

Emigres Capitalize on Old Country Desires

By [The Moscow Times](#)

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WASHINGTON— A Chicago-area company started by two brothers from St. Petersburg is doing for US-Russian trade relations what the Internet has done for dating: connecting like-minded but distant parties in a way designed to benefit them both, and making a bundle in the process, figures supplied by the firm show.

BayRu is a kind of Russian eBay that sees itself as the *posrednik*, or middleman, between Russians with their eyes on US consumer goods and manufacturers who do not understand the way the Russian market works.

"We believe that there is an enormous problem to solve and that problem is that Russian consumers and US merchants face a tremendous disconnect on many levels, and that we were put on this earth to solve that problem for both parties," said Aaron Block, who was taken on as chief executive officer of BayRu in 2010, three years after the company was founded by brothers Anton and Gene German.

After they moved to the US to study, the brothers set up BayRu to help friends and family "back in the old country" get their hands on the consumer goods that were so easy to access in the United States but difficult and expensive to get at home.

"Our company is an example of 'built by Russians for Russians.' It's a very specific niche in the world that we fill, and it happens to be an enormous niche. There's a billion dollars in 2012 of cross-border ecommerce between the US and Russia, so this is a big, big business and growing fast," Block said in an interview.

BayRu has grown by 1,741 percent in the last three years, with sales projected to hit \$75 million this year, according to figures supplied by Block. The company was first profitable with gross sales of \$20 million in 2011, and had an estimated \$40 million in sales last year. This year it is projected to ship 250,000 different items to customers in Russia.

"It's like you got cousin Aaron in Chicago, who makes sure that what you want is exactly what you get, and that it gets there fast, safe and with the service you deserve," he said.

But to get BayRu off the ground, there was a long list of challenges to be met: Russia's economy primarily uses a system of cash on delivery, which creates a problem for international merchants; there are language barriers, service barriers, confusion over customs, regulations and shipping requirements, and a general lack of comfort.

"Russia is a large market of 140 million people, and there's a clear preference for a localized, Russified solution to goods, so if you look at Yandex versus Google, or you look at Vkontakte versus Facebook, you can see that although they want the product from America, they want the experience from Russia," Block said.

The brothers' solution was to access payment points already in existence in stores, train stations and banks across Russia. Buyers can enter their own cash at one of 500,000 sites throughout the country, including Siberia and the Caucasus, and when the cash is transferred to BayRu, the company purchases the item the customer has ordered from one of its ecommerce partners, ships it to a warehouse in Chicago, and from there, it is shipped to the consumer in Russia.

The cost? After the price of the product, there is a nine percent markup, plus shipping, insurance and other optional services. Because most of the items purchased are for personal consumption, they are usually exempt from import taxes, customs and duties.

"We have an enormous competitive advantage from being Russia-centric and focused between these two countries. No one else has the depth we have in the US and the depth we have in Russia to solve these common consumer problems," Block said.

The most popular items: Auto parts, followed by fashion and electronics. BayRu also does a booming trade in household goods, toys and collectibles, with a focus on known and trusted brands.

Today, BayRu has 120 employees, most of them in the US, and many of them with ties to Russia and the former Soviet Union.

"We have grandmothers recommending their grandchildren to come and work with us,

and that makes us feel good — that we have that level of trust in the community from people who are pretty suspicious of the former Soviet Union, folks who were born over there and have memories of harder times," said Block.

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