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Boutique Business Tests Entrepreneurs Stamina

By Lena Smirnova

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French vendors of gourmet foods were eager to make a triumphant return to Russia almost a 100 years after the Bolshevik revolution swept out their business. However, navigating the post-Soviet business climate has proven more difficult than getting the tsar to handpick their delicacies for his table.

Legendary French products are making their way back to Russia as exclusive food boutiques continue to open up in the capital. But the barriers to market entry can be colossal, and some entrepreneurs have already crumbled under the financial pressure.

Modern-day customs officials have little appreciation for the fine-tasting products or the complicated storage conditions they require. At the same time, French brand owners are not convinced that Russia is the place to be and are cautious about working with local entrepreneurs.

Those who manage to pass muster with foreign manufacturers, get their goods across the border safely and make timely rental payments on their centrally located shops represent a specific and highly passionate niche of entrepreneurs.

"It is impossible to open a business in our country without a love for adventure," said Daniil Rozental, owner of the Mariage Freres tea boutique in Moscow.

But such dedication can be challenged when boutique owners are faced with the regular risk of having their chocolate melt in transit or their sausage decompose on the border, as well as the occasional need to explain to customs officers that they are not smuggling controlled substances.

"The system that exists doesn't encourage business at all. So if you consider the whole picture — rent, customs, tax legislation — there is the impression that small business is not a priority," Rozental said.

Wooing the Family

Irina Ilyina opened a Debauve & Gallais chocolate boutique at the end of March in a daring switch from her well-paid and secure positions in the Moscow offices of Honeywell and Siemens.

None of these international companies had any relation to the confectionary business, but Ilyina became smitten with the idea of bringing high-end chocolate to Moscow while traveling around Europe and visiting shrines to the sweet delicacy.

Getting into the business was not easy. Ilyina wrote letters to numerous French chocolatiers, but they requested to see a record of her previous work in this sphere. So, she began by getting a franchise from the Russian distributor of the Belgian chocolate Mary, which she operated successfully for one year.

She was then able to convince the family owners of Paris-based Debauve & Gallais to sign a five-year contract giving her exclusive rights to represent their brand on the Russian market.

Debauve & Gallais was created when Marie Antoinette's pharmacist started putting her medicinal powders inside chocolates to make them palatable. The queen liked the chocolate so much that she tasked him to invent a range of the sweets, and so a royal pharmacist transformed into a royal chocolatier.

The brand was also a favorite with Russian tsars.

Daniil Rozental has had to jump through even more hoops to bring his favorite tea brand to Moscow.

Rozental's adventure began when his wife, Anna Sokolova, brought him to a Mariage Freres tea boutique in Paris nine years ago. He spent several hours sniffing and tasting the products of the venerable French tea maker, which will celebrate its 160th anniversary next year.

So impressed was Rozental with the quality of the tea that he informally imported the product

in his suitcase to treat himself and his friends in Moscow.

Unfortunately, his love for the French brand was unrequited.

Rozental and Sokolova rented a boutique in the Neglinnaya Plaza shopping mall, renovated it and sent pictures of the venue to the Mariage Freres family to prove that they were worthy of representing them in Russia. The French approved of their work, but at first only allowed them to sell their teapots.

After a year of building trust, Mariage Freres allowed the husband and wife team to sell packaged tea and, later still, loose leaf tea.

The couple opened a standalone boutique store, Le Voyage Du The, in the Patriarch's Ponds area one year ago, where they now offer 120 types of loose leaf tea by Mariage Freres.

Although the boutique is a success, Rozental is convinced he has not fully won the confidence of his supplier. He said the French tea firm sends spies from the embassy to their store to make sure they are upholding the legendary brand's standards.

Taste Control at the Border

Winning the hearts, minds and trust of tea and chocolate brands is not enough to ensure a successful venture. The products actually have to make it from their home countries to the merchants shelves, successfully crossing the Russian border in a timely and cost efficient manner, which is no mean feat.

The Russian Federal Customs Service's tariffs favor food products that are imported in large quantities, Rozental said.

"The custom duties that we have now are acceptable if you're bringing tea over in large bags of 20 kilograms or more and then sorting it in Moscow. Then the customs duty is zero," he said. "But when you transport it in such large bags and then sort it God knows where, without quality control, you get unpalatable, stale tea."

Mariage Freres tea is transported in 2 1/2 kilogram containers. In this format, Rozental has to pay customs duties of 20 percent plus 18 percent in value added tax for each shipment.

And, not surprisingly, bundles of grass-like, aromatic substances do not have the same charming effect on customs officers as they do on Moscow gourmands. The oolong tea called "Opium Hill" evoked a high level of interest from the authorities, Rozental said. He had to assure them the tea does not actually contain any illegal substances.

Another time, Rozental's delivery was delayed because the customs officers wanted to know whether he had the copyrights on a composition by Pyotr Tchaikovsky that played from a music box in one of the Russian-themed tea gift sets. Rozental subsequently had to write an official letter stating that the melody was from the 19th century and its author was deceased.

"That's why I opened a tea boutique, so I could drink tea all the time and everything would be fine," Rozental said, reflecting on his turbulent relationship with custom officers.

Irina Ilyina said she and the Debauve & Gallais family were ecstatic when the first chocolate supply from Paris made it through Russian customs. This delivery had been the culmination of many sleepless nights that Ilyina spent documenting the ingredients of 102 types of chocolate in order to get the necessary certificates.

"This was the labor of my nights," Ilyina said, flipping through a folder filled with these descriptions. "It wasn't difficult. It just required patience. My back and my eyes hurt."

Having prepared all the paperwork, she gave the green light to have the chocolate dispatched by plane. It was particularly important to make sure that the chocolate did not get delayed at customs because it is fragile and requires specific storing conditions, Ilyina said.

Debauve & Gallais chocolate has to be maintained at temperatures of 16 to 19 degrees Celsius and moisture levels of 40 to 60 percent.

"It's not like the metal valves that I sent through customs at my previous job," Ilyina said. "There you could afford to have the items pass customs in two or three days, or even a week. But this is chocolate. I feel calmer when it is stored safely under my control. We treat it like a small child."

The chocolate shipment did make it safely to Moscow in a special thermal container.

Kirill Turov, an owner of the Provence gourmet boutique and restaurant of the same name, wasn't as lucky. The sausage he was bringing over from Europe perished on the Russian border because of the lengthy delay in getting customs approvals.

Refining Taste Buds

Despite the challenges, Rozental and Ilyina are persevering in their pioneering of food boutiques in Russia. Rozental said he intends to open a third store of Mariage Freres teas in Moscow and possibly a few locations in St. Petersburg.

Ilyina's plans include opening a Debauve & Gallais outlet in a shopping mall, setting up an Internet store, and fostering ties with golf clubs and elite French restaurants.

"It is hard to survive with the boutique alone. The rent on Tverskaya is too high," she said, adding that she expects to break even in a year or two.

One of Ilyina's big aspirations is to see a change in the culture of chocolate consumption among Russians, a change she hopes she's helping to promote.

"Before, people would eat 'Mishka na Severe' [mass-produced chocolates], and there would be this pile of candy wrappers nearby," Ilyina said. "Now there is a habit of eating good chocolate every day."

Rozental said gourmet tea had also been well received in Moscow. In his original business plan, he foresaw that the main customers would likely be well-off women who could afford to pay 600 rubles per 100 grams of tea. He was surprised to find out that the boutique was also popular with middle-class tea lovers and students who buy the tea in small qualities.

This mixture of customers had helped Le Voyage Du The to break even in the first 12 months of operation.

"Moscow is this rough city," Rozental said. "Many people are running around, doing business. But we need these small places where you can sit and relax a little bit, drink some tea, eat a croissant. I think they're going to start to open up, but it will be hard."

Some merchants eventually surrender. Turov, of the Provence sausage and cheese boutique, said he would close his outlet this summer because high customs tariffs and rental prices in central Moscow make it an unprofitable venture.

"There is no sense to deliver to just one store and, at the same time, no sense to open a chain, because you can't compete with the range of products in Azbuka Vkusa or Globus Gourmet," Turov said.

"Our time has passed. The age of supermarkets is here," he added.

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