Linea
Intima
France

Russia
Country of dolls

In parallel with China, the interest of the profession is turning to the East still, towards Russia. Now over the 1998-2000 crisis, the country is once again picking up with positive and grossly underestimated economic indicators.With the help of our partner publications and the testimony of Russian and European experts and professionals, we offer you a full report that will no doubt hold a few surprises...


Wild Orchid

The land of secrets

We may have noticed in interviews with European brands, that Russia is a taboo subject. When we do manage to find out the name of a distributor, it is practically impossible to obtain the turnover figures achieved in this country for fear of offending the sensibilities of its local partner. Before we continue, it is therefore preferable to understand the reasons for such reticence.

Clearing customs

Firstly, it must be remembered that commercial liberalization is still recent in Russia and that the transformation from a state-controlled regime to a market economy cannot be achieved overnight. As such there still exists a multitude of restrictions - more or less voluntarily preserved - to complicate the functioning of international exchanges.
Let's take, for example, the main problem faced by companies doing business with Russia: customs. Without going into arguments on the peculiarities of customs clearance procedures and on the methods used by Government approved customs contractors, it is nevertheless important to remember that all merchandise, clothing included, transported in containers or trucks, is subject to a tax which varies according to product category but is determined by weight. Needless to say just how inadequate this method proves to be for fashion products, since the value of these changes radically according to the range! On the one hand this unusual system completely scrambles customs statistics, and on the other it strongly discourages small quantity deliveries since these are actually subject to a tax based on value, therefore obviously more expensive.
According to the professionals questioned, it would be practically impossible to send merchandise to Russia directly without going through a local middleman, or without having a full-time Russian-speaking employee on company staff.

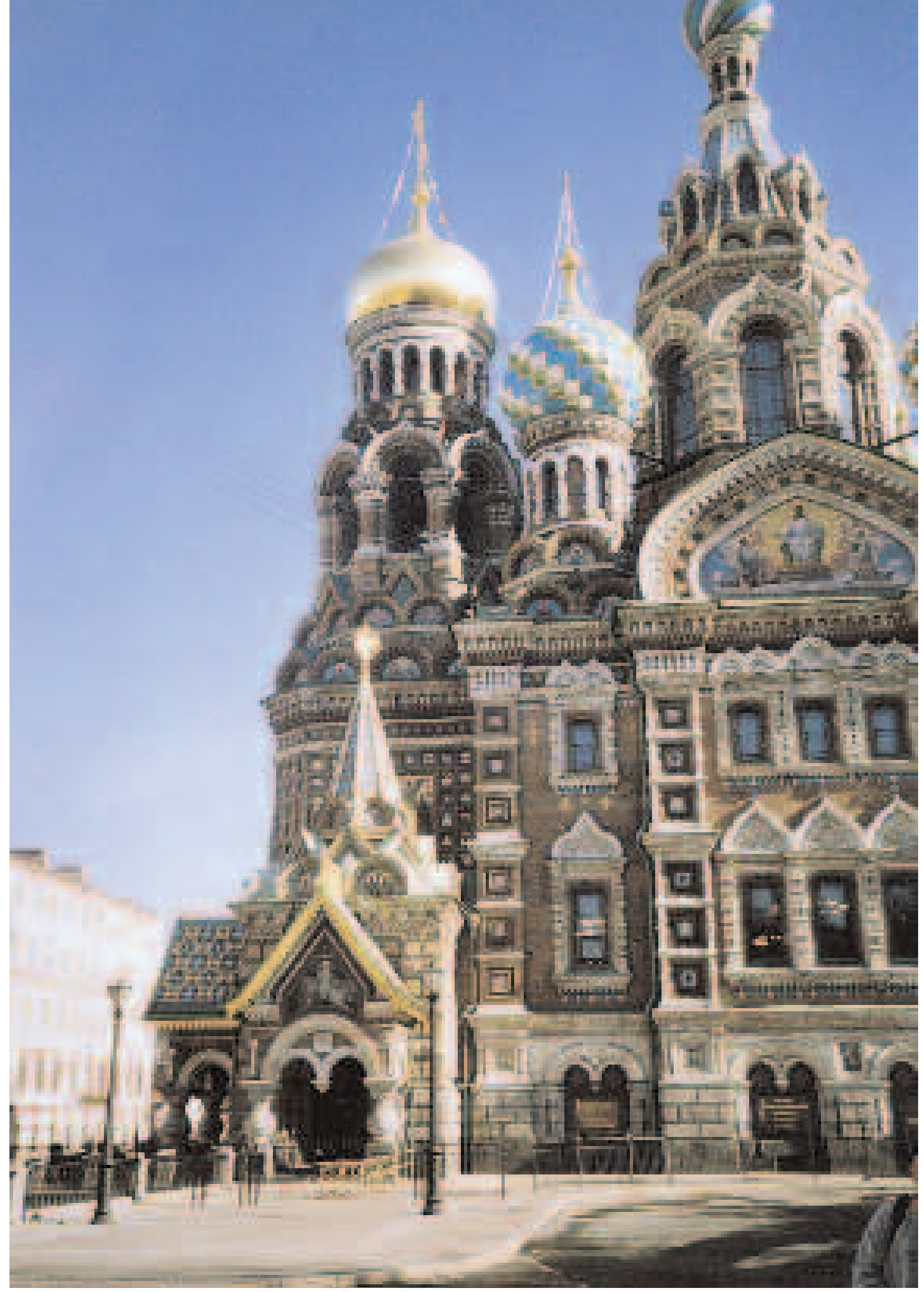
«75% of fine underwear is sold in Moscow but over 1/3 of it leaves there straight after»

The distributor's role

We very quickly realise that a middleman is in fact a necessity. Most often referred to as "distributor", this entity can have multiple facets, as Nadia Sorokina, Sales Manager for Chantelle and Passionata in Moscow, reminds us: "Where we come from, the word "distributor" has several meanings, as much from a linguistic point of view as the many roles attributed to it, which tends to blur the picture. The word can be used to describe a wholesaler/semi-wholesaler/client that: maintains or doesn't maintain stock; resells or doesn't resell to other stores; carries out the bank transfers directly or through a broker; ensures or doesn't ensure the logistics supply; takes charge of marketing and media activities, or not; follows or ignores manufacturer recommendations in terms of merchandising, recommended retail price, image, and so on." In a rapidly evolving market, these middlemen, who started out simply as buyers of end-of-line stock, have actually taken on very different profiles in terms of size and functioning methods. Currently, the majority of importers are also distributors via their own retail outlets, managed in parallel with a multi-brand network, which is in turn handled directly and/or via one or more wholesalers. The importers/distributors normally purchase merchandise from the manufacturer at their own risk, on the basis of an ex-works price to which they add 20 to 25% for access costs (transportation, insurances, customs clearance), plus a subsequent 10 to 35% markup. Most often, these businesses dispose of a purchasing office in the supplying country or countries, which explains why they may not necessarily be known by the same name everywhere. According to their size, importers/distributors ensure the presence of a running stock; ensure client services (product display, transfers, logistics, etc.); ensure a minimum of marketing activity and media publicity. Among the advantages of this distribution model is the possibility for the supplier to rapidly access the market and once there, to straight away develop a substantial turnover without having to worry about Cyrillic!
On the other hand, it is important to know that the distributor is free to impose its own wholesale/semi-wholesale/retail pricing policy, to decide on regional priorities, to unilaterally determine the number and selection of represented brands and, most importantly, according to its size it can impose its own order/purchase/payment conditions on its suppliers. Acting as a full-fledged client, he avoids all control over his distribution activities, including volumes. Clearly, the more the distributor is important to its supplier in terms of volume, the greater its negotiation margin will be, just as everywhere else. Among the principal importers/distributors (mentioned here by their most recognizable name) we can name Wild Orchid, Estelle Adony, Antey, Lediva Rossa,Tchariot, OOOEurogroup, Lurmas, Edinaya Europa Elit.

Doing it differently

For manufacturers who do not wish to call on distributors, exclusive or not, there is another possibility: sales representation. According to Russian law, representation offices are not allowed to undertake sales activities. As such, the function of these structures is often to gather information on the market, identify potential clients, promote the brand/s by various means, even to insure client follow-up and organize training sessions, so long as they do not proceed with invoicing. Orders are then placed on the overseas brand's letterhead and payments are addressed directly to the parent company, whereas transportation and customs formalities are at the client's discretion.
The principal advantage of this system lies in the respect and application of the manufacturer's sales strategies in terms of recommended retail price, merchandising, display, product rotation, and regional development. On the downside, difficulties are encountered in ensuring the logistics supply and in restocking. Sales representation is the method Felina and Triumph chose from the very beginning and they have now set up their own local office.
Without having to directly invest in Russia, it is possible to call on independent representation agencies. These brand agents or representatives are most often based in Moscow and have one or several show rooms. They operate on a commission basis (10 to 15% of the order value) and the delivery is done directly by the supplier following payment for the merchandise. The drawback of these independent agencies is that it is difficult to make their setups profitable based on a sale price, which, in lingerie, is far inferior to that in clothing. For this reason, existing independent representation agencies try to combine a certain number of complementary brands in order to mutualize expenses and insure customs clearance procedures. Among this type of agency are Kontatto (Fiorucci, Miss Bikini, Nomade, Playmate, Compagnia delle Indie, Axiom, Infil) or Tradcom (Taubert, Isco,Jado, Ammann).
There are also a number of independent agencies based overseas but of Russian origin, such as Edouard Mironov who, since Padoue, represents a few Italian brands such as Margherita Mazzei, Stefania Cavanesi, Marisetienne, Demy, Carol, Luna di Giorno, Ferré Homme.
Certainly direct sales to potential clients met at shows or introduced by middlemen remains possible even though this approach no longer fits the evolution of a market that is becoming increasingly structured and modern. According to the professionals, this type of client was common in the 90's but is now less and less present and tends to focus essentially on end-of-line stock purchases or on mass-market products coming from China.



The weight of wholesalers

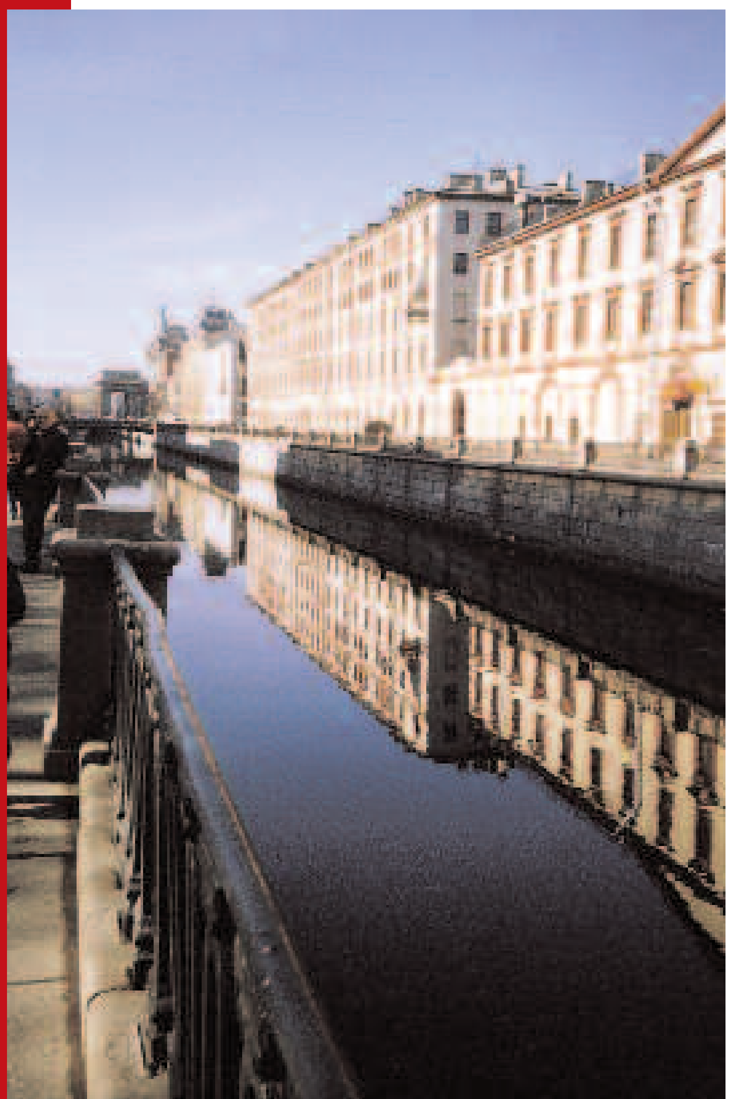
Wholesalers represent another characteristic aspect of distribution in Russia and they must not be disregarded, mainly because of the 17 million km2 that make up the Republic of Russia: in the different more or less well-serviced regions, handover is assured by wholesalers who often also have a small direct sale activity on the side of their storage warehouses. For small retailers, this is the best supply solution because they are exempted from paying for merchandise in advance: settlement is done directly on the spot and in cash at the time of purchase. These networks are used

«The mid to high range lingerie market should grow by 20% to 30% per year»

by almost all importers in order to service the most remote and least populated regions, and also by brand representatives for whom they represent major clients.
Of course, the presence of an ulterior middleman has an impact on the final sale price to the public. Generally, the wholesaler's percentage is around 18%, to which will be added a multiplier of 0.5 to 1.0 for the regional retailer, or 1.2 to 1.4 for St Petersburg or Moscow.

Purchase locations

Today it seems difficult to remember that just ten years ago, the Russians were queuing in front of State-run stores, and those who had the means had to travel all the way to Moscow to find any kind of 'luxury' product. It is normal that with the advent of Perestroika merchandise has begun pouring in from everywhere and by all means, to pile up on market stalls around the capital, as makeshift as they are spread out. It's only in 2004 that the Mayor of Moscow, Yuri Luschkow, ordered the closure of several of these markets due to sanitary problems and lack of security, which caused the exodus of small vendors towards the Torgovye Zentry, small undercover structures containing a multitude of small shops. The fact remains that markets still constitute the principal distribution channel for inferior range products.



Breakdown of the public retail price
Factory price
Transportation, insurance, customs 20%
Importer 20-30%
Wholesaler 18%
Boutique (St Petersburg, Moscow) 120-140%
Source ITMM

This said, the modernization of distribution, begun at the end of the crisis, is well and truly on course and is promised a sharp increase in years to come. The European heavyweights are there: Auchan and Spar in 2001, Metro in 2003, and Marktkauf in 2004.
In addition, the famous Soviet "State-run stores" themselves have not resisted Perestroika: in 2003, the CUM (tsum) was sold to the Mercury group, the principal importer and distributor of luxury products in Russia. Not long after, a similar fate met the GUM, which fell into the hands of a private investor group of which Bosco dei Cigliegi is the major shareholder. Even though these department stores are undergoing conceptual transformations, they are still far from achieving the display coherence and the patronage of their European counterparts.
On the other hand, the Shopping Mall concept, directly imported from the United States, is very successful in this country where everything is yet to be built. Gigantic temples of leisure shopping, these centers are most often located on city outskirts and they include restaurants, cinemas and all manner of other attractions favorable for mass consumption. Among the most impressive is the Mega Mall, required by Ikea and Auchan, and opened in 2002 on Moscow's southern periphery. With «Shopping in Europe without flight and visa» as their motto, the complex includes some 200 stores of known brands such as US Polo, Cacharel and Adidas. Northwest of the capital there is also the famous Krokus City Mall open in the same year: 140 high range boutiques including Wild Orchid and Kokon. The complex attracts some 10,000 consumers every weekend and is considered to be the most prestigious shopping mall in Moscow.
To keep up, other Russian cities are trying to follow this example. It is the case with Wadebum in St Petersburg, but also in Yakaterinbourg with Yekaterinskij and Derischabl, located outside the city, or even in Nijinski Novgorod with 21st Wek (21st century), which attracts increasingly wealthy consumers.
Choice sites in terms of patronage, entourage, security and services, these booming new generation shopping centers represent great development prospects for mid to high range lingerie on the whole of the Russian territory.

An 800 million Euro market

What does this country of 142 million inhabitants represent for lingerie? What are the consumption habits and purchase locations? These questions are essential to correctly assess market potential.

Une taille difficile à déterminer

Consumption is going very well with +8.4% in 2004 and +9.4% in 2005, although economic organizations estimate that approximately 5 million consumers use consumer credit and that banks estimate loan applications at 7 billion dollars in 2005, five times more than in 2002.
It is more difficult to estimate the size of the fashion market, because official statistics are not consistent: the ROSSTAT shows the value of clothing imports from Europe as 500 million Euros, whereas the export numbers communicated by the EU -15 are at 1,105 billion Euros! Even if we admitted a possible non-compliance of categories counted, the difference is still enormous! The cause for this, evoked earlier, resides in the 'by weight' taxation method used rather than a 'value of merchandise' method. This warns us of the difficulty in assessing the market's true value. With regards to lingerie in particular, available data seems even less reliable and we can only speak of estimates. The reconstitution of the overall size of the LSS (lingerie swimwear slippers) market done by IMTT seems the most realistic to us, even though it's probably still lower than the reality. Indeed, these analysts announce the figure as 800 million Euros (men and women combined), corresponding to approximately 10% of the clothing value.

In this calculation, we consider the EU -15's 203 million Euros worth of exports, plus the estimated 96 million Euros coming from other countries (China, Turkey, Baltic States, Ukraine…), to which we also add the value of sales of the six principal Russian companies, always hypothesized as 75 million Euros.
Among the latter, concentrated on entry range with products that do not exceed 15 euros (factory price), we find: Palmetta at Ekaterinbourg, Tribuna and its subsidiary Volchovchanka (subcontractor of Lovable Italy) in Leningrad, Oblast Kolett in St Petersburg, Tcheriemouchki in Moscow, Fest in Kostroma, Totri in Togliatii and Chebakgarskij (Trikotauj men's underwear in Chebakgarskij). To these local manufacturers, should also be added the few businesses from adjoining countries, such as Milavitsa, Lauma and Rosme.
Milavitsa benefits from a very good reputation in Russia and its presence is largely facilitated by the existence of economic cooperation agreements between the Russian Federation and Byelorussia that eliminate customs procedures. According to Sergei Kusonski, the business, which exports 80% of its production, would reach 78 million Dollars worth of sales (ex works) in Russia. This would be achieved through a network of 71 self-named boutiques and some 1000 retail outlets over the whole territory.

Breakdown of purchases

Women's 16+, Russian cities 100.000+	2004		6 MONTHS 2005	
	'000	%	'000	%
Total	29.844	100,0	31.437	100,0
Women's lingerie purchased in 6 months	18.740	62,8	19.700	62,7

Les achats lingerie

The R-TGI (Russian Target Group Index Survey) is the COMCON Institute's permanent monitoring program. It conducts a quarterly census and analysis of consumption habits, lifestyles and media preferences in 73 Russian cities.
Julia Bychenko shares with us the principle elements resulting from the lingerie panel. Firstly, the good news is that over half of the women interviewed confirm having bought underwear over the previous 6 months.
These are mostly young women (16 to 29), or even women between the ages of 30 and 39 are the most fond of lingerie, but women in the 40 to 49 age group are still in the ra-

Women's 16+, Russian cities 100.000+ in %	Total	16-29 years	30-39 years	40-49 years	50+ years	Moscow	St Petersburg
Women's lingerie purchased in 6 months	62,8	74,5	72,5	68,4	48,5	68,1	60,3

Women's 16+, Russian cities 100.000+ in %	Total	16-29 years	30-39 years	40-49 years	50+ years	Moscow	St Petersburg
Bras purchased in 6 months	28,3	39	35,4	32,4	16,6	31,1	27,7
Panties purchased in 6 months	38,4	49,6	45,7	41,2	27,1	39,6	35,3
Briefs purchased in 6 months	1,7	2	1,5	1,6	1,6	1,7	1,4

Period: 2004 Source: Russian Target Group Index (TGI-Russia

TOTAL VOLUME OF PURCHASES		
Women's 16+, cities russians 100.000+	Total 2004	6 MONTHS 2005
Women's lingerie (Bras, panties, briefs)	88.164	50.007
In thousands of pieces Bras	29.974	17.345
In thousands of pieces Panties	56.542	31.270
In thousands of pieces Briefs	1.648	1.392

PURCHASE LOCATIONS	
Women 16+, location where purchased lingerie	purchased lingerie in the last 6 months
Open-air markets	52,2
Lingerie stores	
Or clothing	25,3
Department store	10,2
Brand store	7,5
Other	15,4

Period: 2004 Source: Russian Target Group Index (TGI-Russia)

Montant total des achats		
Women's 16+, cities russians 100.000+	Total 2004	6 MONTHS 2005
Women's lingerie Bras, panties, briefs	773.117	486.453
In thousands of USD Bras	348.601	224.612
In thousands of USD Panties	402.074	244.799
Briefs, in thousands of USD	22.442	17.042

Women 16+, Percentage of lingerie	purchased in 6 months
Milavitsa	14,2
Pompea	6,4
Gratziya	6,4
Cheremushki	5,4
OMSA	5,3
Glamour	4,3
Atlantic	4,0
Levante	4,0
DIM	3,2
Sanpellegrino	3,1
Krasnaya Zarya	2,8
Lormar	2,7
Palmetta	2,3
Lilly	2,2
Triumph	2,0
Papillon	1,2
Felina	1,1
Christies	0,8
Cacharel	0,7
Wonderbra	0,7
Other brand	61,8

Period: 2005 Source: Russian Target Group Index (TGI-Russia)

The underwear women dream about

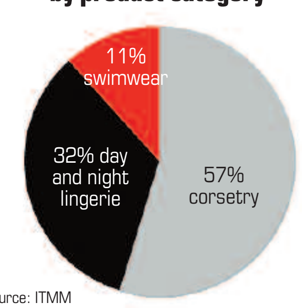
A small qualitative survey was led by the ITMM as part of its study of the lingerie market in Russia: 100 women between Moscow and St Petersburg were questioned, all from a rather well off social circle. Their answers bring us additional information that is interesting for mid to high range European brands that, as we just saw, cannot claim to be aimed at everybody.

Among the rather privileged women questioned, corsetry holds the top spot with 57% of preferences, and lingerie sets are frequently purchased. With 32%, night and day lingerie also plays a role in a cold country. Swimwear's progression (11%) is very interesting.

When purchasing lingerie imported from Western Europe, the women first notice the 'fashion' aspect, then the brand, then the fit and functionality, and finally the price. It is useful to stress that, especially where imported brands are concerned, women tend to remember the name of the store where they made the purchase much better than the name of the brand itself. If on the one hand this phenomenon is linked to difficulty in reading Latin characters, on the other it must be said that the principal distributors only communicate using their trading name.

As for the purchase price for a set, 30 Euros seems to represent the psychological threshold for 40% of the women interviewed. Sets in the 30 to 50 Euro price range are still appealing to 35% of women, whereas only 19% are willing to spend between 50 to 100 Euros, and 6% over 150 Euros. For men, the survey revealed the psychological price for a pair of briefs as 30 Euros.

Purchase preferences by product category



Source: ITMM

Examples of public retail prices for men's underwear, stated in Euros		
Brand boxer	short	brief
Hugo Boss	25	35-40
Bugatti	10	14
DIM	6-45	18-26
Men Trophy (Triumph)	8	10
Grigioperla	8-57	37-58
Schiesser	8-15	12-30
Source: ITMM		

ce with only 4 points less than their younger counterparts. On the other hand, the same table clearly demonstrates the significant gap existing between Moscow and St Petersburg, Russia's second biggest city. The women tend to buy more bottoms than tops and this is not very surprising since it is the same here. Still in the COMCON tables, we discover more precise information on the volume and value of women's underwear sales. Indeed, according to the Institute, in 2004 women aged 16 years or more and coming from cities of over 100,000 inhabitants purchased over 88 million lingerie pieces (bras, panties and briefs) for a total amount of 773 million USD. Over half the products were bought from markets (52%), then in boutiques (25.3%), and lastly in department stores (10.2%) or brand stores (7.5%).

As for the brands most purchased over the last six months of 2004, Milavitsa is ahead by far, followed by local or Italian brands.

Wild Orchid - Petrowsky Boulevard

The increasing popularity of boutiques

There are over 400 mid to high-end lingerie retail outlets in Moscow, compared with only 150 in St Petersburg. On the other hand, plans for boutique openings are multiplying and the year 2006 will probably mark another turning point in specialized distribution. The main groups currently present were surveyed.

More and more chain stores

There are currently no less than 10 lingerie chain stores in Moscow and, according to Russian professionals, they must reach a total turnover of 200 million Euros. For the most part, they sell lingerie imported from Western Europe, including those Eastern countries that have recently joined the EEC.

Besides the widely advertised Tikka Orchidea (Wild Orchid), or even Estelle Adony, who both benefit from a large number of high-end retail outlets characterized by a strong identity, we observe a growing number of multi-brand and mono-brand boutique networks, set up by importers/distributors, or even by regional retailers/wholesalers, as confirmed by Nadia Sorokina, Sales Manager for Chantelle in Russia: "Chain stores are the current trend.

Clients with potential start with 1 boutique and then tend to create multi-brand chains while insuring increased turnover by the density of their geographical presence". In the context where there is a shortage of suitable sales locations, excess in distribution becomes vital to the development of volumes. If the greatest concentration is evidently found in Moscow, with St Petersburg in a far off second place, other regional cities are starting to get attention.

Top range offers are few, while mid-range are numerous; as for the category of products on offer, essentially limited to corsetry in the beginning, it now covers night lingerie, loungewear, swimwear, even men's underwear.

The multi-brands

Multi-brand chains are a great majority and most of the time they belong to importers who fight for exclusivity of the most famous brands. In 2006 we should see a lot of boutiques opening.

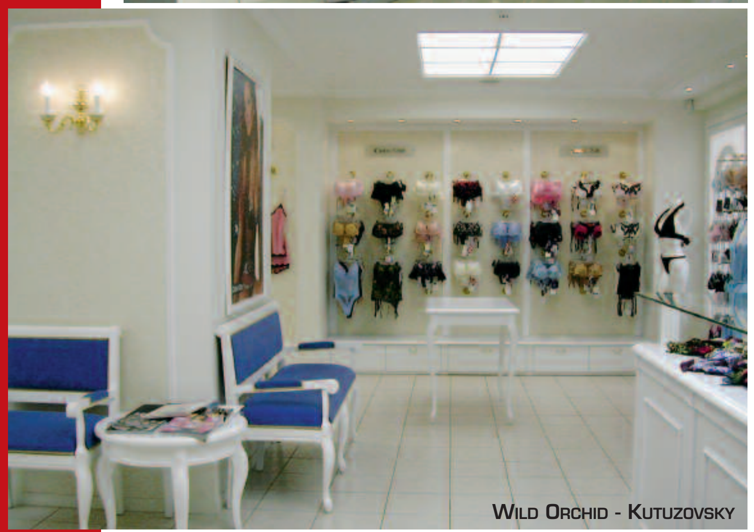
Two forces to be reckoned with

TIKKA ORCHIDEA Alexander Fedorov is without a doubt one of the pioneers of the lingerie business in Russia. After having spent some time in the USA, he returned to his country and, in 1992, set about building a network of exclusive boutiques specializing in high-end lingerie imported from Europe, particularly Italy. Intuitive, strategist, and fluent in English and French, today Mr Fedorov heads a small empire: 41 very beautiful high-end Wild Orchid boutiques (average retail price of a bra is 140 Euros); 40 mid-range Bustier boutiques (average retail price of a bra is 45 Euros); 2 men's underwear boutiques based in Moscow and called VI Legion; and 2 Krugevnoy Bazar outlets. Aside from its activities as distributor via its direct retail points, the holding company is also a wholesaler via its Beletaj business. More recently, Mr Fedorov launched two of his own brands: in 2004, Vendetta was launched as a middle range for the young, and in Spring 2006, Dekol'te for mid to high-range fashion. The brands will be sold respectively in the Bustier and Wild Orchid outlets in Russia, but are promised a brighter international future, especially since, at the same time, the businessman has built a production factory in the vicinity of Moscow for this purpose.

Between the two sales networks, Wild Orchid distributes approxima-

Wild Orchid

Bustier - Warshavka



Wild Orchid - Kutuzovsky

tely 80 brands, some of which they have in exclusivity. Among the best selling brands we find Cotton Club, Dolce&Gabbana, Nina Ricci, Ritratti, Millesia and Roberto Cavalli for the Wild Orchid chain and Vendetta, Spatz, Skiny, Change and Rosapois for Bustier.

The next step in the company's dazzling development is the opening of 65 new boutiques in the other regions of Russia over 2006 - knowing that most stores are currently in Moscow - and 10 to 15 boutiques in Ukraine. The first two Bustier boutiques opened last December in Kiev, and the first Wild Orchid boutique is due to open next March. The company is extremely active in terms of communication and takes particular care of the image projected by its retail outlets, whose formats benefit from strong visual continuity. Extremely attentive to the growing demand for elite luxury products, twice a year Wild Orchid organizes sumptuous fashion show gala events with over 7,000 guests including some of the capital's most prominent personalities. The shows are covered in all the media. This extreme attention to image is present in the finest details, and the company takes great care in creating its own high quality photo catalogues, later used in massive advertising campaigns. The result: a portfolio of some 250,000 clients to whom, of course, a loyalty card is presented at the time of their very first purchase.

Among their mid-term projects: the possibility of locally manufacturing (under license) the brands currently imported and destined for the Russian market; listing on the stock exchange is planned for 2007; they also want to conquer the Chinese market. That's all. One thing is certain; Alexandre Fedorov is holding all the right cards to play a significant role in the global lingerie market.

ESTELLE ADONY Significantly less loquacious, but of growing importance on the Russian distribution landscape, is the Estelle Adony chain. We have tried to shed some light on this multi-faceted company that is sometimes known under different names.

Caterina is the name of the parent company that, as confirmed by the ITMM study, holds the Estelle Adony high-end lingerie chain but also Caterina Leman in high-end ready-to-wear for women (11 retail points in Moscow). The holding company's activity portfolio also includes two other lingerie chains: Modnoje Beljie and Zolotaja Strekoza (Golden Dragonfly). Germinal, the central purchasing office, is located in Paris, which explains the strong presence of French brands in the company's offer, complemented more recently however with some high-end German brands. Among the names carried by Estelle Adony are all of the Groupe Charmel's brands in exclusivity (Lise Charmel, Antigel, Antinea, Eprise), Simone Pérèle, Lejaby, Barbara, Triumph and Félina. The average retail price of a bra is 5,200 Roubles, which works out at about 150 Euros.

Wild Orchid
Petrowsky Boulevard

To this day, the brand has about 27 self-named stores in Moscow and 17 in other Russian cities: 2 in Volgograd, 1 in Nizhniy Novgorod, 1 in Krasnodar, 1 in Rostov-na-Donu, 1 in Novokouznetsk, 1 in Perm, 2 in Ufa, 1 in Novossibirsk, 1 in Ekaterinburg, 3 in Kazan, 2 in St Petersburg and 1 in Krasnoïarsk. In each of these boutiques a corner or 'shop in shop' space is reserved for the Lise Charmel group.

Unlike its competitor, Estelle Adony does not have a self-named label, however it does also resell some imported brands to some 80 independent boutiques. Among this year's projects are the opening of 6 Estelle Adony boutiques in Moscow, Nizhniy Novgorod, Ekaterinburg, Kemerovo, Novossibirsk and Samara. As for the other two chains, Modnoje Beljie (fashion lingerie) and Demoiselle Dorée, they dispose of some ten boutiques in the capital. The range carried by the first is close to that carried by Estelle Adony, whereas that carried by the second is in the immediately inferior range. Opened in the GUM department store, the XO boutique is the latest creation. Specialising in men's underwear, this store offers a quality sober range of brands such as Calida, Trophy Men by Triumph, and Mariner. The owners of this distribution group have known how to win the trust of their suppliers, who hold them in great esteem.

Ten and more

ANGELIKA Having opened the doors of its first boutique in 1996 this chain now counts 13 retail outlets in Moscow. Managed by Alexandre Filatov and Eugene Godik, the chain offers a mid-level range and is located in the capital's main shopping malls. The same company also owns a second chain specializing in home-wear and night lingerie: Jacqueline. The brands carried are mainly German and include: Triumph, Felina, Chantelle, Passionata, Charmor, Régence, Ringella, Le Chat, Daniel Hechter, Louis Féraud, Roesh and Taubert.

KOKON Created by the former Dim distributor, Vigo-M (previously known as Vigo-Lux), this chain currently has 8 stores in Moscow and 3 in St Petersburg. The retail outlets bear the same name but the interior design can vary from one boutique to another, according to its location. It offers a mid-level range, the average price of a bra being 1,500 Roubles (45 Euros). The opening of another boutique in Moscow's European trade center is set for 2006. Parallel to managing its chain of stores, Vigo M's wholesale activities represent about 20% of its turnover and it plans to develop on to the Byelorussian market.

Angelika

Angelika

PARIZHANKA (the Parisian) is one of the first companies to have started importing lingerie from Western Europe in the mid 1990's. Run by Anatole Vassiliev, trained as an Engineer and Mathematician, this chain's uniqueness stems from the fact that it was not started in the capital, but later established itself there with 1 boutique. Today the network counts some 19 retail outlets between Tolyatti, Samara and Kazan, in the Volga region, and Moscow. Two retail price ranges are on offer in these boutiques: the cost of a bra in the first range is between 800 and 1,200 Roubles (23 to 35 Euros) and between 1,200 and 2,000 Roubles (35 to 60 Euros) in the second. Over the course of 2006, Parizhanka plans to open a second boutique in Moscow and two more in the Volga region. As part of its sales support activities, the company organizes seminars for its clients, new collection presentations, as well as communication campaigns aimed at the media. They have also created an Internet portal dedicated to the lingerie industry.

The company is also continuing with its importing and reselling activities, via a network of 150 independent multi-brand retailers. Six of the brands they import to this day are 6ixty 8ight and O'Lingerie, Christian Cane, Hechter Studio, Immoderata and Banana Moon.

ELITE LINGERIE Founded in 1996, Antey currently imports 6 lingerie and swimwear brands: Rien, Nicole Olivier, Pain de Sucre, Morgan, Exilia and Veradonna. These brands' average retail price is around 200 Euros for a set. The company currently has 3 boutiques in Moscow, 2 in St Petersburg and 5 in Ukraine, retail outlets that often bear the name Elite Lingerie but whose interiors are not uniform. The bulk of their activity (70% of turnover) consists in reselling to wholesaler networks present in different regions. Some of their short-term projects include the opening of two new boutiques, one in Moscow and one in the provinces, but also the creation of a chain, Bikini, specializing in swimwear. This chain will have a uniform presentation.

In order to consolidate its development, once a year in August Antey organizes a parade to present the new collections to its clients. It also participates in professional shows in Moscow and regions.

CONFECTION This chain is only present in St Petersburg with over 10 stores of varying sizes (from 40 to 100 m^2). It only distributes women's lingerie brands such as Chantelle, Passionata, Exilia, Play Mate, Andra, Gloria (Latvia) and Felina, as well as Garda and Linea Sprint for men.

Smaller scale

PRETTY WOMAN A mini chain made up of 5 boutiques all located in Moscow, Pretty Woman specializes in a wide range of non-standard sizes. There you can find everything from very small sizes right up to the deep cups of brands such as Chantelle, Felina, Triumph, Aubade, Maidenform, Wonderbra or Empreinte. Managed by Elena Trifonova, the network distinguishes itself by a very high level of consumer service. Most of its clientele holds a loyalty card. New arrivals are announced, and special requests can even be taken into account at the time of order.


Pretty Woman - Moscow


Pretty Woman - Moscow

TATIANA'S SECRET Exclusive importer of Panache Lingerie, this company has 5 retail outlets in Moscow, all located in shopping centers or large department stores. In 2003, a branding policy was implemented in order to harmonize and develop a chain of stores specializing in non-standard sizes, from AA to 65 G or even J. Other than Panache, these boutiques offer a range of 25 brands including some from the Baltic States such as Rosme, Vova, Lauma, and Stefi L.
Operating in a niche, Tatiana's Secret is currently putting together training seminars for its staff in order to make a difference in an increasingly competitive lingerie market.

SHELE A small chain of 5 boutiques specialising in loungewear and high-end night lingerie. Present in the Mega shopping mall and at GUM as well as in some of the capital's most famous streets such as Petrovka, Leninskij Prospect or Rubljevskoje Chaussée, Shele imports and distributes the German brands Roesh, Louis Feraud, Daniel Hechter, Celestine and Egeria, as well as the Spanish Massana and the Finnish Nanso.

MIR SOBLANZA Created in 1979, Mir Soblanza (world of seduction) has 6 retail outlets in St Petersburg and also a website for online sales. 6ixty8ight, Simone Pérèle, Lejaby, Dim and Triumph are some of the brands it sells. They also offer a masculine range including Ammann, Impetus and Carnette among others. The chain gets its supplies from Russian importers or orders directly at European shows.

GOLFSTREAM Created in 1991, the chain now has 9 stores in St Petersburg, ranging in surface between 60 and 100 m². Brands on offer include Dim, Simone Pérèle, Lejaby, Barbara, Pompea for women and Dim, Cotonella, Atlantic (Polish) and Sealine (Ukrainian) for men.

DOLCE VITA Created in 1997 in St Petersburg, the chain has 5 boutiques in the city. With an average store surface of 40 to 60 m², brands on offer include Elledue, Ambra, Intimo Privato, Levante, Play Mate, and Rebecca. Wanting to increase its brand portfolio, the company regularly visits the European shows.

MIR BELJE Created in 1998, Mir Belje is a small chain of 4 boutiques all located in St Petersburg. It proposes a choice of mid-range brands such as Lormar, Lilly, Pompea (Italy), Atlantic and Key (Poland), as well as men's underwear from Key Atlantic and Lauma (Latvia).

MADAME SAND Madame Sand is a small network of high-end boutiques in St Petersburg. It offers a selection of prestigious brands such as Lejaby, Simone Pérèle, Chantelle, Barbara, Triumph, Felina, as well as swimwear from Gottex and a men's underwear range featuring Men's Trophy by Triumph and Eminence.

TAIS Created in 1999, this retailer owns two 100m² boutiques in St Petersburg. Among the brands on offer: Lisaca, Triumph, Ardi, Lauma, Rosme, Lilly by Eclizia and Atlantic, as well as Cornette, Lowry and Abanderado for men.

CHARME BOUTIQUE This St Petersburg independent created some ten years ago now owns 3 boutiques in the city. The brand selection for women (La Perla, Blumarine, Di Mare, Wolff) is completed by a selection of underwear for men (Versace, Grigioperla, Body Art, Impetus).


Charme - St Petersburg


Charme - St Petersburg


Body Art - Moscow

BODY ART Not to be confused with the German men's underwear brand, Body Art has existed for some 10 years and now has 4 boutiques in Moscow. Managed by Valery Doubinkine (Kolibri company), this small network is successful in keeping up with the competition even considering the difficult direct neighborhood conditions it is faced with.

FAN BELLE Gently yet firmly managed by Elvira Kobtzeva, this mini-chain from the Northwest region and St Petersburg counts 3 boutiques. The company Stella is also responsible for regional distribution of Chantelle and Passionata and has 15 multi-brand clients in St Petersburg, Mourmansk, Petrozavodsk, Pskov and other cities in this region. Even though the company is small, it actively participates in the development of lingerie in the regions through extensive media publicity, organizing parades and presentations.

BON DIMANCHE Tatiana Botenkova has 3 boutiques in Novossibirsk, a city located in the center of Siberia, also the geographic center of Russia. In parallel, she distributes the Chantelle and Passionata brands within the region, which is very difficult to service because its clients are sometimes 200 to 900 km away, the Euro is almost impossible to find, import products are essentially Korean and Asian due to geographic proximity. Thanks to her energy and professionalism, in one year Ms Botenska has managed to introduce Chantelle and Passionata to 15 clients.

It is also important to note that, more so here than in Western Europe, mid to high end lingerie is also sold in a number of ready-to-wear chains: Salon Michela Bugatti, 22 stores in Moscow (Triumph, Roesh, Louis Féraud, Daniel Hechter); Realist, 13 stores; Lady+Gentleman City, 6 stores (Lacoste Underwear, Jockey Lagarfeld, Daniel Hechter); Egoist, 7 stores in Moscow; Caterina Leman; Tri Tolstyaka/Lady X, 13 stores specializing in larger sizes (Felina, Triumph, Ringella, Sunflair, Louis Féraud, Faber for women).

The mono-brands

Though it's still far off, mono-brand boutiques have a bright future ahead. Right now, the Byelorussian brand Milavitsa is ahead with 71 self-named retail outlets.
Among the European brands, Triumph and Dim are the best off, but new entrants are ready to make their way in.
Etam and the Spanish Women's Secret remain rather discreet.
We also note the presence of a few self-named boutiques (Key, Ori, Sensual, Sissi) that benefit more from specific opportunities than from a genuine implementation strategy.

TRIUMPH The German brand has approximately 15 boutiques in Moscow and 5 others in provincial cities. As its formula, the German giant chose that of the partnership-store, close to our affiliation commission, which notably provides for the possibility of benefiting from the Triumph trading name so long as only brands from its portfolio (Valisère, Sloggy...) are sold.

DIM Dim is the brand with the biggest chain of retail outlets in its name: 16, of which 12 are their own and 4 of which are franchised in Moscow. Formerly established by Vigo-Lux in partnership with Luxicom (based in France), the brand changed over to the French company Filine. Since July 2004, the brand is distributed in Russia by OOO Eurogroup, and in Ukraine by Luxicom Ukraine. Beyond its own stores, the brand is marketed in the multi-brand circuit and is also present in Kokon retail outlets that belong to Vigo-M (ex Vigo Lux, its previous importer). The new Dim partner - also owner of the future chain "Emily" - has very big plans for the brand in 2006: 10 self-named Dim boutiques in Moscow, 3 in St Petersburg, plus about twenty franchises in provincial cities. The brand currently sells over a million pieces and plans on taking full advantage of the implementation of hypermarkets.

Emily - Moscow

OOO Eurogroup is also the exclusive distributor for Playtex and Wonderbra, and counts some 30 multi-brand clients in Moscow, 50 in the regions, and a mass distribution network with Metro. Filine also looks after Aubade and Chantal Thomas distribution via OOO L.I.V, a Moscow based company servicing some thirty multi-brand clients in the capital and 35 in region. Two projects planned for the first semester of 2006: the opening of the first Chantal Thomas store in the Sphera shopping complex, and also of the first Aubade corner.

Dim - Moscow

LA PERLA The famous Italian brand's presence in Moscow is assured by the high-end clothing distribution holding company Bosco dei Cigliegi. There are currently 4 high-end La Perla boutiques, one of which is located in the luxurious shopping gallery belonging to the distributor.

WOLFORD has 7 boutiques in Moscow - all smallish in size apart from the Pertovka Street flagship store - and 2 boutiques in St Petersburg. The Austrian brand is present thanks to a franchise master agreement with Jamilko, one of the country's five principal importers. The first boutique PALMERS, opened in 2005, is also by Jamilko.

ETAM Five Etam retail outlets in Moscow to which can be added two recent openings in St Petersburg. The store surfaces vary between 100 and 120 m² and are located in the Okhotnyi Ryad, Liga, Auchan and CUM shopping centers. The average retail price for a bra is about 35 Euros and 45 Euros for pajamas.

Ivanov Perm

WOMEN'S SECRET The Spanish chain's Russian adventure began in 2003 with the opening of 4 stores in the Mega, Auchan, Onotnyj Ryad and Global City shopping centers. The range on offer is specifically destined for a young and fashion-savvy clientele and the chain should later develop.

Fleur - Moscow

Show-room Edouard Mironov

The independents

Even though competition from chains is increasingly perceptible, the ITMM study identifies about ten large independent retailers in Moscow, offering a choice of imported brands: Aktual (Bruno Banani, Shiesser…); Boutique of Men's Underwear (Perofil, Grigioperla…); Lady Triumph (Triumph, Soft Cotton…); Exclusive Lingerie (La Perla, Morgan…); Solka (Dorin, Felina…); Lady Lux; Skif, Modnyi Podval, Caligula, Modlend, El Mary, Novyi Stil.

Vela Moda

Vela Moda

In St Petersburg, the second largest city in Russia with 4.437 million inhabitants, there are several small retailers offering entry to mid range brands from Latvia, Poland, Byelorussia, or from the Bari region in Italy, for the most part supplied by importers or their wholesalers. In the high-end range, the independents landscape is much smaller, except for Bolshoy Gostini Dvor (elite lingerie show), the city's biggest lingerie store covering a 230m2 surface at Newskij Prospekt. Some of the many brands on offer include Triumph, Simone Pérèle, First, Lise Charmel, Barbara and Lejaby but also Mariner, Eminence, Abanderado, Key Atlantic and Lowry for men. Near the Etam store on Vladimirskiy Prospekt, you will also find Amour Dessous Shop (Flirtshop): 90 m2 offering brands such as Felina, Barbara, Lejaby, Dim, Rebecca and men's underwear brands such as Dim, Hom, Men's Trophy (Triumph). Thanks to tourism the city is booming, but it remains far behind the capital in terms of purchasing power. Totally renovated for its 300th birthday, it counts a few great shopping centers in areas such as the Bolchoï Prospekt (Petrograd side), Nevskij Prospekt, Place Sennaya, Moskovskij Prospekt as well as on Vasiliyevskij Island.

"St Petersburg is a city that is much more difficult to penetrate from the outside than a lot of other Russian cities, explains Nadia Sorokina. Clients place more trust in "their own" which often means that a Moscow distributor has less of a chance. The distributor's work requires a lot of patience and understanding as it involves meticulous daily efforts: visiting, exchanging products that don't work with others, agreeing to special payment terms, etc."

Wild Orchid

A bright future

Luxury has had many prosperous years in Russia and it's now mid-range's turn to develop and to profit from the rise in purchasing power and from the development of medium sized regional cities.

A generation of entrepreneurs

A great many of all types of companies that were born and had prospered during the Yeltsin era were severely affected by the 1998 crisis that lasted up to the year 2000. Since then, those who stayed have benefited from the growth of the last few years and have achieved fabulous figures. In Moscow it is the case of Mercury Diffusion, Bosco dei Cigliegi, Holding Centre, Jamilko and Krokus, but also, in lingerie, of Orchidée Sauvage and Estelle Adony.

Today these entrepreneurs are confronted by the willingness of foreign brands to set themselves up directly in a country that is increasingly accessible and potentially profitable. Local actors are then faced with new challenges since they are subjected to rising real estate prices - and salaries - caused by the influx of foreign investments, as confirmed by all the importers questioned: "the competition is really very strong in all market segments", declares Marina Dobrovoskaya from Antey. "Russia is now a very attractive country for foreign companies who are arriving in great numbers. There are already so many brands on the market that we wonder who will be able to buy them!". Irina Zhukova from Tchariot is more moderate: "competition is certainly strongly increasing, however this mainly affects the big importers and the most famous brands. In the less known brand niche where we are, there is still potential".

Additionally, Igor Shvyrkin of Parizhanka anticipates that this veritable rush towards Russia will bear disappointments for some: "Many foreign manufacturers who wish to establish themselves on the market do not have a real implementation strategy and wrongly estimate the impact of running costs". Oksana Donskaya from Wild Orchid is more adamant: "The attractiveness of the Russian market continues to draw in investments from large distribution chains, which fuels competition. Also, the number of retailers is stabilizing and we expect an inevitable concentration. In the long term, only the "big players" will remain on the market."

Demand surpasses supply

"The reality is that in many regions there are still not enough stores", states Reihard E. Dopfer, Director of ITMM. "Even in Moscow in 2005, the ratio is 40 m² per 1000 inhabitants, which can seem a lot for Russia but which really is nothing compared to European capitals such as Paris (400 m²), but also Warsaw where it is reported to be 260 m² per 1000!". If ITMM analysts estimate that there are approximately 400 mid to high end/luxury boutiques in Moscow, St Petersburg

NUMBER OF MID TO HIGH RANGE RETAIL OUTLETS IN 20 MID-SIZED CITIES

Samara	23	Ufa	7
Nishnij Novgorod	13	Magnitogorsk	6
Ekaterinburg	12	Surgut	3
Kasan	11	Sochi	3
Omsk	11	Ishevsk	3
Krasnojarsk	10	Irkutsk	2
Novosibirsk	7	Chabarovsk	2
Tomsk	7	Novokuzneck	2
Krasnoda	6	Tjumen	2
Rostov on Don	6	Barnaul	1

Souce: ITMM


Estelle Adony - Moscow


Estelle Adony - Moscow

only has 150. The gap becomes much wider still as soon as we look at provincial cities: in 20 of Russia's 50 medium sized cities, there would only be a total of 137 boutiques, unevenly spread out over the territory (see table).
As has already been mentioned, it is true that purchasing power between Moscow and the rest of the country cannot be compared, which also effects what the stores have on offer. As an example, a top of the range bra in St Petersburg would cost approximately 270 Euros, while it could easily cost up to 400 Euros in Moscow. And yet, growth is happening and a number of medium sized cities are starting to emerge from obscurity and are attracting investments. Their inhabitants are wealthier so can buy themselves more expensive products and are starting to become interested in the universe of brands that are increasingly visible in all-new shopping malls. The concomitance of these elements, combined with optimistic declarations from distributors who estimate their progression at between 20% and 30% per year, suggests the lingerie sector has a bright future ahead.

The middle ground

Over the last five years it was essentially top range and luxury lingerie that was the most successful thanks to the emergence of a very wealthy 'nouveau riche' population, mostly accompanied by young women, often very young. Much more recently however, we have witnessed the development of a new well-


Bustier

Lingerie exports from EU-15 to Russia
Period 1-4, 2005/2004 in 1.000 €

	€	Variations
Seamless day and night lingerie for men	2.715	+ 167 %
Seamless day and night lingerie for women	6.871	+ 46 %
Men's and women's seamless underwear	11.027	+ 46 %
Day and night lingerie for men in fabric	1.341	-10 %
Day and night lingerie for women in fabric	6.107	+ 25 %
Day and night lingerie for men, including bathrobes, in fabric and circular knit	973	+42 %
Day and night lingerie for women, including bathrobes, in fabric and circular kn	8.231	+ 24 %
Bras	18.271	+ 4 %
Slippers (97 % from Italy)	25.576	- 17 %
Total lingerie exports from EU-15 to Russia	**81.112**	**+ 7,7 %**

off class, particularly concentrated in Moscow, as well as the emergence of an intermediate middle class layer that is totally new in the country. As such, just between high-end imported and basic local, an interesting new segment is starting to define itself: the mid range. "The bulk of the market will be played out in the 20 to 30 Euro range, preferably made from natural fibers", states Mr Dopfer. Of course, opportunities linked to mid-range have not escaped local distributors who positioned themselves very quickly with the opening of several chain stores. Did Estelle Adony have the same reflex with Demoiselle Dorée, Wild Orchid with Bustier, and other foreign brands that now want to directly set themselves up on this market through the strength of their brand image? The lingerie market for the 200 to 400 Euro range seems saturated, if not in decline, with in particular a decrease in high-end corsetry imports from Italy. According to data from the European Fashion and Textile Export Council (EFTEC) in Brussels, EU-15 lingerie exports towards Russia have increased by 25% to reach a total value of 55.5 million Euros over the first four months of 2005, whereas slipper exports dropped 17% to settle at 25.6 million Euros. Inversely, seamless and mesh (day and night lingerie for men and women) have achieved a record increase of 46% for a total of 18 million Euros. If on the one hand the market is segmenting into price ranges, it is also well on the way to opening up to more specialization in terms of product typology. As such, we notice new opportunities in the larger sizes, junior, and loungewear segments, but also just lately in the men's segment.

4 shows in 2006

As part of the development of the Russian market and to confirm its potential, several professional lingerie shows will take place in Moscow in 2006, a dynamic impulse that, as always, will create new opportunities for business and networking.

Lingerie is the longest running lingerie show in Moscow. The first edition took place in February 2001 with 18 exhibitors, essentially international brand importers. Since 2003 the show belongs to the company Lin.Ex (Lingerie Exhibition Company), previously the Russian partner of Germany's Impuls Expo. The young company has wanted to maintain its lingerie specialization, a less competitive sector than that of clothing, already largely exploited by big organizers. For the moment, Lingerie's smaller sized team has not allowed this small show to directly attract foreign brands. On the one hand this limits the number of exhibitors (one importer for several brands) and on the other it limits its attractiveness to professional visitors. However, despite the arrival of other competitors, Tatiana Semyonova, the show's Director, is maintaining her course, as she believes that nothing is yet lost: "Next February we will celebrate the show's 10th edition and we expect some fifty exhibiting brands. I am convinced that experience and knowledge of the second will have their influences, knowing that Lingerie is still the only industry show dedicated to mid to high range lingerie. What's more, this year we have negotiated agreements with professional magazines in Russia in order to significantly increase the number of visitors."

Lingerie 2006 exhibitors*
ANTEY/ELKONA (EXILIA, NICOLE OLIVIER, PAIN DE SUCRE, RIEN LINGERIE);UNITED REPRESENTATION OF ITALIAN FACTORIES/Mironov (VALERY, BOGLIETTI, MARISETIENNE, NEFER; NIYADA (EMPREINTE, LE BOURGET); HOM; FELINA GMBH; KONTATTO; PARISIENNE;TCHAROIT (MADIVA, INFIL, RUBINIA, MARBET, RITAMARE); FREE VOOGUE; LUISA MARIA LUGLI; D&D INTIMO; CHRISTIAN COLLECTION; NUANCE - corset makers, Russia; CORIN
* List current January 9th, 2006

CPM Lingerie With its official launch of the Lingerie section, the German ready-to-wear show CPM will be the new challenger. Owned by Igedo Company (who also own CPD and Body Look), since its creation CPM has experienced growing success. The last edition in September included 930 clothing brands (women, men and children) and 14,000 visitors. Strengthened by its notoriety and know-how, the show has particularly succeeded in ensuring the participation of national pavilions, supported by export aid organizations from the different countries in question. As for lingerie, Igedo has decided to integrate it following the results of the study led by Mr Dopfer and his team of experts at the ITMM. CPM Lingerie's aims are high, as explains Frank Hartmann, CEO of Igedo: "For next summer, a 30,000 m2 space will be put at CPM Lingerie's disposal in the new Hall Pavilion Forum. That is about 10% of CPM's total space." Meanwhile, the February edition will be held within CPM itself, and is banking on the presence of 50 exhibitors made up of brands and importers.
A third show, **LINGERIE SECRETS**, was to be held in February in Moscow's World Trade Center. However to this day, the company organizing it, Rosinex, has not wanted to communicate any further complementary information.

CPM Lingerie exhibitors*
Rösch, Louis Féraud Lingerie,Tradcom, Jado, Isco, Taubert, Guete, Naturana, Eva, Irma la Douce, Iris, Cybele, Nobel, Nottiblu, Corsetteria Luvistile, Elisabetta Savini by Luvistile, Diben Lingerie, Impetus, JBS Underwear, Evolution by JBS, Ipek, Grishko, Ginch Gonch, Aristocrate, Aliteks, Liberti
* List current January 9th, 2006

Still in Moscow but from September 13th to 15th, the first edition of **LINEX** will take place, organized by the Turkish company Expotim. As well as lingerie and hosiery brands, this show should include a section dedicated to materials.

Russia's eventual membership to the World Trade Organization (WTO), planned within three years, will only improve the conditions for market access with a direct impact on its operating procedures. Russia is happening now!

OUR THANKS TO
Reinhard E. Dopfer
Tatiana Semyonova
Nadia Sorokina
Edouard Mironov