RUSSIAN DENTAL MARKET

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## Population statistics

<table>
<thead>
<tr>
<th>General statistics:</th>
<th>Russia</th>
<th>Moscow</th>
<th>St. Petersburg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population total</td>
<td>145 181 900</td>
<td>10 357 800</td>
<td>4 669 400</td>
</tr>
<tr>
<td>Age under 18</td>
<td>36 547 229</td>
<td>1 972 100</td>
<td>960 924</td>
</tr>
<tr>
<td>Age 18 - 60</td>
<td>84 498 050</td>
<td>6 654 626</td>
<td>2 869 920</td>
</tr>
<tr>
<td>Age over 60</td>
<td>24 136 621</td>
<td>1 731 074</td>
<td>838 556</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average amount per month, USD</td>
<td>406</td>
<td>790</td>
<td>333</td>
</tr>
</tbody>
</table>

There are 14 cities in Russia with population more than 1 000 000. They are: Moscow, St. Petersburg, Volgograd, Yekaterinburg, Kazan, Nizhniy Novgorod, Novosibirsk, Omsk, Perm, Rostov-na-Donu, Samara, Ufa, Chelyabinsk.
Around 55 000 000 people live in big cities.

Around 90 000 000 people live in small cities or villages.
Political climates

What is good:

- Political stability
- Strengthening of struggle against corruption
- Appearance of great number of credit programs and leasing
- Strengthening of Federal Authority
- Making Healthcare system one of national priorities
- Increasing of market tendencies in economics
Minuses:

- Corruption
- Opacity of tax legislation
- Big number of controlling state bodies
- Shortage of not expensive offices
- Shortage of professional staff in trade and engineer services in medicine
- Growth of salary of employees
Important and regulatory issues

US Company

First way to get on market

Registration of representative (1 year - 1000$, 2 years - 2000$, 3 years - 2500$. Can be prolonged)
1. Rent of office
2. Everyday accountant needed
3. Accreditation of employees (max. 5 people, Executive Director if he is Russian must be also registered)
4. Must be registered in:
   - Tax system***
   - Customs system
   - State standard system
   - Pension fund
   - Fund of Obligatory Medical Insurance (FOMS)
   - Social security

*** Tax system is divided on:
- Income taxes
- Employee taxes: A) Pension fund B) Income-tax C) FOMS  D) Social security tax
- VAT
US company

Second way to get on market

Give the power of attorney to:
1. Potential distributor who legalizes goods and then sells them
2. Special company that legalizes goods on market

Examples of legalization (dental product):
- Special company that legalizes goods on market takes 5 000$ – 15 000$ for service
- Customs for registration in Ministry of Healthcare of medical product – not more 35 000$
- Customs for registration of dental product in Ministry of healthcare – 2000$ - 12000$
- State Standard System (GOST) – work through agents (around 40 agents in all country), Certificate costs 500$ - 3 000$. 
Next step after deciding which way to follow (give power of attorney or registration of representative) is legalization of goods.

Federal law:
- Customs
- State standard certification (GOST)
- Registration in Ministry of Healthcare of Russia

State standard certification defines which product needs sanitary certificate and which not.

After getting state standard certification (GOST) a special statistics code is appropriated.

This code determines the percent of custom payment and VAT in future.
Ways of legalization of goods

specimen copy

Custom-house

Special Statistics Code

State Standard System

Registration in Healthcare Ministry

Dealer or customer

Collects all documents

Distributor

Percent from price Plus VAT

Ways to import goods to Russia

Best way for importing goods to Russia:
There are 7 federal regions in Russia.
1 consignment warehouse in each region.

Consignment goods of factory are kept in such warehouses and distributor takes any dental product by warrant and sends to dealer.
Ways to import goods to Russia

And how it is done now…

One of the main problems in Russia is weak logistics.
Many large companies have their own Representatives in Russia: Dentsply, 3M ESPE, Sirona...

There are 12 large trade companies on Russian market that try to become catalog - companies. But it is not like “Henry Shine” in USA. Each company tries to be distributor and dealer and so they supply dental goods both to dental clinics and to dealers. All such companies try to legalize imported dental goods with help of special companies.
Example:
“Amfodent” trade company from St. Petersburg
The best way for factories is to work with exclusive trade companies that promote and sell only 2-3 brands.
Less that 1000 dental units – made in Russia
6000 of imported dental units were sold in Russia:
Around 2000 – from Brazil
Around 1000 – from Slovakia
Around 500 – from USA
Around 500 – from Germany
Around 400 – from Italy
Around 300 – from Czech Republic
Around 1300 – other factories
Russian dental industry increases its influence on Russian market. It is impossible to provide full dental service only with imported products. In majority of state clinics FOMS pays only 1-5$ for treatment of one caries tooth, in private clinics the price for treatment of one caries tooth is 50-100$. That is why private clinics use imported products and state clinics use cheap Russian dental goods.

In previous Soviet times we had 5 dental factories, now we have more than 120. Turnover of Russian dental market for today is 1 000 000 000$ and will increase to over 2 000 000 000$ during next 10-15 years. Size of Moscow dental exhibitions increased from 1000 sq.m in 1997 to 15 000 sq.m. in 2006.
Big potential have joint productions based on technologies of assembling of spare parts on the factories. It allows to decrease the customs taxes on import.

Chief Dental Officer of Russia, Valeriy Leontiev, thinks that market capacity of dental units assembled with these technologies is 5000 dental units per year.
Globalization made such old-fashion Russian parties a very rare event.
If someone taps you on the shoulder it means friendly relations
If you were invited not to business lunch but to the home dinner – it is very good sign, you will have many time to speak there
If someone calls you with your first name – it is a sigh of good friendly relationship
Russians like to tell jokes with gentle hints on concrete thematic
Make presents at business meetings (preferably from your country)
If someone starts to teach you how to drink Vodka - be very careful and sensible:
Russians say: The better is evening, the worse is morning!!!
And the main information about Russian culture:

You can feel relaxed, Bears don’t walk on the streets in Russia, only in circus...
Thank you for your attention!

Sincerely yours,
Dr. Vladimir Sadovski

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