



INTERVIEW TRANSCRIPT
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General Director,
MELITA

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UNITED WORLD (UW): Founded in 1928 as an enterprise rooted in artisan fur undertakings, Melita has now established itself as the leading name in the Russian fur clothing industry.

RAIS GUMEROV (RG): Yes, as a matter of fact, Melita came about from the amalgamation of various handicraft enterprises that had existed from the 19th century. In 1928 they merged and became a single major undertaking, Melita.

UW: Today Melita is the undisputed leader in Russia's fur industry, providing for 50% of the market. Could you please provide us with a brief outline to the long and illustrious history of Melita and the major turning points and events that have taken place here over the years that have helped shape the Melita of today?

RG: The most striking event for our company was the Second World War. Melita, which at that time was called Tatar Fur Association (union) named after Yamashev, directed most of its business to supplying the Red Army with clothing; over the entire period of the war we supplied more than 8 million fur products. Melita was in fact the only enterprise in our country to receive the highest recognition in the country, the Order of Lenin award, in 1944. Furthermore, in 1954 we received the USSR State Prize in Science and Technology for developing a new material, Mutton, based on sanitized sheepskin.

In Soviet times, our company employed about 8,000 people, and we processed up to 8 million pieces of sheepskin annually. I think the whole of Europe and Russia put together do not process as much nowadays. At the time, we received an entire train, i.e. 35 carriages, of raw material every day. We mostly sewed work wear and custom-made clothes, so products for the market made up for a small percentage of our business.

During the *perestroika* years, our situation changed drastically; at the time, we redirected all our products to the market, and so they continue to be till this day. Our company trades throughout Russia, the Ukraine, and Belarus. We have not exported our products to Europe for more than 10 years now, but in the 90's we exported a lot to Italy. However, there was a time when we exported more of our products; in the entire history of Melita exports amounted to USD1 billion. Actually, in Soviet times our company was the largest in Kazan in terms of revenues, reaching over USD400 million annually.

In 1993, we visited the United States and were surprised to see our products in shops; but the Russian market is the most profitable for furriers nowadays, so manufacturers from all over the world mainly trade here. The main reason for this is our climate and the fact that our citizens' income has been steadily rising, making our products more accessible.

In 2005, we received an award from the Federal Government of Russia in the field of science and technological innovation. This is a very high award, with 25



such awards given in all areas (space, aviation, etc). The two state awards we have shed light on our industry and its role to a certain extent.

UW: Melita processes different kinds of furs such as sheepskin, mink, fox, silver fox, wolf, fur seal, bukhara, karakul, etc., and to ensure high quality, you apply chemicals and new technologies of leading German, Swiss and Italian firms such as Henkel, BASF, Stockhausen, Bohme, Sandoz, Francetich. Could you tell us a bit more about the furs you work with and the different processes you have in order to ensure the quality of your products?

RG: Our company is one of a few in the world that combines the processes of manufacturing and fabrication (tailoring). There are two completely different kinds of business in the world; some businesses process fur, get the intermediate product and sell it, while others develop the design and sew.

UW: Does the use of such a wide variety of chemicals affect the quality of the fur?

RG: As a result of processing, fur can acquire entirely new qualities. In fact, about 95% of our dyes come from America.

UW: You have already mentioned a number of foreign companies with which you work. Could you tell us more about how you forge these relationships and the role they have played?

RG: Since the formation of our company, and during many decades, we have worked with German specialists. Of course these relations were severed during the war, but quickly reestablished after. Being the largest sheepskin processor in the world, all chemical companies that produce products for processing furs have always offered us their cooperation and products.

Processing of raw material is very complex; for example, with sheepskin more than one hundred processes are required. As I mentioned, this draws a huge number of chemical products of different companies. We also have a very strong chemical laboratory, and our specialists are in constant contact with chemists from foreign firms. As a consequence, the quality of our products is constantly improving.

UW: Melita fur garments are highly rated by consummate experts on furs all over the world and repeatedly win awards at exhibitions and trade fairs. Furthermore, in March 2007, at the international fur exhibition "MiFur-2007" in Milan, the latest collection of "Melita-luxury" was highly appreciated by European experts, who unanimously agreed that the enterprise was able to create new fur materials. Can we expect a new revolutionary product on the market in the near future?



RG: Yes, of course. As you mentioned, in Milan many world-class professionals, including the President of the International Fur Union, recognized the fact that we had invented a completely new fur product. We've been recognized as world leaders in the processing of beaver fur, and this year we are developing two new directions, "luxury" and "Superluxury". By the new season, we plan to issue a unique product.

UW: **The mastership of stylists, designers, and production engineers of Melita and cooperation with a well-known modeler from Moscow, Irina Krutikova, enable the enterprise to produce a wide range of goods, starting from warm casual wear and special garments to collection models that meet diverse and exquisite tastes of its customers. Would it be fair to say that Melita has its own unique style and design?**

RG: There is no doubt that every big company must have its own style, and the same applies to us. Russian furriers, of which there are hundreds, distinguish Melita products from others because of our wide variety and quality. We sew products ranging from USD100 up to USD20,000-30,000 per unit.

UW: **Has the participation in international exhibitions as well as Melita's recognition as an innovator and frontrunner in the industry helped you penetrate foreign markets effectively?**

RG: We hope it will help us. We really want to return to the European market, but for this you need to participate in exhibitions every year. Last year we participated in the exhibition in Milan, and this year we will participate in a large exhibition in Frankfurt. However, the American and European markets, in my opinion, are very conservative and are difficult for new players. Before, when we used to export our products there, they knew us but now they have forgotten. In the early 90's, we supplied our products to Italy, but we did so in collaboration with an Italian company, and used their brand. Now we want to sell at least a small portion of our products under our own brand name. Last year we received proposals, particularly from Germany and Switzerland; they wanted to buy our products, so we made a small shipment. However, prices in Russia are now more favorable than Europe. In order to sell our products in Europe we have to cut our price and now we are ready for that.

UW: **Are prices lower in Europe?**

RG: Yes, it is true. Prices in Europe are lower for the manufacturer, but not in stores, where there are very large margins. One of our big problems is China; about 70% of the world's fur products are made there. Twenty years ago, America had around 80 fur companies and now none are left as they all moved to China. The same thing is happening in Europe, where there is almost no fur business; all production has been relocated to China. Even Turkey has moved its production to China because labor is cheaper there. It is difficult to compete with Chinese products because conditions such as wages and taxes in Russia are much higher.



UW: Like all companies in Tatarstan, Melita is in a good position to capitalize on the flourishing economy and the growth in foreign trade that the region has enjoyed over the last years. What are the main advantages that being based in Tatarstan have given Melita?

RG: Our products are for the people. If the economy grows, people live better and buy our products. Last year alone, in Kazan, we sold products worth more than USD11 million, and we expect that this year the figure will rise to USD20 million. This is driven by the fact that in our republic people receive wages and salary increases each year. The government of the republic is trying to help producers and businesses as best they can, and although facilities are not always great, during the most difficult times our company was released from taxes we had to pay the republic, leaving us only with federal taxes.

UW: The Tatarstan government is trying to move the attention away from oil and gas to other sectors, and to show the world that Tatarstan is not only about hydrocarbons but also other types of industry. In this way they aim to build a new image of Tatarstan for people around the world to know more about the country.

RG: Yes, this is certainly so and our company is one of the many faces of Tatarstan. We are very well known in Moscow. Guests from Moscow and from abroad visit our salon, especially wives. While husbands spend their time doing business here, their wives hurry to our salon. I would like to show you some of our new developments. They are absolutely unique. We have rabbit fur processed using aluminum. This involves aluminum atoms trapped in the structure of hair. Now, we are also beginning to work with silver. For us, this is just the beginning. By the new season, we plan to issue gold and silver products.

UW: Considering the reputation of the company as well as the desire of Tatarstan to develop partnerships with various countries, is there, in your opinion, space for the development of partnerships between your company and the United States?

RG: Yes, the doors are always open for cooperation on our side. But, unfortunately, as we said earlier, investment capital from all over the world, including from the United States, is mostly directed to China. Now we should not talk about cooperation in the field of technology and fur companies from the United States since none are left, but that of chemical companies. We are now also actively engaged in retrofitting, for example. In the past year we introduced a new 12,000 square meter production building for sewing and have plans to retrofit the building for leather and fur processing. We consider that investment capital from America and Europe will mutually benefit both sides.