

Created to Order



Pascal Clement

Company: PPE Group
Founded: 1998
Activity: Mail order marketing and retail distribution
Employees: 1,200, based in and around Moscow and at Tver
Background: Commercial director, JamilCo
Turnover: \$46 million, 1H04, up 47% on 1H03
 Total turnover reached \$60.2 in 2003

Each year, the mail order market in Russia doubles in size. Current growth projections estimate the market to be worth at least \$1.6b by 2005. Leading the way is PPE Group, which expects to have a 40% share of the Russian mail order market by the end of 2004. Pascal Clement is the group's CEO

How has your company benefited and expanded as Russia's macro-economic fundamentals have improved?

Our company began in an apartment with 10 people – today, we have over 1,500. We had the feeling that the mail order business was an extreme growth area for Russia, for various reasons. Firstly, because the country is so big, mail order is the only way to sell products everywhere. Secondly, there is a huge postal service – over 42,000 offices throughout the country. Thirdly, the weather, which, like in Canada does not help the retail business. To sell products by catalogue was a good idea. Lastly, we began at the right time – in 1997, 1998 – although it was a time of crisis, the companies that are now thinking about the market are already too late. We are the leader; we are growing very quickly and we have already established our advantage.

In the past you have received funding from Baring Vostok Capital Partners and you have said that you are looking for new investment partners to take the business forward. What is the status of that now?

Last year – when the company was growing very quickly and we were developing new projects such as consumer finance – one of the questions was what to do with the group. When we looked at partners coming from Europe, we saw that Russia doesn't have the right reputation. I met with some of the key players and had the feeling that people are not really ready to invest in the mail order business here. Because of these reactions, I decided to build up the clothes business myself.

You are always described as a French entrepreneur. Is there a difference between a French and a Russian entrepreneur?

The people for whom I have respect are those that have been in Russia for a long time – whether they are French, British or German entrepreneurs. They arrived in 1993 or 1994

and they understand Russia very well. They are the new people who are now coming onto the market. Their experience of this market is very important. The market is huge; the potential is huge – but you need experience. Also, if you don't speak the language you can't work in Russia. Therefore, I don't think it is a question of nationality or being an entrepreneur, but whether you know the country.

In State and Revolution, Lenin put forward the idea that the German postal system could be the model for socialist organisation. Could mail order be the model for capitalist Russia?

Maybe. What surprises me is that nobody thought about the mail order business. I just analysed the market – it was logical that we should sell products in the regions, but that it is very difficult to open distribution capacities in Russia, therefore why not use the fantastic postal service network. It is a simple idea. I don't understand why big companies, who are coming to the market, are not thinking about this way of distributing their products.

If a large multi-national, such as Deutsche Post, wants to enter Russia, what kinds of difficulties will it have?

The Germans are famous in Russia because they have been working here for many years. But the problem is that if you are doing mail order in Russia, you have to have your warehouse in Russia and be able to react very quickly. We are sending 500,000 packages a month; all our competitors are doing less than 50,000. The companies that began in 1998 – during the bad times – are now the leaders. The key issue is to put on the pressure when the country is down. Currently, we are in a transition period – Russia is growing and booming, but it is also up and down. The key issue is to be strong, therefore, when the country is not so strong. **rir**