

BIGMOSCOW

JULY – SEPTEMBER 2013

ENGLISH VERSION



Free Niches: Moscow Awaits New Players

American

Teri Lindbergh

How do you Start an HR
Business in Moscow?

Canadian

Bruce Pon

Who will Start Financing
Cars in Moscow?

German

Manuela Stolle

Where do Muscovites
Buy their Furniture?

Content



Supplier from Verona

The Italian **Pierangelo Carbonara** headed a trading company in the Russian capital which supplies Italian products, and showed Muscovites what real Mediterranean cuisine is.

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2013

TRADING WITH MOSCOW



It's OK to Trade Here

The Austrian **Robert Grassl** has been conducting trading operations with Russian partners since Soviet times. He shares his tremendous experience with the new generation of Western entrepreneurs starting to make business contacts in Moscow.

STARTUP AND VENTURE



Open World

The new internet service Oktogo.ru operates in the sector of independent travel, which is becoming more and more popular in Moscow and throughout Russia. Its founder, **Marina Kolesnik**, a Harvard graduate, talks about the project.



Internet Angel

French business-financing angel **Fabrice Grinda** met Marina Kolesnik in New York, supported her project at the very earliest stage, and is content with the results.



From Russia With Money

Adrien Henny, Editor-In-Chief of international online magazine East-West Digital News, explains about the most notable deals in the Russian IT market that foreign investors took part in at the start of 2013.

TRENDS



Fertile Soil

The capital's services market is entering a period of radical restructuring, which is opening up new niches for small and medium businesses, including Western ones.

CONSULTATIONS



Congratulations on Your New Home!

How can a foreign entrepreneur find an office and arrange to lease it



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This arrow takes you back to previously viewed content.

4 Contents

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

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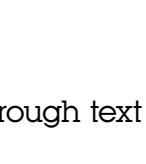
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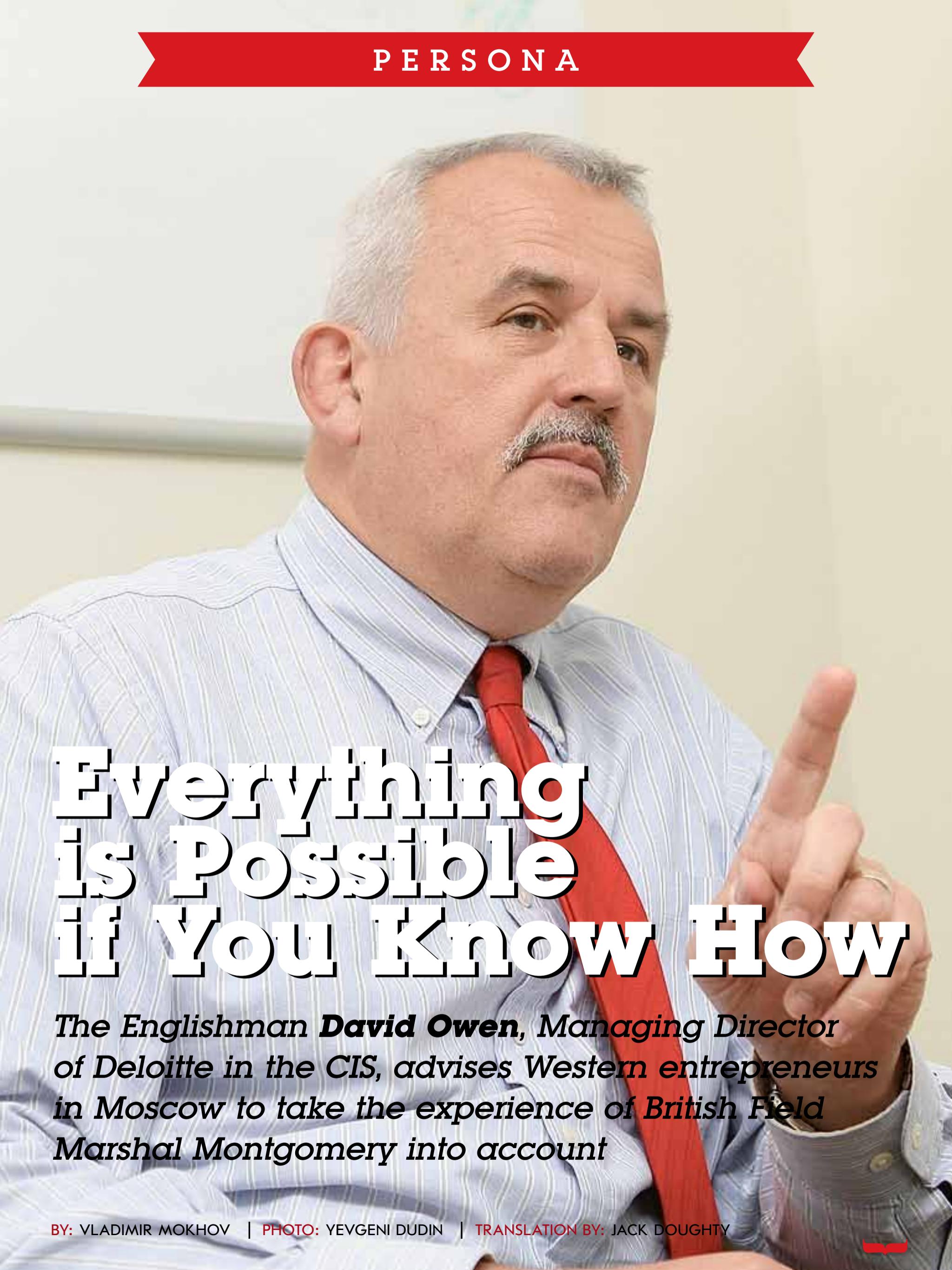


Next article



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Everything is Possible if You Know How

*The Englishman **David Owen**, Managing Director of Deloitte in the CIS, advises Western entrepreneurs in Moscow to take the experience of British Field Marshal Montgomery into account*

- According to many experts, against the background of stagnation in Europe, the Russian economy is continuing to develop, but only slowly. Compared with Russia as a whole, the economy of Moscow looks particularly profitable. Does this attract foreign investors?

- There is always a risk of over-simplifying the description of the situation. I shall try not to do this. To give you a better idea of where I'm coming from, I'll tell you something about myself and my observations.

I have been in Moscow for two years now. Before that, I had experience of doing business abroad. But two years in Russia have taught me a lot.

ABOUT
DAVID OWEN

And I can now say that foreigners, and the British in particular, have a very low level of understanding of the specifics of working here. They get their impressions from stereotypes and totally distorted concepts. Though things were not that bad for me two years ago, for example. Before I began working here, I made trips here regularly over the course of three years. I hung a map of Russia on the wall and set about studying it. I was amazed by the scale of this country alone! And yet I am responsible not only for Russia, but also for the CIS countries.

In two years, I have come to understand that Moscow is a place where one can work efficiently and achieve success. But this huge city is far from simple, one has to adapt to it. For example, there are terrible traffic jams on the roads here, yet the Metro system is the best in the world. That's why I travel by Metro more often than by car.

Turning to personal relationships, it

Moscow is a place where one can work efficiently and achieve success. But this huge city is far from simple, one has to adapt to it.





seems to me that Russians are quite sensitive and open. But there are features of their behaviour which are not always understood by Western people.

A foreigner who comes here needs to understand quickly that the actual situation in Russia is far from what it is imagined to be in the West. You really can live and do business in Moscow. In the past few days, I have met people from two major Western European companies. They wanted to understand the Russian market, to study it. And to all appearances they were pleased,

because they are seriously considering the possibility of investing here. One of them has already started up (it specialises in financial services) and the other (which is in the media business) is in the process of doing so. In any case, their actual impressions were clearly very different from what they had expected on the day they arrived in Moscow. I hope you now understand why foreigners change their impressions of Russia so drastically. Literally in a few days, the stereotypes collapse.

- ***There are many Russian businessmen living and working in London. Surely they could help to destroy these stereotypes from there?***

- It all depends on what message they bring. You have to take account of the fact that these are mostly rich Russian businessmen who have emigrated to England. What do they care about forming a positive image of

I have to sign piles of documents in several copies. There are far more of them than in other countries where I have worked. It would be better to automate all this.

Russia? They probably have oligarchy stereotypes of their own. On the other hand, it is apparently easier for a Russian to adapt to London than for an Englishman to adapt to Moscow. It's largely a matter of communication. There is talk of making Moscow more convenient for foreigners, but it would be nice to see real signs that it is going to happen as soon as possible. The signs on the streets and in the Metro, the advertisements in restaurants and shops, should be understandable to someone who does not speak Russian.

- But something is already being done...

Let's hope that all this soon actually happens. I say again that if we are talking of doing business, it was still easier for me, because I came to Moscow

not to create something from nothing, but as the manager of an already-existing company.



- What difficulties have you encountered?

- Colossal bureaucracy! I have to sign piles of documents in several copies. There are far more of them than in

other countries where I have worked. It would be better to automate all this.

- Was there no corruption in South Africa?

- There was, and this is also a big problem in India, China, Africa and South America. As for Russia, this is partly a stereotype (namely that everything here is corrupt from top to bottom – but this is far from being the case), and partly the existing reality. After all, it would be foolish to claim that

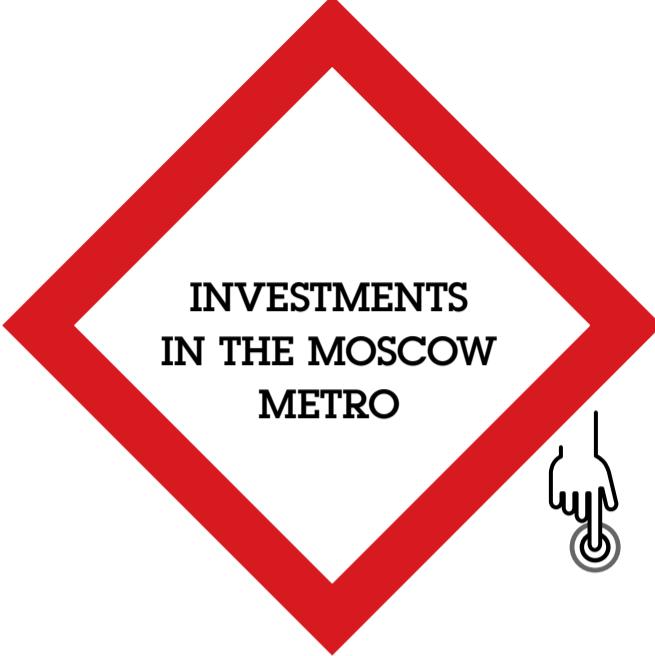
The situation with corruption in Russia is no worse than in other developing countries. Here, everything depends on how you present yourself.



**Success in business depends
not so much on the country where
you are located as on how efficiently
the company itself works.**

corruption in Russia has been defeated while we are still constantly talking about the need to fight against it. At the “Big Twenty” summit, which will be held in St. Petersburg this year, corruption will be one of the main themes. By the way, our company will be taking part in it, and the organisers have asked us to concentrate on the corruption theme.

I was recently talking with one of our clients in London. This firm intends to enter the Russian market, but fears that it is impossible to do so without paying bribes. Nothing of the sort! Everything is possible if you know how. Small companies are even more fearful about this. Big companies like Deloitte have more room for manoeuvre. If we are speaking of the culture of doing business, I personally am glad that

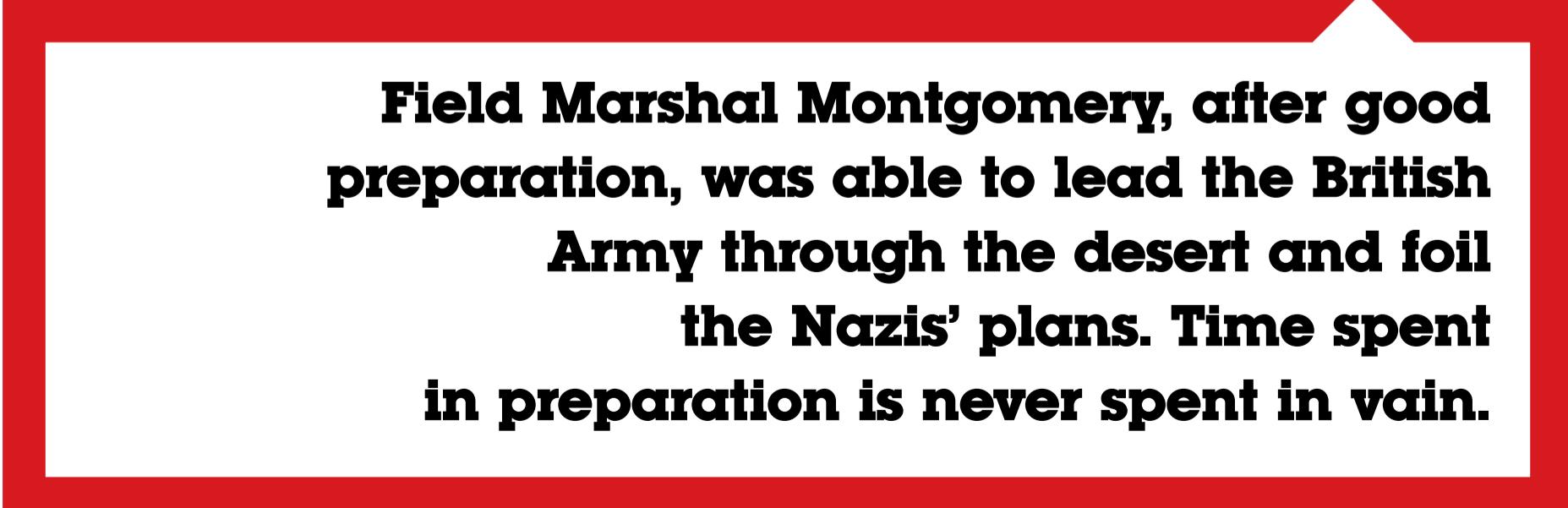


**INVESTMENTS
IN THE MOSCOW
METRO**

I work in a company which never yields to any provocation, and firmly rejects any corrupt schemes.

At the summit, we shall put emphasis on how one should conduct oneself in this aspect of small and medium business.

The situation with corruption in Russia is no worse than in other developing countries. Here, everything depends on how you present yourself. For example, I consider that our company is making a certain contribution to solving this problem. If everyone else would act in the same way, the whole problem would disappear. We are trying to guide our Western partners in this direction by giving them truthful information. We consider that the CIS countries, and Russia in particular, form a very important priority market. And we



Field Marshal Montgomery, after good preparation, was able to lead the British Army through the desert and foil the Nazis' plans. Time spent in preparation is never spent in vain.



should like to see corruption and bureaucracy steadily decrease here. We are confident that this will happen. That is why we are investing considerable resources here. As an auditing company, we pay a lot of attention to standards of management, transparency and independence in doing business.

- *The Russian authorities are always talking about a “most favoured” regime for foreign investors. Have you experienced this yourself?*

- They are saying the right things on the platforms. The important thing is that words should be followed by deeds. But I have not so far noticed any difference in practice. There is only a feeling that some progress is being made, but it is very vague. If you asked me to name three or four specific things which have made my work here easier, I couldn't do it. But it's nothing to get upset about. There is still a feeling that we are moving forward. Sooner or later, progress will make itself felt.



- What difficulties face foreigners in opening a business? And how should they begin?

- First of all, you have to understand what you intend to do here and how you intend to do it. To achieve your aim, you need confidence in communicating both with your business partners and with the local authorities. Don't be afraid to take the lead and ask questions. You should begin with sorting out the connections and collecting the necessary information. To do this, you might, for example, approach a company like Deloitte. There is one important factor here. If you are opening your first business in Russia, you have to learn to build partnership relations. In my view, foreign companies feel more confident when they don't come here independently, but set up a joint venture with a business already existing in Russia, to work in parallel with it.

Russia is not for the faint-hearted. You have to have some courage and will power to do business here successfully. It may be more difficult to do business in Moscow than in many other places. But the profits from business in Russia are also higher than in other countries. Anyway, success in business depends not on the country where you are located but on how efficient the company itself is, and on how it makes use of the opportunities opening up before it. There are far more opportunities here. But the risks are

high too. Therefore it is very important to obtain competent advice and true information, to assess the risks sensibly and then to work like hell!

The car market is a good example. It doesn't seem long since Western companies began opening production lines here, but just look at how big a market share they have achieved already! Of course, these are big companies. But there are similar opportunities for smaller ones too. Russia today holds second place for volume of sales of cars. In this very city, there are almost 4,000,000 cars for 12,000,000 inhabitants. And 250,000 more are added every year. At the same time, this creates big problems – there is simply nowhere to park a car. This means that it is time to begin mass construction of car parks.

- Incidentally, the Moscow authorities are calling for investment in the field of transport. Foreigners are even showing interest in the construction of the Moscow Metro. How profitable is this?

- Don't expect me to give specific figures. But if enough money is being allocated to this, then why not? There just needs to be transparency here. The Moscow administration should create conditions in which Western investors would be interested to work profitably.



- What fields are the most interesting for small and medium businesses, for those who are thinking of starting business in Russia with small investments? Are there any niches still available here?

- There are many such niches. Great prospects are opening up in the supply chain for various kinds of goods. And you don't just have to consider the oil and gas sector which is now the dominant one in Russia. There are also the car industry (which I just mentioned), the production of building materials, retail trade and the pharmaceutical industry. I think a businessman starting up here would do well to get into one of these supply chains. We recently conducted negotiations with a whole group of Western companies operating in the pharmaceutical and motor vehicle industries. They are now seeking opportunities to expand their presence on the Russian market. So it must be profitable. Trading through internet shops also offers good prospects. As for the field of services, there are virtually unlimited opportunities here. Big players will find something to suit them here - from large auditing and consultancy firms like ours to those which clean rooms. The services field is one of those most in demand in any developing economy.

- Could you quote the most successful examples of investments in the Moscow economy? And what should be the minimum starting sum for investments for which anything significant could be achieved?

- There are no precise parameters. There must be some minimum sum, of course, but it is hard to say what it is. I repeat, if you are starting your first business in Russia, it would be logical to think of setting up a joint venture.

I stress that there are opportunities in all sectors of the economy – from simple trade to high-tech services. You can enter this market and be competitive here.

- In Moscow there are more opportunities, but more competition too.

- Therefore you have to assess your chances realistically, and choose a field where there is room for competition and you won't be squeezed out by the monopolists. In Moscow, for example, there is a lack of shopping floor space. This means that any shop or supermarket will make a profit. It is important to imbue Western investors with confidence that it is possible to work here. And at the same time, to make them realise how successful competition can be in any particular market.



- You advise starting a business by opening a joint venture. How can you avoid making a mistake in selecting your Russian partner?

- Listen to advice and consultations, both from state agencies and from firms like ours. Secondly, you have to study the market thoroughly. During the war, the famous Field Marshal Montgomery, after good preparation, was able to lead the British Army through the desert and foil the Nazis' plans. Time spent in preparation is never spent in vain.

- It is generally considered that French and Italian businessmen find it easier to adapt to Russia because in character and mentality, they are more like the devil-may-care Russians. They say that the conservative British find it more difficult in this respect. Is this also a stereotype?

- The first thing the French and Italians do when they arrive in Moscow is to go to the best restaurant they can find, and if they like it there, they are left with good impressions. That's a joke, of course. Actually it all depends on the individual. I, for example, feel perfectly at ease here in all respects. I travel on the Metro. I can move easily round the city at any time of the day or night. For me, Moscow is as safe as New York or London. There's plenty to do in your leisure time too. I like strolling round Gorky Park. I went to a hockey match recently. I regularly spend time in a Moscow golf club. I visit museums. So I don't get bored.

- What do you think, will the Moscow authorities ever achieve the quality of lawns you have in England?

- Oh, that's yet another field of activity for foreign investors! ■



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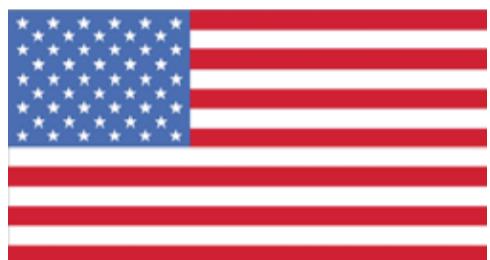


PIECES OF ADVICE
FROM **DAVID OWEN**
FOR THOSE WHO WANT TO OPEN
A BUSINESS IN MOSCOW



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

PERSONAL EXPERIENCE



**The American
Teri Lindbergh
has been
selecting
most valuable
personnel
for Moscow
companies
for 13 years**



**The Canadian
Bruce Pon
arranged car
financing
in the Russian
capital and
launched
two bank
startups**



***Manuela
Stolle* came to
Moscow from
Germany to
trade
in furniture
in a new way**



Staff Matters

American **Teri Lindeberg** knows all there is to know about the hunt for valuable staff in Russia: after all, for the last 13 years she has been successfully running her own HR company in Moscow

This native of the state of Pennsylvania knows how to attract new blood to a company, how to find the necessary middle and senior level management, as well as rare, even unique, experts, which is why, 13 years ago, she started her own company in Moscow, and turned it into one of the indisputable leaders on the Russian recruitment services market. How did she manage this, and what does the western entrepreneur wanting to follow in her footsteps to Moscow, to Russia, need to do?

“ONE OF THE KEYS TO SUCCESS IS A GOOD ACCOUNTANT.”

In her native state of Pennsylvania, she adopted the motto: Integrity, Freedom, and Independence. Her father worked for a large consultancy company. And, on receiving his next promotion, the family moved to a new location.

“We lived in the northern part of New York state, and then, in Connecticut. After school, I entered Syracuse University and studied fine art. Being involved in tax matters, my father succeeded in convincing me that “you won’t make any money out of the Arts”. I tried my hand at advertising design, but I found it boring, so I took up managing a retail business. After university, I worked in New York in direct sales for a manufacturing company at first, and then for a publishing business.”

“When did you decide to move to Moscow?”

“At that time, I was seeing a young man, an investment banker. He was offered a job in Russia. He asked: “Will you travel with me across the ocean?” The only thing I knew about Russia was that it is on the other side of the globe. But my soul was already crying out for change. I was not lacking in self-sufficiency or confidence. Like a Decembrist wife, I followed my beloved to a distant, unfamiliar land.”



www.staffwell.com

About Teri Lindeberg



**The only thing I knew about Russia was that it
is on the other side of the globe. But my soul
was already crying out for change.**

“It’s none too scary going off with an investment banker, or to Russia!”

“I have always looked after myself and have never been in debt to anybody. When I arrived in Moscow, I didn’t work for eight months. I decided to take a break and travel around the country, to get used to it, to adapt. But I started to get depressed straight away, and so I realised it was time to get to work. Before long I was working as a consultant in the Moscow branch of an international

“How difficult is it starting your own business in Moscow?”

“I struck lucky with my accountant. She turned out to be an excellent administrator: she managed to procure all the necessary permits, and to draw up all the documents, in the shortest space of time. She was recommended by two of the consultants I hired to help me set up my business in Moscow.”

“What kind of startup capital did you need?”

I was ready to pack it all in and get a job as a waitress, as I had in my younger days, when, just at that point, the business started to take off.

recruitment agency with its headquarters in London. I was involved with recruiting staff for the banking and investment sector. I was promoted five times in ten months. Three and a half years later, I became a partner with a place on the Board of Directors. And then I realised that I was capable of much more, so I started my own business.”

“I had some shares at the time. I sold them for \$150,000. And then I started a recruitment company with two partners. The bedding-in period took two years. Our areas of responsibility frequently overlapped. I realised that for such a small company as ours, three directors was overkill, so the other partners set off back to the States. There was \$5,000 left in the bank. I was ready to pack it all in



and get a job as a waitress, as I had in my younger days, when, just at that point, the business started to take off."

«WE DIDN'T PAY A SINGLE FINE IN 13 YEARS»

"What kind of difficulties did you encounter?"

"At first, of course, financial ones. We had grand plans and numerous ideas, but we lacked the necessary means. This affected, amongst other things, the salary fund: we were unable to hire the best specialists. I would like to point out that, in the beginning, ours was a very young team."

"Should the foreigner starting a business in Russia rely on local specialists?"

"I would be quite careful with such advice. If a foreigner who has arrived in Russia shows any kind of fear, then nothing will work out for them. Home-grown experts will start to try to convince you that you can't manage without them, and to force things on you, to demand higher salaries. The experienced entrepreneur can start a business in Moscow with the business-model which is familiar to him, gear it towards the local legislation, tweak one or two things, and apply it to the new environment. I am aware of a number of companies

Expert



***Irina Krutskikh,
managing director
of the employment
agency Triumph
Consulting Group***



10,000,000 roubles, medium – from 10,000,000 to 80,000,000 roubles, large – from 80,000,000 roubles to 150,000,000 roubles, and the very largest – from 150,000,000 roubles upwards).

4. The geography of the provision of HR services (the Federal ones have regional offices, the local ones operate only in one city). More than 83% of HR companies are in the Central Federal administrative area of Russia.

Prospects for the development of the personnel sector in Russia are tremendous, particularly in the context of Russia's entrv



which operate here according to a framework they are accustomed to.”

“Was it difficult renting office space?”

“We rent 600 sq.m. in a business centre in the Garden Ring area. It’s central Moscow. Initially, we negotiated very favourable terms. The cost rises every year but it’s not disastrous for us. In the capital there are numerous office spaces lying empty, and, if we felt like it, we could find something cheaper: but we really like our building. The design is superb, it is very light: there are lots of windows, from the floor up to the ceiling. Also, we have superb relations with the landlord. Back in New York, the rent for a similar amount of space wouldn’t be that much cheaper.”

“As far as the psychology of Russian specialists goes, do you sense that many of them have the Soviet past on their backs?”

“Fortunately, I haven’t come across such throw-backs in recent times. But I do remember one instance. In the 1990s, someone came for an interview with his entire family. This struck me as being very odd. I don’t know what his motivation was. Maybe he was trying to evoke sympathy: see what a large family I have to feed, or something like that.”

“I’ve seen quite a few purely «Soviet» characters. «Sovietness» manifests itself, first and foremost, in a lack of communication skills. I would ask a question, and they would completely ignore what I said, and carry on talking about whatever they felt like. The interview would be reduced to a monologue and, it goes without saying, I wouldn’t pass such an «expert» on to any clients.”

“Have the Russian authorities ever thrown a spanner in the works?”

“Not once. We also recruited for government bodies, and it all went very

The tax authorities awarded us a prize and a Certificate of Commendation for being one of the best and most responsible taxpayers.



smoothly. Our accountant worked so efficiently that in 13 years we never paid even one fine! What is more, the tax authorities awarded us a prize and a Certificate of Commendation for being one of the best and most responsible taxpayers. The certificate is hanging up in our office. They also gave us second place for «Best Company, 2012» for their sphere of activity. We are very proud of this prize: after all, last year wasn't the best for the recruitment market. When an economic crisis starts, companies usually cut the budget for staff. And this hits recruitment agencies. To be honest, I thought that prizes of such a high level were up for sale. As you can see, this is not the case. And, as far as I am

concerned, this is a good sign: it means that there isn't corruption everywhere."

"As far as corrupt elements go, they are linked not to government bodies but, rather, to individual clients. For example, at one company an HR specialist dropped a clear hint regarding a «kickback». But it doesn't happen very often, and we won't join any corrupt schemes whatsoever. I'd like to point out that, even in large western firms, situations arise when a «kickback» is hammered out. I don't think that it's a systemic problem with companies, it's all about a particular person in a profitable situation who wants to milk it purely for his own personal enrichment."

Opinion



Vladimir Yakuba,
*senior partner
of the Tom Hunt
employment agency*



reputation and position. This is probably the main problem likely to arise for a foreign citizen intending to open an employment business on new territory. For a business to be workable and efficient, it must meet two main requirements: (1) the brand must have a good reputation and be recognisable; and (2) current clients must provide a flow of capital into the enterprise, thus providing a good advertisement for it.

According to our information, from 500 to 1,000 enterprises are operating in the employment agency market in Moscow at the present time.



Depending on how hard a specialist works, with a basic salary and bonuses, they can earn between 20,000 and 100,000 dollars a year.

“How many people work at your company?”

“Including the St. Petersburg branch: 60. The average age of our staff has risen: today the people working at Staffwell are over 30, and over 40.”

“How many of them are from abroad?”

“Apart from me, two: one from Britain, and one from France. There was also a German working for us up until recently, but he left having decided on another career.”

“Are you able to say how much your employees earn?”

“Depending on how hard a specialist works, with a basic salary and bonuses, they can earn between 20,000 and 100,000 dollars a year.”

«MANAGING A RUSSIAN COMPANY FROM ABROAD IS IMPOSSIBLE»

“Is it essential for a foreigner working in Moscow to know Russian?”

“It depends on which area you want to work in. I, for example, speak virtually no Russian at all. Not all of the foreigners who have worked for us could boast that they had Russian. I would like to emphasise that, in my experience, it is not an absolute necessity for running a successful business in Moscow. The important thing is to be a strong leader and to clearly set out to your colleagues what it is that they have to do. But, all the same, I would recommend anybody who is considering coming to Moscow to learn Russian, as it is a big, big plus point.”

“WHAT IS
A «KICKBACK»?”





“Which sectors have the greatest demand for your services?”

“The most stable one for us is still oil and gas. Like before, we get a lot of orders from the industrial sector and natural resources extraction. There is always a large demand for people in IT. The consumer goods and retail sector is actively developing. Business in banking and the property market is going a little slower. As far as lawyers and financiers go, we recruit them for all sectors.”

“How much does your company receive for placing an expert? Are we talking about a month’s wages?”

“The practice of taking a month’s wages is characteristic of companies specialising in mass recruitment, hiring cashiers or security guards, for example. We don’t do that. We search for middle and senior level management, taking 25-30% of the annual salary for our services.”

“If you were working not in Moscow, but in New York, for example, how would it be different for you?”

“In Russia, there is a fixed rate of tax: 13%. But in America, I would be paying 40%, and there is also a graduated tax scale, so it would be more like 50%. Anyway, New York is not my city. I like to go there for a holiday, but not to work. I am very much at home in Moscow. If I didn’t like Moscow so much, I’d take up business somewhere else, in any case, in China, for example.”

“Have you bought a flat in Moscow?”

“No, I’m renting. Rent, by the way, is expensive. My sons Vladimir, Leonid and Savva go to an English-speaking school which is also expensive.”

“What advice would you give to the foreigner who is weighing up whether or not to start a business in Moscow?”

“In the first place, I’d recommend that they come to Moscow, get a feel for the place, talk to people, and get to know the culture and the area they are thinking about working in. Secondly, you need to have a precise plan, a strategy,

and to be a strong leader, and generate ideas. There is no problem with hiring people here. There are plenty of clever specialists in Moscow with initiative. Managing a business in Russia when you are abroad is not possible: you definitely have to move here.”

“Do you have any favourite places in Moscow?”

“The Moskva River Embankment near the Kremlin, and the Cathedral of Christ the Saviour by Kropotkinskaya metro.”

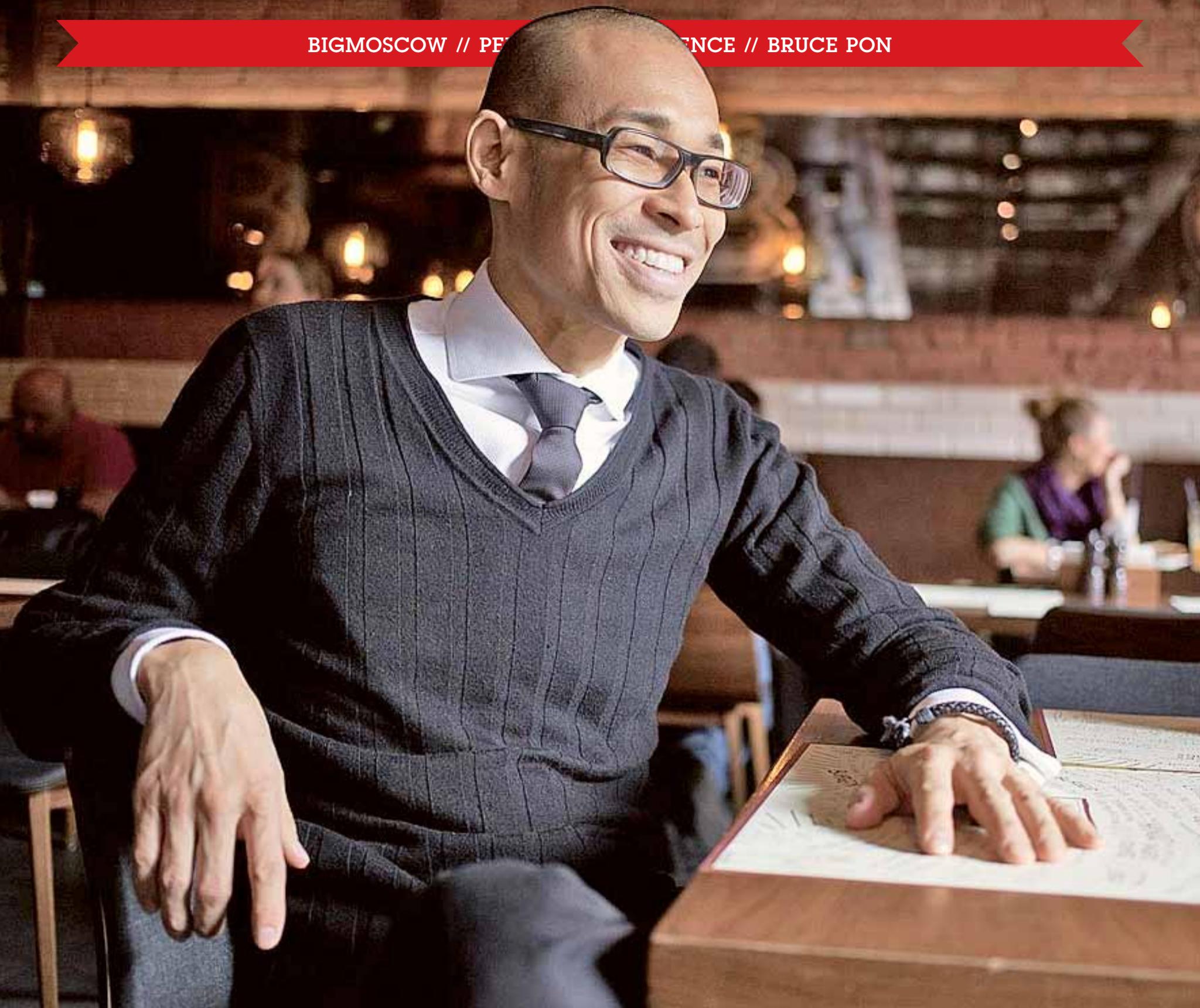
“On Staffwell’s business cards there is an amusing picture of a little fellow at the helm of a ship, looking far into the distance through a telescope, and smiling. All the clients really like him: he is resilient, focussed, but friendly-looking at the same time. The company’s employees associate him with Teri Lindeberg. She, too, is constantly on the look-out, all the while with a perpetual smile on her face.”

“I am pleased with the work I have done in Moscow, and full of optimism, – the founder of Staffwell tells, us as we bid her farewell.” ■



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The Right Direction

Bruce Pon, a Canadian of Chinese origin, came to Moscow from Berlin because he considers the Russian capital one of the best places in the world for implementing business ideas

*Bruce, a well-known international specialist in great demand, has worked in many countries. Having been in Moscow, he decided to found his own company, and for four years now, **Avantalion International Consulting** has been successfully carrying out projects all over the world, helping international companies develop business and conquer new territories.*

Bruce was born and grew up in a small town in the North of Canada which had only one library of a few shelves for the whole town. While still at school, Bruce read every book in it from cover to cover. At 17, he entered the agricultural department of one of the most reputable universities in the country, where he chose energy-saving technology as his speciality, with advanced study of water resources. But straight after university, he went into consultancy, and became involved in a no less important sector – IT technology in the financial sector. As one of a Canadian Government working group, Bruce was concerned with the development and installation of the social security system, which is still in use now. At the beginning

of the millennium, Bruce moved to Germany, and from there to Moscow.

- Five years ago I was invited to work in the Moscow branch of Mercedes, says Bruce. A year later I returned to Germany, and with a partner, set up Avantalion Consulting. We help in starting up financial projects and opening banks in various countries, particularly in developing markets. I am personally responsible for projects in Russia.

Bruce first came to Moscow in 2006. But he didn't much like it here.

- It seemed to me as if I had gone back in time to the last century. Secretive, socially cautious people, an unaccustomed way of

ABOUT BRUCE PON





I have an explosive mixture of Asia, North America, Germany and Russia boiling up inside me. Moscow is an important part of my life.

doing business. I had never come across this before, admits Bruce. Maybe I got the wrong idea, because I didn't have much to do with Russians at that time.

But his impressions gradually changed. Bruce now has a quite different relationship with the Russian capital and Muscovites.

- The present generation of Moscow entrepreneurs is quite different, he says. They are young (many of them start their business at the age of 22-23), active, erudite, with their own particular views on the reality around them, having an influence on the environment and on the city's culture. I like the fact that Russians understand present-day trends and use world experience in conducting business. Business in Russia has become a lot more open. Moscow

today is a much more friendly and relaxed city. I particularly like the parks and restaurants here.

Bruce often has to cross the Russian border – about once a month. Each year he has to get a new visa – the visa-free travel between Russia and the European Union, about which they talk so much in Moscow, has not yet been introduced. It's a bit of a bother, of course, but you can put up with it.

- I know what documents are required and how they should be filled in, so I bring them all together. The staff in the Russian Embassy recognise me now, and it only takes a couple of hours to complete everything, says Bruce, smiling.

It's easy for a Western person to come to Moscow, but it's obviously quite another matter to open your own business.

I like the fact that Russians understand present-day trends and use world experience in conducting business. Business in Russia has become a lot more open.



The only thing required of a foreigner starting up a business in Moscow is that he should try to understand Russian culture and attempt to adapt to it.

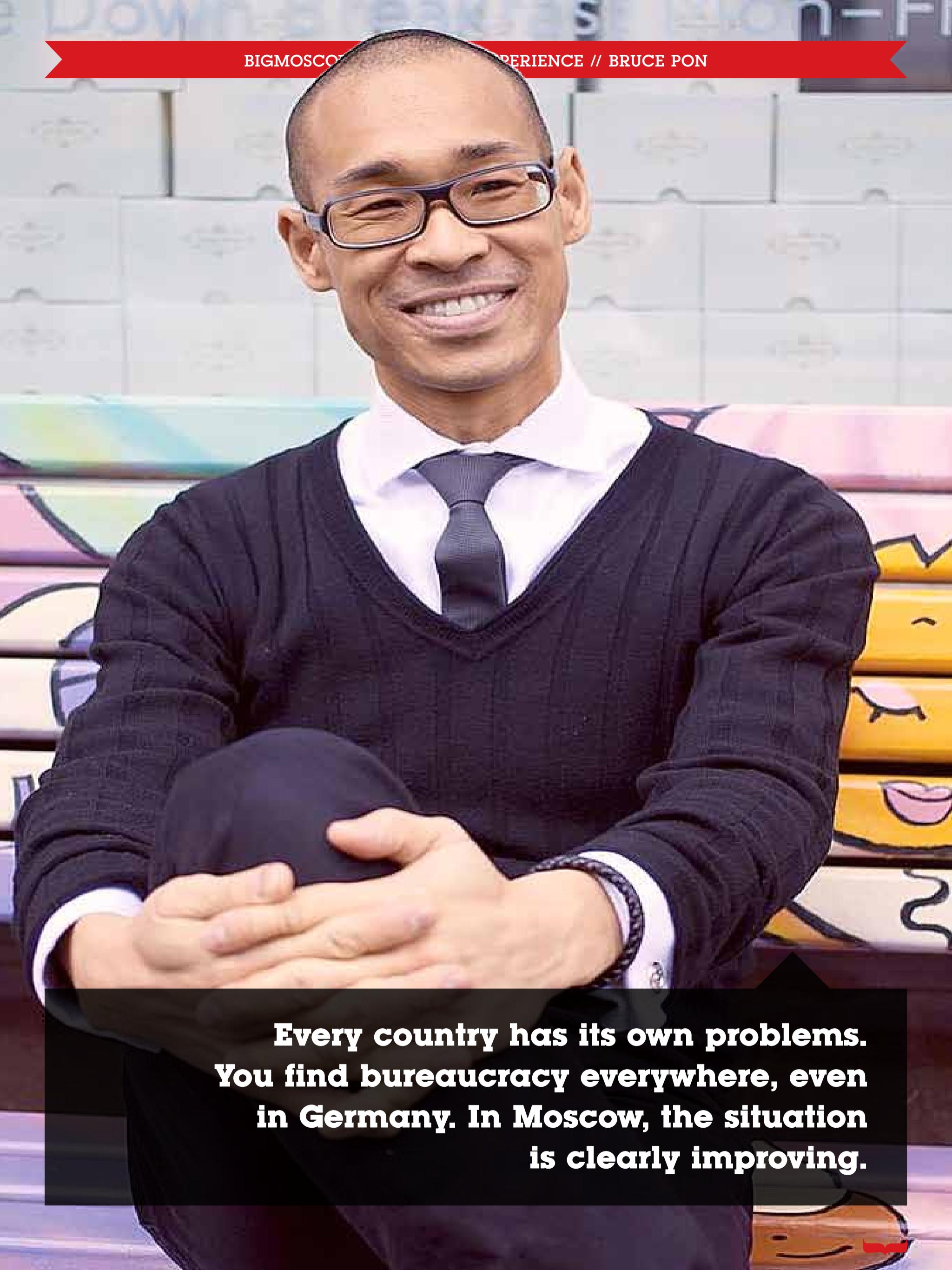
- It's always difficult to start a business. It can be compared to the birth and upbringing of a child. After all, your business is your child. And wherever you open a business, the most important aspect is its idea, mission and general view. If you have an excellent idea, if you can offer your product to people for what they are prepared to pay, this works everywhere. Moscow is a very suitable place for putting a business idea into practice. The only thing required of a foreigner starting up a business in Moscow is that he should try to understand Russian culture and attempt to adapt to it.

Avantalion provides consultancy services in the field of car financing, infrastructure innovations and the management of business processes and projects. When Bruce first came to Moscow, he saw that credit for cars was developing fast here, and special banks were opening for the purpose. He realised

that he could be simply irreplaceable. And that was how it turned out.

- We have hardly any competitors, because our company is the best, in fact the only, expert one for car financing in the Russian capital. Sometimes we cooperate with major consultancy firms and software producers – IBM, Diasoft and Ernst & Young. We consider our greatest success to be a new bank to open its doors. Thanks to us, this has now happened twice in Moscow.





Every country has its own problems. You find bureaucracy everywhere, even in Germany. In Moscow, the situation is clearly improving.

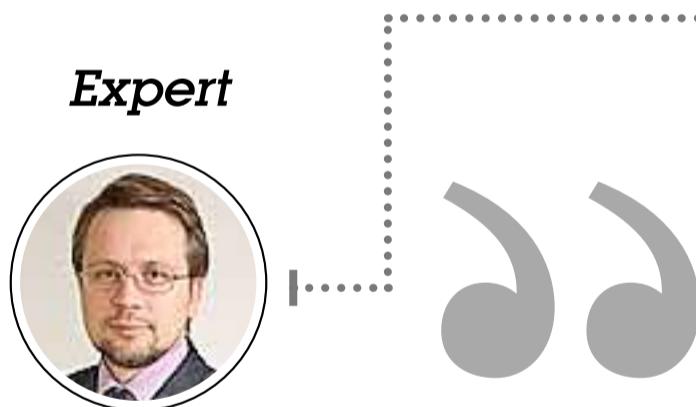
Bruce Pon's company does not particularly need to advertise itself, it is already well known in the professional community. There is no lack of clients either. Any commercial organisation dealing in car credit, and particularly one planning to open its own car credit bank, will be glad of Avantalion's services.

- But we don't only operate in Russia. Our company is running several projects in other countries. I am currently spending about one week a month in Moscow. I hope in future to live and work longer here.

Avantalion does not need a Moscow office – Bruce works in the offices of his clients. He lives in the Taganka district, where he rents an apartment in one of the historic buildings constructed in Stalin's time.

- We have a very young team, only about twenty of us. In our business, experience is the main thing. For example, I am 40, and I have spent almost two decades in this industry.

Bruce does not work alone, of course, He is helped by local specialists and



**Aleksandr Koloshenko,
President of Toyota Bank**

more than 100-150 people, and are located next to the distributor, because their main job is to sell cars.

The Russian car market differs from the Western one in that in this country, people tend to buy a car outright, and become its rightful owner. In the West, they have long been living by a different principle: the client pays an initial amount on a car, and then pays a small sum of money every month, then in two or three years goes back to the dealer, turns in the car and chooses a new one. In Russia, only Toyota Bank offers this service.

In my view, the car credit system will develop very



freelancers. Fortunately there are enough qualified personnel in Moscow.

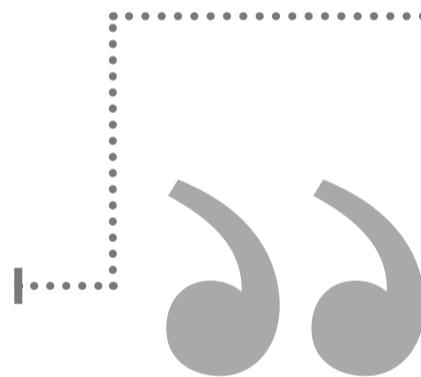
- The standard of education in Russia is very high, says Bruce. I don't know the finer details of the education system here, and I have no idea how universities are run, but their graduates are cultured people in the highest degree. I have worked in many Asian countries, but I have never met so many educated people. If you compare it with the level of education in the West, it comes out about the same. The only difference

is that in Europe, university students are on average four to five years older than in Russia. At the age of 26 or 27, they have much more experience, but when they acquire families, they lose interest in studying. But Russian students, who start families as early as 22 or 23, considerable outdo Western students in energy and dynamism. There are many qualified specialists in Moscow, and they are much more ready to change. In Germany they stay in one job for decades, but here there is a new turn in their career every couple

Opinion



Yevgeni Davydovich,
acting Chairman
of the Board
of Svyaznoi Bank



line of business, rather than chasing after instant profit.

Due to the need to adapt to the new rules, the growth of bank business this year is expected to be much less intensive than it has been for the past two or three years. In particular, our bank plans to increase its assets by 20-30%, whereas in 2012, we doubled them. But seeing where we are starting from, such figures are good. Also, the reduction in the rate of growth of development of retail credit has a positive effect. The system will become more stable. The banks, being unable to provide credit to so many borrowers, will prefer more reliable



of years. After they've worked for six or nine months, they are dismissed! This shocked me at first. My career has gone quite differently. I have spent at least five years in each job.

Of course, if an employee has worked in one company for several years, this demonstrates his loyalty. However, everything is developing so dynamically

and changing so rapidly in Moscow that the new generation of entrepreneurs and specialists is trying to make use of this and find the best place for themselves. It seems that Bruce likes this.

In Moscow, people are not afraid of drastic change, they are always eager to learn something new, and that is very good, he concludes.



There are also other distinguishing features of Russian business culture which differ greatly from the West at the present stage of our development. And not so much because the management is inclined to be high-handed (though this is not uncommon), as because employees prefer just to carry out their specified tasks rather than showing initiative.

- Here is a typical Moscow story: the boss sacks someone and tells him: “I took you on because you are young and clever, but you have not achieved the financial results I expected of you”. And the employee replies: “But you don't tell me what to do!” This is a striking example of Moscow business culture. On the one hand, energetic young people aiming for success, and on the other, believers in the command system, who wait for instructions from above. Such people are not ready for complete independence.

Speaking of Moscow's business culture, we cannot avoid the notorious problem of corruption. Is corruption as all-powerful in Russia as Western politicians say it is?

- I have worked with various companies in Moscow, including major international corporations, and I can assert quite categorically that I have never once come across corruption in the banking business, declares Bruce firmly. The Russian Central Bank monitors everything thoroughly, so the situation in this sector of the economy is the same as in any Western country. Bureaucracy, that's another matter.

Bruce thinks that Russian bureaucracy, with a history of many centuries, is the main difficulty for a Western entrepreneur starting a business in Moscow.

In Moscow, people are not afraid of drastic change, they are always eager to learn something new, and that is very good.



- Every country has its own problems, he says, developing this thought. – You find bureaucracy everywhere, even in Germany. In Moscow, the situation is clearly improving. Moscow is moving in the right direction, and that's the main thing. I live in Moscow and Berlin. Berlin is now probably the most dynamic city in Europe. By comparison with other European capitals, it is changing extremely rapidly. But Moscow is changing even more rapidly. This is really a place worth coming to. Five or six years ago, when Moscow was the subject of conversation, all I heard was: It's dangerous there! There were even special courses for those going to Mexico, South Africa and Russia. Now, no-one

would think this. Maybe it is safer in China. But if Beijing is the steadiest place, Moscow is the most dynamic. I have really come to love Moscow and the Muscovites, They have passion, and this makes a very good impression.

By the way, Avantalion International Consulting has this slogan: If you are not passionate, you won't inspire others. This is important in any business, but particularly in consultancy. Bruce himself is full of passion, in whatever he is doing or saying.

- I have an explosive mixture of Asia, North America, Germany and Russia boiling up inside me, Bruce stresses. Moscow is an important part of my life. ■



Shop Owner

Manuela Stoll promotes internet trading in furniture in Moscow with German thoroughness

*She wrote her dissertation after working in a major international company. In September 2011, she came to Moscow with her partner Nino Ulsamer to engage in business. Now they own the online furniture and household goods hypermarket **Mebelrama.ru**. She knows all the nuances of internet trade, the finer points of the Russian market and the psychology of the purchasers. How can one become successful in Russia? What can be relied on, and of what should one be aware? Today, the German **Manuela Stoll** shares her experience with BIGMOSCOW readers.*

"MY IMPRESSION OF RUSSIA WAS FROM POSTCARDS OF RED SQUARE"

– How did you end up in Moscow?

– We had a phone call from the leading European investor Rocket Internet, proposing that we organise a company in Russia to deal in furniture.



– Did you think this was an attractive proposition?

– Certainly. Firstly, the economy has developed very well in Russia, and secondly, there were bigger turnovers in the furniture business. And thirdly, the investor had a good reputation.

– You hadn't been to Moscow before this?

– No. My impression of Moscow was from postcards of Red Square. Before taking the final decision, we first came to look round, to understand and get a feel for the city and the country. We were bored on the road from the airport; all we could see from the windows was grey panel-built housing blocks and collapsed fences. But as we got closer to the centre, our mood improved. Moscow proved to be a very beautiful and completely European city.



About Manuela Stoll



Russia is a huge country, and from a logistical point of view, it is very difficult to work here.

– Didn’t your parents try to stop you moving to Moscow?

– Oh, my father has made acute turns in his own life more than once. First he studied theology and became a minister in the Baptist Church. Then he became interested in information technology and worked in this field for 30 years. Mum worked in the city administration, dealing with helping immigrants to adapt. Nothing would have surprised them. While working in McKinsey & Company, I had occasion

nothing. We only had two months to find qualified specialists. And what we required of the candidates was quite specific. The point is that the furniture market in Russia looks quite different from in the West. You have many retail shops belonging to the producers themselves, such as “Shatura-mebel”. This does not exist in the West, where all makes are represented in big furniture shops. Our procurement specialist would have to know the furniture market, to have a good idea

I would not say it is absolutely essential for the Board of Directors to include Russian partners, but there is no doubt that you need a consultant.

to live in New York, Dubai and London. Now it was Moscow’s turn.

– What difficulties did you encounter in organising the company’s work?

– The investor had already created a legal entity, which wasn’t actually doing anything, but all the paperwork was in place. We were immediately faced with an urgent problem – finding good personnel. We started the site from

of which makes sell well and which do not, and understand how to set up a production line. People with experience of work in the furniture business, as a rule, knew only one producer – their former employer. They knew everything about that make, but had only a very superficial knowledge of the others. The candidate also had to be able to speak good English, which narrowed the field considerably. Our investor is a native English speaker.



The computer software is also in English. We had to reject some very good candidates because they did not know this language. The second problem was storage premises. Our partner company in Germany was already in a position to start making deliveries. But where could we store the furniture? It wasn't easy to find good storage premises in Moscow at that time. And the prices shocked us, I must say.

Many internet companies lease storage capacity in Berlin for quite a low rate. Even other big cities such as Frankfurt-am-Main or Munich have lease rates 30-50% less than in Moscow.

Expert



Stanislav Zabotin,
*Managing Director of the
 "Nashe budushcheye"
 (Our Future) consultancy
 company*

– ***Can a foreigner organise a business in Russia independently, or can one not manage without the help of local specialists?***

– I would not say it is absolutely essential for the Board of Directors to include Russian partners, but there is no doubt that you need a consultant – a local lawyer, who knows the nuances and specifics of Russian law.

– ***Have you invested your own money in the company?***

– No, I haven't invested anything.

– ***So you can come to Russia and do business with only a few dollars in your pocket?***

at the statistically-average German or Frenchman of four or five years ago – and that's the Russian customer. This applies to the furniture market too.

In principle, any foreigner wanting to open his own business in Russia requires a professional consultant. No doubt he could cope independently, but he would have all sorts of difficulties. One must admire the President's programme for combating corruption, and for the active development of the use of electronic means in government. But for this, much time and resources have to be spent on studying

– You have to realise that it is very expensive to lease office space, storage space and accommodation here. The personnel cost a lot too. The only thing that is cheap in Moscow is travel on the Metro. But if you have a good business idea, it isn't hard to find an investor. There are many players here who are interested in the Russian market and want to find someone who knows where to put their money.

"IN RUSSIA, THEY ACT ON THE PRINCIPLE: WE'LL ONLY PAY WHEN WE SEE THE GOODS"

– ***How many people are working in your company now?***

– About 150.

– ***What salaries do you pay?***

– The minimum is 28,000 roubles a month. That's what we pay to students working at various administrative jobs. The maximum is about 400,000 roubles.

– ***Where are you leasing your storage premises?***

– In the Taganka district. Actually, we have already moved twice. We had quite a few problems with the first store. We didn't have our own people there. Sales began to rise, we needed to shift the products quickly, we hadn't had time to take on personnel. The furniture business is quite complicated from the storage logistics point of view. Unlike other products, where the goods can be packed in a single box, you stick a label on it and that's it, in our case a flat-pack wardrobe might consist of six boxes, each requiring a separate label. This means that all the boxes must be grouped correctly to comprise one wardrobe. If any box is missing, the product is incomplete, you can't sell it. The managers of our first store had problems with this. This caused us in turn to have problems with the Russian suppliers. To make it clear that this is one wardrobe, and this is a different one, we asked for the boxes coming to us to be marked in a certain way.

Get two or three of your own people into the store you are thinking of leasing, so that they can see what goes on there.



To make matters worse, the computerised accounting system at that store was very inadequate. The staff didn't know what was on which shelf. When a batch of goods came in, they simply stacked the boxes in a corner and were happy to forget about them. We found a whole pile of boxes and had no idea who they'd come from or where they should they be sent. The store administration wasn't flexible enough. They didn't want to understand our situation. As a result, we had to leave there. I don't want to imply that this is a purely Russian problem. We know people who have faced similar situations in other countries.

At our present store, some of the personnel are our own specialists and some are outsourced. I would like to give this advice to those whose business is concerned with storage premises and the storage of goods: if you can't organise your own store independently, get two or three of your own people into the store you are thinking of leasing, so that they can see what goes on there.

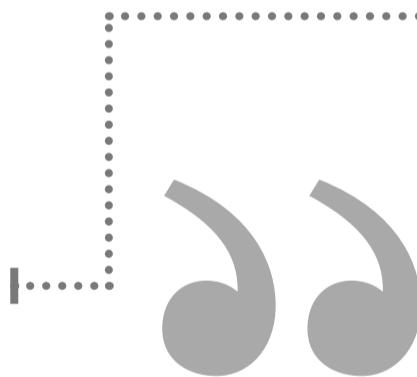
– Do Russian customers differ from Western ones?

– In Russia, they act on the principle: “We'll only pay when we see the goods”. But in the West, they often make a down

Opinion



***Denis Shapkarin,
managing partner
of the internet
advertising company
Nectarin***



personal ends. Over the past few years, some parts of business have made a smooth transition to cyberspace, and people are able to earn money without leaving home. The Russian electronic commerce market is still only beginning to develop, and at present it is behind Europe or North America. But in the past six years, it has grown by a factor of about 3.5. The average rate of growth has reached 30%, and it is predicted that this rate will be maintained for the next five years. This statistic shows how good the business prospects are. The more rapidly the prosperity of Russians rises, the more rapidly internet



payment, and pay for a purchase in an Internet shop by credit card or through an electronic wallet system. In Russia one still feels that there is a certain mistrust of internet shops. If an order is placed on a website, this does not mean that the purchase will take place. Sometimes we take an article somewhere, and when we get there, it turns out that the clients only want to look at it. And we can't simply start legal

point, he hasn't paid us a kopek.

Another thing peculiar to Russia is the attitude to delivery. In the West, goods are delivered as they come in, in several batches. This is an option you have: if there are several articles in the basket, they will be delivered as they come in. But in Russia, everyone wants the goods to be made up into a complete batch and sent in a single delivery. It isn't often acceptable here

In the West, goods are delivered as they come in, in several batches. In Russia, everyone wants the goods to be made up into a complete batch and sent in a single delivery.

proceedings to make them pay for the delivery. If they don't like the goods, we don't charge for delivery.

This lack of trust seems very strange to me. I would say that this is something specific to Russia. It has happened that an order has been placed with us, there has been a delay of several days in delivery, and the client, as soon as he sees the message telling of a three-day delay, starts sending off angry letters: you are rogues, you are swindlers! Yet at that

for goods to be delivered to an office. And if someone is waiting for an order, he has to ask for time off from work.

– ***What goods are in the greatest demand?***

– We are tracking on the internet which goods are most frequently looked at by visitors to the website. Much attention is paid to settees, but they don't sell nearly as well as we would like. It seems to me that a settee is such a major thing to buy that people





want to feel it for themselves, sit on it, touch it and if applicable, see how conveniently it converts to a bed. This is not like a table, which it is sufficient to view on the website. Guest furniture sells very well: wardrobes and bedside tables with space for footwear. Of the larger articles, beds sell well, as do kitchen tables and chairs.

**– Which furniture sells best?
Foreign makes or Russian ones?**

– It's fifty-fifty. Ten percent of the turnover is furniture made in China specially to order. There are specific articles, e.g. a folding leaf table with built-in drawers, which are only made in Russia, this is something not known in the West. We sell a lot of them. There are many small apartments here. In Germany, for example, of all settees sold, only about 20% can be converted to beds, but in Russia it's 90%, because it is important to Russians that a

settee should also serve the function of a double bed.

– *Do you work with the regions?*

– At present, Mebelrama only operates in Moscow and St. Petersburg. The capital accounts for 80% of the orders, and St. Petersburg 20%. Our goods are bulky, and we have not so far made arrangements for deliveries to remote regions.

"IT'S NO GOOD RELYING ON THE POLICE AND THE SUPERVISORY AUTHORITIES"

– *Many foreigners fear that their Russian partners might swindle them. Have you had any such negative experience?*

– On the whole, my impressions are positive; I can't say that it's dangerous to do business in Russia. There have been two cases of suppliers from whom we could not recover money which we considered was owing to us. But this is the exception rather than the rule.

It is important for foreigners to know that if you get into some difficult situation with suppliers, or as in our case, with warehouse owners, it's no good relying on quick help from the police or any of the state supervisory authorities.

We, for example, concluded a contract, but the other side did not carry it out. And when we tried to file complaints, they simply stopped

replying to phone calls and refused to let us into their warehouse. They were holding our goods hostage. We had to deal with the conflict and sort out some sort of agreement ourselves. We couldn't rely on any assistance from the Russian state authorities.

– *How can you do business in Moscow if you don't know Russian?*

– You have to hire good people you can trust. For example, at meetings with suppliers, I often bring my Director of Operations and Director of Procurement with me – they understand me very well. In this way I am confident that the meeting will proceed as if I did know Russian.

– *What would be different about the activities of a firm like yours if it were operating in Germany?*

– Russia is a huge country, and from a logistical point of view, it is very difficult to work here. In Germany there are highly reputable suppliers of goods. There are many transport companies which will deliver goods on time to the remotest village for a reasonable price. If you don't like the price, there are five other such companies in the market ready to fulfil the order for an acceptable price. But it would be more difficult to operate in Germany from a competition point of view. There are many more internet



furniture shops there. If we are talking about sale and purchase prices, the difference between them is greater in Russia. But all sorts of ancillary expenses come into it too. More money is spent on marketing and logistics, and the upshot is that the profit level is comparable to that in Germany.

– What can you say about your relations with the tax authorities?

– These relations can be quite difficult at times. In Germany, if

itself felt in Russia. The tax authorities suspect companies of money laundering. A company may be making a loss on paper, but the profit goes to subsidiary organisations, and the state loses out.

– Have you had any problems with the Customs?

– Yes, at first. We have excellent relations with our suppliers. They let us have the goods at quite a low price, and when we put these goods through customs, some self-important type

Certainly the culture in Russia is different from that in the West, but not to such an extent that a European cannot adapt to it.

an overpayment of VAT has to be returned, it's all very simple: you send an application, it's processed automatically and the sum is returned to you. But in Russia, you have to go to the tax inspectorate in person and engage in lengthy discussions with the inspector. Furthermore, it is not clear on what basis the VAT overpayment can be returned to you or withheld. An atmosphere of mistrust still makes

turned up with a price table, according to which one kilogram of settees from Germany should cost so much. But our prices were considerably lower. The customs officers badgered us in every possible way, although all our documents were in order. We were suspected of trying to evade customs duty by lowering the prices in the documents, and so on.



– You rent an apartment in Moscow. How much is the rent?

– In Moscow, it all depends on the location. I rent an apartment in the very centre, on Tverskaya Street. This region is extremely expensive because of its position. I don't want to spend a lot of time travelling to work. I pay 80,000 roubles a month. And that's for a small apartment of only 40 square metres! In Germany, such an apartment would cost me only a half or a third as much.

– Manuela, no doubt you are often told: “Oh, you look more like a model than a businesswoman!” Do you take such remarks as an insult or a compliment?

– It depends on what follows. If they continue by treating you like a real businesswoman, everything is OK. But if they start talking to you as if you were a beautiful but empty-headed doll, it is quite another matter. But on the whole, I like compliments.

– Have you made any friends among the Muscovites?

– Yes, the people I work with. Outside work, I don't socialise much with anyone. There just isn't time.

– What would you say to foreigners wondering if it is worth coming to Moscow to do business?

– Of course it's worth it! It is very good experience and a very good market. Certainly the culture in Russia is different from that in the West, but not to such an extent that a European cannot adapt to it.

Manuela Stoll and Nino Ulsamer have big plans. They want to become leaders in the furniture and household goods market in the Russian online sector. They expect to reach a turnover of 100,000,000 dollars in five years. ■





The Supplier from Verona

*Italian **Pierangelo Carbonara** is
cultivating in Russians
the gastronomic culture
of the Mediterranean*

*That Russians greatly appreciate Italian culture, **Pierangelo Carbonara**, professional dancer and choreographer, knew full well. But when he visited Russia at the end of the 1990s, he wasn't particularly taken by it here.*

About Italia Mia



Which is why, three years ago, he came to Moscow with a certain amount of prejudice. He wasn't convinced by his wife that Russia and Russians had changed, or that Moscow was one of the world's most dynamically developing megapolises with many expats, including Italians. And that the attitude to them here was quite alright.

A glittering career in IT awaited his wife in Moscow. And Pierangelo wanted to radically change his way of life. Until then, he had managed to live in several countries, Germany and Greece among them, and had learned how to adapt quickly to a new environment. And so he decided to take a look and see, if indeed, Moscow really had changed that much.

As it turned out, his wife had been telling the truth. Russians really had become more open, more liberated. They had developed a taste for fine food and clothes. And, a year and a half

later, after the close of the next theatre season, Pierangelo once more began to get himself ready to go to Russia. This time, for a while.

But we agreed: if I liked it here, we would stay. If not: we'd go back to Italy or Greece!

From these words there is no doubt who is the head of the family. But the head, believes Pierangelo, is not the person who makes all the decisions, but the one who earns the money, who feeds the family. And it seemed to him that Moscow offered him considerably more opportunities than Western Europe.

At first, I didn't know a soul here, – Pierangelo remembers. – And so, I decided to search for my fellow countrymen on the social networks. It was soon clear that there are really quite a lot of them. There are 1,300

Russians had become more open, more liberated. They had developed a taste for fine food and clothes.



people alone registered with the “Italians in Moscow” group on Facebook. I chatted with them for a while and found out that most of them work in Italian restaurants as head-chefs, waiters and bar-tenders.

Just imagine: Pierangelo is a veritable polyglot! He speaks six languages: Italian, English, German, French, Spanish and Greek. But he finds Russian the hardest of all. Which means that he is better off working in Moscow with his fellow countrymen, with those who can understand him.

But what use was I to them? – exclaims the Italian, heatedly. – I don’t even know how to make a pizza!

Soon, Pierangelo came to the company Italia Mia which supplies Russia with Italian produce. And he became the commercial director there.

The work may not be as creative as choreography, but it is interesting, nonetheless.

We are involved in distribution, and work directly with suppliers in Italy, – Pierangelo tells us. – We have our own storage facility in Mytishchi, outer-Moscow, and a shop in Moscow itself. We supply produce to supermarkets and restaurants.

The owners of Italia Mia are a Russian family. As a company, it is very young, and quite small. Six people work in the office, the same again at the commercial outlets, plus three delivery drivers. They are all Russian. The commercial director of Italia Mia is the only Italian. 90% of the produce is transported to Russia by trailer from the storehouse in Verona, Italy. Italia Mia employs the services of a single transportation company with which they have a long-term

There are 1,300 people alone registered with the “Italians in Moscow” group on Facebook. I chatted with them for a while and found out that most of them work in Italian restaurants.



contract. On average, this takes 3-4 days: it all depends on how long it takes to get through customs. Pierangelo emphasises that all the lorry-drivers coming from Italy always set off with the all of the necessary documents.

But, for some strange reason, problems always crop up at Customs, – says our companion, in bemusement.

He is not about to expand on this subject. However, he does give the very same advice which has been heard more than once coming from businessmen working in Russia.

You need a Russian partner here. Otherwise you'll just be ruined.

10% of the goods from Italy are delivered by aeroplane. These, in the main, are perishable goods like, for example, mozzarella cheese. It's an expensive pleasure, but what can you

do? That very same mozzarella has a shelf-life of no more than 10 days. And if four of those days are spent on transportation...

And, let's say, rice, well, it's possible to send that by sea. It takes a whole month coming through Petersburg.

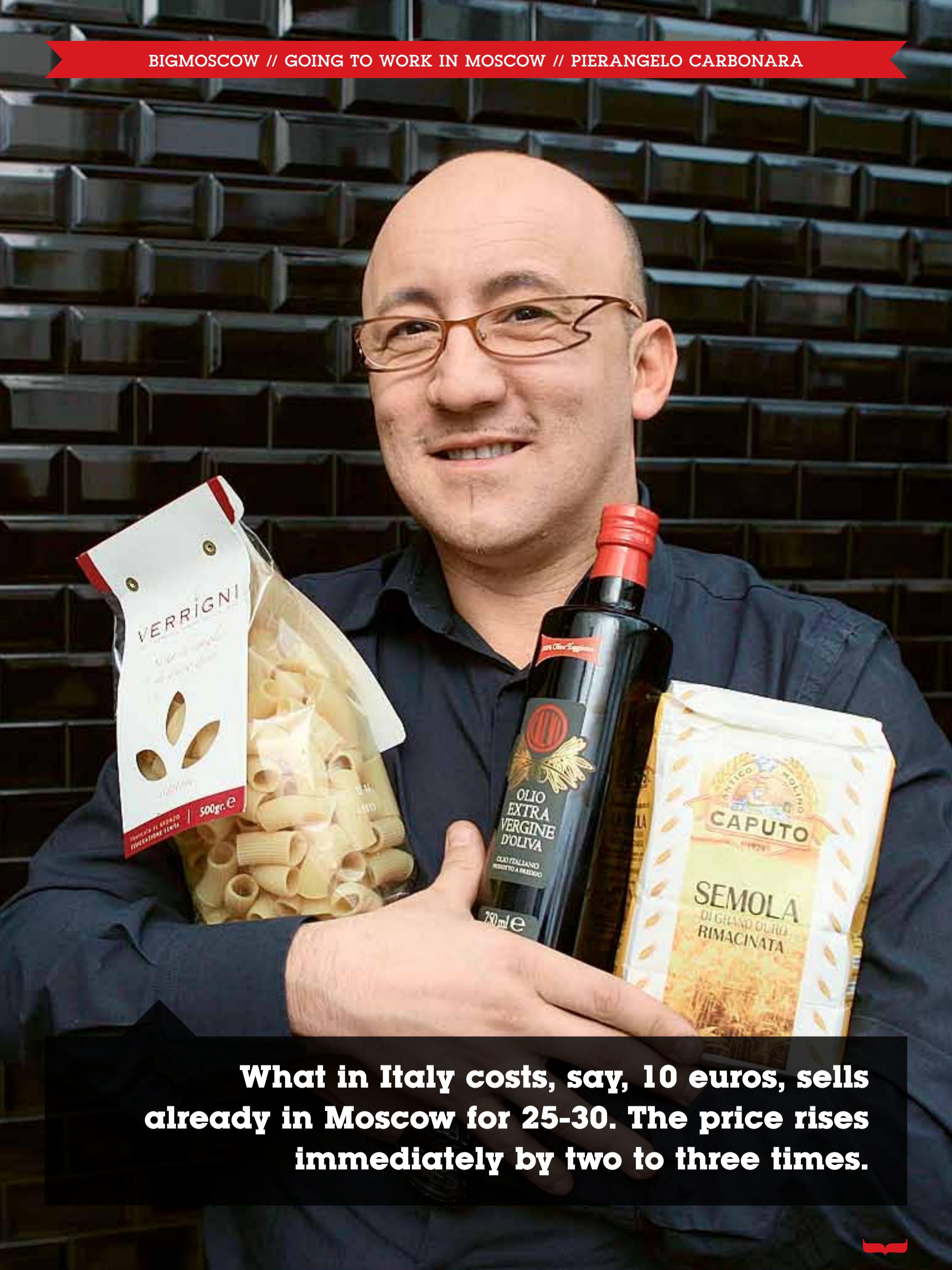
Recently, the proportion of imported foodstuffs in Moscow has been growing. For meat, it is over 55%, for oil: 50%, for fish: 30%. According to expert estimates, with the lowering of duties due to Russia's joining the WTO, the proportion of imported produce is only set to increase.

Pierangelo is not prepared to reveal what proportion of that produce here is Italian. But only for the simple reason that the serious competition to authentic and high-quality food from Italy which can be bought in Moscow, and other Russian cities, is posed by its imitators.

People have cottoned on to the fact that there is good money

Under the guise of “Italian” cheese, there are, on sale in Russia, all manner of cheeses from Romania, like “Parmesan”, for example. It’s the same with sausage.





What in Italy costs, say, 10 euros, sells already in Moscow for 25-30. The price rises immediately by two to three times.

to be made from Italian food. Everything on the packaging is written in Italian, but it is not from Italy. Under the guise of “Italian” cheese, there are, on sale in Russia, all manner of cheeses from Romania, like “Parmesan”, for example. It’s the same with sausage. As a rule, it is brought in from Hungary and other Eastern European countries. Labour costs there aren’t very high, and everything is cheaper. But they bear absolutely no resemblance to Italian products.

Only, this is something about which customers generally don't have a clue. In Pierangelo's words, only reputable companies supply high-quality Italian food in Moscow. All the rest is of a much lower standard. But only a

genuine Italian is able to tell a fake from the taste.

Authentic products go through all the necessary tests: quality control, hygiene standards in Italy are very strict, – says Pierangelo. – We can guarantee that they are good for your health. But what can they say, those in some cellar in Romania making “Italian” cheese out of... dried milk?

Low-quality goods are the main problem for Italia Mia's business. The Russian consumer is not sufficiently informed. People in Moscow often think that if imported goods are sold in a presentable supermarket, then there is no way they can be counterfeit. Pierangelo believes that it would be a good idea to organise special

Don't let anybody tell you that it is easy here, that the streets are paved with gold. To become supplier to high-class restaurants and supermarkets, you need high-quality products and competitive prices.





master-classes for consumers, and surveys of goods, there and then, in the supermarkets. On the whole, authentic produce is available in the premium stores: Bahetle, Globus Gurme and Azbuka Vkusa. Clients value them for their quality, and, as a rule, you won't come across any counterfeits there. Nor will you encounter them in the best Italian restaurants in Moscow, with which Italia Mia work.

The head-chefs there have undergone the appropriate training: they know how to

distinguish a genuine Italian product, – explains Pierangelo. – Furthermore, our goods always carry a certificate confirming that they have gone through all the proper stages of quality control.

Taking on the budget chain-stores is something that the Italians haven't yet managed to do. First of all, the cost of the "entrance fee" is too high. And, secondly, such shops are aimed at a particular price-bracket. Genuine Italian produce, made by hand or with

some kind of special equipment cannot, in principle, belong to such a category. Furthermore, costs associated with customs clearance and transportation cannot but have an effect on the price. What in Italy costs, say, 10 euros, sells already in Moscow for 25-30. The price rises immediately by two to three times. And not only because importing is so expensive. According to Russian regulation, for example, a certificate is required for each variety of celebrated Italian pasta: and there are dozens of them! The dough, the packaging may be the same, but, in one instance, the pasta is long and thin, and, in another, it has been made into small shapes. And, in each instance, a separate certificate is required! The same goes, let's assume, for salami. For however many producers there are of this sausage: that is the number of certificates which need to be purchased. It is precisely such certification which inflates prices. With this, even Russia's entry into the WTO hasn't helped. Which ends up with such products seeming to be to Muscovites a little on the dear side. What is more, not everyone understands how they differ from the mass-produced brands which stuff the shelves of the capital's supermarkets.

Pasta, for example, to a Russian, is macaroni, spaghetti! – says Pierangelo with a smile. – **And,**

often to a Muscovite, it makes no difference where it has been made. Especially when the shelves are groaning with all kinds of products, either imported or domestically produced. Faced by such an enormous choice, people just feel lost.

But amongst Muscovites, the number of those who appreciate “authentic Italian” is on the rise. Many travel around Italy on holiday and, when they are back home, they want a taste of “Sardinian sunshine” provided in Moscow by the suppliers Italia Mia. They no longer allow themselves to drizzle their speciality salad with sunflower oil rather than olive oil. Pierangelo considers this part of his service. To cultivate in Russians a taste for Italy's gastronomic culture is the company's strategic aim. The better it is understood in Russia where and how to use Italian food, the steadier the demand for it will be. Deliveries are growing steadily. 15-20% a year, on average. Muscovites prefer to dine and socialise outside of the home more and more.

Good Italian restaurants are the calling cards for our products! – maintains Pierangelo.

Italia Mia no longer operates only in Moscow. Deliveries are made to



Ufa, Novosibirsk, and other cities. This is carried out, in the main, by Pierangelo's Russian partners. He has enough to contend with regarding his compatriots. There are now, incidentally, far more of them, both on social networks, as well as simply around and about. The complicated economic situation at home worries them, and Russia is enticing them. And, amongst them, there are already more than a few who have reached definitive business heights. Pierangelo is even a little afraid of the potential competition.

It would be better if the crisis in Italy passed, and my compatriots stayed there! – he exclaims.

Pierangelo himself intends to return home, in time. For him, there is a distinct lack of fine weather and warm seas in Moscow. But he and his wife are expecting their first child soon. And the head of the family realises that securing its future is more straightforward here, in Russia, at this moment in time.

But don't let anybody tell you that it is easy here, that the streets are paved with gold, – Pierangelo stresses. – To become supplier to high-class restaurants and supermarkets, you need high-quality products and competitive prices. We have had to compete strongly with other suppliers who are knocking on the same doors. But, as you can see, we have been quite successful.

Pierangelo himself dreams of one day opening an Italian restaurant in Moscow. He is sure he can handle the competition. After all, he is only 38. And, twice a week, he goes to school. To learn Russian. ■



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[REDACTED]

[REDACTED]

It's OK to Trade Here

*Austrian **Robert Grassl** is well known
not only as the tip of the iceberg
of trade deals with Russia, but the
submerged part as well*

*He was head of the Moscow office of the Austrian trading firm **Landau** way back in Soviet times. He conducted negotiations with representatives of the all-Union foreign trade associations, and heard them say "Capitalist!" behind his back. He lived through perestroika, and witnessed how Russians learned entrepreneurship and the market culture. Now aged 75, he still trades with Russia.*

About the Landau company



"AN INVITATION TO A RESTAURANT WAS ONE OF THE UNSTATED POINTS IN THE CONTRACT"

I have always felt at ease in Russia. After all, I was born in the USSR, in Kharkov. My parents were communists, and came here in the thirties to build socialism. My father worked as a designer at the Kharkov Tractor Works, and designed the turret of the famous T-34 tank. When the war began, the factory was evacuated, first to Stalingrad and then to Barnaul.

After the war, we returned to Vienna. I graduated from university and became an engineering specialist. The firm in which I worked imported the cult-status Moskvich-412 cars to Austria from the USSR.

Knowing that I was fluent in Russian, Stefan Landau called me with a proposal. His trading company needed someone to head its Moscow office. That was how fate brought me back to the country where I was born. This happened in

1985, before the collapse of the USSR.

We represented a number of Swiss, Austrian and German firms trading with Moscow. We organised the delivery of large batches of textile production equipment and sold television equipment.

In those days, all foreign trade in Moscow was controlled by the state firms Tekhnoeksport, Mashinoeksport, Tekhnopromimport and Promsyryoimport. Only a handful of people decided questions of the procurement of a specified list of commercial goods. On one hand, this made the work simpler, but on the other, it effectively made it impossible for us to establish direct contact with the end purchaser.

There was serious competition then too. Personal contacts and links played a not unimportant part in deals. The head of our firm, Stefan Landau, was a good psychologist. He was fluent in Russian himself. During negotiations, he told stories and made jokes,

In those days, all foreign trade in Moscow was controlled by the state firms Tekhnoeksport, Mashinoeksport, Tekhnopromimport and Promsyryoimport.



which relieved the tense situation to a considerable extent.

In the eyes of many in the Soviet foreign economic associations, we were the enemy, “capitalists”. But at the same time, after talks, our side invited our Soviet partners to the restaurant of the National Hotel. This was one of Moscow’s few luxury world class hotels, with stucco mouldings, mosaic tiled floors and stained glass windows. This sort of invitation was considered one of the unstated points of the contract. The

purchasers or suppliers; however, almost all of these contacts were made with the involvement of the foreign trade associations and the relevant ministries.

With great energy and enthusiasm, the newly liberated dealers took to studying entrepreneurship and the market culture. And they soon became successful.

Companies representing television channels began travelling to Finland themselves to buy all sorts of equipment and spares, from which we were once making quite a bit of money.

It isn't difficult to find clients here. There are plenty who want what we have, but not all of them have the money.

Soviet specialists looked on dinner in a restaurant as a perk of their job, a sort of bonus.

“THE HUMAN FACTOR CONTINUES TO DOMINATE”

Perestroika began in 1987. At first we rejoiced, then the axe called “perestroika” fell on all the intermediary foreign trading firms working in Moscow.

Soviet enterprises gained the right to go onto the external market independently. Some of them had previously had contacts with Western

We rented an office in the Mezhdunarodnaya Hotel. But the rental shot up like a rocket and our turnovers fell. So we had to move – first to the Kutuzovsky Prospekt and then to the vicinity of the National Economy Exhibition.

The firm now employs 15 people altogether, but I am on my own in Moscow.

The contemporary Russian market is quite crowded, it's not easy to work here. As in the perestroika years, the most profitable thing in Moscow now is



**I think that it will be much easier
for foreigners who come to trade
with Moscow now than it was for me.**

supplying food stuffs. As for industrial equipment, competition has got much stronger because of China. Equipment from there may not be of very good quality, but the low prices have a decisive influence. Russian textile factories are now operating entirely on Chinese equipment. And the fact that these machines keep on breaking down doesn't seem to bother anyone.

Our firm is becoming more and more involved with deliveries of theatrical equipment, from puppet theatres to the grand dramatic stage and opera theatres. Machinery, stage lighting, video projectors, audio equipment, chandeliers, theatre furniture... For our

intermediary services, depending on the equipment and the supplier, we charge 5-10% of the contract sum.

But you always have to be on the alert. Competitors can steal an order from right under your nose. I remember how we decided to sell some Austrian equipment to the Moscow Arts Theatre. We took the theatre's technical director to the factory in Austria. He looked at everything and took photographs. While he was getting the money together, our competitors jumped in. One of the Russian intermediary offices in St. Petersburg made their own offer and snatched the order from us. But it was the same firm that supplied all the machinery for the theatre.



Colleagues from theatres all over the country come to the theatre in the capital to look at the machinery room. It's all clean and shiny, and runs silently.

I should like to say that the so-called human factor remains the dominant one in many deals in Moscow. You can obtain a profitable contract if you have useful acquaintances. For example, the head of our firm, Stefan Landau, is a friend of the Moscow theatre director Oleg Tabakov. Herr Landau has already reserved the contract for the supply of equipment to the new "Tabakerki" building on the Kashirskoye Chaussee.

But a foreigner working in Moscow has to realise that not all deals will be successful. For example, our firm had the opportunity to supply equipment for a concert hall to Surgut. I went to that city, on the edge of the world, about 20 times. But unfortunately the deal did not go through. The foundations of the building to which we intended to supply the equipment shifted and began to break up due to the severe climatic conditions. The whole place had to be built again from the beginning. We decided not to take part in the new project, it would not have been profitable for us to start from nothing. We worked at a loss on that one. We are now trying to recover the money we spent on developing the project from the Russian side. And the other side, Surgutneftegaz, is not exactly a poor organisation. In those parts anywhere that isn't marsh is oil. We developed the

project, spent the money, handed over all the documentation and it was accepted. And nothing came of it. And all because some highly-placed Surgut bureaucrat expressed the opinion that he didn't really like the project. This was a lot of fuss and bother without making any money worth mentioning.

Once bitten, twice shy, as they say. Now we stipulate in the contract that the first delivery of equipment or spares must be paid for the moment the goods cross the border.

"I OFTEN HEAR: 'BRING IT AND GIVE IT TO US'"

Another thing I still find surprising is the particular way you hold auctions in Russia. There is nothing like it in the West. We took part in a tender for the delivering of equipment to one of the big theatres. Our proposal appeared to be the most beneficial. The firm we represented offered both good quality and quite low prices. But in the end, they bought from someone else who quotes sky-high prices. Why? Guess for yourself. One of the most popular words in Russia today is "kickback". The situation often arises that firms have to pay someone, give someone presents, so that they can take part in a tender or auction. Difficulties also occur with the Russian Customs, even if all the documents are perfectly in order.

Parts can be supplied for a ridiculous price, say 35,000 euros. But the Customs makes ludicrous requirements: every



The most profitable thing in Moscow now is supplying food stuffs.

single part, however small, has to be certified, described and photographed. And all this has to be attached to the documents. Our boss in Vienna holds up his hands in horror! Someone has to run along with a camera and photograph spare parts no bigger than a coin. And all this involves additional expense.

I remember delivering winches for one of the conference halls in a state institution. Each one had to have a separate certificate with conditions for testing it. This facility was modernised and handed over four years ago, but it was recently razed to the ground by bulldozers. The money was literally buried in the ground. This is a very Russian way of doing things.

It isn't difficult to find clients here. There are plenty who want what we have, but not all of them have the money. I often hear the words "Give me". For example, in Kazan the director of the conservatoire and responsible officials of the Ministry of Culture said to me: "Bring us a Studer tape recorder". I asked: "So I bring you one, then what?" "You give it to us, we put the tape recorder on the stage

in the most highly visible place, and that way we shall advertise the firm that made it". Managers in Russia naïvely believe in this form of advertising. They think that the Russian audience will see a tape recorder on the stage and will at once want to buy one like it. And it costs quite a lot, by the way.

People's psychology is slow to change. In Soviet times, many Russians were felled by a blow from above, and now they expect manna from Heaven.

I think that it will be much easier for foreigners who come to trade with Moscow now than it was for me. My experience of work in this country sometimes depresses me. I know too many nuances and risks, I think too much about who might trip me up, and where.

But a newcomer-supplier will still be wearing rose-coloured glasses, will rush in where angels fear to tread, and will do better than I would. Moscow and Russia as a whole form a large and interesting market. And it is undoubtedly worth coming here to make money and gain new business experience. ■



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Open World

*The online hotel reservation service Oktogo.ru, founded by **Marina Kolesnik**, enables Muscovites and people from other regions to travel all over the planet quite independently*

Oktogo.ru, a company which has won the National Geographic magazine's Traveller 2012 award under the heading "Best Internet Project", operates in the independent travel sector, offering an alternative to package-deal tourism. The site is already getting one million hits every month.

Marina Kolesnik is a well-known manager in the internet technology market. She was educated in the USA and was one of the founders of Mail.ru, where she held the position of CFO. After gaining an MBA at Harvard, she worked in McKinsey, and was then head of development in DataArt.com, a software outsourcing company. She founded Oktogo.ru in 2010 with two colleagues from DataArt.com.

"We set ourselves the aim of making travel as convenient as possible for Russians", says Marina. "Our basic service is hotel reservations. On the Oktogo.ru website, you can reserve a room in any of more than 5,000 Russian hotels, and almost 250,000 hotels, mini-hotels, apartment hotels and hostels throughout the world. We don't require the entry of

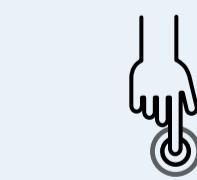
credit card details, which is important to Russian clients. At first we were an online player in an offline market – more than 85% of Russian travellers pay offline. We don't just offer offline payments and offline support, we have also set up an offline network of distributors in partnership with companies such as 'Svyaznoy' and Russian Railways, covering dozens of Russian cities and setting up 4,000 retail sales points. The site was launched in 2011. At that time there were 20 people working in the company. We spent a whole year testing and perfecting the product and also in obtaining the approbation of various marketing channels, in particular Yandex and Google. In 2012 the business grew rapidly, and we now employ 100 people".



The initial investments belonged to Marina Kolesnik herself, but the innovative project rapidly attracted the attention of outside investors. Fabrice Grinda and José Martin, well-known international entrepreneurs who act as angels for internet startups, met Marina in New York, listened to her ideas, studied the market data and joined in the project. Later, other investors also provided financing, as did several venture funds.

“Fabrice gave me and my team much useful advice at all stages of the project, on all sorts of aspects of it – from the development of the product to selecting the marketing team and financial planning”, says Marina.

The firm should be making a working profit by the end of this year. In March, the American business magazine Fast Company called Oktogo.ru the most innovative Russian business project. ■



***Interview
with Fabrice Grinda
an investor in the Oktogo.ru project***



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About Fabrice Grinda



Internet Angel

*The Frenchman **Fabrice Grinda** financed the company Oktogo.ru at the seed stage and is now expecting to reap the first fruits*

*A well-known international business-financing angel takes the decision to provide investments based on the answers to four main questions, and in the case of the **Oktogo.ru** startup, all four answers were positive*

Why did you support the Russian Oktogo.ru project?

I invest funds in travel, electronic commerce and trading platforms. Oktogo.ru is an online hotel reservation service, so it combines all three of my types of investment.

To what do you usually pay attention when you are offered something in which to invest?

I take the decision on financing on the basis of the answers to four questions.

1. Do I like the team?
2. Do I like the product?
3. Do I like this business and does it meet my nine criteria for selecting a business?
4. Do I like the terms of the deal?

And what are these nine criteria you mention?

They are described on my website at



In brief, they are market volume (not less than one billion dollars), a viable business model, investment of not more than \$2,000,000 at the seed stage, the chance to become a top player (if only at regional level), a scalable business, independence from middlemen or suppliers, and a business in a rapidly growing market. Then there are subjective factors: I have to be able to know my way round in this business, and I have to like it!

What sums do you work with? Are they direct investments, share purchase or something else?

I usually set aside from 50 to 100 thousand dollars as the first tranche and offer total financing of 500,000 to a million dollars. I invest directly in the company in exchange for a share of the business.

Why are you confident that the Oktogo.ru startup will be a success?



In Western countries there is a huge market for online reservation of hotel rooms. It is logical to assume that this market will become just as big in Russia too.

When do you expect to see your investment returned?

In angel investment, you have no idea when you will obtain a result. It is such a risky business that it is better to forget about the money you've paid out from the start. Recoulement time varies over a wide range. I have had a return in six months, and in nine years. It usually takes five to six years.

Why did you choose Russia for your investments?

Russia is the biggest internet market in Europe for the number of web users. The annual turnover of the Russian electronic commerce market has already reached ten billion dollars and continues to grow.

What about the investment atmosphere?

Russia has created a really strong ecosystem of interaction with investors at all stages of development of a startup – from the seed stage to potential exit by the sale of the company or holding an IPO.

What do you think distinguishes Russian investment projects from Western ones? Are there specific factors?

Russia has its own specifics in logistics and payments, connected with the insufficiently efficient system for delivering orders and the low take-up of credit cards, but otherwise there are no particular distinctions from the Western countries. Ideas which work all over the world work here too.

How is Oktogo.ru developing? What difficulties have arisen?

The company is growing rapidly and will earn tens of millions of dollars

In Western countries there is a huge market for online reservation of hotel rooms. It is logical to assume that this market will become just as big in Russia too.



in 2013. However, it was all far from simple. Financial difficulties arose on several occasions; we had to optimise the cost structure to survive. And on top of that, we recently lost part of the money due to the Cyprus crisis.

What form does your direct participation in the company take? Do you often talk with Marina Kolesnik?

Do you ever find yourself disagreeing about something with the heads of the projects you finance? How do you reach a consensus?

It's quite rare for this situation to arise, since I look on myself exclusively as an adviser, whose role consists of supporting the founders of the business in any decision they take about the development of the company.

Russia has created a really strong ecosystem of interaction with investors at all stages of development of a startup – from the seed stage to potential exit by the sale of the company or holding an IPO.

I began by helping the company to correct its concept and to attract seed investments. I also gave advice on the product itself, and on general strategy. Once the venture funds had been attracted, I kept my intervention to a minimum (which is normal), and now I only help occasionally, when Marina asks me for advice, usually on matters connected to the development of the product or the strategy.

One of my companies sold wedding dresses and wedding accessories, and then suddenly switched to dealing in shares. This seemed strange to me, but I supported their decision. I am involved in a startup's affairs only as much as the founders need me to be. If they need help, I give it. If they don't, I stand aside.

You mentioned the insufficient level of development of the



Russian electronic commerce infrastructure, from the point of view of organising the delivery of orders and online payments. How can this problem be solved?

I suspect that a whole series of businesses dealing with matters of the infrastructure and payments will soon be set up. But I would dispute that anyone in Russia would start an analogue to GSI Commerce.

And will foreign investors go for these businesses?

While the Russian internet remains as unregulated as it is now, Russia will attract foreign capital and foreign players into this market sector. Companies like Tiger Global, Naspers and so on, are quite successful in Russia.



Which Russian projects offer the best prospects for Western investors?

Since the Russian market at present lags behind the American in level of development, many opportunities are opening up for copying business ideas which have been successful in the USA and transplanting them onto Russian soil. I see the greatest investment prospects as being in the adaptation of American projects. This reduces the risks.

What would be your advice to those Western investors who want to invest assets in Russian projects? What is the difference in investment practice between the West and Russia?

Invest in what you know about. The difference between investment practice in Russia and in the West is that in Russia, investors usually give support to much more experienced people than they do in the West; to those who are capable of overcoming all the difficulties inherent in this country. In the USA, many of those starting up are around 25 and have not studied in business schools. In Russia, investors prefer to deal with older entrepreneurs with management experience and often with MBA diplomas from Stanford and Harvard. Otherwise, it's all much the same. ■

I am involved in a startup's affairs only as much as the founders need me to be.



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From Russia With Money

Adrien Henny, Editor-In-Chief of international online magazine East-West Digital News, explains about the most notable deals in the Russian IT market that foreign investors took part in at the start of 2013.

While the Russian venture market neared \$1 billion last year, foreign investors have kept investing in Russia since the beginning of 2013. Judging by half a dozen publicly disclosed transactions in the IT sector alone, Russian companies have raised tens of millions of dollars as of June 1st, 2013, not including a \$212 million IPO on the NASDAQ.

In March, the Moscow-based online hotel booking service Ostrovok.ru closed its fourth round of financing, raising as much as \$25 million from General Catalyst Partners and Accel Partners with a range of US business angels and several Russian investors joining the round. Its rival, Oktogo.ru, headquartered in Moscow, secured its fourth round almost simultaneously, attracting \$11 million from a group

of Russian and Western investors, the latter including Luxembourg's Mangrove Capital Partners and France's Ventech.

That same month, Kima Ventures, the fund started by prominent French tech entrepreneurs Jérémie Berrebi and Xavier Niel, along with angel investors Fabrice Grinda, Jose Marin, and Alexander Aivazov, teamed up to invest several hundred thousand dollars in Martmania. A startup based in Novosibirsk, Siberia, Martmania focuses on trading "interesting and unusual things,» following in the footsteps of Bonanza and Etsy in the US and DaWanda in Europe.

Online classifieds leaders Avito.ru, Slando.ru, and OLX.ru merged in March, fuelling hopes from their shareholders that they will one day reach their \$1 billion valuation target. Avito's investors include three Scandinavian funds, Kinnevik, Vostok Nafta and Northzone Ventures, as well as Russia's Baring Vostok Private Equity and US-based Accel Partners. Slando.ru and OLX.ru are properties of the South African holding company Naspers, which also owns a stake in Mail.Ru Group, a leading Russian internet group.



On the corporate front, early this year the US giant Cisco invested an undisclosed amount in Parallels, a Russian-based global provider of desktop virtualisation solutions.

The invest-abroad trend among Russian funds continued, illustrated in May by a \$1.5 million injection by Mail.Ru Group into the Israeli visual search developer Cortica, as well by an \$500,000 investment of Grishin Robotics, an international venture fund launched by the Mail.Ru Group's CEO Dmitry Grishin, in California's Swivl.

In April, two other Russian funds, Almaz Capital and Runa Capital, jointly financed the launch of the Global Technology Fondation, Ukraine's first grant fund specifically dedicated to IT, while Russian business angels Leonid Gluzman and Leonid Volkov injected an undisclosed amount in the Finnish startup Walkbase.

That same month, TMT Investments, an LSE-listed Russian fund, announced a \$350,000 investment in the US e-publishing startup Graphicly.

In the preceding months, Runa Capital led the international pools of investors which funded Israel mobile

solution provider Cellrox and Dutch cloud backup provider BackupAgent. Russia's Bright Capital, on its side, led the investment round of the German online wine retailer Wine In Black.

What is more, the German press revealed that DST – the giant internet fund from Russia which has fuelled a number of US startups, including Facebook, had invested – since 2009 – no less than \$315 million in Rocket Internet, the famous German startup incubator.

Qiwi, a major Russian payment company, announced its readiness to fund startups – be they from Russia or anywhere else – that develop solutions for payment operators. The company raised more than \$212 million during its introduction on the NASDAQ in May.

Also worthy of note is the recent launch of a later-stage IT fund, "RT-Invest Global technology I," by RT Invest, a major Russian state-owned corporation. The fund will invest in companies in Russia and the CIS, but said it is also open to international opportunities.



Investment deals involving foreign investors in Russian IT companies in H1 2013

(Publicly disclosed transactions as of June 1, 2013)

O ·>

Sector	Investors	Type of transaction	A U \$ A U \$ U U \$ U U \$ U U \$
Software	Cisco	Later stage private equity	U
Online classifieds	Kinnevik, Vostok Nafta, Northzone Ventures, Accel Partners, Naspers + Russian fund	Merger	U
Online travel	General Catalyst Partners, Accel Partners, international business angels + Russian business angels	Private equity (Series C)	\$2
Online travel	Mangrove Capital Partners, Ventech + Russian investor	Private equity (Series C)	\$
Online retail	Kima Ventures, international business angels + Russian business angel	Private equity (seed stage)	U
E-learning	Data Pro Group (Latvia) + Russian investors	Private equity (seed stage)	U
E-payments	NASDAQ	IPO	\$2



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Fertile Soil

A fundamental reconstruction is in store for the capital's services market, opening up great possibilities for western business.



The services market in Moscow has expanded in recent years, but it still lags behind developed countries in terms of volume, which means there is huge potential for growth: something which small to medium-sized western businesses can put to good use.

RUNNING ON THE SPOT

As market research shows, supply on the Moscow services market, compared with western markets, remains extremely limited. The main reasons for this are the undeveloped nature of suitable businesses, a lack of experience amongst Russian entrepreneurs, and the socio-demographic pattern of demand in the Russian capital.

According to economic figures, Muscovites' consumer spending is reaching 4 trillion roubles a year (\$120 bn). 31% of all of consumer spending by Muscovites is on commercial services, which is twice lower than figures typical of developed industrial nations. The overall picture in 2000 was, of course, a lot worse: Muscovites spent only 17% of their consumer budget on services. However, the present level of spending on services was reached back in 2005, since when there has been only a negligible increase in that figure.

What we now have is genuine stagnation. It goes without saying that the global economic crisis of 2008 has played its part. But the problem still lies in the absence of the kind of robust tradition of services consumption which has developed in the West, and in the specific nature of Russian consumer culture. The situation is changing, albeit extremely slowly, due to the lack of commercial supply stimulating a growth in demand. Such commercial proposals could be



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forthcoming from western entrepreneurs who have a competitive edge over their Russian counterparts simply by virtue of the fact that they have been shaped by a more developed business environment.

THE TRAP OF THE MOSCOW MIDDLE-CLASS

A major trend in recent years in Moscow has been the formation of the so-called middle-class. The qualification for this class is a certain level of income. A growth in incomes has certainly been observed. It was assumed that it would inevitably lead to growth in demand for high-quality services in line with the scale of the capital's economy as a whole. In reality, such expectations were borne out only in part.

A middle-class in Moscow would seem to have formed, but that hasn't led to an explosive growth in demand for quality services following western patterns. Prognoses have failed to take other important factors into account, including precisely that which determines the nature of demand for services. Demand is determined not only by incomes but also by the social functionality of services which is, ultimately, the consumption culture. And that culture, still even in the Russian capital (not to mention the provinces), is markedly different from that in the West.

Moscow itself has its own particular characteristics. The new Moscow middle-class is made up of representatives of the capital's "new economy". Its backbone is those involved in commercial business (salespeople and sales managers), estate agents, office security



THE ENGINE OF GROWTH FOR THE CAPITAL'S SERVICES MARKET IS THE CATERING INDUSTRY.

guards, drivers, and many more engaged in serving big business in Moscow and, basically, rich clients. All such workers receive higher incomes in comparison to Russian residents with a disposable income in other brackets.

What also has an effect on the character of the capital's services consumption is the gender factor. The main socially active groups of the Moscow population (which make the greatest demand on the services market) are dominated by men. This is tied up with the particular character of life and work in the capital.

In an interview with the Russian newspaper *Kommersant* in December 2012, the head of the capital's Department of Culture, Sergey Kapkov, in reference to the findings of sociological research, described the "cultural mould" of the typical Moscow consumer. The main leisure activities of the Moscow middle-class are going to the bathhouse, to hookah pipe rooms, and to karaoke bars.

In reply to questions from sociologists, almost two thirds of Muscovites maintained that they lead a "cultured way of life", yet 40% of them had never visited a theatre, and more than half of them had never been to a museum. It is this cultural mould which explains the stagnation in the services market: high-quality services after the western pattern are not in demand and do not figure amongst the priorities of many of the capital's most successful inhabitants.

The engine of growth for the capital's services market is the catering industry. Sociological research of Moscow households revealed that the proportion of the family



THE CULTURAL MOULD NEEDS TO BE BROKEN. BUT HOW?

ONE OF THE WAYS IS BY ATTRACTING WESTERN SMALL TO MEDIUM-SIZED BUSINESSES.

budget spent on food halved between 2000 and 2012 (from 40% to 20%). But expenditure on eating out increased in the same period from 1% to 5.5% of the family budget. Whatever the development trend, eating out is still the sector with the most potential for investment and business initiatives, those from foreigners included. In Moscow, there are virtually no bijou restaurants with high-quality cuisine and highly professional staff. Most of the options for dining out in the capital are monopolised by chain restaurants and franchises.

ECONOMIC RECONSTRUCTION AND THE PROSPECTS FOR THE SERVICES SECTOR

The capital's leaders see the consumer mould which has developed as a "mutation" and are intent on seriously changing this situation. This is only possible with an active policy on the employment market in terms of developing new sectors of the economy and making changes to the public sector wage structure.

The cultural mould needs to be broken. But how? One of the ways is by attracting western small to medium-sized businesses, those from another consumption culture capable of entering the capital's services market with the kind of supply which will stimulate demand and give the development of the capital's consumer culture a push in the right direction.

The services market in the capital is on the threshold of fundamental reconstruction. Already in Moscow there are new individual types of servicing springing up, oriented



WHAT ARE
HOOKAH PIPE
ROOMS?



towards relatively small but loyal groups of consumers with professional and demographic principles in common. The level of demand for quality in services provided is rising radically, which is sharply increasing the significance to the market of small to medium-sized businesses: providing an individual approach to the customer where scaling up is occurring is impossible. In the event of this scenario becoming a reality, the main thing is that one should expect explosive rates of growth in new sectors of the capital's services market. A huge space is opening up for new players, which western entrepreneurs can easily fill by exploiting their unarguably competitive advantages. ■



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Congratulations on your New Home!

*How to lease an office in Moscow without too many problems or unpleasant surprises, tells **Roman Nakhayev**, head of the development section of Realty Guide*

BY: ROMAN NAKHAYEV

TRANSLATION BY: JACK DOUGHTY



More often than not, to lease an office in Moscow, an entrepreneur (regardless of whether he is an RF resident) applies to an estate agent. He can of course look for office premises independently on an online advertisement page or in printed publications where information on leasing office premises is given. The problem is that the information in such publications and on such internet sites is as a rule not checked by editors or moderators. And you will probably still go to an estate agent anyway, as it is estate agents who publish all these advertisements. After all, online advertising pages and newspapers are cheap publicity – the simplest and most accessible channel for attracting clients.

If you use the services of an estate agent in choosing premises, you will have to pay for this service. The cost usually depends on the amount of the lease payment, and comprises from 50% to 100% of the monthly lease rate. In the case of big companies, this can often come to several tens of thousands of dollars. As a rule, payment becomes due when the lease agreement is signed.

WHAT DO YOU GET FOR PAYING AN ESTATE AGENT?

1. A direct choice of premises meeting set criteria. For this, the customer's requirements are established, the market is analysed and information on suitable premises is provided.
2. An estate agent represents the client's interests in negotiations, provides assistance in obtaining the most favourable commercial terms for the deal, such as a reduction in the lease payment, lease "holidays" for the moving-in period, and preparation of the premises for use.

At first glance, this is all quite logical, but one should not forget that the estate agent's remuneration depends on the monthly lease payment, i.e. the higher this is, the higher the agent's commission. So it is not necessarily the case that matters of payment holidays or possible reduction of the lease payment will be decided in your favour.

It should be noted that this is not specifically a feature of the Russian

**ONLINE ADVERTISING PAGES AND NEWSPAPERS ARE
CHEAP PUBLICITY – THE SIMPLEST AND MOST
ACCESSIBLE CHANNEL FOR ATTRACTING CLIENTS.**



market. This sort of thing happens in the West too. Western estate agents operating in the Russian market usually have departments for work with lessees and for work with owners. It often happens that the agent will be representing the interests of both the owner and the lessee in the same deal, so is receiving commission from both parties. Naturally this is the most profitable sort of deal for the agency management. And the lessee's interests come a poor second.

The cost of the commission often includes legal work on the deal. This is certainly very convenient, but it should not be forgotten that the estate agent's main job is to complete the deal as quickly as possible, minimising the labour costs. So if you decide to work with an estate agent, it is better to apply for assistance to your own regular lawyer or to a consultancy company specialising in provision of legal services. Payment for such services in a deal can be from \$200



upwards, depending on the lawyer's qualifications.

What is the most important thing in choosing office premises? It probably has to be the price – particularly for small and medium businesses, including those of foreign

entrepreneurs in these categories opening their own businesses in Moscow. The lease rate per square metre of office property depends on the business centre's class and location. In Moscow, business centres are divided into three classes: A, B and C. A-class business centres are the most expensive, are fitted with up-to-date engineering systems, have underground parking and are located in the most prestigious parts of the city. The lease rate is from \$800 to \$1500 per square metre per annum, depending on the location.

B-class business centres are cheaper. They may be some way from the centre of the city. They are mainly reconstructed Soviet industrial and administrative

IN MOSCOW, BUSINESS CENTRES ARE DIVIDED

INTO THREE CLASSES: A, B AND C.



buildings built from the 60s to the 80s. The lease rate is from \$500 to \$750 per square metre per annum, depending on the specific features.

Class C is the most economical. These are also Soviet administrative buildings from the 60s to the 80s, but a long way from the centre, which have been converted into office space. The façade and the vestibule have sometimes not been reconstructed since the place was built, and only cosmetic decoration has been done. The premises do not have through-flow ventilation or air conditioning. The lease rate is from \$250 per square metre per annum.

The managing organisation running the building is responsible for the functioning of the infrastructure. You can tell how well the building is run from the condition of the common use areas, the surrounds and the opinions of lessees.

After you have chosen the premises you consider most suitable for your means and type of work, the lease agreement is drawn up and signed. The lessee submits copies of documents establishing his right to the company.

These usually consist of:

- Articles of Association;
- a state registration certificate;
- a protocol about the appointment of a manager;
- an order concerning the manager taking up his post and the appointment of a Chief Accountant;
- the passports of the manager, Chief Accountant and founders;
- and a certificate of the Ministry of the Russian Federation for Taxes and Dues that the legal entity in question has been registered with the tax authorities.

The owner of the premises has to be asked for the documents establishing the rights of the managing company and a copy of the certificate of registration of the property rights to the real estate in question. It is also desirable to order a copy of an extract from the Unified State Register of Property Rights. The extract can be ordered from the registration office, for which you need to supply the cadastral number of the property indicated in the certificate. This document enables you to make sure that there are no attachments or

**YOU CAN TELL HOW WELL THE BUILDING IS RUN
FROM THE CONDITION OF THE COMMON USE AREAS**



YOUR BEST PROTECTION AGAINST UNPLEASANT SURPRISES IS TO EMPLOY A LAWYER.

encumbrances on the property which would prevent the leasing rights being assigned.

There are two types of agreement: short term, for less than a year, and long term, for a year or more. A long term agreement must be registered and is considered to have been concluded only from the moment of its registration.

Relations between the lessee and the lessor are regulated by the lease agreement. As in any commercial agreement, it includes its own finer points, which can be pitfalls for an entrepreneur not well versed in these matters, and particularly for a foreigner. Your best protection against unpleasant surprises is to employ a lawyer. The agreement must include the following:

- the address of the property being leased, its area, and a reference number for it;
- the lease rate and payment procedure;
- the procedure and time limits for handing over the property to the lessee;
- liabilities of the parties;
- terms of cancellation of the agreement;
- force-majeure circumstances.

A plan of the property being leased is attached to a supplement to the agreement.

It is not impossible that even after the lease agreement has been signed and the estate agent has been paid for his services (if he prepared the deal), you may still not be able to move into your new office. Why not? This can happen if for some reason the acceptance act for the premises, which is a supplement of the lease agreement, has not been signed. It is this which gives you the right to use the premises. Therefore you must insist that payment is made only after the acceptance act for the premises has been signed. ■



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WE SIMULATE SITUATIONS



About Mainstream



Translation into Russian

*General Director of Mainstream, **Elena Godunova** recommends using local specialists to help resolve any possible problems with Russian staff*

BY: IGOR IVANOV | PHOTO: MAINSTREAM | TRANSLATION BY: JASON SHAW



At times, Western businessmen entering the Russian market can encounter unexpected difficulties with employees, some of which are not always entirely obvious. In order to maintain their corporate values and those business standards to which they are accustomed, specialised training programmes are needed, and their development ought to be entrusted to Russian experts.



SITUATION

1

A western retailer trading in clothing has opened a shop in Moscow. During the process to recruit staff (salespeople, shop administrators) the company comes up against the fact that Russian employees lack the necessary skills to offer high-quality service. Russian salespeople are usually focused only on making a sale, on hitting high figures. Customer service is far from being a priority, and often there is simply nowhere for Russian sales staff to go to acquire the right skills.

SOLUTION

the level of service from the staff according to a number of criteria, in particular, the way in which they were received, the quality of the conversation, the employee's outward appearance, their knowledge of the range on offer etc. All of this was recorded in a written report. A similar exercise was carried out in one of the model, western chain-stores. On comparing the results and identifying the problem areas, a set of training measures was proposed which went into forming "The Good Will Programme".

As part of the programme, over the course of one month, the Moscow employees were trained in communication, business etiquette and client-focus, amongst other things. As a result of the marked improvement in customer service, the client recorded an increase in turnover in his Moscow stores. Analysis of consumer websites showed a sharp upturn in the



SITUATION**2**

A western pharmaceutical company has set its Russian representative branch the task of carrying out clinical trials for a new drug. They have chosen one of the medical institutions in Moscow. An ostensibly marvellous research team, they greet the western monitor like a welcome guest, treating him to tea and coffee. But... they carry out everything in the wrong way. There are an enormous number of rules violated. Protocol is not followed, the CRF (the database to which information on case histories is to be transferred) is not filled in properly, the drug is not factored in, and more. They apologise, promise to correct things, but, by the time of the next visit, nothing has changed.

SOLUTION

In the course of the western monitor's dealings with the clinic's representatives. On the basis of the factual information received from the monitors and other sources, a conclusion was arrived at regarding the insufficient organisation of research carried out by state medical institutions. It was recommended to the western pharmacists that they assume control over all stages of the clinical trials using their own system. For the pharmaceutical company, a programme was developed called "Basics of Project Management" which reflected each stage of clinical trials in Russian conditions and included practical exercises covering the most common cases. Aside from project planning, the programme laid emphasis on the particularities of communicating with representatives of Russian state medical establishments. As part of the programme, over a month and a half, Russian specialists held a series of group training sessions with the monitors. A system whereby the trials team was under constant supervision was implemented without any repercussions in the relations between the team members, and the research began to be carried out within the necessary deadlines as stipulated by the parent company's rules and regulations. When a western businessman has dealings with Russian state organisations, he must be prepared for extreme sluggishness on the part of its representatives



SITUATION**3**

An international marketing agency has opened a representative office in Moscow, making up its staff with, not only local employees, but also foreign specialists. However, mutual understanding has not fully developed within the collective, and conflicts have arisen threatening to ruin its projects, and the planned financial targets have not been met.

SOLUTION

Russian employees were used to working at a fairly low level of intensity, paying no attention to productivity targets, only then, when time to carry out the set tasks had almost run out, to speed up abruptly, suddenly accomplishing a great deal, and working very hard for several days with hardly a break at all, even on public holidays. Western specialists are brought up with a different culture of productivity: they do their work in a methodical manner in complete accordance with a timetable which has been clearly set out.

To overcome these problems, the "Effective Team Cooperation" programme was employed. The programme was adapted to the problems which had developed within the company, with the emphasis on the smoothing over of the inter-cultural differences. The following tasks were singled out as priorities: to get the employees to focus on attaining the company's overall aim, to build trust-based relationships within the team, and to raise the level of objectivity in self-appraisal and the appraisal of colleagues. The programme was implemented with the help of a series of one-day team-building corporate events with game-playing tasks to be performed. The atmosphere in the collective quickly improved, and the employees of different cultural backgrounds learned how better to understand one another. Their differences, of course, did not disappear, but now played a constructive, rather than destructive, role.

The problem of cultural contradictions in international working environments is not solved by homogenisation of the company, not by strict adherence to corporate



SITUATION**4**

In each of the European branches of an American producer of feed and fodder, all of the management positions are occupied by Americans. On opening branches in Moscow and other Russian cities, the company employs the same recruitment strategy. However, the Russian branches have not achieved the results which were anticipated.

SOLUTION

programme for them.

The basis for this was an already existing internal management programme with models of leadership, strategy, missions and values common to the whole corporation. The American programme was translated into Russian, but not literally: it was adapted to take on-board specific Russian characteristics, so that it could be applied in Russia too. As regards training cases, an important part of the programme, they were completely replaced by Russian ones.

The training comprised three modules: the basics of project management, change management, and leadership in change management.

During the course of the programme, lasting three months (each module lasted for a month), the participants in the group exercises developed skills in leadership, project management, and in how to behave in the company's ever-changing environment.

One of the American company's main requirements was that the courses be conducted by a local, Russian provider: a condition which was met. As a result, the company succeeded in instilling its leadership model in the Russian senior managers, in forming an overall corporate strategy for the Russian market, and in hitting its planned financial targets.

In running a western company entering the Russian market, you cannot get by without native senior management. They should operate according to the corporate leadership model and in accordance



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Health, Logistics and the Car Industry

Moscow's exhibition calendar offers up quite a number of things of interest to the western entrepreneur right after the summer holidays



**MUSCOVITES –
HEALTHY
LIFESTYLE**
www.mos-zdravo.ru



18.08 – 21.08

**Takes place at: The All-Russian
Exhibition Centre (VVTs),
Pavilion No. 75**

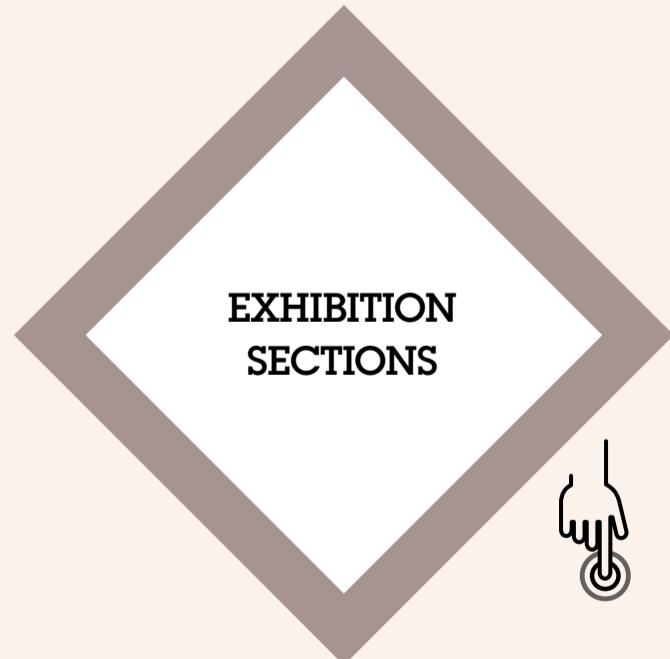
**Theme: Consumer Goods,
Medicine and Healthcare**

Since 2011, the “Muscovites – Healthy Lifestyle” exhibition has been organised by the Moscow Centre for the Introduction of Science and Technology (State Unitary Enterprise “Moskva”) (GUP MTsVDNT “Moskva”) under the patronage of the Moscow Chamber of Commerce, and with the support of the Moscow City Government.

Taking part in the exhibition are Russian and western manufacturers of medicines, bio- and eco-products, baby food, vitamins, minerals, food supplements, as well as medical institutions, clinics, rehabilitation centres, companies representing the sports industry companies. This year, the programme is set to include a round-table discussion “The Development

of Sports Infrastructure”, the “Health Literacy of the Population” forum, the “Moscow – City of Non-Smokers” exercise, presentations of innovative developments, and other activities. The policy to raise the quality of life in the capital city implemented by the Moscow City Government aims to encourage investors and market players to get more involved in this area. The “Muscovites – Healthy Lifestyle” exhibition will help to achieve these aims, and will be extremely useful to those western entrepreneurs and investors preparing to enter this sector of the Moscow market.

**EXHIBITION
SECTIONS**





INTERAUTO – 2013

interauto-expo.ru



28.08 – 31.08

Takes place at: The “Crocus Expo” International Exhibition Centre, Pavilions 1 and 2.

Theme: The Automotive Industry

The ninth annual international “InterAuto” exhibition, conducted with the support of the German Association of the Automotive Industry (VDA), the Japanese External Trade Organisation (JETRO), The Association of Russian Automakers, The Ministry of Trade and Industry of the RF, The Ministry of Transport of the RF, and The Moscow Regional Government, is dedicated to car components and car servicing equipment.

The exhibition is expected to attract over 50,000 visitors and will cover an area of over 30,000 square metres. Around 550 companies from 24 regions of Russia and 17 foreign countries, including Belgium, Germany and Italy, will be taking part. The programme includes business events (congresses, conferences, seminars and master classes) covering three main areas: Safety, Ecology and Maintenance.

The prizes “Car Component of the Year” and “The Golden Wrench” will be awarded to companies with an active presence on the Russian car-servicing equipment market.

As part of the 2013 exhibition, for the first time, there will be the specialised “Made in Russia” section featuring automotive equipment produced in Russia, including that made by foreign companies. Further to this, it has been proposed that InterAuto evolves from being an exhibition of automotive components into a national motor show complementing the Moscow International Automobile Salon, which is held on alternate years, and that it be included in the OICA’s world exhibition calendar.

EXHIBITION AREAS



INTERLOGISTIKA – 2013



www.interlog-expo.ru



09.09 – 12.09

Takes place: Crocus Expo IEC
Theme: Comprehensive Solutions in Transport and Logistics

The international InterLogistika exhibition is a joint project from the Russian exhibition organisers Media Globe, and the Crocus Expo IEC. The project's main aim, in the words of those behind it, is "to become, for players on the Russian market, a professional platform, a place for communication and business, for the exchange of information and ideas, tools and resources, and experience in global practice". It is proposed that the exhibition be held annually. A packed business programme is anticipated, with conferences, seminars and symposia, round-table discussions, and other events, all

dedicated to the various aspects of logistical solutions, the challenges that face them, and current trends in growth.

Virtually every western businessperson operating in Moscow, at one time or another has encountered issues related to logistics. The exhibition's organisers are certain that these events will prove to be of considerable use to those players within the relevant bracket on the Moscow and Russian markets.

EXHIBITION
SECTIONS



CONSUMEXPO — 2013. AUTUMN



consum-expo.ru



24.09 – 27.09

**Takes Place at: Expocentre
Central Exhibition Complex
Theme: Consumer Goods Market**

Held since 2008 (twice a year since 2011: in autumn and winter) under the patronage of the Chamber of Commerce and Industry of the Russian Federation and the Moscow City Government, the Consumexpo consumer goods exhibition specialises in household goods and appliances, souvenirs, as well as off-the-peg business solutions. Each of the above-mentioned categories will have its own display area.

Consumexpo 2013. Autumn traditionally focuses on porcelain and ceramic crockery, decorative items for the home, shoes, gifts, clothing and accessories, and leather goods. In the Household Appliances section on show are kitchen and household appliances, as well as domestic electrical items. In the Off-The-Peg Business Solutions section

there are on offer consumer market franchises, IT solutions for wholesale and retail, credit schemes, and logistical solutions. In the Gifts and Souvenirs section, jewellery and watchmakers, portable electronics and perfumes and cosmetics manufacturers will put on demonstrations of their merchandise. Corporate gifts will also be on display. In the business programme are trade-based forums and seminars in which industry leaders will take part, including those from abroad. ■

**EXHIBITION
SECTIONS**



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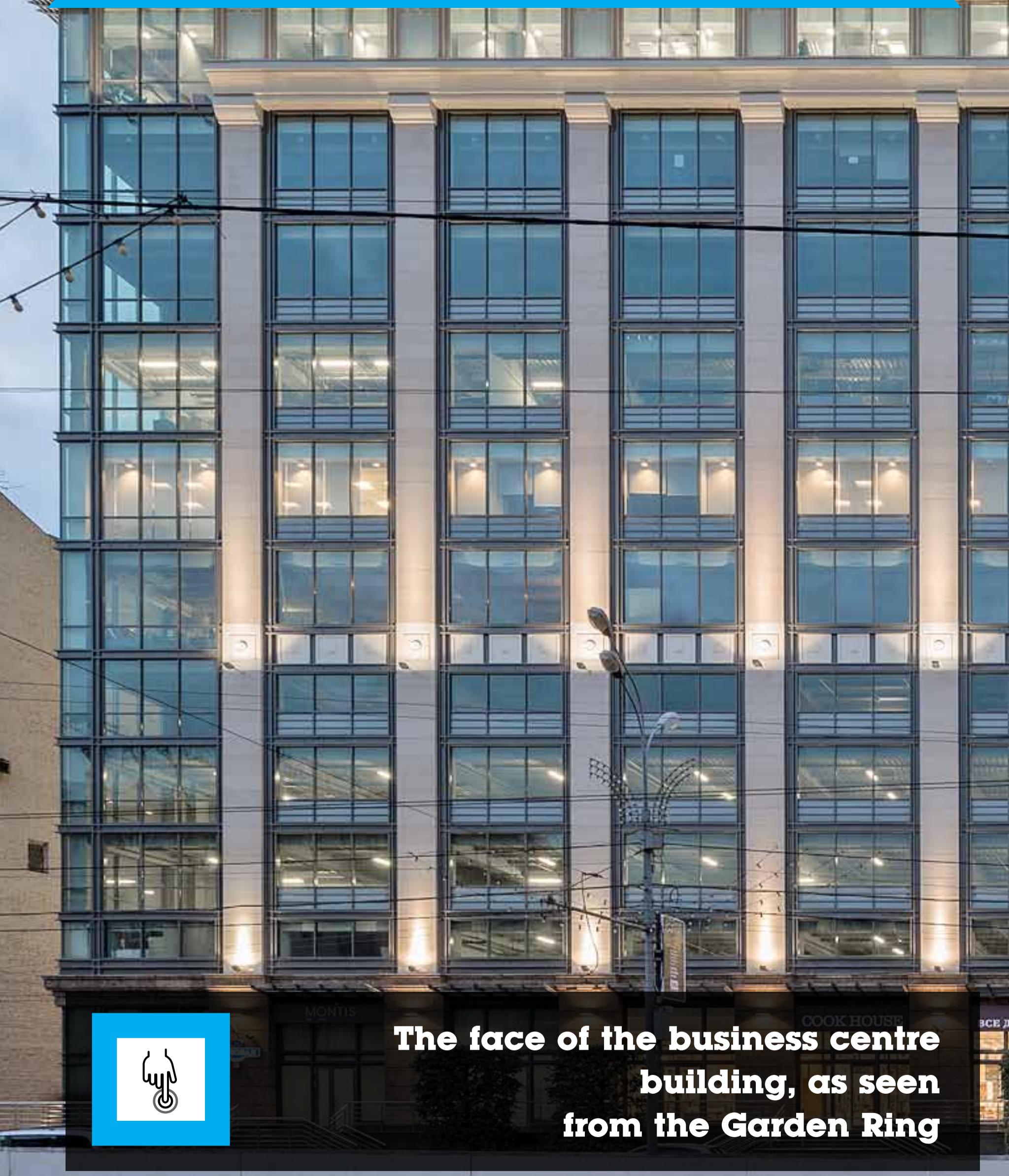
BUSINESS MOSCOW

A Beacon of Capital Business

Lighthouse:
a Class A Business Centre

PHOTO: YURY PALMIN | TRANSLATION BY: JASON SHAW





**The face of the business centre
building, as seen
from the Garden Ring**



LIGHTHOUSE



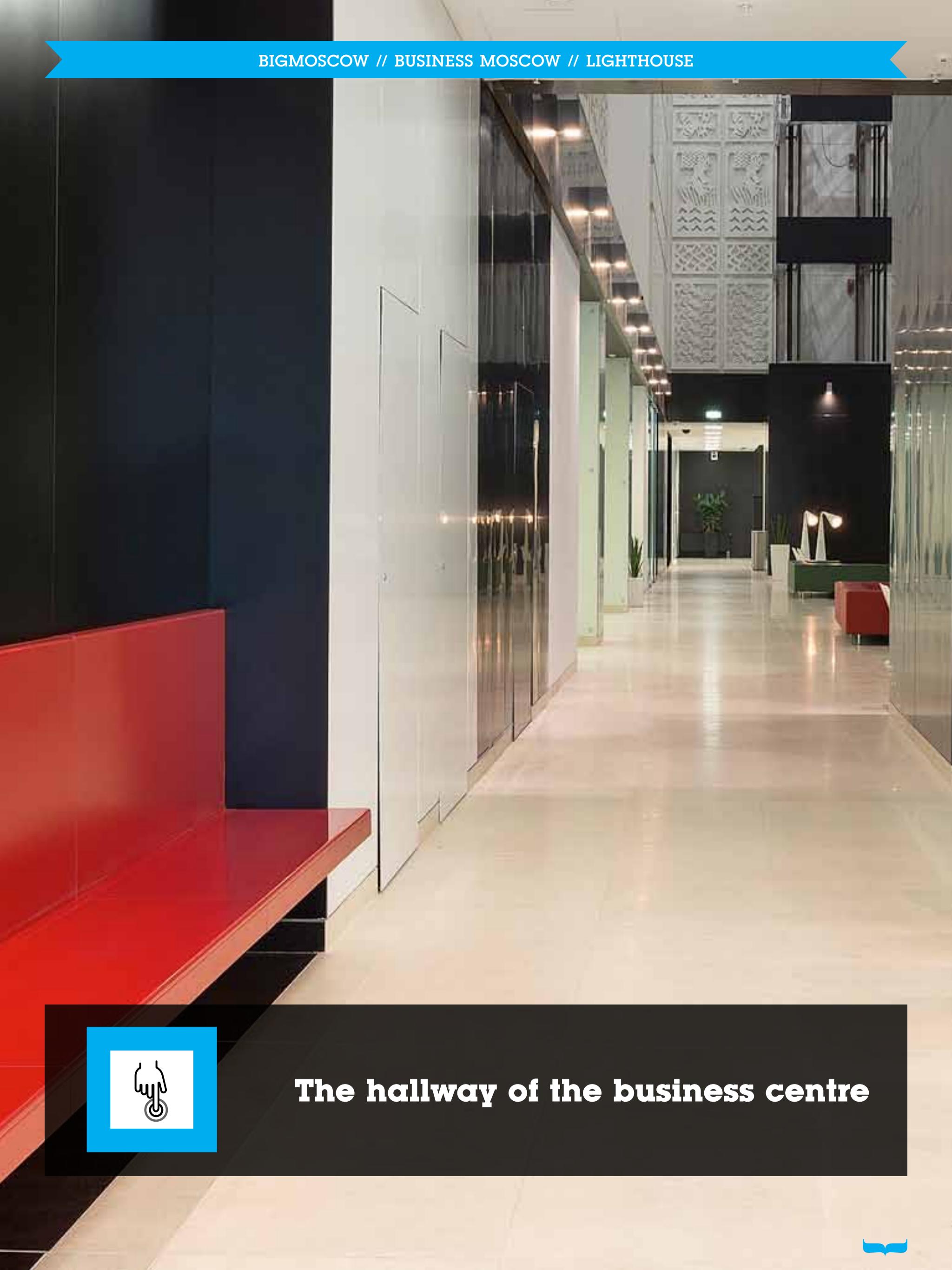
**Main entrance
to the business centre
and reception area**



**Area controlling access
to the office premises,
and lift lobby**



The atrium



The hallway of the business centre



**Driveway to business centre site,
main entrance**



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LIFE IN MOSCOW

Love at First Sight

*Frenchwoman **Catherine Trotin** came to Moscow straight from university, and her entire career is inextricably linked to the Russian capital*

BY: ANNA KIREYEVA | PHOTO: FRANCESCO ROSSINI | TRANSLATION BY: JACK DOUGHTY



*As one of the new generation and a person with an active life, she was glad to accept a proposal to work in the Russian subdivision of the global consultancy company **Mazars**, and does not regret it in the least – she likes life in Moscow and her career is going well.*

**- When did you first see Moscow?
What were your impressions?**

- Eight years ago, I set out for Samara on a student exchange. We flew via Moscow, so I decided to stop off here for two weeks to get to know the city. My first impressions: the cold, crowds of people everywhere, bustle. To be honest, I was somewhat disheartened, but I still decided that I must come back here some time, and not as a tourist.

I started really trying to learn Russian, I read a lot of Russian literature, talked to Russians and watched Russian television channels. In my fifth year, I told my parents that I was thinking of working in Russia. They supported me,



advising me to do my pre-diploma work in the Moscow branch of Mazars (where I am working now). This was in the spring, and my impressions were now quite different – warmth and beauty! I acquired Russian friends, with whom I later travelled round Russia. After defending my diploma,

I feel just as comfortable here as in France.

**Moscow has become
my second home town.**

it was proposed that I should stay in Moscow on the permanent staff of Mazars, and I didn't think twice about accepting. Now Moscow has become my second home town. I feel just as comfortable here as in France.

-But surely there must have been some adaptation period? What problems and difficulties did you encounter?

Primarily, it was difficult for me to speak Russian. I was very shy – I was afraid I would not be understood because of my accent. Attitudes to foreigners in Moscow can be quite cool. At first I did not know my way round the city very well, and I asked passers-by the way, but many of them would not stop to help me. At the ticket office, they didn't understand where I wanted to go, and this was due to my accent. I had to spend a long time explaining. Now I buy tickets directly on the Russian Railways website in just a few minutes.

I must say that the online services nowadays make life easier for foreigners in Moscow, and not only for foreigners.



- What do you find surprising about Moscow?

- Sometimes I do not understand why it takes many years to repair some buildings, though it would seem that they could be restored and put in good order much more quickly. Anyway, Moscow will always surprise me. It is not so easy to understand the mysterious Russian soul! However, I have to say that recently, Muscovites have been producing nothing but a good impression on me.

- When and how did you start learning Russian?

- I was 15 at the time. I studied in high school where we had a wonderful Russian teacher from a Russian family which had emigrated to France after the revolution. It was she who inspired my love for the Russian language. It penetrates deep into the soul. It is something more than just words and sound. The Russian language has its own music, its own rhythm, and I like it very much.

- In the West, the stereotypes of Russia as a country, let us say, not completely European, still survive. Have you come across this?

- My French friends who have never been to Russia want to know if I eat well here, and what form of communication I use with my family and friends. They





**Moscow will always surprise me.
It is not so easy to understand
the mysterious Russian soul!**

apparently think that nothing much has changed in Russia since the time of the USSR, and honestly don't understand why I feel so at ease here. I try all I can to dissipate their fears, explaining that their ideas of life in Moscow in no way correspond to reality.

- You have been to St. Petersburg a few times. How do the two Russian capitals differ, in your view?

St. Petersburg is a calmer, more moderate city. Moscow is harsher and more dynamic. I would call it “a vampire city”; it constantly requires a person’s energy and sucks it up. Yes, Moscow takes a lot of strength, but gives a lot in exchange. Work, amusements, social life – you don’t get bored in this city.

- Which way of moving around Moscow do you prefer – taxis, the Metro or a car?

- The Metro. I am only just learning to drive a car, but in any case, it's



ABOUT MAZARS

much more convenient to go to places by the Metro, because of the traffic jams. The Moscow Metro is the most convenient, beautiful and comfortable of all those I have seen. There is no problem finding a taxi at any time of the day or night. For security reasons, I prefer to order one by telephone, not flag one down in the street.

- Where and how do you spend your free time? Do you have any favourite places in the city?



Yes, Moscow takes a lot of strength, but gives a lot in exchange. Work, amusements, social life – you don't get bored in this city.



- I very much like the Stanislavsky and Nemirovich-Danchenko Musical Theatre. It has a great company with a fine repertoire, and sensible ticket prices. Of the cinemas, I prefer the “Five Stars on Novokuznetskaya”. They show foreign films there in the original language with subtitles, which I like. My friend and I also sometimes go to the “35 mm” and “Pioneer” cinemas. A recent favourite is the Strudel Viennese café. I like places with their own atmosphere and cosiness, and this café is one of that sort. I may call in at the

- *What is your favourite pedestrian route through the Russian capital?*

- The boulevards and avenues in the Patriarch Pools district.

- *Do you like shopping? Which Moscow shops or shopping centres do you prefer?*

- I love shopping, of course. I most often go to the shopping centre of the district where I live. Previously I often bought things in “Okhotny Ryad” on Manezh Square.

For those who are accustomed to an active way of life, Moscow is the best place to be.

nearest places to my work for lunch – “Kvartira 44” or “Jean-Jacques”.

- *Do you visit any cultural events or exhibitions?*

- I certainly do. I love photo exhibitions, and frequently visit the Lumière Brothers Photography Centre. I call in at the “Vinzavod” Modern Art Centre. And in St. Petersburg, I make a point of going to the Hermitage, to my favourite gallery of the Impressionists.

- *To what do you think the Moscow administration should devote attention to make it more convenient for foreign citizens to work and live in the Russian capital?*

- It would be splendid if the names of Moscow streets were given not only in Russian, but in English too. The same applies to the Metro. There are only English names on the Moscow Metro map, but the signs for transfers and exits to the city from the stations are





only in Russian. It's hard for foreigners to find their way around. In St. Petersburg, I noticed buses with audio guides. It would be nice to introduce them in Moscow too.

- *What pluses and minuses of life in Moscow in comparison with Western cities can you mention?*

- There are plenty of pluses. You are never bored in Moscow. The shops, restaurants and beauty salons are open till late. In Paris, almost everything is closed by seven in the evening, which is very inconvenient for those who have to stay on at work. As for the minuses...

Moscow life will not suit everyone. As I said, the city demands a lot of energy. It is not easy to live in constant motion and constant stress. But for those who are accustomed to an active way of life, Moscow is the best place to be.

- *How long do you plan on living in Russia? Could you stay here forever?*

- I don't know, I haven't thought about it yet. At present it all suits me very well. My love for Russia was love at first sight, and I hope it is mutual. ■



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BIGMOSCOW

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

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