The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Report Says Moscow Should Prioritize Quality over Cost to Attract Investment

By Lena Smirnova

December 05, 2013



Moscow's high cost of living could be offset by offering better quality.

It is hard for Moscow to compete for foreign investment with other metropolises because it offers below-average quality at above-average costs, according to a ranking that IBM presented at the annual Moscow Urban Forum on Thursday.

The study ranked 100 large cities around the world in terms of cost and quality.

Investors will make trade-offs between cost and quality when choosing locations, and Moscow should focus on improving its quality profile to get their interest, said Roel Spee, head of IBM's Plant Location International, which compiled the ranking.

"It is not a cheap location. You can see that in two ways. From the cost-perspective you may be less competitive. On the other side, the types of investment that Moscow should really go for are not the ones that are looking at low cost," Spee said.

A total of 100 cities were included in the ranking, based on the size of their labor market and inward investment performance over the past three years. The financial and qualitative analysis evaluated each city's competitiveness as a potential location for various types of corporate functionality, including life sciences research, software development, financial services, shared services and as an international headquarters.

London topped the cross-sector quality ranking, followed by New York and Singapore. Dhaka, Sofia and Ho Chi Minh City were named the most cost effective cities. Moscow's standing in these rankings was 55th and 52nd, respectively.

Moscow's position on the ranking varied greatly across the different sectors. The Russian capital had an above average ranking in the life sciences category, was the middle of the cost-quality map for software development, and had a weaker position in both the financial services and international headquarters categories.

The city's main strengths are its solid consumer market and talented workforce, Spee said. However, there is a downside in that Moscow's recent graduates often miss the practical experience their employers require.

"What we learned from talking to the investors here was that there was a bit of a mismatch in terms of what the companies are really looking for, particularly the pragmatic skills, and what the education system offers," Spee said.

Factors that also weakened Moscow's position in the ranking included regulatory issues, such as bureaucracy and lack of transparency, and its expensiveness.

Other East European capitals are Moscow's main competitors in attracting foreign investment because companies can service the whole East European market, including Russia, from these locations. Prague, Warsaw and Budapest are similar to Moscow in quality but are also cheaper, which puts the Russian capital at a disadvantage, Spee said.

Spee said Moscow could increase its competitiveness by becoming a higher quality business location while preventing its high costs from increasing further. Research would be one good target sector, he added, because this activity is high-quality and not as sensitive to cost efficiency calculations.

Contact the author at e.smirnova@imedia.ru

Original url:
https://www.themoscowtimes.com/2013/12/05/report-says-moscow-should-prioritize-quality-over-cost-to-attract-investment-a30236