

Taking the pulse of the Russian build and interiors industry: 2019 edition

An overview of the Russian build
and interiors market

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An overview of the Russian build and interiors market

As the biggest country in the world and with its GDP ranking 12th globally, it's no wonder Russia has a strong build and interiors market.

Having felt the effects of the country's financial crisis from 2014-17, the sector is now getting back on track for further growth.

According to the Federal State Statistics Service (Rosstat), the volume of construction work carried out in 2018 amounted to 8.4 trillion roubles, which is a 5.3% year-on-year rise, the highest for 10 years. This mirrors the national economy, which grew 2.3% last year, the fastest rate in six years.

Construction in recent years has been largely focused on residential projects, supported by the rapidly growing mortgage market. Residential construction is set to receive a record amount of state funding between 2018-2020 under a new national project and could become the flagship of the whole building industry in the short-term. Non-residential construction in these years is expected to demonstrate a recovery due to the education and health segments, as well as agriculture.

The DIY market has remained relatively healthy throughout the recent financial crisis, rising at around 3% annually, according to INFOLine information agency. In 2018, the sector showed an impressive growth rate of 7.5%, significantly higher than the 3% expected.

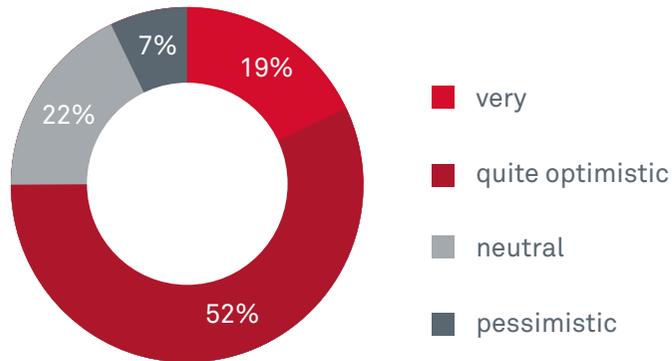


Market optimism

While the market is showing positive statistics, it doesn't give us a full picture. To get a real insight into how the market is recovering, you need to speak to the people who know the market best – the companies that meet developers, sign contracts and ship products to Russia throughout the year.

We surveyed a range of exhibitors at this year's MosBuild 2019, Russia's leading build and interiors trade show, to gauge the mood on the ground. They're all suppliers to the Russian build and interiors market, from windows manufacturers to wallpaper producers. Here's what they said.

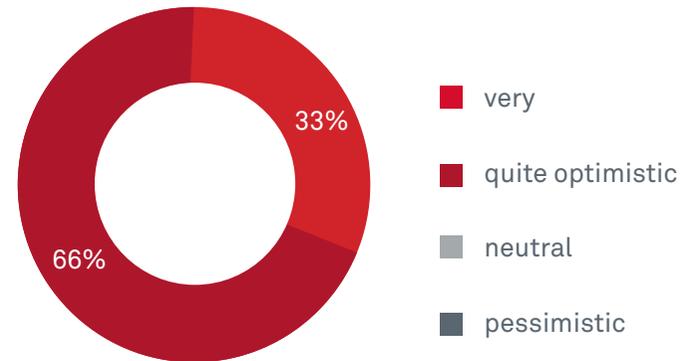
How optimistic do you feel about the Russian market over the next few years?



After challenging times in recent years, suppliers to Russia's build and interiors market are hopeful for the future.

Of those surveyed, 71% are optimistic or very optimistic about the Russian market over the next few years, with only 7% feeling pessimistic.

How optimistic do you feel about the growth of your company over the next few years?



A healthy market is extremely beneficial but does not necessarily equal success for companies.

In fact, when it comes to confidence about company growth, our respondents were overwhelmingly positive. 100% said they were either quite or very optimistic about the growth of their company over the next few years, an increase on two years ago when this figure was 85%.

Competitive advantages

Gaining an advantage is not easy in a competitive market, but it can be the difference between success and failure.

So, what are the most popular ways international suppliers are distinguishing themselves on the Russian market?



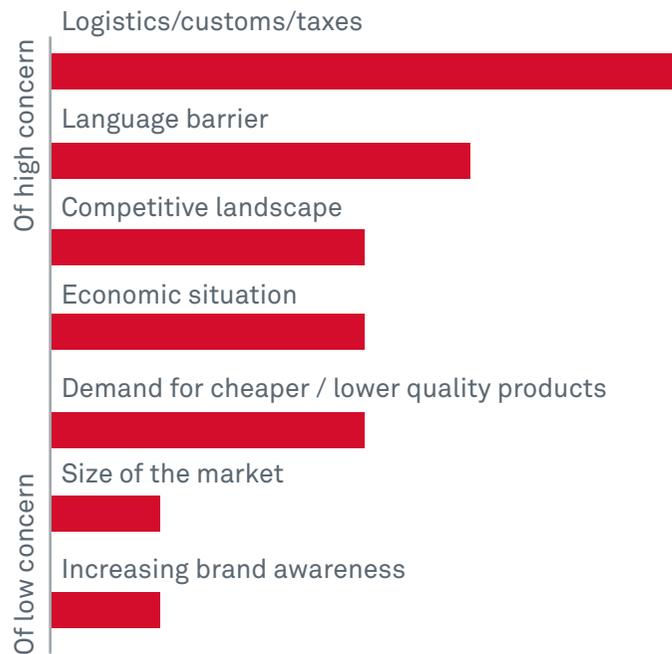
For our respondents, innovation is the outstanding attribute companies use to set themselves apart on the Russian market, closely followed by high-quality products.

Exhibitors also mentioned a broad range of other attributes including customer service, pricing, and projecting a strong brand.

This suggests it's a varied market but one that values innovation and quality above all else.

Challenges

Operating on such a vast and complex market as Russia can no doubt bring about its challenges. We asked respondents for the biggest challenge they face when doing business in Russia.



Interestingly, the country's economic difficulties were far more of a concern in recent years than they are now. The economic situation topped the leader board with almost half of responses in 2017, and made up 72% in 2016.

This year, it's more of a broader picture, with the handling of logistics, customs and taxes the no.1 issue. Russia has previously been known for being a bureaucratic headache for business, but the red tape has been easing in recent years. The country has been racing up the World Bank Group's Ease of Doing Business rankings, coming in at 31st out of 190 in 2019, up from 123rd in 2011.

The second most common challenge is the notoriously complex Russian language. This highlights the importance of working with interpreters or Russian-speaking colleagues and partners to ease communication.

Talking from experience

Before entering a new market, it's imperative to find out as much as possible, and who better to ask for guidance than those already operating in Russia.

What advice would our exhibitors, most of whom are long-standing players of the Russian build and interiors market, offer those looking to start doing business in Russia? Here's what they highlighted:



Have persistence

Russia is not a quick-win market, you have to be in it for the long-haul. This was the most common piece of advice respondents gave.



You need to be sure and have a long term plan. It's not a short term market." – **Ceracasa, Spain**



Don't give up too easily, it takes time. Don't expect short term profits." – **Vertex, Finland**



Find local agents

Finding a local agent or distributor is a key aspect of business in Russia for many exhibitors.



You need people that have the experience and know-how to introduce your products to the market. It is a bit of a closed market in terms of language, it's not easy, so it's crucial to have good contacts." – **HITO, Spain**



I think it's very important to have good agents, who work on the market and know it well." – **ADEX, Spain**



Know your customer

Knowing who your customer is and what their needs are is imperative to business success and this came up multiple times in our survey:



The key to success is deep analysis to understand expectations, competition, and who your audience is. The situation from region to region can be very different." – **Nofer**



Really consider who you want to meet on this market because there is much competition." – **Deceuninck**



Get your products right

Reflecting the importance of innovation and high-quality products as we discovered earlier, many of our respondents say that the type of products you offer are absolutely key to success in Russia.



If you have original products then they'll do well." – **Difussion Ceramique, France**



You have to bring something new to the market." – **Taliaplast, France**

Meet the market at MosBuild

Another key piece of advice that came up multiple times was the importance of exhibiting at major industry exhibitions such as MosBuild. The opportunity to get direct access to buyers and specifiers from across the sector is unmatched on such a scale in Russia.

“

Come here, participate in MosBuild, show yourself, and come with an open mind. I wasn't expecting what we've seen here; it's a highly-developed show and we can take a lot of advantages from so many visitors.”

Ecosteel, Portugal

“

You need to exhibit at events like this. Most of the customers here don't know about our brand, but when they see the products, or even the logo, it makes it much easier to go ahead with developments.”

Besco, Poland

“

First of all, come to MosBuild. You need to see people, you need to speak to them, you need to get feedback and just be active here.”

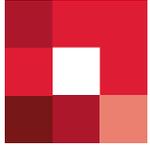
FOSALI, Slovakia

“

Exhibit at exhibitions in Russia. This is my third exhibition of the year so far. It's really beneficial.”

ProECO, Slovakia





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