Kuznetsky Most 20

RUSSIA

Maria Konovalova

A SNAPSHOT OF THE ECONOMIC CRISIS

2015 was a tough year for fashion businesses operating in Russia. After the collapse of the rouble and a major economic downturn, a number of labels left the market. However, there are positive sides to the crisis: Russians are now refraining from trips abroad – and are taking shopping trips instead. The reality is setting in: this will be a long-term crisis that requires a new spending behavior.

Changes in consumer preferences impact on retailers' buying patterns. Despite the weak rouble, this does not necessarily mean going for lower price points – rather, sticking to tried and tested labels, even if they are far from conventional. "We are relying on our all-time bestsellers, and in their case, the price does not matter," comment the staff of **Kuznetsky Most 20** in Moscow. "People still queue to buy truly unique designers: **Gosha Rubchinskiy**, **Vetements**, **Raf Simons** and **J.W.Anderson**."

Reduced rents have motivated foreign mono-brand newcomers, such as **Jil Sander Navy**, **Aigle**, **Henry Cotton's**, and instigated the opening of locally owned multi-brands: shoe store **Porta 9**, concept store **Nebo** and jewelry store **Saharok**. Some businesses view the crisis as an opportunity: Porta 9 has also launched its own mid-price shoe line, and Kuznetsky Most 20 has begun worldwide shipping of purchases made via their e-shop, expanding their reach internationally. In addition, they have introduced a system of pre-orders which protects their customers from the fluctuating exchange rate and also stabilizes the store's cash flow.

CHINA

Yanie Durocher

E-COMMERCE TAX ON CROSS-BORDER PURCHASES

As of April 2016, new tax rates of around 12% have been enforced on e-commerce cross-border purchases in China. This is both a challenge and an opportunity for online businesses specialized in imported goods: on the one hand, some of them may need to lower their margins and review their pricing strategies to keep their current customers shopping; on the other hand, the legislation may balance out the competition between registered businesses and the gray market: the 'daigou' sellers, unofficial importers involved in C2C distribution. These sellers operate as personal shoppers, reselling items they purchased abroad to Chinese individuals via Wechat and/or Taobao platforms at competitive prices, thus undermining official fashion e-businesses. Through declaring the goods as 'personal', daigou previously paid little or no tax on the goods they shipped to China to resell.

"If the audience [of an e-commerce site] is highly price-sensitive, this will significantly enhance the platform's total investment [in order to keep their margins lower]. But if the customer is a value pursuer seeking quality goods, an increase in price will not be a vital element and will not alter their purchasing decision," says Mabel Yao, CEO of Glimpse PR, an agency creating online-to-offline solutions in China for international fashion brands. "This will positively drive the value competition to a next level."