

Russia an emerging & potential market for footwear & leather products:

A Report by Sanjay Kumar, Regional Director-North, CLE

With a population of 142 million and a GDP per capita of over 14,000 Dollars, the Russian Federation has an annual consumption of 428 million pairs of shoes, making it the eighth largest consumer market in the world. According to the data contained in the World Footwear Yearbook 2013, compared to the production of 104 million pairs of shoes in 2012, Russia imported 332 million pairs at an average of 12 dollars. As far as suppliers are concerned, China was ranked first place with supply of 276 million pairs of shoes in 2012, followed by Italy (6 million).

Russia is the 9th largest importer of leather & leather products in the world. Russia's import of leather & leather products increased from US\$ 2386.29 mn in 2007 to US\$ 4616.35 mn in 2011, growing at a CAGR of 17.93%. Russia accounted for a share of 2.88% in global leather import trade of US\$ 159.89 billion in 2011.

Russia and the neighboring CIS countries are major users of Footwear and leather accessories and Russia's import of these product categories has been increasing in recent years.

Why doing business in Russia :

Russia has different types of consumers with different purchasing powers. We should be targeting upper middle class. Russia with an average temperature of 5 or 6 degree is the coldest country in the world and hence require the heavyweight clothes for winter. Traditional Russian men like to flaunt leather a lot. Russia follows the Italian fashion changes every six months. Russians dress very stylishly and require different set of dress for different occasions in day to day life too. Apart from footwear, there is huge scope of leather garment & accessories in the Russian market.

Global fashion brands continue independent development in Russia

Right from its outset, the luxury

market in Russia was driven by several local companies, which owned exclusive distribution rights to globally known fashion brands. Within years, the portfolios of Bosco di Ciliegi, Mercury, JamilCo and Crocus Group became impressive enough to represent a full range of global luxury brands.

However, strong sales results in the review period and good understanding of the market pushed global brands to taking control of their own development in Russia. Gucci, Prada, Mobiado, Tag Heuer, VC-Jeans, Hermés, Alexander McQueen, and Stella McCartney established their representative offices in Russia to strengthen their positions and manage company politics more efficiently. Although after the closure of the luxury business of the Crocus Group, most of its brands were taken over by competitors, some decided it was the right time for independent development. Though 2009 was critical, and indeed fatal, for some brands, most companies plan strategic development in Russia without the help of local luxury giants.

High presence of global brands still leaves niches for new players

Russia has always been one of the key markets for most fashion houses and global luxury brands. However, taxation, customs and the market's early development stage prompted them to develop in Russia via local distributors. Accumulated experience, specialisation and sufficient financing let Bosco di Ciliegi, Mercury, JamilCo and Crocus Group become luxury gurus. Thus, most brands which have a strong presence in the market are concentrated among a few local businesses. That creates difficulties for aspiring competition. However global brands gradually get rid of partnership liabilities and develop independently. Due to the growing number of representative offices of global companies, a rapidly growing internet channel and Russians' interest in individual, authentic, hipster

pieces of luxury, new companies are mushrooming into unfilled spots. The expanding middle class forces fashion houses to create affordable luxury brand lines and compete within this segment.

Growth potential for Russian luxury market

The Russian luxury market is predicted to record stable, but moderate growth in the forecast period. The increasing number of HNWI, the expanding middle class and the presence of affordable luxury editions of global brands will drive higher sales in upcoming years. Stable economic recovery will definitely have a positive impact on consumers' purchasing power and confidence. The developing internet channel will generate a lot of new sales both for high-end and affordable luxury products. The independent work of global brands will affect sales, as better support and financing will be in evidence. With increasing interest in authentic, individual and non-mainstream things, young local designers will get their chance to build a stronger presence. The Russian market is expected to maintain its maturity and aspiration for consumption. More people will shop inside the country.

India-Russia Leather Trade:

India's exports of leather & leather products to Russia has increased from US\$ 15.78 mn in 2007-08 to US\$ 28.54 mn in 2012-13. Out of Russia's total leather import trade, India presently accounts for a share of only 0.72%.

Russia's import of Footwear has increased from US\$ 2067.81million in 2007 to US\$ 3935.94 million in 2011 growing at a CAGR of 17.45%. India's export of footwear to Russia has increased from US\$ 4.68 million in 2007 to US\$ 11.96 million in 2011 at CAGR of 26.43%.

Russia's import of Leather Goods & Accessories has increased from US\$

138.64 million in 2007 to US\$ 259.6 million in 2011 growing at a CAGR of 16.97%. India's export of Leather Goods & Accessories to Russia has increased from US\$ 1.02 million in 2007 to US\$ 2.45 million in 2011 at CAGR of 24.49%. Thus considering the import potential of Russia, and growth rate of India's leather sector exports to Russia, the potential for enhancing export of Footwear and Leather Goods from India to Russia is huge.

MOSSHOES: INTERNATIONAL FOOTWEAR EXHIBITION

59th MosShoes International exhibition specialized in footwear, bags and accessories took place from 24 to 27 of March 2014 in IEC "Crocus

Expo" Moscow in Russia. The exhibition was organized in Hall no. 17 & 18 of Crocus Expo Centre. Hall no. 17 was designated for International exhibitors where the major participations was from Germany followed by Italy Turkey, Spain, Czech Republic, France etc. in Hall no. 18 the exhibitors displayed their products from Russia, China, Korea, Vietnam etc.

The fair was inaugurated on 24th March 2014 by the officials of Moss-hoes fair authority at Hall No. 17 of Crocus Expo Centre. The formal ribbon cutting ceremony was done National award winner fashioner designer of Russia.

The exhibition was attended by

Stalls in the fair



A large exposition of bags and accessories was presented by the professionals of Il Primo, MTG, Leo Ventoni, Calypso Bags, Nexit, Retail Service, Onnly, Zest, Giuliani Romano, Fancy Bags, Vera Victoria Vita, Celesta, Paradise, Gold Fish, Vita, Labotini, Favorite, Helen Loi, Accent, Mahaon, Stolitsa sumok, Borsa di Pelle, Amelie Galanti, David Jones, Vicont, Fiori Chiari, Di Gregorio, Steve Madden, Lagen etc. According to the tradition of the fair the "Best Bag Model" contest was held in the framework of the "Leather haberdashery day", during which 9 winners were chosen at the same

time "Best accessory" contest also took place, and it was won by the companies "Zest" and Fulton".

FASHION SHOW:

The exhibition offered also the fashion shows of the best collections of footwear and bags of the fall-winter 2014 season in the framework of the joint project "Bestsellers of the Season" organized together with PROFashion Publishing house. Such companies as, "Kotofey", ALBA, Centro, Steve Madden, "VS-Group", "Imperia-Group", Il Primo and others participated in it.



Glimpses of Fashion Show during 59th MosShoes, Moscow

SEMINAR & PRESENTATIONS: The exhibition offered many interesting features i.e. the Forum “Business promotion in internet”, Seminars of the German Footwear institute, Seminars on topics namely “How to choose a franchise for yourself? The basic rules and errors”, “Footwear assortment optimization or How to increase the

profit”, “The process of creation of a fashion collection” in which Pierluigi Mosconi – famous Italian designer – shared his rich experience of work for the leading Milanese fashion houses and described in detail the process of creation of a fashion collection.

Visit of Sh. Dilbagh Singh, First Secretary, Commercial, Indian Embassy Moscow :

Sh. Dilbagh Singh, First Secretary, Commercial, Indian Embassy Moscow visited the MosShoes Exhibition and had meeting with the organizer and associations of various countries. He felt an urgent need for participation of Indian Companies during the next edition of the exhibition

Sh. Dilbagh Singh, First Secretary, Commercial, Embassy of India visiting the fair



Shri Dilbagh Singh (2nd from left) interacting with a participant. Shri Sanjay Kumar, Regional Director, CLE (NR) is at the left



During, four days of exhibition total 11642 footwear industry experts from 365 Russian cities, 23 CIS and foreign countries visited the fair. As reported by organizer good amounts of business generated and participants developed good contacts during the exhibition.

DETAILS MEETINGS ATTENDED DURING THE VISIT :

(A) Meeting with M/s. Velvet & M/S. Calipso:

Mr. Dmitri Klimencko, Business Development Manager of M/s. Calipso & M/s. Velvet stated they have Chain stores in Russia and that they are importing shoes from India.



Sh. Sanjay Kumar, Regional Director, CLE in discussion with Russian Company M/s. Velevet & M/s. Calipso

(B) Meeting with Sh. Arya Sandeep, Deputy Chief of Mission & Sh. Dilbagh Singh, First Secretary, Commercial, Indian Embassy Moscow

The Embassy officials informed that Russian market is very prom-

ising for our products and there is huge potential for leather & leather products. The banking system has also improved. Sh. Arya suggested to organize aggressive marketing in the major cities of Russian federation including Moscow & St. Petersburg. He suggested that delegation should visit the second layer cities and try to tap the unexplored areas. He also informed that due to the formation of Custom Union Indian product can easily move from Russia to Kazakhstan & Belarus without paying duty. By June 2014 Armenia will also join Custom Union. Some other adjoining countries are also in process of Joining the Custom Union.

(C) Meeting with Dr. Natalia I. Demidova, Director General, National Footwear Association Russia (NFAR)

Ms. Natalia stated that they are importing the higher brand products from Germany & Italy and other European countries which are actually



Sh. Arya Sandeep, Deputy Chief of Mission (right) & Sh. Dilbagh Singh, First Secretary, Comm. (left) , Indian Embassy Moscow along with Sanjay Kumar, Regional Director, CLE

made in India and will explore possibilities of importing from India.

Besides, following meetings were also held.

- Shri Sanjay Kumar, RD,CLE, Delhi and Sh. Dilbagh Singh, First Secretary, Commercial, Indian Embassy, Moscow had a meeting with Mr. Alexander S. Starkov, Acting Deputy Director and Mr. Sergey Burykin, Expert, International Cooperation Department, Chamber Of Commerce & Industry Of Russian Federation.
- Indian Embassy arranged the meeting with Mr. Vikash Kaul, Chief Operating Officer, UOMO Collections, who is having chains of stores in Moscow & St. Petersburg. Mr. Kal emphasized the need for establishment of more contacts with other stores too.
- Meeting with Ms. Titanium, Business Head & Ms. Natalia Zoryan, Manager, ASIA Region, Pro-Fashion, a PR Agency.
- Mr. Vladimir Krupochkin, Director of Business Development, Moss-hoes organized an interactive meeting among Associations from China (Gounjhaou, Chengdu & Shanghai), Vietnam, France, Germany, Czech Republic, Korea, Spain, Brazil so as to provide a platform for sharing their experiences for the growth of the sector and mutual growth too.

INFORMATION FOR MEMBERS

1. The business policies and procedures of Russia are changing very often. Overseas business entrepreneurs should pay attention to the new Russian business polices, so as to ensure adherence to the new business laws.

2. The suppliers should not be scared about the payment problem in Russia and they can fairly do the business with Russian importers directly.

CONCLUSION:

During the interactions, it was evident that Russian buyers are willing to do direct business with Indian exporters. Hence, we can conclude that there is huge potential & opportunities not only in Russian market but also in other CIS Countries and this is the right time to grab market with aggressive marketing strategy.