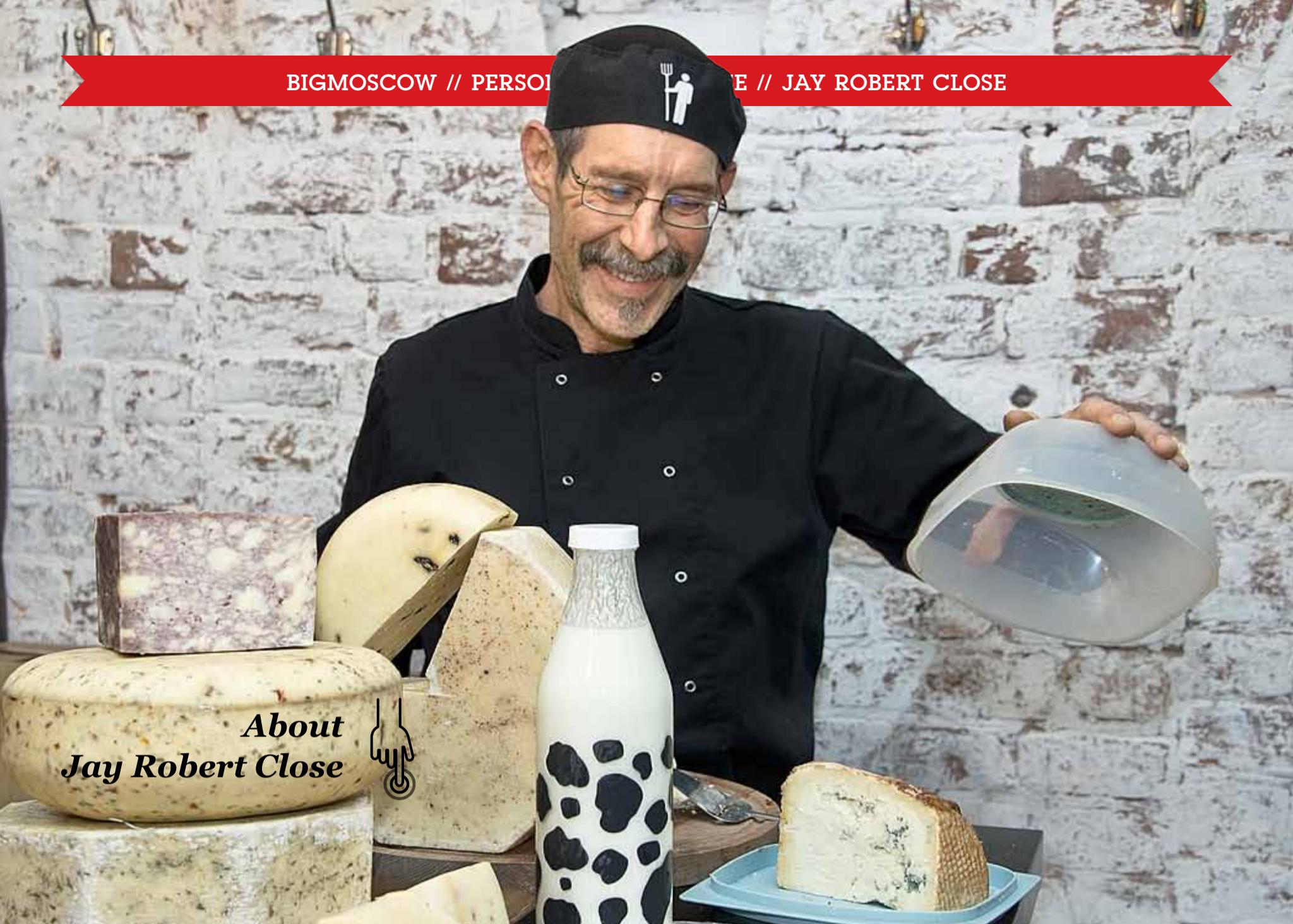


**Alexander Krupetskov,
founder of the chain
“Cheese Sommelier”**



When Russia reacted to the sanctions against her with an embargo on European cheeses, supermarket shelves throughout the country began to empty. But those shelves on which there used to be Roquefort or Parmigiano supplied from the EU did not stay empty for long. Today, they are occupied by equivalents produced in Russia, Belarus and other CIS countries. Except that they vary greatly in quality. Alas, by no means always for the better. According to an announcement from the Federal Service for Veterinary and





**About
Jay Robert Close**

– What is the most important thing in cheese production?

– Any cheese that anybody makes ends up being unique to them. It is highly-skilled manual work.

– How much does your cheese cost?

– From 800 up to 2,500 roubles per kilogramme. We produce around about 150 kilogrammes of cheese a week. Forty-three varieties!

– And which go down the best with those in the capital?

– Romano, Cheddar, goat's cheese made with lemon juice, French Blue.

The price doesn't scare customers away: those who know their cheese know that a high-quality product can never be cheap.

– And where do you get the milk to make it? Do you keep cows yourself?

– Two farmers live next-door to me. Their dairy output is good. And the milk they bring me is excellent. But I still check the quality carefully. Substandard ingredients are no good for making cheese.

And yes, I do have my own farm. Seven years ago I bought a calf. There were cows living on the farm for quite



a while; there was even an iguana. But now I only have goats, pigs and chickens.

– Why?

– There's a whole story behind that... And afterwards I had to start the business pretty much from nothing.

It was time once again to extend my working visa. And, as usual under

such circumstances, I went out of the country... But I got stranded in France for a whole 14 months. I wasn't able to get another Russian visa, so I had to wait. I think it happened because of the sanctions. America did Russia wrong, and Russia retaliated, and I, being an ordinary fellow, had to pay the price for it. When I did get back, it transpired that my former spouse had

now already sold off the animals from the farm...

– *How do you find living and working in Moscow?*

– It's a crazy city! To live and work here is hard but insanely interesting. I know a great many people here. People from all over Russia come to me for master classes; expats turn up. I don't keep my knowledge to myself. It's good to know that my cheese-making students – like John Kopiski, and other farmers – are now actively involved on the Moscow market with their produce. And although they took lessons from me, the cheese they make is completely different from mine.

I'm trying to initiate my son into my favourite activity. He is 12 years old, and at school, but he helps me around the farm during the summer. My daughter is called Marta, and she lives with my ex-wife.

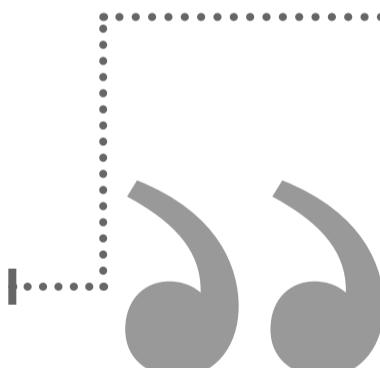
– *I hear that you are a big fan of the blues and rock music. Do you manage to get to many concerts?*

– I have been friends for a long time with the Russian musician Sergey Voronov, lead-singer of the band CrossroadZ. His group play really cool blues. I got to know him at the start of the 90s in Paris when he was on tour. How surprised he was to see me in a Moscow club at one of his

Expert



**Revaz Dzamnashvili,
Lead Analyst at "Olimp
Market Research Centre"**



The Russian cheese-production market is expanding rapidly. This is aided by the embargo on certain products into Russia. As well as the trend for producing and consuming products with natural ingredients. Most of the growth is being experienced by small cheese-making set-ups. And there is still an enormous elasticity to this market. Especially in the high-end segment. Matching the output of European producers has still not yet been fully achieved. Which is why retailers are waiting on new suppliers.

Opening a cheese factory in Russia today requires





I invested over 20,000 euros
in cheese-making equipment.

concerts! We met up, gave each other a hug. These days, unfortunately, I just don't have time to go to his concerts. I have to make cheese pretty much 24-7.

– *Do you keep up with politics?*

– We're on a rocky road. America, Russia, China. We are always arguing. We spend insane money on weapons. I, as an American, don't like that my country interferes in other countries' domestic affairs, even those where the leaders have decided upon the road to democracy. The US wants to put its people in place everywhere. I also think that it was Russia who won the war against fascism, and that her version of the Second World War is the more truthful one. But the US tells a different story.

I have lived in many countries round the world and I know what freedom is. I have never lived anywhere with more freedom than Russia. It's true



WHAT KIND
OF CHEESES
DO RUSSIANS
PREFER?

that Moscow is gradually losing its identity and becoming more and more like a typical European capital. It has changed a lot. Before, this city was unique, but now it reminds you more and more of capital cities in the West.

– *Which countries have you been to?*

– I love adventures: nothing ventured, nothing gained. We risk our lives every time we leave the house: I'm just a bit more of a thrill-seeker than others. I have travelled a lot. I've lived in California, Australia and New Zealand, Fiji, Bora-Bora; I've fed crocodiles at a farm in Papua New Guinea and even lived there with cannibals; and I have worked on a Greek fishing vessel. Thanks to which, I've picked up English, French, Spanish, Italian, and Russian. Journalists love to interview me. In the absence of any other publicity, it helps



Any cheese that anybody makes ends up being unique to them. It is highly-skilled manual work.



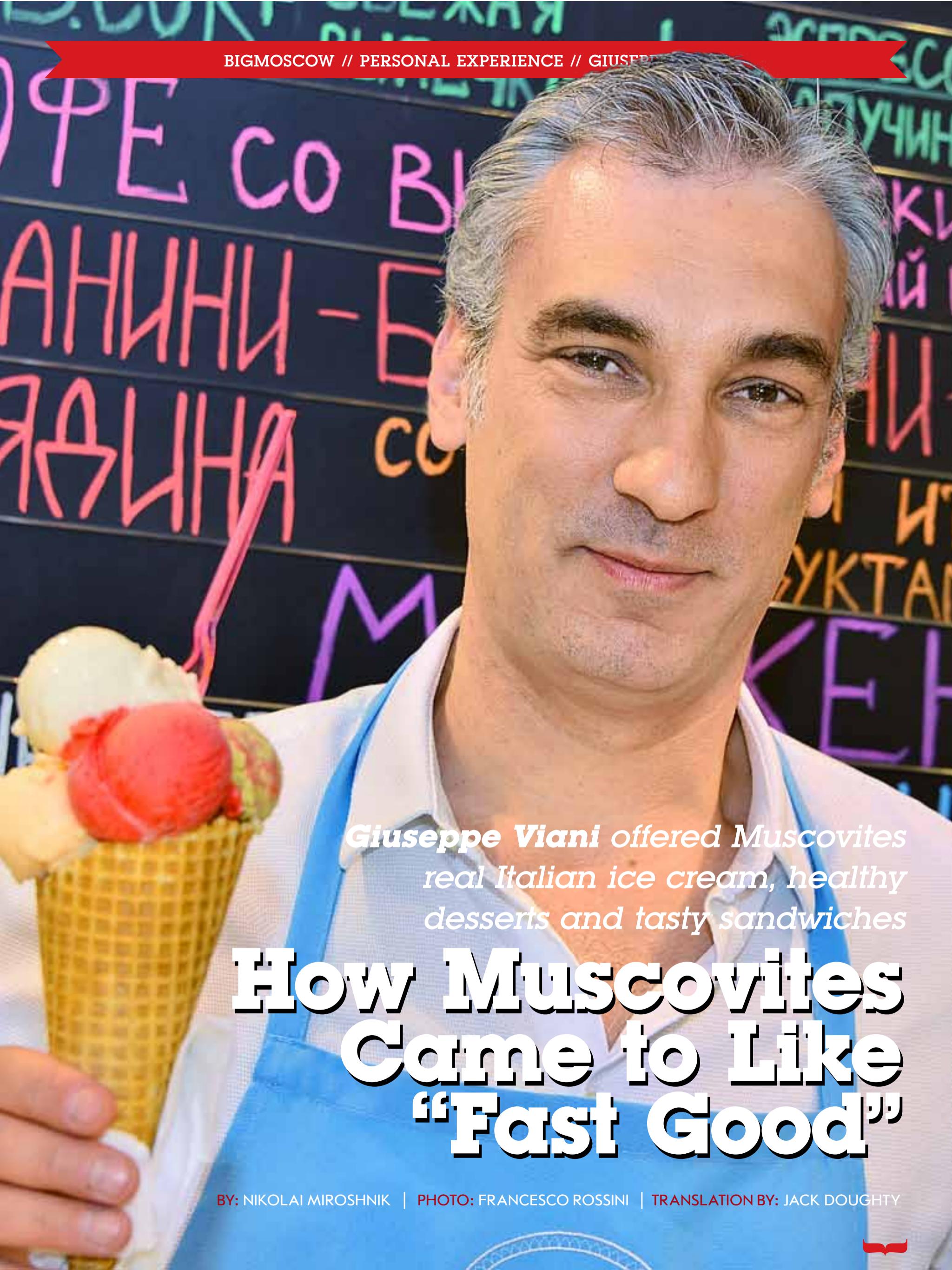
a lot in business. If it didn't help, I'd start telling my stories to all of you!

– *If you had the chance to leave Moscow behind, would you do so?*

– But I already have done. I don't live in Moscow: I live in the countryside.

– *But what is it that keeps you here in Russia?*

– I have to make and sell cheese. I love my work, Moscow; I love my house, my animals; I love my cheese. People really should do things for other people that are of use to them and that are needed. And I'm needed here! ■



Giuseppe Viani offered Muscovites real Italian ice cream, healthy desserts and tasty sandwiches

How Muscovites Came to Like “Fast Good”

BY: NIKOLAI MIROSHNIK | PHOTO: FRANCESCO ROSSINI | TRANSLATION BY: JACK DOUGHTY

Having decided to acquaint Russians with Italian ice cream, Giuseppe Viani and his brother Gherardo opened a chain of 14 ice-cream cafés in a number of cities. But then they sold the business. Last year they set up the Café Viani in Moscow. It is quite small, intimate and cosy, and has become popular with customers. The business was profitable even in its first year. And today, Giuseppe tells a BIGMOSCOW observer the story of how he created his business in Russia, and talks about his plans for the future.

– Giuseppe, I read the comments on your café on the internet. As you no doubt know, they are almost all enthusiastically positive. As far as I know, before you came to Moscow you lived in the small town of Treviso...

– Who in Russia has ever heard of Treviso? It would take a long time to explain where and what sort of a place it is. So I always say that I live in Italy, near Venice – only 30 kilometres from it.

– Then that explains the past. But how did your Moscow present come about?

– For 25 years, my elder brother was the agent in Russia of the Italian clothing company. And one day in the nineties, my brother said to me: “Do you know what they lack in Russia? Real Italian ice cream!” Let me explain: at home in Italy, as in Russia, we have mass-produced ‘ice cream’, if you can call it that. Produced by the ton and packed in a factory. But I can say without exaggeration that there is

**My brother said to me:
“Do you know what they lack in Russia?
Real Italian ice cream!”**





My brother and I decided to open several ice cream selling establishments in Russia.

another world-famous Italian ice cream: made in small, often family, businesses. It is offered to you in the form of several scoops of different colours, usually in the form of a wafer cornet. And these scoops are made right before your eyes, taken from a freezer with a special scooping spoon.

And each producer has his own recipe. There are a great many such recipes.

To cut a long story short, my brother and I decided to open several ice cream selling establishments in Russia. On a franchise basis. And then we began making our own kinds.

– You mean you thought up recipes yourselves?

– Of course! Though many of the recipes belonged to my wife's family. We happened to live in the region from

which virtually all the leading European ice cream producers come. My father-in-law and brothers-in-law were in this business. But I myself had nothing to do with ice cream. I had a wine bar and restaurant in Treviso.

– How did it go for you in Russia?

– We opened 14 ice-cream cafés under the same brand name, “Gelatissimo”: three in Moscow, in IKEA shopping centres. And also in Ekaterinburg, Rostov-on-Don, St. Petersburg, Chelyabinsk, Ufa and Smolensk. We organized the production of the ice cream itself (in what I call the laboratory) in Sergiyev Posad, near Moscow.

– But I understand that you began living in Moscow only five years ago. How did you cope with such a huge enterprise before that?

– It was a time of constant travel – ten days in Italy, ten in Russia... Finally I realized I would have to choose where

Instead of the notorious “fast food” they are now advertising “fast-good”.





Last summer in the heat wave,
we sold 500 portions of ice cream a day!

to conduct my business. And I chose Russia. Actually, in the end, the move did not help. Our network of sales points was spread so far and wide – “through towns and villages”, as the Russians say – that it was impossible to manage it properly, or, more importantly, to keep a continuous quality control of the product, by remote control, even from Moscow. That was why my brother and I sold it two years ago. But since I didn't intend to leave, I decided to open a new outlet in Moscow, based on the production facilities in Sergiyev Posad. There I could always be present, and see everything. I could decide where best to create a real Italian café.

– The location of your café is an enviable one: city centre, lots of people, opposite the Tretyakov Gallery... Did you seek it out specially?

– Yes. I knew from the start that I wanted to work only in the very centre of Moscow, where the demand for a high-quality product is stronger, where many world-travelling expats and Muscovites live. It is very beautiful here. To be honest, I was lucky. I rented premises “on the fly”.

– How much money is required to open such a café?

Opinion



Nikolay Sinitsyn,
*Managing Director
of the Italian chain
of gelaterias “Plombir”*



In Moscow, as in any megalopolis, the ice cream market is huge. Dozens of manufacturers make mass-produced ice cream. Even so, the ice cream produced comes in a great many varieties, in various price brackets. For example, we make Italian ice cream exactly the same way they do in Italy, with fresh ingredients, by hand, according to the recipes of the rather well-known Signor Dondoli of San Gimignano, world champion in producing Italian ice cream: gelato.

Before opening a gelateria, I tried many of what they call in Moscow “Italian ice cream”.





At first, my poor knowledge
of Russian was a problem.

– That depends on the rent and on what renovation and re-equipment are required. Again, I was lucky. No serious work was needed. I know the owner of the premises, we came to an excellent agreement.

– *Have you come up against any difficulties?*

– It wasn't easy to get through all the required documents, certificates and licences. But the road strengthens the traveller, as they say. All that is behind us now.

At first, my poor knowledge of Russian caused problems. I had only begun learning it after my final move to Moscow. It made it difficult to manage the staff. It's one thing when you can

explain it all yourself, and another when someone has to interpret for you. The meaning of what you say doesn't always get through.

In this café, you might say I am working “in the front line”, dealing with customers. In an odd mixture of Russian and Italian. But people understand, and even like it.

– *You explain things pretty well in Russian...*

– But nothing like as fluently as my six-year-old daughter. She goes to a Moscow kindergarten, which means she can only speak Italian at home.

And speaking of difficulties, there are certainly more now, with all these sanctions. We had to select new recipes

Expert



Evgeny Boychenko,
*Director of the
 MBA in Marketing
 and Management
 programme at the
 Moscow International
 Higher Business
 School MIRBIS*



If we are talking about ice cream entering the Moscow market, I would recommend considering several factors. First, one should bear in mind that there is a large degree of “traditionalism” involved in the preferences of consumers over 30, which determines the style and choice on sale on the high street.

I am not sure that entering the market and making sales via this traditional channel is a recipe for success: on the street, at the kiosk counters, the





for producing our ice cream, and seek out Russian replacements for ingredients under embargo.

– Are you succeeding?

– Previously, my ice cream was made mainly from Italian raw materials. The fresh milk and fresh fruit were bought here, of course. But we even imported the sugar. Now we cannot import dairy produce. We get it on the spot. From Italian colleagues who have set up production in Russia.

Mozzarella, for example, is delivered to me by a Neapolitan who makes it right

here in Moscow! We have also found Burrata cream cheese.

– Is your famous Italian ham also subject to sanctions?

– Certain kinds are banned. But happily not all. Some gets here not from Italy, but from San Marino.

– Like most Italians, you serve excellent coffee. Do you import that too?

– Coffee is not subject to sanctions. Ours is of Spanish origin. My brother's wife is from Barcelona, and she drew my

attention to a particular local variety. It proved to be really good coffee. They make coffees with various aromas too: tasting of whisky, white chocolate and even apple.

Actually we began offering coffee only to complement the ice cream. But we soon discovered that the drink, prepared Italian-style, became popular itself. Now we install a large coffee maker here using one of the best Italian coffee, KIMBO.

– You have a sign over the entrance: “Vini e panini” – “Wine

offering the same here. And you don't see wine because we have not yet obtained a licence to sell spirits. But we shall not be offering strong alcohol anyway. We don't want people coming here to get drunk. Only dry wine and light cocktails. We only use something stronger as a component of ice cream – chocolate with rum, for example.

– Does a licence for spirits cost a lot in Russia?

– Around 150,000 roubles. But I think we shall solve this problem.

I think Moscow is one of the world's most beautiful cities. It is really safer than many Italian cities.

and sandwiches”. But I don't see any wine.

– Initially the idea was to sell only ice cream and wine cocktails. But it became clear after a few months that this was not enough. Now we make Italian sandwiches and pastry. We now have a new term, which is popular in Italy. Instead of the notorious “fast food” they are now advertising “fast-good”, meaning that it's possible to eat fast, but the food is good quality, Italian style. Now we are

– Is your business being stifled by taxes?

– Not at all! I only wish taxes in Italy were as low as they are here!

– And even a small café like this can be profitable?

– If it's well organized and well thought out, even a small establishment can make a profit. And it does. We finished last year, our first one, very well. We have a good location here, of course.



People started coming to us at once. And after that – word-of-mouth, favourable reviews and commentaries on the social media. So we haven't spent anything at all on advertising. We have only six tables in the café, as you see, but many of our regular customers often take ice cream away with them. You know, last summer, in the heat wave, we sold 500 portions a day!

– Is a Moscow customer different from an Italian one?

– Muscovites are probably more inquisitive than Italians. An Italian will know everything in advance and will take what he's used to. But Russians, possibly because they used not to be able to try everything, show more curiosity and interest, and will try a new product with enthusiasm.

– The rent for your premises here suits you, I understand. But what about renting accommodation in Moscow?

– We live in the vicinity of the Baumanskaya metro station. It's a good district. And when the rouble fell, our rent became noticeably lower. By Moscow standards, it's a moderate rent. But by Italian standards, it's rather a lot.

– The “fast-good” idea is very interesting. But still, sandwiches

alone, however tasty they are, will hardly attract an Italian. Doe your wife also provide full-value Italian cuisine?

– It's more Italian with a German accent. (Laughs) She lived in Germany for quite a long time. Her father had an ice-cream café there. And of course, she has to take our daughters request into account – she has become quite the little Russian. She loves soup...

– How do you feel here in general?

– Fine! I think Moscow is one of the world's most beautiful cities. It is really safer than many Italian cities. In my view, the only safe town I know in Italy is Treviso. The mayor there has had CCTV installed on the streets, and there are police patrols everywhere. But in nearby Padova, for example, there are areas where even the police will not go.

– Would you advise a foreigner to open a business in Moscow today?

– If someone believes that the crisis will go on for a long time, he would do better not to be in a hurry to come here. But if you think it will all get back to normal in a few years, then now is the





**Now is the best time to invest.
There are still good opportunities.**

best time to invest. There are still good opportunities. When the crisis ends, they won't be there any more.

– *Do you yourself have any plans?*

– No specific plans as yet. I want to stick with my café for another year or so,

to assess its potential. Now I prefer not to open several establishments at once and then bring the quality of products and service up to scratch. It's better to open one, get all the details right, and then maybe a few more of the same, applying what you have learned. Or to issue a franchise. ■

We began offering coffee only to complement the ice cream. But we soon discovered that the drink became popular itself.



*Frenchman David Weinbaum
became a fruit guru in Moscow
and set about producing
the tastiest of smoothies*

Freshly-Squeezed Success

BY: SVETLANA SAMODELOVA | PHOTO: FRANCESCO ROSSINI | TRANSLATION BY: JASON J SHAW

*"No sugar, water, concentrates, chemical additives, stabilizers, flavour enhancers or preservatives". This is how **David Weinbaum** describes his smoothies: natural and aromatic cocktails of fruit pulps, berries, and freshly squeezed juices. The brand-name he gave them is "Be True". And the crown on the labels he explains simply as: "The mark of quality". Today, Mister Frutti (as his relatives call him) tells how, over the course of 8 years in Moscow, he managed to win Russians over with his products.*

– I had already been employed in the banking sector for five years when on the advice of my family, we decided that it was worth me having a go at working in Russia, where my father's relatives had a successful business to do with the buying and selling of metals. By then, apart from French I also spoke English and German. And I thought: "Can I not pick up another language?" And a partner turned up too: a Frenchman whom I had known since childhood.

In 2005, our plane touched down in Moscow. We were selling clothing brought in from France and China. In the area around the Yaroslavl, Leningrad, and Kazan railway stations we had something by way of a showroom. People would travel in from the regions and buy up our goods. Trade was brisk, but my heart was never in the business. I stuck it out for two years. And in 2007 I quit the project.

On the advice of my family, we decided that it was worth me having a go at working in Russia.





Food is about more than simply ingesting: it is about pleasure, enjoyment, it's like a religion.

– Like a true Frenchman you were interested in a business connected with food?

– Yes. We French have a particular relationship with food, almost like a religion. Food is about more than simply ingesting: it is about pleasure, enjoyment. Having come to Russia and setting off around the streets in the mornings to my language classes, I was seeking out healthy food for breakfast at a reasonable price. And I soon realised that for a busy person to buy something healthy and quick to eat here was, alas, impossible. You could, of course, get hold of a salad, but for some reason it would invariably contain a large amount of mayonnaise. As for fruit, that was awfully expensive and not very fresh either. Fruit juices were mainly from concentrates and with harmful additives. Nothing freshly squeezed. There was nothing for it but to arm myself with a juicer, blender and make my own from fruit juice and



puree. Having tried my concoctions, my friends said that it would be great if you could buy something like that in the shops. And that's how the idea for my business was born.

At first, I wanted to open up a few little sales outlets or a café

where I would sell smoothies. I put together a business plan... and realised that it wouldn't be profitable. Due to the high rents in Moscow. Plus, the fact that fruit spoils quickly and it takes a significant amount of time to be delivered. A further difficulty lay in that I would only need a small quantity of ingredients which made getting supplies tricky. I started to look at the option of ordering smoothies from producers. But the factories only offered me the possibility of ordering large batches into the millions of bottles. I had to increase the budget for the project, and in the end I decided to set up my own smoothie production.

I invested in the project everything I had earned up until then. I also had to take out a loan.



– Was it difficult finding production premises?

– Very. It took six months of looking. There was a lot of warehousing around but premises where you can set up food production were nowhere to be found. That has particular requirements. You can't have any kind of dangerous substances being stored next-door... I settled upon a building in the Podolsk area where there used to be a milk plant. The collection of premises which we now rent was like a bombsite... It needed a complete overhaul.

the shared flat, it comes to about 400,000 roubles a month.

– And where did you buy your equipment?

– The technically sophisticated stuff we brought in from Italy, but the essential containers we bought right here. Whilst the building work was being done, the exchange rate was 23 roubles to the dollar: then it went up to 35 roubles. We had taken out the loan in foreign currency. The rate changed and it turned out that we had

Having tried my concoctions, my friends said that it would be great if you could buy something like that in the shops.

To build a first floor required long negotiations, soil samples to be taken, the foundations to be inspected. The building work took five months.

In the end, I invested in the project everything I had earned at the bank. I also had to take out a loan. As a result of which, the budget grew by one and a half times.

– Do you pay a lot in rent?

– Our premises cover just over 900 sq. metres. If you don't count

to pay back twice as much as we had anticipated. So, everything was very much far from straightforward...

As for registering the business, the health and safety and fire brigade inspections: no kind of problems arose. In fact, now we even take our produce to the health and safety inspectorate ourselves to be sure of its quality. We take samples from the equipment, the employees' hands. Overall, we have complete sanitary control.



In a small company, we all have to cover for one another when necessary.

– How many people work with you? Were the experts to be found straightaway?

– On the staff there are 26 people including the accountants. There are 20 experts directly involved in the production process.

Finding the necessary staff, of course, wasn't easy. Experts with experience of food production had been involved with meat and milk. No one at all turned up who had made juices before. We had to train people up from scratch. Given that we are a small company, we all have to cover for one another when necessary. If someone works on pasteurization, they should also know the bottling and unloading process.

– How much are your employees paid?

– Upwards of 30,000 roubles a month. The Engineers and Production Manager receive more.

– When did you produce your first batch of smoothies? And where do you sell your products?

– It was in October of 2009. That batch was delivered to the store “Globus Gourmet” in Yakimanka, and then there were deliveries to “Azbuka vkusa” [A to Z of Taste] as well. For the first four years we were constantly putting on tastings. But now you can buy our smoothies at almost any supermarket chain in Moscow, such

Expert



Alexey Vasilyev,
consultancy firm Smart
Success Group



Producing juices and smoothies is a very interesting but rather difficult business. A good product guarantees you a successful start. But, on hitting that first ceiling, the company needs to scale up, to grow. And that isn't easy: the market for juices and drinking water in Russia is packed solid with multinational players. And the product niche is a specific one. The trend now is for ecologically sound products. But in Russia this is still purely a Moscow thing. And regional expansion of production is barely a possibility. Even St. Petersburg, renowned for its





I have faith in Russia. There are certain risks. But where there are more opportunities, the risks are greater, too.

as “Starbucks”, “Alye Parusa” [*Scarlet Sails*], “Carousel”, “X5 Retail Group”, “Magnolia”, “Billa”, “Spar”...

– Where do you get your fruit and berries from?

– When we started, all of our raw ingredients were imported. I travelled around the world visiting plantations. I went to India in order to find the best mangoes, to Sicily to negotiate supplies of the very tastiest oranges, to Poland, where the most aromatic of strawberries grow. Now supplies arrive, on the whole, via distributors. Customs clearance is a tricky business, requiring particular skills. We trust their professionalism.

Supplies depend upon the season. Oranges, for example, we now import from Costa Rica, but in a couple of months we can get them from Brazil or Greece. Different kinds of mango we import from different parts of India, as well as from Ecuador. Apples we buy here in Russia, in Krasnodar Krai. We have had to work closely with producers in order to get the right frozen puree. For vegetable smoothies we use Russian pumpkins and carrots.

– Did any difficulties around sales crop up?

– None of it was as difficult as we were expecting. At first, a lot of buyers thought that a smoothie was some kind

Opinion



Natalia Ivanova,
**President of the Russian
Union of Juice Producers**



Juice production in Russia is carried out in accordance with the Customs Union technical guidelines on juice products made with fruit and vegetables (TR CU 023/2011). Juice production refers to juices, nectars, and drinks and waters containing juices.

In 2015, the size of the market for juice products shrank by 12% compared with the previous year. Those who became major players on the juice market in 2015 were: OOO Lebedyansky and OAO WBD Beverages (both part of the PepsiCo Group in Russia), AO Multon, OAO Sadi Pridonya,





How does David Weinbaum ensure the quality and health benefits of his products?

of hand-cream. But we told them about the product, about its health benefits. The best argument turned out to be that there is an equivalent in Europe, and that it enjoys great demand. A lot of the supermarkets wanted to follow European trends.

The hard thing wasn't so much finding buyers as getting past the initial stage of working with them. Our product needs to be stored at



a temperature of 2-6 degrees, in the chilled section. The shelf-life of a smoothie is three weeks, for juice it is a month. Sometimes shops would put them in fridges which weren't working properly, where the temperature was 12 degrees...

Now we make six types of smoothie, and three types of juice. The big hits are the mango and passion fruit, and raspberry and blackberry smoothies.



A 250 g bottle in the shops costs from 119 to 170 roubles; at airports the price goes up to 250 roubles. In all, we have around 800 points of sale. 95% of products go to Moscow. Some go to high-end supermarkets in Murmansk and St. Petersburg.

– Not many competitors?

– You can be offered a smoothie in restaurants and shopping centres. But at the moment it is only our products which you will find in the shops.

– What would you say about Russian consumers?

– A lot of people in Russia know about healthy eating. But that doesn't mean that people follow what they know all that rigorously. At the tastings people frequently ask us good questions about pasteurization, preservatives, sell-by-dates. In Europe, for example, people don't react to the word "preservative" in as prickly a fashion as they do in Russia. But in America, almost all products contain preservatives: and nobody pays any attention to it. In Russia, in this respect, consumers are more sophisticated. And it is not at all easy to win people's trust here.

– How difficult is it, in your opinion, to pick up the Russian language?

– I have seen quite a few examples

of foreigners who lived in Moscow for 5–7 years and didn't know Russian at all. But I think that if you have a business in Russia it's very important to know the Russian language so as to better understand everything that is going on around you.

– Do you rent somewhere to live in Moscow or do you own your own flat?

– My family and I rent a flat on Tverskaya. It is easier to live and get to where you need to go when in the centre. Renting a flat here costs no more than over in Paris, London or New York. For example, you can rent a 60-80 square metre "two-bed" right in the centre of town for 100,000 roubles a month.

– Will you share with us your plans for the future?

– We are being seriously affected by the crisis, the sanctions. I mean, 90% of our fruit is imported. Now, when prices are going up by two or three times, we have raised the cost of our products only by 10–12%. We don't want ours to be a luxury product. On the contrary, we are aiming for it to be available to all.

On the other hand, there are now fewer foreign products in the shops. It is a unique opportunity to fill our niche.

We are planning to expand our production lines. We are unveiling vegetable smoothies, chilled soups,



We buy some fruit and vegetables in Russia, mainly in Krasnodar Krai.

desserts made from dairy products, a type of panna cotta. We are also going to produce breakfasts made of oats, rice and buckwheat, and fresh lemonades and iced tea. All of the technology has been developed in our dedicated laboratory.

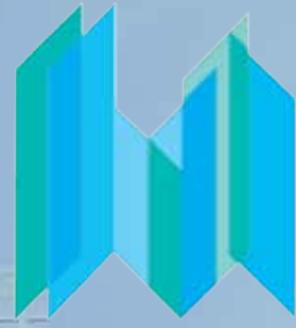
– Is the risk of starting a business in Russia a worthwhile one for foreigners?

– I have faith in Russia. At the moment, of course, there are certain risks. But where there are more

opportunities, the risks are greater, too. Stability is important.

I wouldn't advise starting a business to do with imports here. But a business to do with exports could be very interesting. Someone I know is successfully exporting original decorations, various articles made from wood. It has turned out to be a very profitable business indeed. ■





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GOING TO WORK IN MOSCOW



Hello, Mary Poppins!

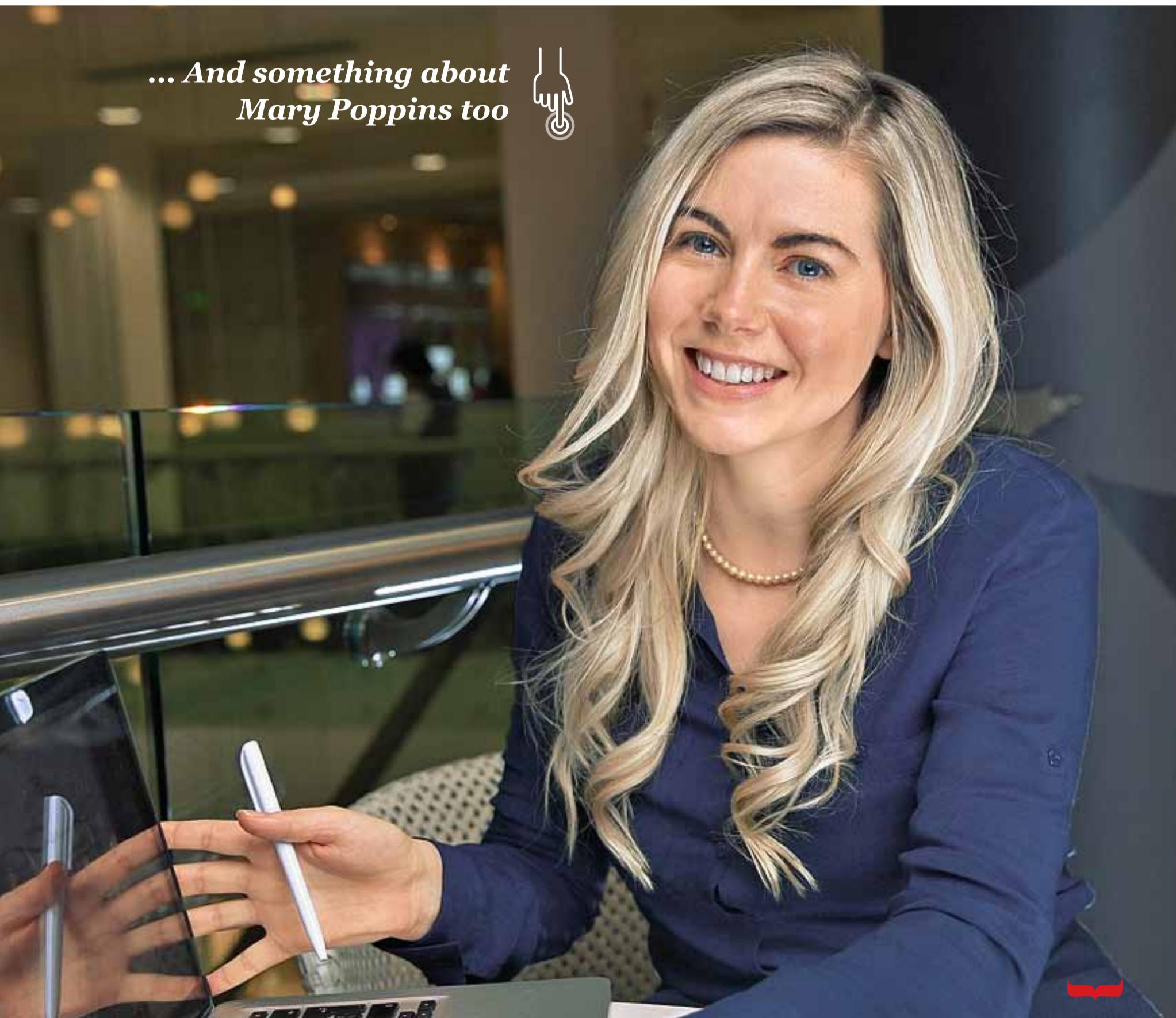
*The Englishwoman **Carrie-Ann Pryke** helps Russians select highly qualified nannies, governesses and teachers*

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



The early part of her life was normal: secondary school, university, a degree in Children's Care learning and development. Work with underprivileged adolescents and in school. But then, "following my dream of travelling", she suddenly left England. Looking at this reserved young Englishwoman, it is hard to imagine that she has travelled around the world, earning her living as a teacher! She taught English in the South America, Thailand, London, Madrid, France & the Spanish Pyrenees. She has worked in several countries. Moscow has been the latest stage of her travelling life for five years now.

*... And something about
Mary Poppins too*



– Carrie-Ann, when did you first have this passion for travel?

– When I was a little over 20. It was then that I went on an eight-month backpacking trip. But I finally left Britain after working in a school. And I still want to study other countries. I think I shall never lose my passion for travel.

– Did you travel alone?

– No!... I went with a friend who later became my husband.

– Didn't your parents and friends try to persuade you to stay at home?

– They have always supported my desire to see the world. Of course they would like me to live closer. But I never felt pressurized to go back.

– How did you end up in Moscow?

– I came with my husband, who is also an English language teacher, and worked for two years as a governess in a splendid Russian family, bringing up and teaching the children.

But now I am working here on business for the agency Duke & Duchess International, which was founded in London in 2011, and of which I am the manager. Our agency specializes in the selection of highly-qualified professional

nannies, tutors, governesses, private teachers and mentors to work in families, worldwide.

– What does the name “Duke & Duchess” mean?

– The name reflects and symbolizes the standard of the services we offer. To be a member of the Royal Family in Britain is very prestigious, it means

paying great attention to education, having a certain class and etiquette. We try to live up to this standard.

– With which countries do you work?

– Oh, we have clients all over the world. In Russia alone, we have clients in Moscow, St. Petersburg, Kazan and some other cities. Since we started, we have placed our candidates in homes in Great Britain, Spain, France, Italy, Germany, Dubai, Saudi Arabia, Sri-Lanka, Monaco, USA, China, Africa, Russia and many other countries...

– Are your candidates for such posts also from all over the world?

– Most of them are from Great Britain, but there are also some from the USA and other English-speaking countries. After





**I want to study other countries.
I think I shall never
lose my passion for travel.**

all, the main purpose of our agency is to place native English speakers.

– So an excellent knowledge of English is an essential requirement for a candidate?

– Yes, it is essential. We also have clients looking for bilingual specialists, native or fluent speakers of French, Spanish, Chinese, Russian...

– Do you not consider Russians as potential candidates?

– We have a small base of Russian-language candidates, but the priority, both for us and our clients, is specialists from Great Britain and the countries of Europe. However, from time to time our long-term clients in Russia ask us to help select Russian staff too to help about the house or to work with children.

– Does a candidate coming to work in Moscow have to know Russian?



– It depends. Some of our clients specifically prefer that the candidate should not speak to the children in their native language. The results of teaching English are then much better. After all, children have to communicate with their teacher in the foreign language.

But despite that, we do of course expect our candidates to acquire a basic knowledge of the local language. It helps them live in the new country.

– Do you speak Russian yourself?

– Before I came here, I didn't have any knowledge of Russian. But then I began learning. My Russian is still terrible, but it is only polite and well-mannered to have at least a basic knowledge of it. Although foreigners coming to Moscow today could manage without good Russian; the city is becoming more and

**I am working here on business for the agency
Duke & Duchess International,
which was founded in London in 2011.**

A professional woman with long blonde hair, wearing a dark blue blazer and a pearl necklace, is smiling broadly while working on a laptop. She is wearing a ring on her left hand. The background is blurred, showing an office environment.

The main purpose of our agency is
to place native English speakers.



more Europeanized. I have in mind both restaurant menus in English, and more English being taught in schools.

– Who selects suitable candidates, and how is it done?

– We have very strict requirements. We only consider candidates who have an outstanding CV as well as at least two recommendations from former employers. They are thoroughly interrogated by our consultants; we have groups of consultants in London, Moscow

and Dubai. We scrupulously check the personal details of each candidate, we write to their previous employers, we ask for copies of the relevant certificates and an enhanced disclosure from the Criminal Records Bureau, and if necessary we ask the candidate to undergo a medical examination.

– Who are your consultants?

– All the consultants have had an education in teacher training and/or psychology, and also experience of



working in families and in teaching institutions. An understanding of the situation from inside helps our team provide qualified assistance and consultancy, both to the clients and to the candidates, over the whole period of the cooperation process.

– *Of the professions you agency offers, which are in the greatest demand in Russia?*

– Among Russian clients, governesses are the most popular. This is not an easy profession, it includes certain obligations, in looking after the children's needs and

upbringing, but the main concern is to immerse the children in the English language, to help them overcome the language barrier and to enable them to learn to speak English fluently and without an accent. A governess also teaches the children all their school subjects, checks their homework, and may teach music, an additional foreign language or etiquette. The responsibilities of a governess include the intellectual, physical and emotional development of the children. She helps organize the schedule for the day and makes sure the timetable is observed. This includes being

present for additional classes and also for additional cultural and leisure activities. Our clients are pleased when their children adopt British style: etiquette, manners and ways of communicating.

Many clients recognize the importance of teaching children a foreign language from an early age, therefore in Russia today, we are placing more and more English speaking nannies, who begin teaching the child when it is still in nappies (*diapers*).

– *How do you find clients?*

– They find us themselves. We work a great deal on the basis of recommendations.

– *Do Russian clients differ in any way from those in other countries?*

– Each customer has his own requirements, his own way of organizing family life. All parents want the best for their child, and Russian clients are in no way different in this respect.

– *If it's not a secret, do you have many clients in Russia?*

To employ a foreign tutor or governess is not a cheap business these days...

– New Russian clients are continuing to approach us. They look on an employment offer to a native speaker as an investment in the future of their children, in their education and career. At the present time, we have a large number of clients in Russia.

– Where are professional tutors and nannies trained?

– Our candidates usually have an education in the field of teacher training, and the upbringing and care of children. Most colleges and universities in Great Britain offer such courses. There are also colleges which specialize in training governesses and nannies.

– What impression did Moscow make on you on your first visit?

– I very much like studying new places and learning about cultural differences. That is what makes travel a real pleasure. Moscow is very different from what I

Foreigners coming to Moscow today could manage without good Russian; the city is becoming more and more Europeanized.



*About
Duke & Duchess
International*



expected to see. I needed time to get used to a new city. But now I like living here.

– *Have you encountered any problems?*

– Only the usual ones: not getting lost, finding the way, not buying kefir in mistake for milk... But once I had learned the alphabet and could read the signs in the metro, and labels on food products, life became a lot easier.

– *What is the attitude of Muscovites to the English and to foreigners in general? Of your house neighbours, for example...*

– Our neighbours are really nice people. They love my son and are always willing to play with him.

– *You and your husband are veteran travellers. Have you managed to visit anywhere else in Russia apart from Moscow?*

– Certainly! We've been to St. Petersburg, Sochi and small villages outside of Moscow. We would also greatly like to visit Lake Baikal.

– *How do you spend your free time in Moscow? Do you have any favourite places?*

– When you are in business and have parental responsibilities as well, spare time is limited. But I love sitting in Moscow restaurants, and walking

in the parks in summer, particularly in Gorky Park. It's great to watch people simply enjoying the sun.

– *What do you like to order in restaurants?*

– I like Japanese and Georgian cuisine.

– *Britons are sporting people. How about you?*

– I go to the gym, in winter I like to ice skate and snowboard.

– *Are you used to the Moscow winters by now?*

– I'm fully equipped with warm clothing, so I gain satisfaction from the winter. The city looks so beautiful when it is covered with snow.

– *Are you renting an apartment?*

– I looked for accommodation with the help of an agent whom I trust, and who speaks English. All the landlords I've had dealings with have been very pleasant people.

– *Is it expensive to live in the Russian capital?*

– Before the financial crisis, Moscow was a very expensive city, although not much more expensive than London. But now that the rouble rate has fallen, Moscow has become very accessible in that respect.

– You've been halfway round the world, so you have a good basis for comparison. Do you think Moscow is safe?

– Yes, it's completely safe in Moscow. Fortunately, there have been no unpleasant incidents for me in Moscow.

– Would you recommend your colleagues and friends to come here and work, in business?

– Certainly. It is a great city, which has a lot to offer. It simply surprises me how many foreigners live in Moscow and consider it their home. As for starting a business, it isn't easy but it's quite possible.

– What, in your view, are the risks a foreign entrepreneur can expect to encounter in Russia?

– The risks for a business in Moscow are just the same as those in other countries. Here too you need time, effort and persistence for your business to succeed, and like anywhere else, there is the risk of failure.

– Does Moscow feature in your plans for the future?

– I don't plan my life far ahead. That makes it more exciting. At the end of each long Russian winter I ask myself if I can live through another. So let's see what next winter brings! ■

it's completely safe in Moscow. Fortunately, there have been no unpleasant incidents for me in Moscow.



[REDACTED]

[REDACTED]

The Market is Reviving

*The Austrian **Axel Dieter Hartenstein**
sells Swiss coffee machines and
is convinced there are good prospects
for business in Russia*

Axel Dieter works as the managing director of the Russian office of the Swiss company Jura Elektroapparate AG. The office is in the very centre of Moscow, on Bolshaya Sadovaya Street, in "Bulgakov House", where the famous writer, director and dramatist lived (1891-1940). His works (e.g. "The Master and Margarita") are loved everywhere in Russia and admired outside it. Today Herr Hartenstein tells a BIGMOSCOW correspondent about how he lives and works in Russia.



Russians appreciate a good drink and are ready to spend money and time on making it.

– Herr Hartenstein, you are not a newcomer to Russia, you have been working here almost 10 years, in a number of companies, one of which was Russian (AFK “Sistema”). What brought you to this country?

– As often happens in life, it was all by chance. I was negotiating with the company OBI Baumarkt of the “Tengelmann” group about working somewhere in Germany. But it so happened that at that time the post of commercial director of the firm “OBI Russland” became vacant, and it was offered to me. I found the offer of working in Russia interesting. I agreed and came here, in spite of not having any previous experience of working in the RF.

Now I represent Jura Elektroapparate AG in Russia.

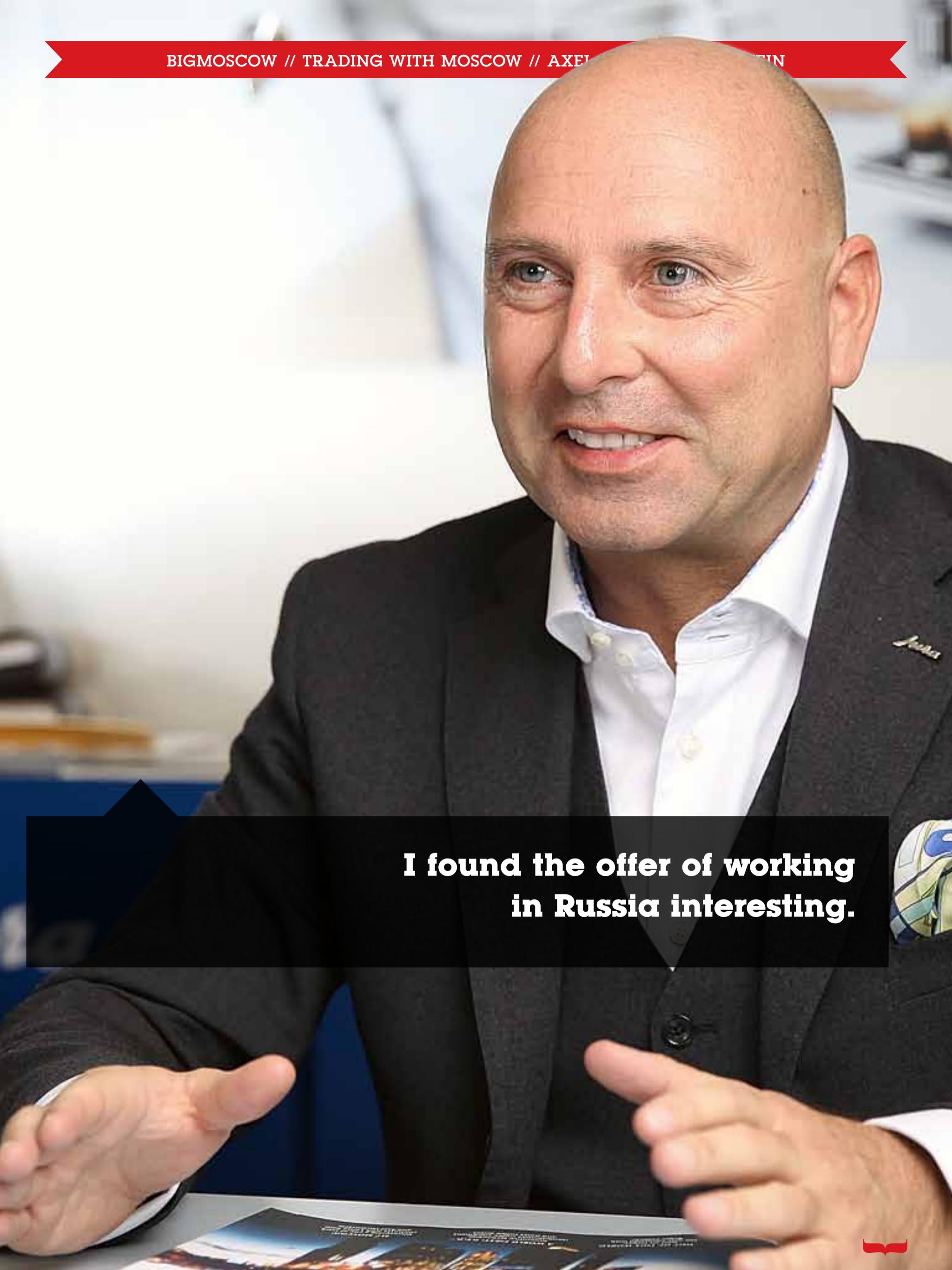
– It is traditionally considered that the main national drinks of

Russians are tea, kvass and even vodka. How and why did the idea of selling coffee machines here arise?

– The fact is that Jura has been in this market a long time now. And it must be realized that the mega-trend of the spread of coffee takes in Russia too. Obviously it is a “tea country” with a corresponding culture of drinking it. However, our company sees this as a considerable advantage. The company is a producer of fully automatic coffee machines, the main selling point of which is that they make real coffee (i.e. from ground coffee beans). Our slogan is “The Swiss coffee cult is for fresh-ground coffee beans, not for coffee from capsules (nicht gekapselt, frisch gemahlt).

And the Russian tea culture assumes that the tea is freshly brewed, it is not satisfied with the drink from teabags. Russians appreciate a good drink and are ready to spend money and time on making it, which is of decisive significance. They





**I found the offer of working
in Russia interesting.**

take the same attitude to coffee too. In accordance with the local culture for drinking it, it should also be freshly brewed. Therefore I believe we are on the right track here.

There are pioneers in this field, such as “Starbucks”, the café chains “Coffeemania”, “Coffee House” and others. They offer Russians coffee as a lifestyle product. And we are talking about giving people the opportunity to prepare the drink with the ideal taste of always freshly-ground and freshly-brewed coffee with one press

– Good coffee machines do not come cheap. Who are your clients?

– Our clients are those who have a passion for coffee, who are enth by it. What you said is right. Speaking of our coffee machines, we mean machines costing 150,000, 200,000, 250,000 roubles, that's about €2,000. In other words, we are talking about considerable expense, in effect, an investment. However, a coffee machine is a kitchen appliance,

A coffee machine is a kitchen appliance, and for Russians, the kitchen has a particular value, it plays a special role.

of the button. That is what our coffee machines do: they produce espresso, latte or macchiato. In this respect, our products are in demand.

Geographically, deliveries already cover all the regions of Russia from its Western borders to the Urals. Beyond the Urals, of course, tea is still widely preferred. But in St. Petersburg and Moscow, for example, there is a tendency for the consumption of coffee or coffee dairy products to rise considerably.

and for Russians, the kitchen has a particular value, it plays a special role, including as a meeting place. Apart from anything else, also because in the present difficult times, a trip to a restaurant is a costly indulgence, and many meetings take place in domestic conditions. Therefore the clients of our segment invest assets in their own homes, thus trying to provide their own solution to the problem. Furthermore, our clients who are apartment owners say that they can demonstrate our





**As a sales market for our products,
in the strategic sense, Russia is
a very very important country.**

coffee machines to their family and friends, Thus our clients are people who love real freshly ground coffee and appreciate the high quality of the drink. They have possibly been abroad and want to enjoy the taste of such coffee again, including in their own home.

– *But you probably sell coffee machines to restaurants too?*

– Yes, of course. Among our customers we have, for example, the café in the Moscow “Balchug-Kempinski” hotel. But all the same, we are aiming not at the top gastronomic enterprises, but at smaller clients. We are not able, for example, to provide for serving at the same time all the guests of a hotel where 300 people may be staying. Our partners are, in particular, those taking part in conferences or other forums, and office staff. But all the same, the main direction is the household field. About

80 per cent of our coffee machines are sold for domestic needs.

– *How do you sell your products? Through certain shops, through the internet?*

– Mainly through distributors., e.g. through the “Media Markt” and “M-Video” chains of domestic appliance shops.

The Russian company “Tekhnopark” is also an exclusive distributor of ours. Altogether we have 40 major partners in Russia, and also distributors working online.

ABOUT AXEL
DIETER
HARTENSTEIN



– *What is your present turnover in Russia? Can you compare this figure with those in other countries where Jura operates?*

– We are unwilling to reveal turnovers. Let's just say that our share

People always want to gain satisfaction, in good times and bad.





of the coffee machine market is about eight per cent. Our aim is to increase that to at least 12%. For sales of fully automatic coffee machine in such markets as Germany, Switzerland, Austria, the USA or Russia, we aim to reach 20%. That is approximately 10,000 coffee machines a year.

It should be said that the Russian market is the fourth or fifth in scale in the world for the sale of fully automatic coffee machines. The clear leader here is Germany, then come America and Switzerland. However, as a sales market for our products, in the

strategic sense, Russia is a very very important country. With a view to the future, as they say. Therefore we intend to continue investing in Russia.

– There are complaints everywhere nowadays about the economic crisis, the falling rouble and economic sanctions. Do these things affect your work?

– Yes, this all has an influence on our business. However, we look on the crisis as an opportunity presented to us. And we believe that this is the very time to increase our share of the



I am convinced that the Russian market will revive.

Russian market. Because when all is going well, there is simultaneous growth everywhere and everyone has money which can be invested. But we are investing money in the Russian market and in the distribution of our products in Russia even in these difficult times. That way we are winning considerable segments of the market. And it should also be taken into account that the market for automatic coffee machines is expanding in Russia. The negative aspects of the economy do not have such a considerable effect on the “breakfast field” (Frühstücksbereich) as on others. This refers to brewing tea, and making coffee and toast. We fill this niche, and it is one that continues to develop. Coffee is a worldwide trend, it is a drink to be enjoyed, and people always want to gain satisfaction, in good times and bad.

ABOUT JURA
ELEKTROAPPARATE
AG



– Herr Hartenstein, you are an experienced businessman, an expert on Russia, you might say. What advice can you give to people who intend to open their own business in Russia? Is it even worth them trying?

– I am convinced that it is worth it. Russia is a huge market. It is a difficult market. The size of the country must not be underestimated. You also have to bear in mind that someone who has only seen Moscow has not actually seen Russia. We told ourselves: we shall focus initially on Moscow, St. Petersburg, and to the south towards Sochi, and then we shall expand in the direction of the Urals. Then the next step will be to move on into other regions. But in doing so, we shall have to act on the spot as well, because Russia is too big a country to be able to deal with everything from Moscow.

– So you are planning to expand in Russia?

Altogether we have 40 major partners in Russia, and also distributors working online.



– Yes, we want to expand. We have sent a signal by opening the Jura office in Moscow in 2014, a difficult year, to show our face, as all major firms do to gain a presence in the local market. And we think this is the right road. I am convinced that the Russian market will revive. Perhaps not to the size it was in 2007 and 2008, when we were simply being spoiled, but so was everyone – all Europe and the whole world.

In any case, we are taking into account that the Confederations Cup will be held in Russia next year, then the World Football Championship and so on. These are signals which it is worth considering. Money will come in. And people are now guided by new realities.

Last year was difficult. Well, so what? Go into any restaurant now and you will find it full of customers. Or board an aircraft flying to Russia, it's the same story: you'll have a lot of people travelling with you. In 2003 I flew to Moscow and I was almost alone in the passenger compartment. I went to restaurants in Moscow at that time. They were half-empty. Now it's all different. At the present time, if we look at the actual figures, the situation does not look so dramatic. We are optimistic enough to believe in the Russian market and we are investing in it. And we believe that the time has come to move forward. ■



tobox.com 

Free of Charge. For a Lot of Money

*The Russian **Denis Ponomarev** and the Chinese **Feng Lin** have created a project requiring 50 million dollars in investments*

Denis Ponomarev and **Feng Lin** have created the unique free-to-user internet trading aggregator ToBox for social media shops. The startup initiators have already attracted two million dollars in investments (!). So today we shall tell you what is so unique and attractive about this project for its users, and of course its investors.

The official launch of this project was on 12th December 2015. In format, ToBox looks like the usual strip of goods, which has search by category, price filter, 'basket', geographical location, information on new goods, discounts and special offers, a 'select' function and so on. In its nature, the project is a marketplace, an aggregator of small shops and producers, master

craftsmen and designers, in some ways like Asos, Wildberries, Lamoda and Etsy, but it does of course differ somewhat from what else is in the market at present. The main difference is that it has its own messenger, like the 'intercom' so widely used in electronic commerce, but without the delay, a sort of analogue of a real live sales consultant.

In format, ToBox looks like the usual strip of goods.



Denis Ponomarev, Products Director of ToBox:

– People make very active use of such correspondence with the sales department. It is not stressful for the vendor either, because he sees both his own errors and the reaction to the goods and prices. Absolutely no pressure to sign if you aren't buying, all you have to do is register. And you can even say "it's cheaper at the other place over there"...

Denis:

– Why do people trade in the social media, after all? Because there is a large free audience there. That's it. But it is hard to sell there, there are limitations on descriptions, direct marketing works badly, you have to keep looking at the posts, going into the commentaries of clients, not just those of "critics".

So we created convenient functional software. And by the middle of March, 1500 shops

It relies on salespeople on the social media (Instagram, vKontakte). It gives them a tool for more efficient sales

The ToBox Seller app, by which the vendors can fully control their shops by telephone, became available in Google Play on 14th January, and in AppStore on 4th March 2016.

The ToBox service does not try to compete with the big players. It relies on salespeople on the social media (Instagram, vKontakte). It gives them a tool for more efficient sales.

had already come over to us from the social media. Now we are approaching the moment when we shall be ready to begin cooperating with medium-sized shops. But we are in no hurry. We don't want to cut off our concept at the roots.

The dynamic of the expansion of the partnership network is not bad. Growth totals about 300-400 shops



a month. When the service was first open, you had to make an application to “come up” on it, on which a decision was taken later by the manager. This helped to avoid a wave of testing shops and to get onto tried and tested vendors at once. Later we developed a moderation system: a whole section looking through each kind of goods and each shop. A reply is given within 24 hours, always with comment and advice on how to improve the proposition. Now this section is expanding. It sets out 1500-2000 forms of goods a day.

The service does not earn anything and exists by investments. At the launch stage, executive director Feng Lin invested about half a million dollars of his own money. In September, two sponsors were drawn into Round A: Xiaomi and Shunwei Capital. The total investment was \$2,000,000. Now we’re getting ready for Round A+. According to the plans, the Shunwei Capital investment group will invest \$50,000,000 in the startup in 2016 (!).

The creators know very well that it takes a very long time for e-commerce projects to pay for themselves. For example, Lamoda, according to its own calculations will reach break-even point in five or six years.

Denis:

– We are taking it one step at a time, and we admit that the project is long-term and it would not be sensible to take money out of it now. We are winning our audience, people who consider, as we do, that the service has a future, and are willing to work with us.

Anyway, the site is free and will remain so. We plan to achieve profitability from another project, our own paid service, which we shall start developing within two years. It will be integrated into the site, and all the shops represented on ToBox will use it. And the company will take a percentage of that.

The average cheque is now 1800-2000 roubles. Although there are also luxury offers, designer goods branded

**We created convenient functional software
for shops from the social media too.**



articles from Italy – there is even a quadricycle shop. And there are orders worth many thousands, even hundreds of thousands of roubles.

ToBox in Russia is only the first phase of the project. In the long

term the creators of the service see prospects for expansion into the developing e-commerce markets – which means Australia, India and Brazil. They also want to make an Initial Public Offering. ■



The interview with an investor in the project, Li Wei, Vice President of Shunwei Capital.



We Invest in Promising Projects

*The Chinese **Li Wei** is convinced that China and Russia will overcome their current economic problems successfully*

BY: NADEZHDA BOBKOWA | PHOTO: SUNWEI CAPITAL | TRANSLATION BY: JACK DOUGHTY



Li Wei, Vice-President of Sunwei Capital, talks to a BIGMOSCOW observer about why his company took the decision to invest in the Russian-born startup ToBox and what the prospects are today for online commerce in Russia, and explains why Chinese investors have recently been more cautious about entering the Russian market.

– Mr. Wei, why did you decide to invest in a Russian startup?

– Companies going into foreign markets – that is the main investment trend in China today. Furthermore, understandably, investors invest in new projects with good prospects. And ToBox is just that sort of startup. That is to say, yes, of course, it is a Russian startup, but its business model is very like Chinese ones (something like a combination of Taobao and Aliexpress).

– Does that mean you follow tendencies in our market? Or was it this particular project that somehow attracted your attention? What are the general criteria that guide you in taking a decision about investments?

– There were two things that made ToBox seem interesting to me: firstly, as I said, its business model, and secondly, its unique team. These two factors together, in my opinion, will help it achieve success, as Taobao has done in China,

**We do not interfere
in the day-to-day management
of a startup we have invested in.**



but in the Russian market and possibly in others.

In general, we use standard methods in assessing companies and taking decisions about investing in them. It was the same with ToBox. And we saw that this startup has every chance not only of growing considerably, but of becoming one of the major e-commerce players in Russia.

– How much investment are we talking about, if it is not a secret? And what format? Sponsorship, purchase of shares?

– I represent a typical venture investor. That is, we usually invest from two to thirty million dollars, depending on the stage (from stages A to D and further, respectively), i.e. two million is the bottom line for one round, and thirty million is the total sum. As a rule, we



invest money directly in new shares of the company.

– How long do you reckon it will take to obtain a return from the project?

– The planned duration of our fund is 10 years. Accordingly, we do not expect any financial return in the near future. All our investments are long-term.

– Do you try in any way to influence the administrative policy of a startup company? Are you satisfied with the way they are doing things now?

– The ToBox company is growing very rapidly. We are pleased about that, of course. but it is against our principles to interfere in the day-to-day management of a startup we have invested in. ToBox has a team, an executive director and top management. They manage the whole process.

The e-commerce field is very promising in Russia today.



– E-commerce is a very promising industry, which naturally attracts large investments. How do you imagine this market will be in future? How will it change from the point of view of technologies and consumption models?

– Obviously, the e-commerce field is very promising in Russia today. In particular, I already notice tremendous changes and improvements in Russian electronic trading. In my opinion, logistics is currently the widest field for investment. For example, in China you can send an order to JD.com in the morning before 10 o'clock, and the goods will arrive at your home the very same day. Imagine how that would be in Russia.

– So you see considerable growth potential for this market? But isn't there a risk of it becoming saturated in the near future?

– Undoubtedly, and this risk can only grow. For example, e-commerce in China has already seen many innovations

which are still unheard of in Russia. There are too many to list them all, but here are a few: the websites wish, 5miles, koudai gouwu (koudaia shopping), meilishuo, mugujie... China has its own very sophisticated and integrated electronic commerce ecosystem, whereas Russia will probably have to wait a few years to catch us up in this field.

– Have you encountered any difficulties in entering the Russian market? Or is it easy for Chinese companies in view of the long-standing trade relations between our countries?

– The only difficulty I can tell you of is understanding that Russian purchasers and vendors differ considerably from Chinese ones. A correction always has to be made for this. In the first stages of financing, we do not depend at all on either the law or state fiscal policy where the recipient is registered.

– As I already mentioned, Russia and China have a rich history

I am confident that both Russia and China will cope with their temporary economic difficulties.



of economic partnership and friendship. But recently we have not often heard about such deals and investments. What do you think the problem is?

– I think both countries are experiencing difficulties and trying to cope with them. There are the crisis and sanctions in Russia, and China has had to face a slowdown in growth and the difficult transition to a new economic model, a consumer model. Anyway, the Chinese authorities know what to do, and our people are very flexible. They easily adapt to new circumstances. So I do not think these problems are insurmountable. I am confident that both Russia and China will cope with their temporary economic difficulties.

– Do you plan to invest in any other Russian companies and startups?

– Quite probably. Provided they have a clear direction and a convincing business model. But I am not willing to name specific projects at the present time.

– Can you then tell us about other projects in which you have invested assets in the past?

– I personally have supported about 10 projects since I started working in Sunwei. Mainly in the field of online education and finances. Probably the most interesting ones are Pebbles Interfaces (sold to Facebook for the Oculus project in 2015), 51talk.com (one of the biggest online English-teaching sites in China), zmlearn.com (a major online platform for the communication of school pupils and students), liweijia.com (a major online retailer specializing in selling hand-made furniture – kitchen units wardrobes etc.), Mime Finance (a finance company offering consumer loans to young people), and WPS (the equivalent of Microsoft Office in China). ■



Learn more about the ToBox startup



There is in Russia a New Reality

*It would be wrong to describe its
understandable difficulties as a crisis*



Dutchman **Jeroen Ketting** is a recognised authority on the business matters of foreigners in Russia. He has been living and working in Moscow for the past 23 years. And in the 15 years of its existence, his firm Lighthouse has helped more than 1,200 companies play a part in the Russian economy. Jeroen is a frequent speaker before those wanting to take their business into unknown territory. And today he shares his thoughts with BIGMOSCOW readers on the situation in Russia and its attractiveness to small and medium-sized foreign businesses.

I have been involved in assisting foreign business in Russia for over 17 years, i.e. since 1999. Up until that point, I had already been living and working in Moscow for 5 years. I mastered the language, sized up the country, accumulated knowledge, and acquired the necessary contacts. As I put it myself at the time, I helped “like a one-eyed man helps the blind” ...

That, of course, was a very different time. Opening up to the rest of the world after the collapse of the “Iron Curtain”, Russia was hugely attractive to western business with its gigantic territory, consumer demand, and huge possibilities. I’m not joking when I say that I personally played a part in the entry into the Russian market and in the setting up of production and business of around 1,200 foreign companies! That was over 15 and something years. Everything went from strength to strength. Despite the well-documented difficulties, crises, and the default in 1998, 2008 ...



**OPENING UP TO
THE REST OF
THE WORLD AFTER
THE COLLAPSE OF
THE “IRON CURTAIN”,
RUSSIA WAS
ATTRACTIVE
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HUGE POSSIBILITIES.**

I recall, in 2013, the King and Queen of the Netherlands visited Russia. At the time, I was putting on special presentations in Holland for businesspeople interested in moving into Russia. And the interest was absolutely immense. Connections were made in an instant. Streaming out of Holland were lorry loads of goods, from flowers to cheese, not to mention, of course, high-tech products.

Today, it stands to reason that the situation is not the same. The reaction to the sanctions has had a marked effect on the figures for cooperation between the economies of Russia and other European countries. Speaking only for my company Lighthouse, I can say that already in 2014, over the course of some 4–5 months, due to the events around the EU sanctions and the RF’s countermeasures, we lost about 50% of our income. That is no small matter.

There was a massive outflow of foreign investment. Trade flows dropped. In 2015, by, in my estimation, somewhere in the region of 40%. Some western businessmen decided to pull out of Russia, others were weighing up how to save their business here. What is interesting, however, is that the biggest global players, for example, those in oil and gas extraction, only strengthened their position and grew. One thing is for sure—business is business. And here economic expediency has always prevailed, and continues to prevail, over any new political or ideological developments.

Be that as it may, many pulled out all the same. I can talk about a client of ours from one of the North-Eastern European countries

**ABOUT JEROEN
KETTING**



THE CHOICE HERE IS AS ENORMOUS AS THE COUNTRY'S TERRITORY.

PROSPECTS
FOR THE RUSSIAN
MARKET FOR
THE NEXT
10 YEARS



(for understandable reasons there is no need to give the actual name of this reasonably large company), which was developing a project, already at the stage of practical decision-making, to participate in the distribution of Russian exports to Europe. Alas, these plans were destined not to come to fruition. And, now, will they ever come to fruition? After all, now we are seeing, from what is going on in Russia, that she is taking a different strategic direction in terms of economic connections: towards The East.

This is something which, incidentally, has been factored in by another of our clients: a fairly large Dutch company, a technological leader in the world of logistics. From the insights we have shared with them, they have seen that the time for prioritizing only Moscow and St. Petersburg has passed. Just as that time for making a “fast buck” has also passed: the 90s, when all deals to supply anything, be it food, clothing, other goods, even services, seemed to be lined with gold.

Today, though, the crisis and reaction to the sanctions are giving birth to a new reality in Russia herself and in her surroundings, right before our very eyes. It is unavoidable and already inevitable.

Is this a bad thing? Is it good? It is neither one nor the other. It is simply a pronounced tendency, a reality, which now needs to bourn in mind if you have an interest in the gigantic Russian market and in the opportunity of doing business in this country.

Is it still possible to do business in Russia? This is a question I am asked more and more in the countries of Europe. To which I reply: “Yes,



**IT IS IMPOSSIBLE
TO SIMPLY SELL
SOMETHING. YOU
HAVE TO PROPOSE
PARTNERSHIP.
INVOLVE YOURSELF
IN PRODUCTION.**

ABOUT
THE LIGHTHOUSE
GROUP



of course". But the most surprising thing of all, is that this is not just my opinion. It is also that of European businessmen themselves operating in Russia.

Here: button (infographic): "Prospects for the Russian economy for the next ten years".

According to the results of a survey of members of the Association of European Businesses conducted at the end of last year, 76% of representatives of small and medium-sized businesses anticipated a decline in economic indicators in Russia over the next 1-2 years. This said, 40% thought that over the next 4–5 years, Russia could expect economic growth, and further still, around 33% believed that everything in Russia would be stable. But 73% of those polled were convinced that in the long-term perspective of 6–10 years, the Russian economy could expect growth. These figures speak volumes. Even western business is quite optimistic in its evaluation of the prospects for the Russian market and economy. And it doesn't want to miss the opportunity of working here. And earning here.

Therefore, I would say this: Russia is not in a state of crisis but in the process of forging a new reality. Very much a new reality. The "rules of the game" have changed, and much of what applies today will no longer be applicable. But one can and should understand that a new reality also means new possibilities. For western business, too.

I often hear that there is still extremely little small to medium-sized business in Russia (but then that means that there are still niches to be filled, somewhere for muscles to be flexed!) – all of 17% of GDP. But is this really so? People



**A NEW REALITY,
IN RUSSIA HERSELF
AND IN HER
SURROUNDINGS,
IS BEING BORN
RIGHT BEFORE
OUR VERY EYES.**

here live and survive. And he who has survived is already, in my opinion, an entrepreneur. The humble saleswoman from whom I am always buying chicken is not just a saleswoman, but a small businesswoman. She travels out to the farmers and brings back her goods herself.

Today, 50% of agricultural produce in Russia comes from private individuals, tending their vegetable patches and gardens. Just think! This is the very incarnation of the western dream of “seasonal consumption”. Has Russia already surpassed Europe in this respect? Evidently, yes.

It remains for me to add that Russia has virtually no foreign debt (the overall debt is no higher than 10–20% of GDP, and we know that in certain countries in Europe, and in the US, this figure is already significantly higher than annual GDP).

Is this, then, a crisis we are talking about?

This is not to say, however, that there aren't any problems in Russia at all. Because, of course, there are. And this is the very time when the western entrepreneur can, and ought to, organize his business here. And that will be much sought-after.

What are we talking about? Well, the choice here is as enormous as the country's territory. Anybody interested can go and google Russian startups. There are increasing numbers of them. Many of them are joint ventures with either foreign participation or investment. And here, I would like to say a word, first and foremost, about the opportunities in high-tech. There are in Russia, according to official statistics, 90m internet users. That, alone, is more people than the population of Germany.



FOREIGN BUSINESS IN RUSSIA, JUST AS BEFORE, RETAINS MUCH ABOUT IT THAT IS ATTRACTIVE AND PROMISING.

Attractive these days is also high-tech agriculture. Bearing in mind government preferences and its programmes in this field. For example, today Russians consume about 140,000 tonnes of mushrooms a year. And only 7% of these are grown in Russia itself (!). If one were to set up mushroom production here, their cost price would already be half that of imported ones!

I have seen with my own eyes huge areas of forcing beds (30 hectares of greenhouses at one large-scale farm!) and gigantic orchards in the south of Russia, in Stavropol Krai. But did you know that, even so, 75% of apples in Russia have to be imported? This is not enough! Such is the sheer size of the place.

And this very day, foreigners are starting their businesses in Russia. They are attracting investors and, for example, much in-demand robot technology. And the pharmaceutical industry. And healthcare. And car-parts manufacturing. And medical equipment.

But... In life, there is always a “but”. The new reality implies new approaches, too. Today you have to be closely involved with your business, on the ground, in Russia. It will not work anymore, quietly managing your affairs from abroad.

I was saying that Russia is not only Moscow and St. Petersburg. One should also bear in mind that in Russia there is a resident population of almost 150 million people. There are 9 federal okrugs, and 85 constituent territories of the Federation in this huge country. And there are places everywhere for small and medium-sized business, all with their pros and cons...



Therefore, to those who wish to do business in Russia but say: “Let’s wait until the market calms down and conditions are like they were before”, – I can say only one thing: it won’t be like it was before. Ever. The new reality is dictating its conditions to us. And we need to think in a new way.

Already it is impossible to (as before) simply sell something. Now you have to propose partnership. Involve yourself in production. The Russian market will not come to us itself (unlike before, when businessmen turned up to my native Holland in vans literally with money in suitcases to buy cheese or flowers). These days, so as not to lose out on the wealth of possibilities, one has to be proactive. And think strategically (I repeat that the days of “fast bucks” are over), for the medium and long-term. If you like, you have to become a kind of “corporate citizen” of Russia.

This, incidentally, is understood by virtually all foreigners working in Russia. For example, at the moment we are helping a certain Belgian company, 90% of whose output fell under the well-known boycott (we are talking about a billion euros a year here!), to compensate for these losses by starting production in Russia, by implementing their technology here. In parallel, we are working with another company which is putting into its Russian business high-tech assistance for lorries and vans right there on Russian roads. To run such a business from abroad is downright impossible.

Thus successful foreign business in Russia, just as before, retains much about it that is attractive and promising. ■





www.pay-me.ru

Cashless Profit

How can you start accepting bankcard payments in Russia? It is no more difficult than in the US or Europe



Vladimir Kanin has been involved in the IT technology business and has been investing in numerous projects on the Russian market for over 10 years now. Four years ago, in Moscow, he established the mobile acquiring service Pay-Me and became its Managing Director. Today Vladimir tells BIGMOSCOW readers how small and medium-sized businesses can set up cashless payments for their clients and customers in Russia.

THE ISSUE IS LONG OVERDUE

Bankcards came into our lives some time ago. And Russia is no exception. Thanks to the efforts of leading banks, Russians now hold a substantial number of cards (both debit and credit cards): by various calculations, 210–220, if not as many as 243 million (according to the Central Bank of Russia on 01.01.2016). If we take the population of the RF – 143.5 million – and discount babies, children, some students and pensioners, as not being card users,

then there are 100 million people left who actively use these very same cards. In other words, we are left with the fact that in Russia, on average, there are 2.2–2.5 bankcards per active adult citizen. Therefore, more and more often the customer himself (the client), the cardholder as we call him, puts pressure “from below” on the businessman (or merchant) to start accepting card payments. And more and more, representatives of small and medium-sized businesses who previously worked only with cash

IN RUSSIA, ON AVERAGE, THERE ARE
2.2–2.5 BANKCARDS PER PERSON.



payments for a whole host of reasons, feel the pressure of market demand and want to be able to accept bankcards.

NOW IT IS COMPULSORY

Furthermore, as of 2015, in the RF there came into force several amendments to the Federal Law “On the Protection of Consumer Rights”. From now on, commercial enterprises are obliged to offer customers the facility for making payments using a bankcard. Such a rule was also made by the Federal Law of 05.05.2014 no. 112-FZ. However, this requirement doesn’t affect all stores: only those with an income of over 60m roubles a year. Enterprises with an income of less than that are permitted not to install POS terminals. But Rospotrebnadzor (the Federal Service for Supervision of Consumer Rights Protection and Human Welfare) will fine stores with an income of more than 60m for refusal to accept plastic. The fine for company executives is 15–30,000 roubles, and 30-50,000 roubles for the company. The relevant

amendments to statute 14.8 of the Administrative Offences Code of the RF have also been incorporated into Law no. 112-FZ.

Therefore, today, one can talk of an explosion in interest in Russia amongst small and medium-sized businesses in acquiring (acceptance of bank payment cards as a way of paying for goods, work, and services).

IT IS ACCESSIBLE AND PROFITABLE

It should not remain unsaid that entrepreneurs who previously didn’t accept payments using bankcards and then began to accept them immediately noticed that with acquiring, turnover grows and the number of customers increases owing to those people who prefer to pay by bankcard and do not carry cash. Sometimes the growth in turnover of such people amongst our clients is 25–35%. This, naturally, is both for shops and any area of small to medium-sized business which involves payment for goods, work or services by clients or customers. Incidentally, for

**ONE CAN TALK OF AN EXPLOSION IN INTEREST
IN RUSSIA AMONGST SMALL AND MEDIUM-SIZED
BUSINESSES IN ACQUIRING.**



the entrepreneur in Russia (whether he is a foreigner or not is irrelevant) introducing acquiring into his business is now no more complicated than it is in Europe or America.

The most basic equipment for card payment acceptance costs at our company, to give an example, 7,900 roubles. This is the so-called Chip & PIN reader (terminal): a device that is compact and easy to use, able to work with bankcards, and is connected to a smartphone or tablet via Bluetooth (the terminal is compatible with virtually any smartphone or tablet). It is charged using a micro USB and, after being charged once, can carry out hundreds of payments, one after the other. It works with all popular cards featuring chips or magnetic strips (VISA, VISA Electron, MasterCard, Maestro).

The software can be downloaded free of charge from the App Store, Google

Play or the Windows Store. Also, the entrepreneur does not incur any subscription charges. And it solves the problem straightforward by being able to accept bankcard payments.

IMPORTANT NUANCES

You should know that the rate for each transaction will be a little higher than, for example, in the large banks.

We are talking about starting at 2.75%, and then, with increased turnover, we can talk about a lower rate.

Receipts, in such cases, will be of two types. First, electronic (so-called terminal receipts) which are permitted by RF law, in the form of an email or SMS (the customer receives an SMS and can go to the website and view the same receipt there detailing what the purchase was, where it was made, from whom, when, how many purchases there were, and how much money exactly was paid). And the second type of receipt is when



WHO CAN WORK
WITHOUT FISCAL
RECEIPTS?



**THE MOST BASIC EQUIPMENT FOR CARD PAYMENT
ACCEPTANCE IS THE CHIP & PIN READER.**

the business-owner also connects up a special fiscal printer (there are several models of these mobile printers). Such printers cost, of course, more than our terminal. I have seen them for 20,000 roubles, for 23,000, and for 25,000. The reality is that there are no cheap fiscal printers. All the same, in Russia there are about 15 kinds of activity where there is no obligation to provide a printed receipt for tax purposes (fiscal receipt) (this is for those using UTII – Unified Tax for Imputed Incomes for Individual Activities).

HOW MUCH DOES ACQUIRING COST?

In such a way, the representative of a small or medium-sized business can enter this sphere once he has paid from several thousand roubles (if there is no obligation to work with fiscal receipts), up to 27-28,000 roubles (if a fiscal printer is a requirement). But those who previously worked only with cash payments and without UTII had to

have at hand a cash till registered with the tax authorities: something which also fulfilled the function of a fiscal printer. In other words, whether or not it is necessary to spend money on a fiscal printer will depend on each individual case.

WHAT TO LOOK OUT FOR

First, it is worth taking the trouble to establish how reliable the bank or banks in partnership with your acquiring company are. Banks should be amongst the top ones and appear in at the least the top 100, if not the top ten. For example, our company is one of few, if not the only one, whose bank partners have not had their license revoked. Because we have very reliable partners. In Russia they are Alfa-Bank; in Kazakhstan: The National Bank of Kazakhstan and ATF Bank; in Ukraine: Raiffeisen Bank Aval, OTP Bank, Unex Bank, and Bank Mikhailivsky.

Second, any normal company offering acquiring services doesn't

**IN RUSSIA THERE ARE SEVERAL KINDS OF ACTIVITY
WHERE THERE IS NO OBLIGATION TO PROVIDE
A PRINTED RECEIPT FOR TAX PURPOSES
(FISCAL RECEIPT).**



HOW RELIABLE THE BANK OR BANKS IN PARTNERSHIP WITH YOUR ACQUIRING COMPANY ARE IS IMPORTANT.

touch the client's money. Only the bank should deal with that. Our task is to provide properly working devices, convenient services, a convenient online profile for the client etc.

And third, obviously it is more convenient for the client if the company bank account is with one of the partner banks of the acquiring company. This makes the movement of funds significantly simpler and quicker.

HOW TO SOLVE THE PROBLEM?

These days to be connected to acquiring you can go to the website of any company offering these services and submit a request regarding accepting bankcard payments. You also have to upload, along with the request, scanned copies of the following documents:

- certificate of registration;
- certificate of registration with the tax authorities;
- verification of bank account;
- copy of the passport of the Director (or Individual Entrepreneur).

And that's it. Verification of the information provided by the applicant regarding his business takes no more than two days, after which he will receive a reply and be immediately able to accept bankcard payments for his goods or services. The devices for dealing with bankcards (readers, printers, everything you need) will be delivered to the address indicated by the applicant at a time convenient to the client.

If you decide to liaise directly with the bank, you will have to provide photocopies of the same documents, and any other problems will be able to be resolved in just the same way. ■



WE SIMULATE SITUATIONS



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Secrets of a Successful Start

*The Guyanan **Chet Bowling**
tells of typical mistakes made
by foreigners in registering
their business in Russia*



*In starting a business in Russia, it is worth while paying attention to the procedure of registering it. Errors committed at this stage sometimes have a negative influence on the whole of its future work. How can a foreigner ensure a successful start of his business in Russia? **Chet Bowling**, the founder and managing partner of the Alinga Consulting Group, talks about this. He has been offering consultancy to foreigners in the RF for more than 20 years. His company has been providing legal support, outsourcing of accountancy functions and auditing services since 1999.*

About Alinga Consulting Group



SITUATION



In registering a subsidiary company in Russia, a cosmetics manufacturer from Europe found it necessary to give an address for legal purposes, though he did not yet have a permanent office. The lawyer advising the company proposed registering formally, using one of the addresses he had with postal service. Having checked that this address did actually exist and that a correspondence readdressing

To avoid getting into such a situation, the following must be borne in mind when setting up an address for legal purposes in Russia:

1. You must check the databases of the tax inspectorate or other specialized internet resources to ensure that your proposed address for legal purposes is not a mass registration address. Even if the address is "clean" at the time you check it, do not fail to check it again periodically; it might become a mass registration address some time later. This is also important because the banks study the addresses for legal purposes of clients thoroughly when a clearing



SITUATION**2**

A large foreign organization set up a subsidiary company in Moscow with the intention of developing its business in several Russian regions immediately. Therefore when registering their office in the capital, the foreigners also registered the separate regional branches. In fact there was no activity in most of the separate regional branches in the first year. But towards the end of the accounting period, the company discovered that the cost of bookkeeping and tax accountancy for the Russian LLC had suddenly increased. It turned out that according to the law, all the registered separate branches of the LLC, even if there were no jobs there and no actual activity was taking place, were obliged to send a tax declaration for profits tax to the regional tax authorities, and the head office profits tax declaration also had to include information about the separate

The unnecessary expenses could have been avoided altogether if the foreign company had not registered its separate branches in Russia "for the future". It is only worth registering a business which you are actually planning to develop. It is not difficult to solve the question of registering branches in Russia today. It is best to do this after work has actually begun in them. Under Russian law, the tax authorities may be notified of the opening of a separate branch within 30 days of the first job being created there.

ONLY REGISTER A BUSINESS WHICH YOU ARE ACTUALLY PLANNING TO DEVELOP.



SITUATION**3**

A foreign employment agency registered in the British Virgin Islands incurred unforeseen expenses in connection with the profits of its Russian subsidiary: it had to pay an additional dividends tax of 15%. The problem proved to be that the organization had not taken into account the specifics of profits taxation at the stage of registering its business in Russia. Foreign companies may open a Russian legal entity (a subsidiary company, usually an LLC) or foreign one (a branch or mission). A branch, unlike a mission, has the right to engage in commercial activities. A Russian legal entity is more convenient when it is a question of manufacturing, but a foreign legal entity usually uses companies operating in the services field. The procedures for registering either of these forms of conducting business are virtually identical, but there are nuances in taxation.

SELECT THE FORM OF CONDUCTING BUSINESS BASED ON ITS FIELD OF ACTIVITY (SERVICES/MANUFACTURING) AND ON THE FINER POINTS OF TAXATION AT EACH STAGE OF THE MOVEMENT OF ASSETS.

The error was committed in the selection of the form of conducting business. Under Russian law, a subsidiary company always pays tax on dividends. And in the absence of an agreement to avoid double taxation between the jurisdictions, the tax amounts to 15%. But Russia has no such agreement with most tax havens. If there is an agreement, the tax is paid at a lower rate. At the same time, there is nothing to prevent a branch transferring cash assets from its accounts to those of the head office without any withholdings, regardless of whether a profit or a loss has been made on the activities in Russia during the accounting period. Therefore for an employment agency, and for most other companies offering services, the optimum solution from the taxation



SITUATION

The global management of an international manufacturing company considered that no-one would be able to cope with conquering the Russian market better than the top manager of their Swedish office. In the documents submitted for registration, the energetic Swede was shown as the managing director. The manager, motivated by this career prospect, was to train his replacement in Sweden within six months and then go to work in Russia. To simplify the procedure for obtaining permission to work, a unique feature of Russian migration law was used. The future CEO was described as a highly-qualified specialist (HQS). Everything was done really quickly. However, it was this which cost the organization much more than it had planned...

The international company had failed to take into account the fact that under the law, the employer is obliged to inform the FMS every month about the fulfilment of its obligations to pay salaries to highly-qualified specialists. Therefore the organization found that it had to pay the CEO salary in the sum established by law for such cases: not less than 167,000 roubles a month. And to make the appropriate tax deductions.

As you will understand from this example, it is not worth rushing into appointing an ex-pat CEO to the new organization. If such a manager does not intend to start fulfilling his obligations immediately, it is better to name a formal general manager in the documents. This makes it possible to avoid unnecessary expense and to take your time over appointing the "real" CEO. Consultancy companies, including ours, offer the service of providing a nominal managing director for the purpose of the registration procedure. He can then be replaced at any time.

**DON'T RUSH INTO APPOINTING
A CEO. IN REGISTERING,
YOU CAN NAME A NOMINAL
GENERAL MANAGER.**





Take Your Partners!

The many international events taking place in Moscow will be of help to those in the world of commerce looking to find new ways of expanding their businesses





RUSSIAN VILLAGE-2016 DEDICATED FORUM

5.07 – 06.07

**Venue: Exhibition of Achievements
of National Economy (VDNH)**

**Field: farming, agriculture,
food industry**

This dedicated forum forms an integral part of the Russian Federation's widely-known "Russian Village" project, now into its third year. The "Russian Village" programme is becoming an effective lever for addressing issues in the rural regions: as the results of the conference/seminar which took place in Moscow in February of 2016 pay testimony.

MAIN SECTIONS





**"GREENMARKET"
FESTIVAL
OF ORGANIC PRODUCE**

28.07 – 31.07

Venue: Sokolniki Park,

Festival Square

**Field: foods, fruit, vegetables,
meat, fish, farm produce**

The Festival of Organic Produce is a colourful gastronomic event, the aim of which is to provide a primary platform for the sale and promotion, direct to the customer, of home-grown foodstuffs and other organic produce on the Russian capital's retail market. The festival will follow the format of a fair.

MAIN SECTIONS





**THE MOSCOW
INTERNATIONAL
AUTOMOBILE SALON**

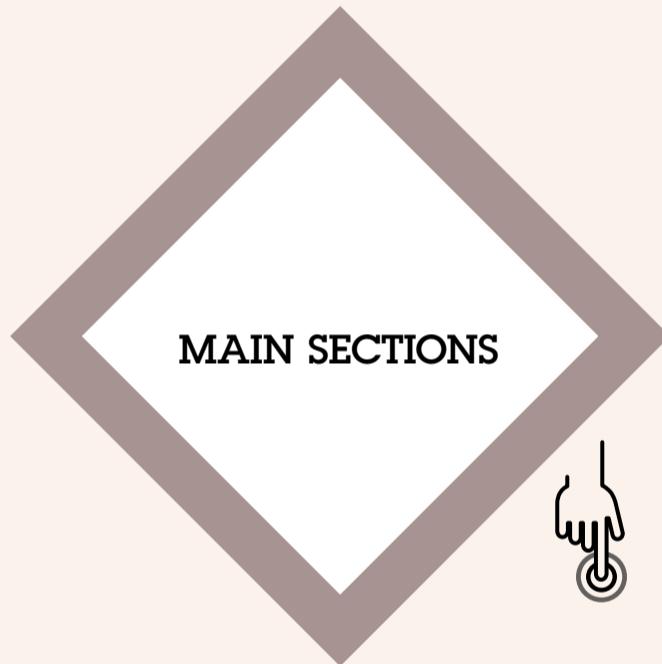
24.08 – 04.09

Venue: Crocus Expo IEC

**Field: car manufacturing,
accessories, parts, car-care
products, commercial transport,
private transport**

The Moscow International Automobile Salon/MMAC is the standout event for the multimillion-strong army of petrol heads and automobile industry professionals.

MAIN SECTIONS



CHRISTMAS Box PODARKI



CHRISTMAS BOX.
PODARKI-2016
AN EXHIBITION DEDICATED
TO GOODS FROM
THE GIFT INDUSTRY

13.09 – 15.09

Venue: Crocus Expo IEC

**Field: consumer goods, gifts,
souvenirs, wrapping paper,
Christmas and New Year items**

The “Christmas Box. Podarki” exhibition brings together under the one roof leading producers, buyers and suppliers of gifts, souvenirs, New Year and other festive items. The exhibition heralds the start of the selling season, determines the next step in the development of the gift industry, and offers up the opportunity to find new business partners and seal new deals.

MAIN SECTIONS





BUYBRAND EXPO-2016 INTERNATIONAL FRANCHISE EXHIBITION

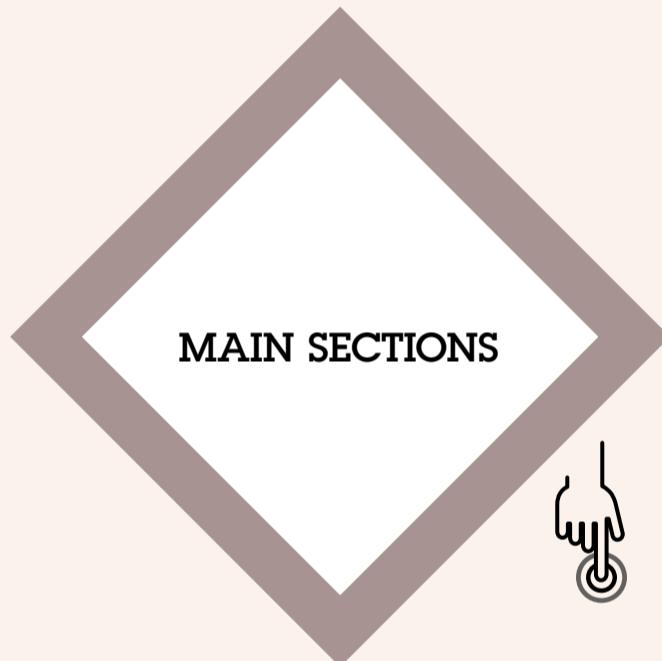
28.09 – 30.09

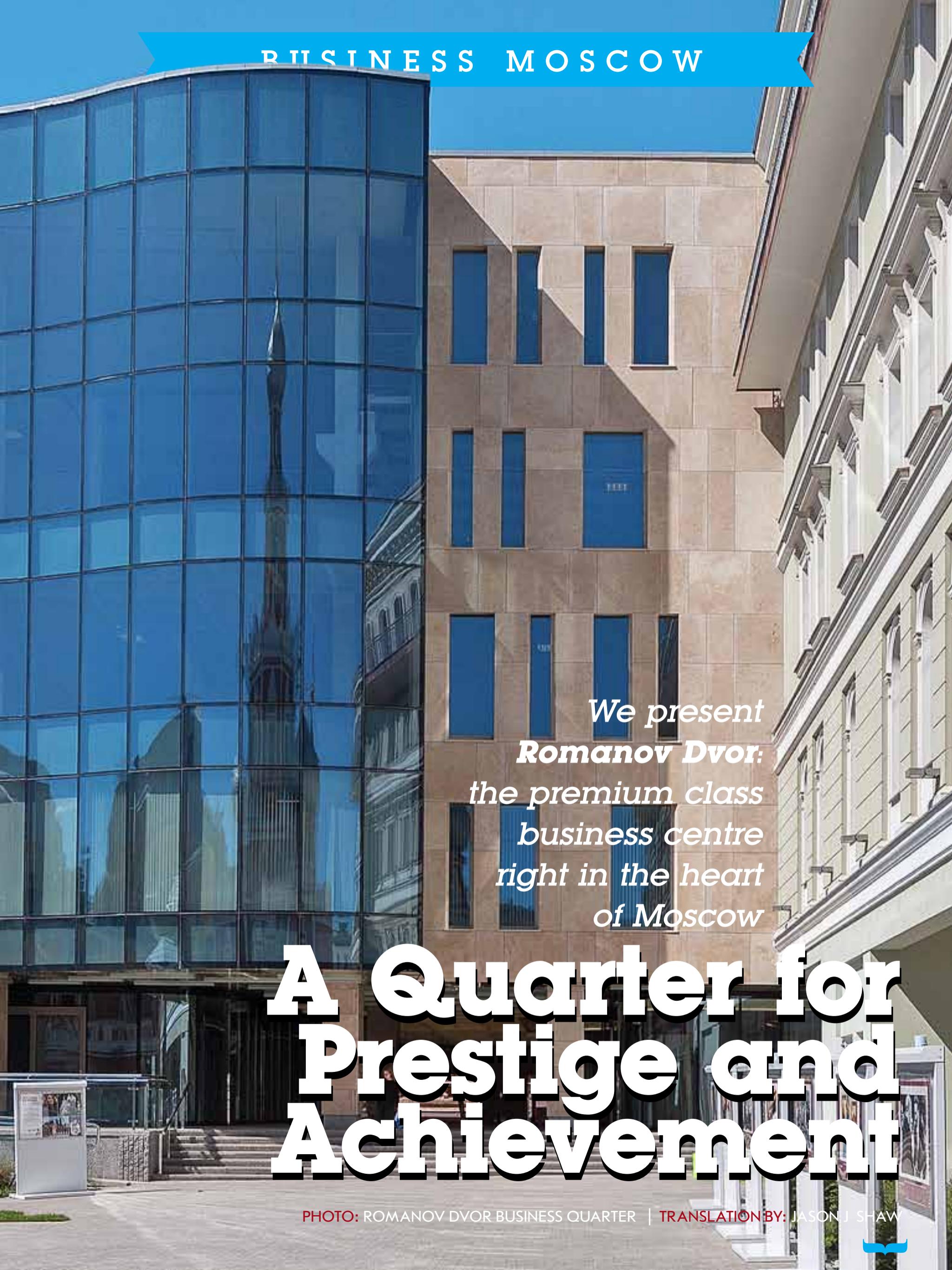
**Venue: “Expocentre” Central
Exhibition Complex**

**Field: business, economics,
finance, security, consumer
goods, tourism, furniture, shop
fittings and office equipment**

Every year, taking part in the franchise exhibition are franchise companies with an investment range of 0.6 to 30m roubles from various countries. The participants are looking for partners prepared to purchase either a single franchise or a master franchise for an individual city out of the whole of Russia and the CIS. The exhibition is attended by businesspeople from each of the Russian regions from Kaliningrad to Vladivostok, and from the CIS and Europe. ■

MAIN SECTIONS

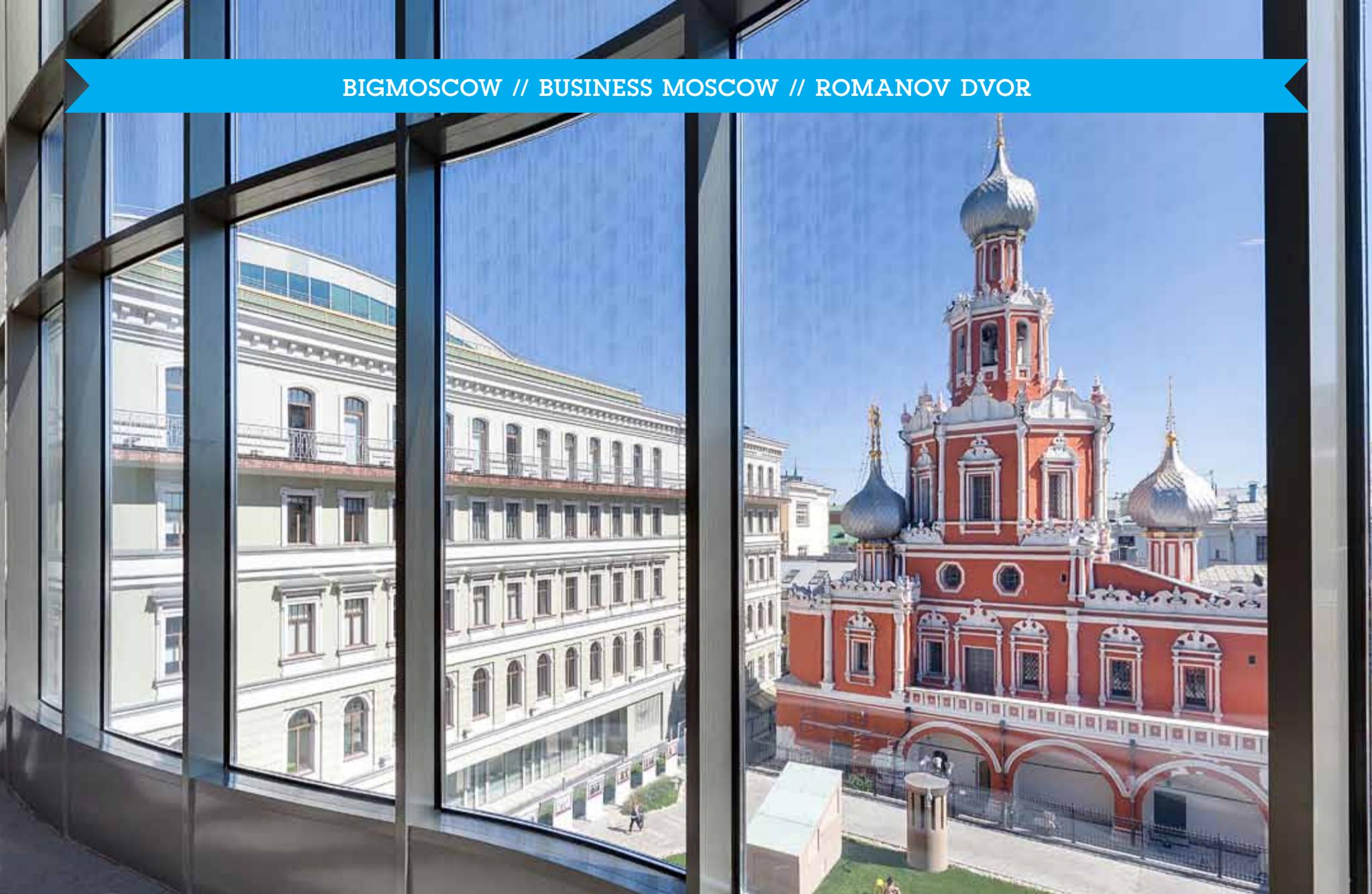




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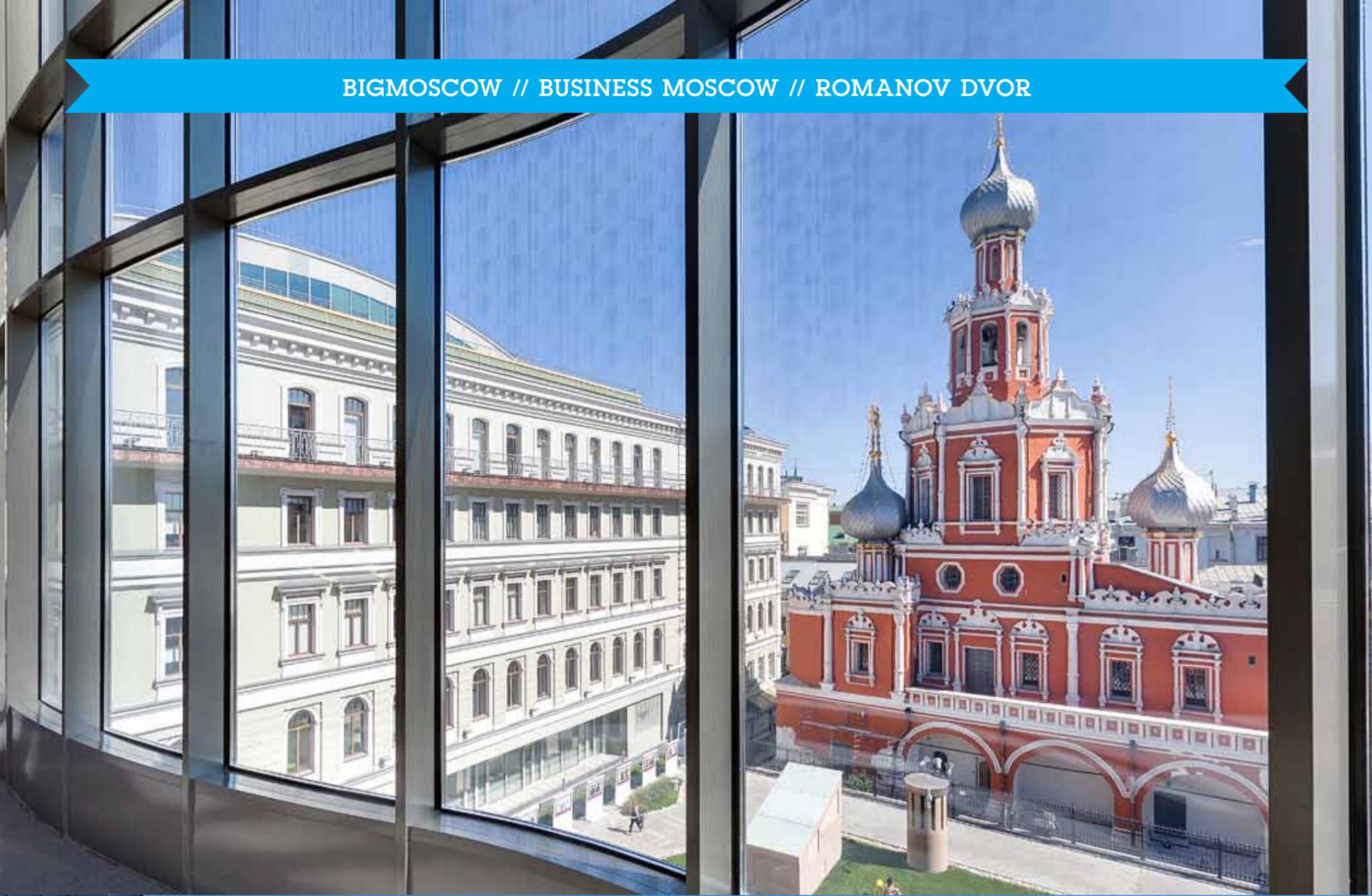




АЛЛЕЯ РОМАНОВ
квартал 41



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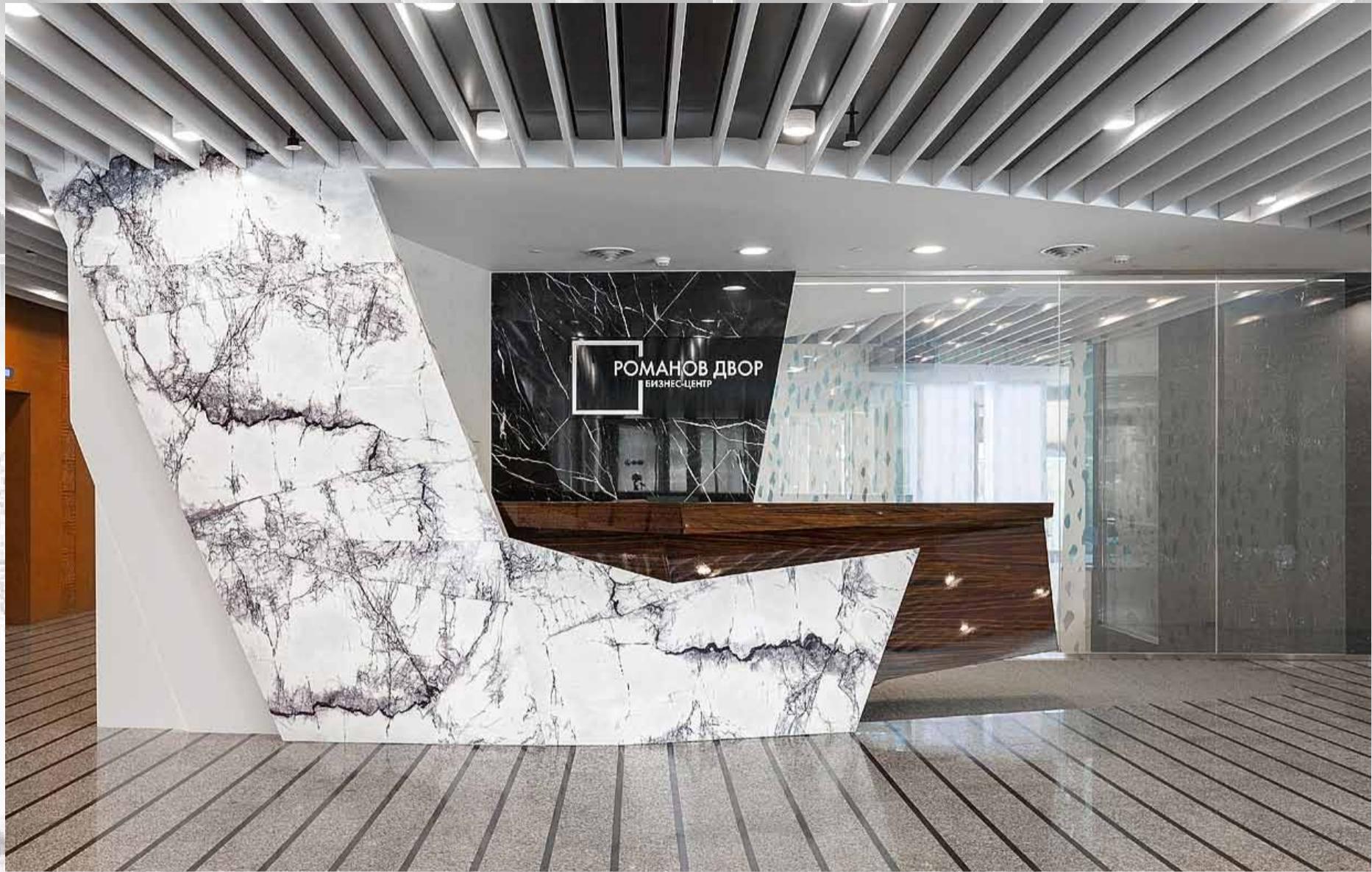
The whole complex of buildings of the Romanov Dvor business quarter blends seamlessly into the surrounding architecture of Old Moscow. The period facades of the buildings skirting the quarter have been maintained, whilst the contemporary second building, and the audacious aspect of the third phase, are tucked away neatly behind the original edifices.





In addition to the elite office space, there are cafes and restaurants here: Correa's, Paul, and Dolmama. Also business-class apartments, the World Class fitness centre, the Romanov Cinema, banking facilities, flowers by Florist Gump, and the dry-cleaners Bianca. One of the quarter's assets is the pedestrianized street of eateries and landscaped inner courtyard, open to all. This makes Romanov Dvor an attraction not only for businesspeople, but also city residents and tourists.





With most business centres, the end of the working day means an end to activity: but not at Romanov Dvor. This development is not only a place of business but also a comfortable public space which draws active, progressive, thoughtful people, a place where they can feel a connection to the city, its history and culture. During the warm season, the inner courtyard plays host to a constant round of photo-exhibitions, masterclasses, and talks.





The business complex was constructed in compliance with cutting-edge technical and engineering specifications, and international environmental standards. In 2013, Romanov Dvor was the first project in Russia to receive certification under the updated BREEAM In-Use International standard, which confirms its meeting global standards for Class A+ office premises in terms of environmental sustainability.





Romanov Dvor counts among its tenants some of the foremost international companies: global leaders in consultancy, banking, and financial and legal services such as Credit Suisse, White & Case, Bloomberg, Boeing, Bank of Tokyo, Squire Patton Boggs and many others.





Of further benefit is the complex's access to transport links. In close proximity are the metro stations Biblioteka imeni Lenina, Borovitskaya, and Arbatskaya. Distances to the airports: Domodedovo – 40 km, Sheremetyevo – 30 km, Vnukovo – 30 km. The complex contains a two-storey underground carpark capable of accommodating 250 vehicles.



INDUSTRY IN MOSCOW



Once he got involved in business in Russia, Indian **Manish Kumar** made his a successful and profitable enterprise

The Benzene Ring of Fortune

BY: SVETLANA SAMODELOVA | PHOTO: FRANCESCO ROSSINI | TRANSLATION BY: JASON J SHAW

Manish Kumar is president of Soltex Group: a company which he formed himself and registered in Russia on the 20th of July 2011. The sphere of his activities and interests is extensive: having started with petrochemicals, polymers and industrial chemicals, he is now involved in essential oils, and plans to supply Crimea with textiles and set up clothing manufacturing there. Today Manish tells our BIGMOSCOW journalist how he finds living in Moscow, and what he has been up to here for almost a quarter of a century.

– After I graduated from university in Moscow (mine was the most forward-thinking of faculties: development of oil and gas fields), I had the opportunity to go and work in Canada or Alaska, but I decided to stay in Russia. I wanted to start my own business, and to do that I had to accumulate the necessary experience. All the right conditions for this were here in Russia: a wealth of oil and gas reserves, the opportunity to work with people “on the ground”, and great prospects. I began work with Petropharma International, which was right then actively developing the Russian market.

After the default and the economic crisis of 1998, there was a severe shortage in raw

materials, particularly as far as the petrochemical and chemical industries were concerned. We were requested to supply what there was a shortage of at the time: the raw polymer expandable polystyrene. These are granules which on contact with steam expand by about 50 times in size. We had business contacts in various countries. We sent a test batch to Russia from South Korea. Over a year and a half, we became one of the biggest suppliers of this material to Russia.



About Manish Kumar**– How difficult was it getting these materials through customs?**

– In Russia nothing is straightforward. There were both delays and problems with storage. But every cloud has a silver lining. Because there were plenty of difficulties, not everyone was able to enter the Russian market with their goods. And we, in the meantime, established ourselves on a sound footing, filled our niche.

In business, you have to have a flexible approach to everything: if the laws of the land say that we have to work in a certain way, then we have to adjust and work exactly like that.

– Was the market a large one?

– We sold polystyrene granules all over Russia. Also, we brought in a new way of carrying out deliveries. All the European companies operated via a Baltic port, but we started to import

After I graduated from university, I decided to stay in Russia. I wanted to start my own business.

our materials via the port of Nakhodka. To avoid any mishaps to do with force-majeure events, we set up our own warehouse complex. We despatched our materials by rail. Our clients were able to track their consignment on the centre's website, and see where it was at any given time and when it was due to arrive. Clients were impressed that someone was looking after their materials. Their polystyrene arrived straight to their warehouse. They paid for their cargo on arrival: we never demanded advance payments from them.

When our business began to gather momentum, we negotiated with the bank and took out a loan. We then negotiated with overseas suppliers for exclusive rights to supplies. Over time, our supplier extended us a credit line. We were able to use the credit over prolonged periods of time. At first, we had credit of a million dollars, then of 1.5 and 2 million. To receive such

funds in Russia was impossible at the time. It really helped us a lot.

– *What kind of difficulties did you have to contend with?*

– Difficulties come up from time to time. For example, when there is a crisis of some sort, companies close, exit the market. Such a situation developed in 2008. We thought we might have to fold. 90% of the company shut down then. But we had goods that were on route, the price of oil suddenly dropped by 40%... The uncertainty lasted for 5-6 months. But we decided all the same to stay in the market and support our clients. We continued to supply them with raw materials throughout those difficult times. And they held out, in the course of two years the market recovered, and all our debts were honoured.

ABOUT SOLTEX
GROUP





Russians are like a coconut: they seem very hard on the outside, but on the inside – if you get to know them – they are “soft and sweet”.

– *And the situation now? Is business growing?*

– Yes, in spite of the sanctions and the crisis. Last year we acquired the company Total Ultramar in Dubai (UAE), bought a 100% share in a mini oil refinery in Krasnoyarsk. Production there was suspended due to the crisis. We re-equipped the factory, installed video surveillance, and launched it, having doubled its capacity. We produce diesel fuel, benzene, and fuel oil. As far as fuel is concerned, arranging its sale is no problem at all.

– *Do you spend a lot of time on business trips?*

– No. Why? I have reliable partners in both Dubai and Krasnoyarsk. They also deal with the management side of things there.

– *How many people work at Soltex Group, and how much are they paid?*

– We have 52 people working for us, including those at the Krasnoyarsk refinery, where there are 36. We also have an office in Ryazan.

As for salaries, our employees receive from 40,000 to 180,000 roubles a month.

– *Would you advise foreigners to come to Russia and get involved in business here?*

– Of course! Now is exactly the right time to start a business in Russia. The crisis here is not a worldwide one. It is directed only against Russia. So there are many niches lying empty, no small number of major players have left the market for considerations other than economic ones. A unique chance has arrived.

One of the most promising areas now is the oil and gas sector. But to go into big business here is very difficult. I would advise looking at medium-sized business in the same field that we are actually in. Mini refineries, base oils, some sort of additives.

After the sanctions imposed by the West and the measures taken by Russia in response to them, I see good prospects in agriculture, too. Here, again though, there is no point in

In spite of the sanctions and the crisis my business in Russia gradually and steadily grew.





**Now very great prospects for business
are opening up in Crimea.**

focusing on imports. You need to find a region where you can lease land and start growing the produce demanded by the market, and sell it on the CIS markets. You can also send produce for export.

We have even found some interesting things ourselves in this regard. For example, we sent a test batch of coriander to India from Crimea. In Russia this spice is called kinza. Its seeds ground into a powder are widely used in cooking. And even with India being the biggest supplier of spices in the world, we are hopeful of success. After all, there are 1.5 million people in India. And there is a drought. So you have to seize the moment.

I want to emphasise that right now very great prospects for business are opening up in Crimea. I came back from the peninsular not so long ago. We met the local officials there. We have plans to start a company there, too. Investors in Crimea receive tax breaks. And we are considering getting into two new areas: production of essential oils and supplying textiles

to Crimea by setting up clothing manufacturing.

– How ideal is the tax system in Russia?

– There isn't a country in the world which can claim to have an ideal fiscal system. As for Russia, over the last 10 years, the system here has improved quite a lot. A lot of people are scared of the VAT. Often the tax rate is set too high. But now, once you have established that an excess of VAT was paid, the difference is easy to get back. This is a big plus. In other countries, getting some kind of rebate from the treasury is somewhat problematical.

I would advise any foreigner starting a business in Russia to definitely get a consultant on board, a local specialist with a good understanding of the tax system and who works closely with the tax authorities.

– Is it difficult finding office premises now in Russia?

– Not at all. You can rent the right place for either 50,000 roubles a month

A special structure should be put in place which would provide assistance to foreign business in Russia.





or for 200,000. It all depends on what your ambitions are.

– Do you find Russia to be a friendly country?

– Russia's image in the world needs to be changed. Russians are like a coconut: they seem very hard on the outside, but on the inside – it is worth getting to know them better – remove the husk and they are “soft and sweet”. It takes time to get to know them. More

should be written about Russians. Russian youngsters should travel more, socialize with their contemporaries from other countries. You should reveal to the world the other, genuine, true Russia...

– What are your plans for the future?

– We want to grow, to make a splash, take up new positions. Because, later on, it will be more difficult. It

is also a plan to help businessmen from India establish themselves on the Russian market. At the moment, the Russian-Indian market leaves a lot to be desired: its turnover is all of 8bn dollars. The situation needs changing. In my opinion, a special structure should be put in place which would provide assistance to foreign business in Russia. Businessmen from our countries should meet up, exchange information. I want to help both sides. We have two offices: one in Delhi and one in Mumbai. I want to get my experts involved. In two areas. The first concerns the state sector. To show in detail how to take part in a tender, how to prepare the necessary documentation, and what to do to make sure of winning the tender. The second area concerns the private sector, small and medium-sized business.

Apart from the traditionally successful cooperation on military technology, we could increase trade and investment in such industries as energy, processing of hydrocarbons, road and railway construction, car parts manufacturing, pharmaceuticals, diamonds, tourism, and food.

I ache for such collaboration with all my heart.

– ***You have a successful business in Russia. How do you find living here?***

– I have been living in Russia for 25 years now. I brought my wife here, my son and daughter are growing up here. I like it.

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

– Of course. At weekends, the family and I like to go to Tsaritsyno museum and reserve. We travel out to the Zavidovo national park where the countryside is very picturesque. And I am seriously wondering whether or not to buy a flat in Moscow. Before, I thought it made more financial sense to rent. As a businessman, I think through every investment. Therefore, I preferred that the money was circulating in the business and yielding an income. But now, considering the exchange rate between the dollar and the rouble, the time has

In business, you have to have a flexible approach to everything.



I am seriously considering buying a flat in Moscow.

come to start thinking about buying. If the right place turns up, maybe I'll buy it.

– *What presents do you take from Russia to your friends and relatives in India, and vice-versa?*

– You wouldn't believe it! But to India I take the most ordinary black rye bread, "Borodinsky". The one with the crust sprinkled with coriander. And also Napoleon cake. And on the way back, apart from tea, I try to get hold of something new like, for example, essential oils. ■

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