

## The Russian Market: Opportunities for the U.S. IT Sector

### *Russia Is a Significant Emerging Market for U.S. IT Firms*

Home to a large and increasingly tech-savvy population, Russia is an attractive market for U.S. firms seeking to sell and export hardware, software and networking and internet services. Although IT market growth slowed in Russia amid the global economic crisis, U.S. companies continue to see Russia's long-term promise as a key emerging market.

- More and more Russians are plugging in – today, **38% of Russians regularly use the internet**, up from 22% in 2006.<sup>1</sup>
- Valued at approximately \$13 billion in 2009, **the Russian IT market is expected to return to its pre-crisis size of nearly \$17 billion in 2011**, driven by the growing penetration of computers as well as potential and planned increases in IT project spending by the Russian Government and the private sector.<sup>2</sup>
- Russia's **\$7 billion personal computer market** is projected to grow nearly 11% annually between 2010 and 2015<sup>3</sup>, and the country's software market is expected to grow from \$3 billion in 2010 to more than \$5 billion by 2014.<sup>4</sup>
- Meanwhile, the IT services market in Russia is valued at nearly \$4 billion and may grow to more than \$7 billion by 2014.<sup>5</sup>

### *U.S. Brand Hardware and Software Products Are Popular and Widely Used in Russia*

Russian consumers and companies rely on computers and technology produced by U.S. firms.

- **Microsoft** has a \$1 billion business in Russia<sup>6</sup>, and during the 2007-2008 fiscal year Russia was the fastest-growing PC market in the world for Microsoft.<sup>7</sup> The company announced in 2009 that it planned to double its sales in Russia by 2012.<sup>8</sup>
- **The Walt Disney Company**, which entered the Russian market in the early 1990s, began distributing videogames in Russia in 2002 and became the country's market leader in children's games by 2006.<sup>9</sup>
- **Hewlett-Packard** and **Xerox** are among the leading suppliers of laser printing equipment in Russia, controlling market shares of 46% and 16% respectively in 2008.<sup>10</sup>
- In 1H 2010, U.S exports to Russia of automatic data-processing machines grew 19% over the same period in 2009 to a total of \$37 million, putting them on track to exceed their full-year 2009 level of \$76 million. Previously, these exports to Russia had reached \$81 million in 2008 and \$117 million in 2007.<sup>11</sup>
- As part of its WTO commitments, Russia will permit IT imports to enter the country duty-free.<sup>12</sup>

### *Shoring Up Russia's Place in the Digital Age Is a Win-Win for the U.S. and Russia*

Russia is looking to the high-tech sector to help diversify its economy. The involvement of U.S. IT companies in Russian R&D benefits both the Russian economy and the competitiveness of U.S. firms.

- In 2009, **Microsoft** announced a three-year plan to invest \$300 million in Russia, focusing on projects such as improvements in the healthcare system and the development of innovation centers.<sup>13</sup> Microsoft has also partnered with Russia's Education Ministry to provide software, email and online learning services to tens of thousands of students across Russia.<sup>14</sup>
- **Cisco** helped set up Russia's first residential broadband internet access network<sup>15</sup> and the country's first university Wi-Fi zone.<sup>16</sup> In June 2010, Cisco announced plans to invest \$1 billion over ten years in the Skolkovo innovation center near Moscow in an effort to stimulate high-tech entrepreneurship in Russia.<sup>17</sup>

<sup>1</sup> "Almost 40 Per Cent of Russians Regularly Use Internet – Poll," RIA Novosti, April 6, 2010.

<sup>2</sup> "Russia Information Technology Report Q3 2010," Business Monitor International, <http://www.companiesandmarkets.com/Summary-Market-Report/russia-information-technology-report-q3-2010-318717.asp>, June 30, 2010; "Russian IT Market to Recover in 2011," PMR Publications, June 2010.

<sup>3</sup> "Russia Consumer Electronics Report Q2 2010," Business Monitor International, <http://www.companiesandmarkets.com/Summary-Market-Report/russia-consumer-electronics-report-q2-2010-278893.asp>, March 17, 2010.

<sup>4</sup> "Russia Information Technology Report Q3 2010," Business Monitor International, <http://www.companiesandmarkets.com/Summary-Market-Report/russia-information-technology-report-q3-2010-318717.asp>, June 30, 2010.

<sup>5</sup> "Russia Information Technology Report Q3 2010," Business Monitor International, <http://www.companiesandmarkets.com/Summary-Market-Report/russia-information-technology-report-q3-2010-318717.asp>, June 30, 2010.

<sup>6</sup> Igor Sukanov, "Все, что вы хотели знать о Windows," *Vedomosti*, <http://www.vedomosti.ru/newspaper/article/2010/07/07/239819>, July 7, 2010.

<sup>7</sup> Peter Burrows, "Microsoft's Earnings Don't Disappoint," *BusinessWeek*, October 24, 2008.

<sup>8</sup> "Microsoft Plans to Double Russian Sales in 3 Yrs," Reuters, June 16, 2009.

<sup>9</sup> "Marina Jigalove-Ozkan Named Managing Director, The Walt Disney Company (Russia)," Walt Disney Company Website, [http://corporate.disney.go.com/news/corporate/2006/2006\\_0309\\_marina\\_jigalove-ozkan.html](http://corporate.disney.go.com/news/corporate/2006/2006_0309_marina_jigalove-ozkan.html), March 9, 2006.

<sup>10</sup> "Laser Printing Market in Russia: Main Trends and Perspectives," Business-Info Russia, July 2009, [http://www.researchusaexpo.com/online/index.php?option=com\\_content&view=article&id=72&Itemid=155&lang=en](http://www.researchusaexpo.com/online/index.php?option=com_content&view=article&id=72&Itemid=155&lang=en), (accessed August 25, 2010).

<sup>11</sup> U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total U.S. Exports to Russia (HTS-8471), 2006-2009 and 1H 2010 YTD, by FAS Value.

<sup>12</sup> "Non-Agricultural Goods Market Access," Office of the U.S. Trade Representative, November 19, 2006.

<sup>13</sup> Courtney Weaver, "Microsoft Unveils \$300M Expansion," *The Moscow Times*, April 21, 2009.

<sup>14</sup> "Новый этап стратегического партнерства Microsoft с государством в сфере образования в направлении эффективного развития информационного общества в России," Microsoft Russia Website, July 26, 2010.

<sup>15</sup> "Cisco to Provide Russia with High-Speed Residential Internet Access and New IP Services," Cisco Systems Press Release, February 16, 2001.

<sup>16</sup> "Nizhny Novgorod, Russia's First WiFi Enabled University," Cisco Systems Press Release, February 23, 2004.

<sup>17</sup> "Cisco Commits to Sustainable Development of Russian Technology Innovation Agenda Through \$1B Multi-Year Investment," Cisco Systems Press Release, June 23, 2010.