



Moscow's expanding financial district

## Jeroen Ketting shares his tips on conducting business in Russia



### You have to like Russia and Russians!

Trust, personal relationships and emotion are very important in working relationships. If you don't like it here you will not be able to build up strong relationships which are so crucial in business.

### Take the time to learn the language

English language skills are not widespread and Russians appreciate it when you know a few words of Russian. Learning the Russian alphabet is not difficult and many Russian words are the same in English.

### Prepare well and try to understand the country

Don't think you have all the answers - knowing what you don't know is indispensable. Understanding the Russian soul is also important and as great hosts, Russians like to mix business and pleasure.

**Russia is a demanding country but you will feel alive every minute you are here**

### Foreign success stories

**Booking.com** **Booking.com**, Europe's leading online hotel reservations site, built a fully functioning office in Moscow from scratch in just two months and is now one of Russia's most visited online reservation sites. Lighthouse was responsible for the registration of the representative office, as well as finding suitable premises and staff.



**Bison**, manufacturer of adhesives and sealants, had already been doing business in Russia when it faced declining sales. We advised Bison to change their approach to their existing distributor, rather than looking for a new one. Bison followed our advice and sales doubled in a year.



Lighthouse helped **Lutèce**, a firm that processes mushrooms into a range of products, to enter into the Russian market. Based on one of the scenarios we provided Lutèce opened an office in Moscow, appointed a local representative and is now successfully doing business here.

# To Russia with love

**Jeroen Ketting** shares his tips for success in a marketplace which is very different to the rest of Europe

**In 1913 Russia's economy was experiencing the highest growth in its history. But just four years later the 1917 Bolshevik revolution took place, sending Russia into meltdown. Today in 2013, Russians are freer and wealthier than they have ever been before and in four years' time - 100 years after the October revolution - Russia will have its next parliamentary elections. Fortunately the events of 1917 are unlikely to be repeated and Russia should enjoy continuing prosperity.**

For the foreseeable future Russia will remain an attractive market for European companies. Russia's gross domestic product will continue to rise, with growth-rates outperforming most European countries. Unemployment is at an all-time low and disposable

income continues to increase. Russia's fortunes are still closely tied to oil and gas prices but that is not the entire picture. More than half of Russia's GDP is generated by private consumption which makes up more than 80% of GDP growth.

Even if oil and gas prices drop, private consumption will continue to be a driver for economic growth. Russians borrow little money for personal consumption. Whereas in the Netherlands mortgages and consumer loans account for around 110% of GDP, here in Russia they constitute less than 10%. In Europe most countries have high double-digit public debt figures, while in Russia public debt as a percentage of GDP stands at single digit figures. This means that, even if commodity prices decline, Russia still

has significant room for development through bringing its levels of private and public debt to average European debt levels.

### Opportunity

For foreign companies wishing to invest in Russia this means that there are concrete opportunities in many different sectors in the years ahead. The increase in consumer spending drives developments in the entire value chain. A good example is the automotive sector: until about seven years ago most foreign car makes were imported but today all the major foreign car manufacturers have production plants in Russia. In the wake of this the entire supply chain to car production plants is developing rapidly. This can be seen in other sectors of the economy as well and there is especially impressive

growth in areas such as e-commerce, electronics, machinery and engineering. Maybe the most convincing argument in favour of doing business in Russia is the sheer number of successful European enterprises here. Since the early 1990s, many European companies have established themselves and have since built up thriving businesses. Our company Lighthouse Russia BV has successfully assisted hundreds of companies (see box for example of companies we have worked with).

### Differences

But while the benefits of entering the Russian market are clear, doing business here is not quite so straightforward. Everything is just a little different in Russia. The market functions differently to the European market, Russians negotiate in a different way and the

business culture is very different. In the first meeting Russians can be very direct, they can also be imposing and think, speak and act fast. They do not necessarily follow an agenda and go from one point to another at random. Russian negotiation style can vary from direct to evasive, friendly to confrontational in a single meeting. They are also less forthcoming with information than foreigners.

### Business culture

Emotion plays a big part in business meetings and Russians generally do not think in terms of "win-win" situations. In any negotiation there is a winner and a loser. As well as business culture there are also administrative hurdles. Making payments requires different documentation and is subject to limitations we are not used to. Logistics >>

>> and customs requirements are different, certification is done exclusively in line with Russian standards and Russia's accounting system and tax legislation cannot be compared with Europe.

### A new Russia

I see many business people who make the wrong decisions based upon an unfounded fear of Russia. However, in the 19 years that I have been living here I have seen very few cases of foreigners being exposed to violent crime.

Russia is not the country it was in the roaring Russian 1990s, when the rule of law was absent and the economy was in crisis. The Russia of the 21st century is a far more civilised place. If you prepare well and handle your business carefully and sensibly then you can do well here.

## To be successful in Russia you need to be directly involved in the day-to-day running of your business

With good legal support in most cases the law is on your side. Bribing is something that should be avoided in Russia, as in any other country. There is no denying that corruption exists but most people trying to bribe themselves out of a situation find out that they have traded a short-term solution for a long-term problem.

To be successful in Russia you need to be directly involved in the day-to-day running of your business and if you manage it from abroad you will need to visit Russia and your business partners regularly.

Russia is a demanding country but you will feel alive every minute you are here. If you are hardworking, energetic and entrepreneurial, this is the ideal place to do business. **RBO**

**Jeroen Ketting is the director and founder of Lighthouse Russia B.V**  
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## Dutch firms should seize opportunities Russia offers

*Trade relations between Russia and the Netherlands have never been better, says Marieke van der Wilk, area manager for Central and Eastern Europe at the Netherlands Council for Trade Promotion (NCH).*



Dutch exports to Russia grew by 1.7% between 2010 and 2012 and imports from Russia, in particular oil and gas, grew by 4.6% over the same period. Because of the attractive Dutch tax regime the Netherlands is one of the top three investors in Russia and the Dutch government is working hard to attract Russian investments the other way. "Russia is an important growing market," says van der Wilk. "It has 140m potential customers and a growing middle class able to spend more money. Russia wants to diversify its economy and the country offers opportunities for all kinds of businesses – from multinationals to small and medium-sized enterprises," she says.

Russia has also signed a customs union with Belarus and Kazakhstan, enlarging the marketplace even further. So, in theory, once you have started doing business in Russia expanding to the two former Soviet republics should be straightforward. The Winter Olympics in Sochi in 2014 and the football World Cup in 2018 are large investment projects which offer great opportunities for Dutch entrepreneurs in sectors such as architecture, engineering, lighting and audio systems, says van der Wilk.

The investment in technology by the Russian government has been beneficial to many Dutch companies and firms. DNV Kema (a specialist in energy efficiency), Linx Telecom and Nedap Security Management are examples of just three Dutch companies finding success in this sector. But a good product and a willingness to invest in the country are not enough, says van der Wilk, and she cautions anyone who is contemplating doing business in Russia to think long term.

"Doing business takes time and you need to have a long-term policy but short-term goals," she says. "In the Netherlands we think about the next five to 10 years but in Russia they only think about the coming two years. This is understandable as their history has been so turbulent," she says.

"Russian and Dutch business cultures vary greatly", she says. The Russians are far more hierarchical with only chief executives and directors making the major decisions. They enjoy tough negotiations and like to win". Russians also mix business and pleasure, which can be confusing for foreign business partners when their colleagues go from being tough negotiators one minute, to inviting them to their homes and the Russian *bannya* (sauna) the next.

"But I think Russians and Dutch are similar in that we are both direct and look each other in the eye when we do business," says van der Wilk. She advises Dutch companies who want to do business in Russia to contact her organisation (NCH) and attend a seminar or join a trade mission to the country to get an idea of how business works there. "The biggest mistake an entrepreneur can make is to think that because they already do business in Poland, for example, then expanding to Russia will be straightforward", says van der Wilk. Business people should learn the language, prepare well and ensure they have a reliable business partner in the country.

"The three key ingredients are patience, perseverance and a sense of humour. Doing business in Russia is never dull and always full of surprises," she says.

For more information go to: [www.handelsbevordering.nl](http://www.handelsbevordering.nl)