

COMMERCE

## What impact will Russian politics have on the fashion industry?

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*Miroslava Duma in Oscar de la Renta for The Outnet*

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By SARAH JONES

Even with tense relations between Russia and Western countries, a complete ban on clothing and textile imports from the United States and the European Union is highly unlikely, according to a new report by Fashionbi.

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**Luxury Daily**

"[Fashion in Russia - What future holds](#)" says imported products make up about 75 percent of the Russian apparel and accessories market, but international products are being threatened by the geopolitical climate in the country. However, even if a ban on apparel imports is raised, Russians will still need fashion, and will find new ways to get the brands they are loyal to.

"Russian consumers are obsessed with fashion," said Ambika Zutshi, CEO of [Fashionbi](#), Milan.

"In fact, in our latest marketing research on Russia, our analysts brought forward the fact that Russians spend 10 percent of their total household expenditure on clothes and shoes, irrespective of their financial statuses," she said. "And this is despite the fact that the prices of both branded and 'non-branded' products are anyway two to three times higher in the

country, due to heavily imposed tax laws, high demands, etc.

"To explain further, womenswear accounts for 60 percent of the total sales in the Russian fashion market," she said. "Be it the 'open markets' in the small cities or the hi-fi luxury labels in the downtown of big cities, the demand just keeps growing with enormous amounts.

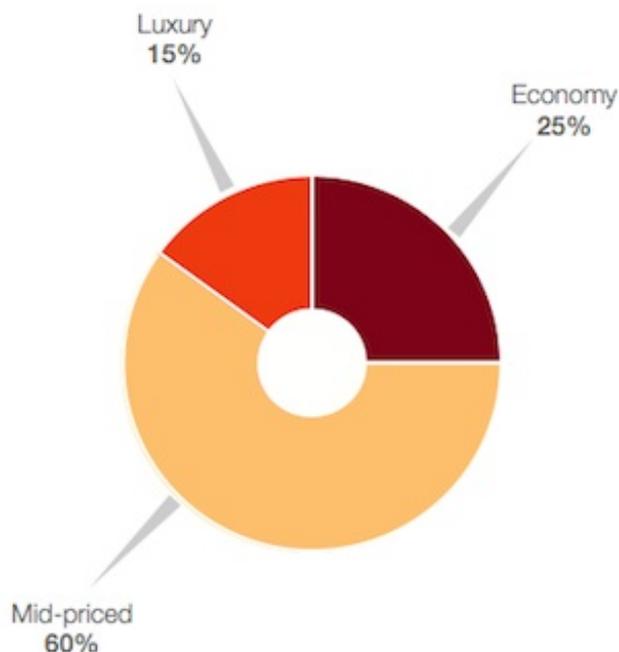
"Since forever, Russians are, as well, famous for traveling abroad and contributing highly to the economy of Western Fashion capitals. For instance, the top spenders in Italy are Russians with a 27 percent share of spending, followed by the Chinese with 21 percent and thirdly, the Americans with 6 percent."

### Spending habits

Russian consumers are also growing their spending online, currently making 25,000 purchases through ecommerce channels daily. The overall shopping market is projected to rise to \$32.1 billion in 2014, and in 2013 there was a 100 percent increase in cross-border online shopping, with a total \$3.67 billion in sales.

Fashion makes up one-third of all of the online purchases in Russia.

**Russian fashion market by price category: %**



*Graphic from Fashionbi report*

Even with the rise, there are some barriers to ecommerce, due to consumer concerns. Online payment is uncommon, since consumers are wary of using credit cards on the Internet, due to the prevalence of counterfeits and the non-delivery of goods that had already been paid for.

Duty fees have also been raised on international online orders. Before June 2014, consumers could import about \$1,300 worth of merchandise weighing up to 68 pounds duty free. Now the limit has been set lower, at around \$200 and 22 pounds.

Traveling abroad

Britain and Italy are the top shopping destinations for Russian tourists.

In Italy, Russians outspend the Chinese, with a 27 percent share to China's 21 percent. While Milan is the most popular first shopping destination, Russians also display a preference for Verona and Rimini.



*New Versace boutique in Milan*

Russians currently spend about \$1,000 on average per transaction when visiting the United Kingdom.

However, political upheaval has reduced the amount of Russian tourists to the U.K. In February 2014, Russian spending was down 17 percent from the same month the prior year, bumping it down a spot in the rankings of top spenders, putting it below China, the Middle East and Nigeria.

## Forbidden fashion

Currently the ban imposed on imports only applies to food products, rather than items bought for personal use. However, Russian president Vladimir Putin has threatened to expand these limits to apparel if further sanctions are placed on Russia from the E.U. and U.S.

If the restrictions were expanded to fashion, there would be an impact.

Only governmental figures are expected to drastically shift their travel habits, feeling more of the impact of sanctions and the political situation. These individuals may look outside the traditional fashion cities to the United Arab Emirates or Turkey.

Wealthy civilians are expected to still flock to the Western fashion capitals.

If consumers could no longer shop for Western luxury brands within Russia, luxury brands would need to work to maintain a relationship long-distance.

To reach these consumers, and to help illustrate the value of the luxury goods, the report provides one option of curating a completely branded travel experience, from staying at a brand hotel to dining at a brand-owned restaurant and shopping exclusively with the brand with individual attention.



*Interior of Bulgari hotel in Milan*

Ecommerce would likely boom further, as consumers in cities like Moscow and St. Petersburg would have to find new ways to get the fashion they are used to buying in local stores. In addition to brand's own stores, retailers like Shopbop and Net-A-Porter would likely gain in popularity.

Will the uncertainty in Ukraine and the straining of international relations impact luxury brands for the long-haul?

With potential sanctions, restricted visas and other penalties being considered and Western forces pledging aid to Ukraine, ties to affluent Russian consumers may be damaged. However, some commentators argue that the conflict poses only speculative threats to the long-term health of the luxury sector and that growth will continue ([see story](#)).

Brands can do a few things to limit the impact of Russia's political climate on their business.

"One of the most smart things to do will be setting up an ecommerce store, directly operated by the brand, mobile-synced and with minimal shipping time," Ms. Zutshi said. "Russians do not have a habit to make a lot of online purchases, due to various reasons such as credit-card theft fear or growing amount of counterfeit products, etc. So, if a brand launches its e-store, as well 'stamps' it with its ownership - it can really give the consumer a feeling of authenticity and they can definitely think about buying the products online, directly at the brand's e-store.

"Another amazingly clever thing to do would be 'organized travels' that a brand can do for the consumers coming from Russia," she said. "Now, with the on-going political crisis as well, there could be a situation that a ban is imposed on the import of Western fashion products. Hence, the brands need to be prepared and already come up with strategies, so as not to experience a huge downfall.

"The brands can organize the whole travel for the consumers coming from Russia, including maybe a visit to their factories, to make the consumers get the real feeling of the brand and a rich brand experience, thereby, bringing them closer to the brand and gaining their trust and loyalty toward it."

Final Take

*Sarah Jones, editorial assistant on Luxury Daily, New York*

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