

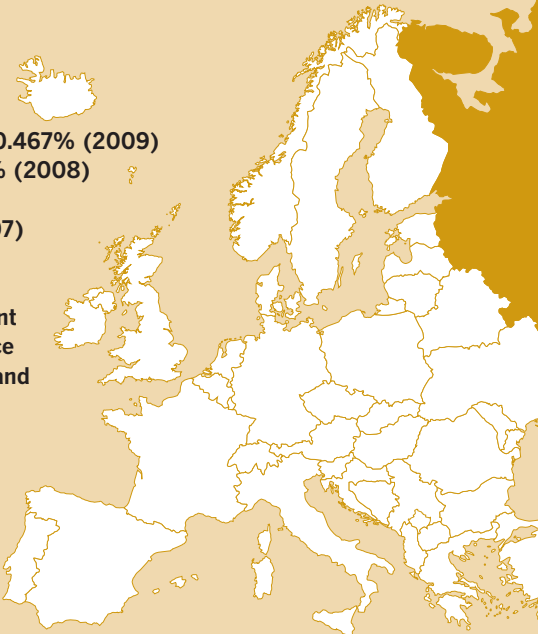
Going through changes

The Russian installation sector is at a significant crossroads: the struggling economy is a major headache for all concerned, but standards and requirements across the business are continuing to rise. **David Davies** finds out more about this sometimes contradictory market

Market Data

Population: 140,041,247 (July 2009)
Population growth rate: -0.467% (2009)
Unemployment rate: 6.4% (2008)
Real GDP growth rate: 5.6% (2008, vs 8.1% 2007)
Install market drivers: Educational upgrade programmes; refurbishment of auditoria and conference facilities; adoption of 3D and some other emerging technologies
Watch out for: A modest recovery in 2010

(All figures are estimates and are taken from the CIA World Factbook)



As anyone who has kept an eye on the twists and downturns of the global recession will know, Russia has been severely impacted by recent events. Exports have declined and levels of investment – both homegrown and foreign – have tailed off. The government is taking steps to help shore up the business community, but as yet it is too early to assess the success or otherwise of these measures.

As a result, *IE* undertook its survey of installers, manufacturers, distributors and other interested parties during a period of transition. This is arguably reflected in the results dissected below, which reveal occasional and striking contradictions.

Confidence levels

When asked to rate the general level of confidence in the Russian professional installation sector on a scale of 1 to 5 (1 = very low, 5 = very high), the average score was a none-too-dispiriting 3.2. Moreover, among those who declared a preference, 60% claimed that levels of confidence are currently on the rise (**Graph 1**).

This might well offer some cause for optimism; however, it is clear that when stakeholders in the Russian industry turn away from the wider landscape to their own backyards, so to speak, they are less upbeat. A clear majority of respondents who offered an opinion revealed that they expect their overall business in the installation sector to decrease this year in comparison to the last calendar year (**Graph 2**). From a particularly wide

field of answers, the average prediction was for a decline of 29.7%.

If this makes for rather sober reading, at least stakeholders in the Russian installation business are, broadly speaking, united about the principal factors informing the current malaise. When invited to assess the relative impact that key issues are having on their installation sector interests on a scale of 1 to 8 (1 = least or of no importance, 8 = most important), two – national/international economic circumstances and government spending/taxation – were prioritised by the vast majority of contributors.

Indeed, a few participants declined to offer a full ranking: one said that only these two factors were important, while another claimed that after national/international economic circumstances, “all other factors are not significant”. (At the other end of the scale, green issues were ranked as a 1 by more than half of our contributors. The full breakdown can be seen in **Graph 3**.)

So, no getting around it, the economic situation is having a profound impact on both market and morale. At the time of writing in mid-October, the immediate outlook is by no means clear: a VTB Capital report indicated that Russia’s economy contracted in September at the slowest monthly pace in 2009, but the IMF forecasts that Russia might see a 7.5% fall in GDP this year, with only a modest recovery next year.

IE rounded off this section of the survey by asking participants to

nominate other factors that they think are having an impact on the Russian installation business. A truly eclectic list collated from our many contributors includes competition from China, the availability of credit, consistency (or lack thereof) in governmental projects, import taxation policy, the emergence of 3D cinema and – alas – “corrupt practices”.

Future factors

Next, participants were asked to consider the likely relative importance of five key factors to their install customers in Russia during the next two or three years (**Graph 4**). On a scale of 1 to 5 (1 = least or of no importance, 5 = most important), keener pricing emerged as the most significant probable consideration with an average rating of 4.7. If this is a result that suggests the eye of Russian install customers is very much trained on the bottom line, it seems rather

curious that total cost of ownership was judged to be the second least important factor. Meanwhile, in a finding that won’t exactly lift the hearts of the world’s protocol developers, networking was voted into bottom place with an average of 2.2.

The next area of questioning centred on emerging technologies and, specifically, those that participants feel will rise most rapidly over the next few years (**Graph 5**). From a choice of four technologies, 3D was expected to be the most popular, garnering 45.4% of the vote. Ultra-thin (OLED) displays and audio-video bridging over Ethernet tied on 27.3% apiece. Gesture-recognition technology did not score a single vote.

Defining projects

Despite the challenges, it is clear that many significant installation projects are continuing to take place. *IE* invited participants to nominate key

