



Photos: Alexei Kudikov

“Poor headlines may mislead some businesses into the real danger - missing the boat by not investing here”

Communications will increasingly separate leaders from laggards in Russia, argues Matthew Anderson, Chief Executive, Asia Pacific and EAME, Ogilvy Public Relations Worldwide, as strategic communications is essential to sustained success for both companies and institutions

Where will growing demand for PR services come from?

Ogilvy PR believes that the strategic communications business in Russia will grow. Marketing spend as a percentage of GDP has doubled from 0.4% a few years ago to more than 0.8% now. As a percentage of GDP, marketing spend in Russia is greater than in most Western European countries. On top of this, Russia has one of the fastest GDP growth rates in the world.

The mobile phone, car and FMCG sectors all show a rise in consumer spending in Russia. And there is a strong demand

for luxury goods at the high end.

Another trend is the upturn in Russian IPOs. Russian companies need to improve their investor relations if they are to build long-term shareholder value. There is a difference between a ‘coming out party’, and whether you can create an investible corporate brand. From what we have seen, many Russian companies are listing in London, rather than New York, in part because of Sarbanes-Oxley. Our clients ask us such questions as: which analysts are most important? How do I profile management? How do I communicate with shareholders?

From a marketing perspective, multinationals doing business in Russia are looking at how to complement mass-media communications with public relations. There is a trend in the strategic communications world towards specialisation. According to the Russian PR Association, the business PR market in Russia is about \$400m now, and is growing at about 20% a year. Likewise, there is a \$4b advertising market.

We have worked hard to position Ogilvy PR as the leading communications network in the BRIC (Brazil, Russia, India, China) countries. To our de-

light, we've seen strong interest between China and Russia, in particular. So the BRICs are increasing trade and investment between themselves.

We have found that our Russian Ogilvy PR colleagues are incredibly dynamic and that their 'can do', 'let's pioneer the profession' is typical. Our Russian colleagues energise counterparts from Western Europe – their growth attitude is akin to that in our Asian business. Their hunger for success is very good. What is refreshing about Russia is that we don't have to un-learn some counterproductive marketing behaviours that have built up in some Western markets. This has put top talent in extremely high demand. If you are bright, young, well-educated, in Russia, is there a market for you to be hired? Absolutely! Hence, one area of Ogilvy PR's business that is growing is our internal communications practice – especially helping win employee support for business goals.

How worried are you by mixed signals on foreign investment?

trated on Moscow and the oil regions. Other areas have not understood that they must compete more fiercely for FDI, and other dollars, like tourism.

There is still a Russia discount. This is reflected in business headlines – if you uniquely read the FT or WSJ - you might not want to invest at all. Poor headlines may mislead some businesses into the real danger -- missing the boat by not investing here.

What investors have to do is not lose their heads. A number of American investments have held up strongly in Russia. What would be very helpful would be to have a couple of mammoth, headline successes which would prove that investment here can work. This will be part of Russia accepting that these successes will stimulate much more to come.

FDI still, disproportionately goes to Moscow and the oil regions, but it is interesting that Petersburg and other cities are starting to fight back. It is the same in China, where there are mayors in the regions waking up and saying 'how can

The TNK-BP deal is one example of a landmark deal which appear to be working, however, then there was the recent back tax claim surprise...

One hopes that smarter heads will prevail, and that foreign investors will be treated fairly. In the future, I expect to see much higher profile disputes – sure, sometimes there are advantages to fighting things behind the scenes, but we'll see some things fought publicly using high-end communications and legal advice.

Do you worry about the 'other side' of Russia, the increased inequality, for example?

Yes. Companies will have to do more. The movement called CSR or corporate social responsibility will be ingrained in multinationals and they will do more and more. We'll also see more public awareness campaigns to combat life-threatening diseases and companies join hands with local institutions to make a difference.

I'd razor in on is quality and trust in senior management (by which I don't just



I see both danger and opportunity. Countries with high FDI tend to be high change environments, which are good for strategic communications. What you see in Russia, however, is that given the potential there is relatively low investment – although Russia contributes 1.5% of global GDP, it only receives 1% of FDI. Too much of the investment is concen-

I invent myself as a brand?' Ogilvy PR is bullish about strategic communications in Russia - it is a robust marketing environment but there is a real risk that Western marketeers will miss out here. We'll also see much more scrutiny of Russian business and the expectations will rise for all parties to do more to address social and economic inequities.

mean the very top executives). One of the success factors in emerging markets is their pool of talent. 'Can you find great local talent?' – the big companies have to make themselves an employer brand and build the talent. One of the hardest things in the world is to find innovative, hungry, resourceful staff. I'm proud that my Russian colleagues have hired quite few! **rit**