

Preparing to export

Consultation and bespoke research

There is a range of online information for exporters including advice and guidance on how to thoroughly research overseas markets. Visit: <https://www.great.gov.uk/> for more information.

Researching the Russian market

Russia is an extremely large country. Each state has its own cultural practices and preferences. Different regions will have different industry clusters. Therefore regional plans and good local research is necessary.

Ideally you should make regular visits to Russia as well as making contact with others in your industry/sector. This will enable you to access the most up-to-date advice and information, and may lead to new insights or at the very least form the foundation for further research.

Visit: <https://www.great.gov.uk> for information and guidance on how to develop your marketing strategy, competitor and SWOT analyses and customer/market segmentation. The IOE&IT can also offer help with this. Visit: <https://www.export.org.uk/>.

You will need to determine whether there is a market for your product or service, if your pricing is competitive, and whether to adapt your business model.

The questions listed here should help to focus your thoughts. Your answers to them will highlight areas for further research and also suggest a way forward that is right for your company. You may then want to use this as a basis for developing a formal Russia strategy, although this may not be necessary or appropriate for all companies:

Your aims:

- Do you wish to buy from Russia, sell to Russia or both?
- Do you wish to establish your own company presence in Russia (for example direct sales, forming a distributorship, setting up a branch or a representative office)?
- Do you need to be involved in Russia at all?
- Do you see Russia as part of a wider plan including e.g. other East European or Central Asian markets, now or in the future?

Your company:

- Can you carry out a detailed SWOT analysis of your company?
- Are your competitors already in Russia? If so, what are they doing?
- Can you carry out a detailed SWOT analysis of your competitors?
- What are the Unique Selling Points (USPs) of your product or service?
- Do you know if there is a market for your product or service in Russia?
- Do you know if you can be competitive in Russia?
- Do you have the time and resources to handle e.g. the demands of communication, travel, product delivery and after-sales service?

Your knowledge:

- Do you know how to secure payment for your products or service?
- Do you know where in Russia you should start?
- Do you know how to locate and screen potential partners, agents or distributors?
- Have you carried out any Russia-specific customer segmentation, and do you know how to best reach potential customers in-market?

It is unlikely that you will have the answers to all these questions at the outset and these 'knowledge gaps' could form the basis for further research and investigation. Some of these questions will require quantitative research in your sector, while others involve more-contextual and cultural considerations.

Talking to other people in your industry and regularly visiting Russia will give you access to the most current advice and such experience can often lead to new insights and form the basis for further research.

Guidance on developing an Export Plan, including marketing strategy, customer segmentation, competitor and SWOT analyses etc. is available on the <https://www.great.gov.uk/> site, and also on the Open to Export site at: <https://opentoexport.com/info/export-action-plan/>.

One option to test how viable your product or service could be in the Russian market would be to attend trade shows, which are generally held in Russia each year. The Department for International Trade (DIT) provides funding for eligible businesses in the form of grants to enable them to attend trade shows overseas via the Tradeshow Access Programme. Visit: <https://www.gov.uk/guidance/tradeshow-access-programme> for more information.

The funding helps your business to gather market knowledge, gain experience in attending and getting the most from overseas trade shows, and to receive advice and support from trade experts.

To discover future events and trade missions in Russia, visit the DIT events portal at: <https://www.events.great.gov.uk/ehome/index.php?eventid=200183029&>.

For company launches and events held at British Embassy and Consulate locations, contact the Department for International Trade (DIT) in Russia at: <https://www.gov.uk/world/organisations/department-for-international-trade-russia#contact-us>.

[Source – DIT/gov.uk]

Start-up considerations

Getting started in the Russian market

UK companies can use a number of ways to get started in Russia, including online selling, direct exports and sales, forming an agreement with a distributor, forming a representative office, franchising or setting-up a branch in Russia of a foreign legal entity.

You can avoid costly mistakes by seeking help and advice from a local lawyer, as the tax and legal obligations of each business structure can differ. A list of local lawyers in Russia is available at: <https://www.gov.uk/government/publications/russia-list-of-lawyers>.

Once you have chosen your route of entry into the Russian market, due diligence checks are essential. If you wish to develop and establish a business relationship which will go beyond exporting you will need to carry out further research.

[Source – DIT Russia Trade and Export guide/gov.uk]

Direct exports and sales

Direct export means supplying your products/services directly to the customer and involves you taking care of the logistics of marketing, selling, sending overseas and getting paid.

You also have the option to use local representation, for example by using an agent, distributor or wholesaler.

To help you to identify local representatives in Russia, contact a specialist trade adviser at the Department for International Trade (DIT) at: <https://www.gov.uk/overseas-customers-export-opportunities>.

Online selling

Internet penetration in Russia is uneven. Moscow and St. Petersburg have over 77% of internet penetration, with only around 50% in Russia's small towns and villages. Cash-on-delivery (COD) is most common for physical goods, although the use of electronic payments is increasing.

You need to be aware of the Russian Data Localization Law 2015 requiring Russian citizens' personal data to be physically stored on servers in the Russian Federation. The Russian telecommunications watchdog Roskomnadzor checks for compliance. Visit: <http://eng.rkn.gov.ru/> for more information.

The Department for International Trade (DIT) can help you export your goods to Russia through the E-Exporting programme. Find out more at: <https://www.gov.uk/guidance/e-exporting>.

DIT has also negotiated listings at better-than-commercial rates. See online marketplaces in Russia at: <https://selling-online-overseas.export.great.gov.uk/>.

Distributorship agreement

There are bureaucratic requirements, language obstacles and transactional issues in Russia that will require careful planning to overcome. It is not uncommon for overseas companies to assign an agent or distributor to monitor local regulations, as these can change at short notice.

You should research a number of potential agents or distributors before choosing one, looking, for example, at their local reputation, regional coverage, marketing ability and resources. Beware of agents who are promoting products or services which are the same or similar to yours.

The Department for International Trade (DIT) in Russia can assist in locating and meeting potential agents and distributors. Visit: <http://www.gov.uk/world/organisations/department-for-international-trade-russia#contact-us> for more information.

[Source – DIT Russia Trade and Export guide/gov.uk]

Business registration in Russia is operated by the Russian Federal Tax Service (FTS). Visit: <https://www.nalog.ru/eng/> for further information.

The Department for International Trade (DIT) teams in Russia can help you find tax and legal advisers before entering into agreements. For more information visit: <https://www.gov.uk/world/organisations/department-for-international-trade-russia#contact-us>.

Franchising

For information on franchising, visit the international section of the British Franchise Association website at: <http://www.thebfa.org/international>.

[Source – British Franchise Association]

Financial considerations

Getting finance to fulfil an export contract

Globally, Russia ranks 22nd out of 190 economies in the World Bank's "Doing Business – Ease of Getting Credit" report 2019. See: <http://www.doingbusiness.org/data/exploreeconomies/russia>.

There are schemes available to simplify the growth of your business and to fulfil an export contract, for UK companies that wish to sell products and services to Russia. Contact your bank or financial adviser for more information on any current schemes.

Payment risks

UKEF helps UK companies to get paid by insuring against buyer default.

You may have difficulty accessing foreign exchange. Be confident you will get paid for your export contract. Speak to one of UKEF's export finance advisers at: <https://www.gov.uk/government/publications/find-an-export-finance-manager> for free and impartial advice on your insurance options, or contact one of UKEF's approved export insurance brokers at: <https://www.gov.uk/government/publications/uk-export-finance-insurance-list-of-approved-brokers/export-insurance-approved-brokers>.

Currency risks when exporting to Russia

In order to fix your price, it is essential to fix your exchange rate. Before signing any contract you need to consider whether the best option for you is to agree terms in Pounds Sterling (GBP) or Russian Rubles (RUB). It may also be advisable to seek expert financial advice on exchange rates (FX).

Transferring money

Currency control regulations require issuance of a transaction passport for both exports and imports, to ensure that hard currency earnings are repatriated to Russia.

[Source – DIT/UKEF/gov.uk]

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