Exporter Advice

Business Cultures and Climates in Russia

Doing Business in Russia

As in many markets, business relationships in Russia are usually built through personal contact. While sales can be negotiated by telephone, fax or e-mail, any attempt to develop a successful, long-term trade relationship will require direct, personal contact.

When you travel to Russia to visit potential trade partners, don't expect to close a deal in a few days. A successful partnership may take months to develop.

Keeping the Customer

You can sell once to a Russian company, but unless you become an active partner in helping it market the product, the company will not buy from you again.

Russia is no longer a new market, but is a sophisticated, competitive environment. To succeed, U.S. companies must promote their products, countering the predominant market position of West European competitors. Providing basic marketing and promotional support are key to a long-lasting and profitable relationship with your Russian partner.

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Don't expect to do everything at the U.S. pace. Many things simply move at a different speed. For example, getting around by car or taxi in major cities, such as Moscow and St. Petersburg, can be frustrating and time-consuming. Build extra time into your schedule—you will probably need it.

Several alternative marketing strategies can be used to enter the Russian market:

- Sell directly to a Russian importer/distributor/processor.
- Use a U.S. trading or export management company.
- Sell to an agent/consolidator in Western Europe.
- Establish your own import and distribution facilities in Russia.

A U.S. company operating on its own will generally pay higher customs fees, face more difficult inspection procedures and contend with more administrative delays than would a local importer. Many successful exporters use a Moscow- or St. Petersburg-based trading company to facilitate trade. Most imports sold in Western Russia pass through these cities. For the Russian Far East, Vladivostok is home to most importers and the principal import and transshipment point.

If an exporter is willing to invest the time and effort to establish a representative office, then dealing directly with fast-growing Russian processing companies may provide better margins and the opportunity to respond quickly to clients' demands.

Selecting the right trade partner is probably the most important thing in developing your business in Russia. An

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experienced and reliable importer can help you avoid costly mistakes. Banking and supplier references are essential, as is an examination of the prospective partner's experience and business history. Some local and U.S.-based organizations can help provide this information. However, credit reporting is still a relatively new practice in Russia, and credit reporting agencies may not have complete information on potential business partners.

Finally, pay attention to business fundamentals. Business basics—knowing your market, putting the customer first and offering quality products—are as essential in Russia as in any other market. ■

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