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SPECIAL REPORT

Banking on a vodka empire

Roustam Tariko tells John Arlidge in Moscow how he built a unique finance business

“EXCUSE ME. It’s the prime minister.” Roustam Tariko lifts the telephone in his Moscow office and unleashes a tirade against illegal trade protectionism in the Russian republics.

After a few minutes of negotiation, he grins and hangs up. “It’s resolved. They wanted to restrict me selling my vodka in Tatarstan. Now I can.” The price? “I agreed to build some schools.”

A desks-for-drink deal with the prime minister? Tariko does not do business by the book. But that’s the way he likes it. He has spent years doing whatever it takes to make the risky, chaotic Russian economic system work for him. The results are revolutionary.

The 44-year-old son of a Communist party propaganda teacher who grew up proudly wearing the party’s Young Pioneer uniform has become the most successful billionaire entrepreneur in Russia. He dominates the luxury-drinks market and has created the first global Russian consumer brands. His Russian Standard and Imperia vodkas have a 67% share of the local premium vodka market and sell for up to £20 a bottle in Europe and America.

He has established the first “high street” bank in Russia, Russian Standard. It issues 80% of personal credit cards in the country and has 40% the market for consumer loans. It also dominates the consumer-credit insurance market and is pioneering Russian life insurance.

To put his business in perspective, it is the equivalent in Britain of owning Barclays and Lloyds TSB banks, issuing every personal Visa and Mastercard in the country, and owning Johnnie Walker Black Label and Glenfiddich whiskies.

Tariko owns his Russian Standard group outright. It — he — is valued at an estimated £3.5 billion and he enjoys his fortune. He has the only £800,000 Bugatti Veyron in Russia, owns a Boeing 737 business jet, sails a £1.5m Wally Power 70 yacht to his villa in Sardinia, and parties hard. A good night out “starts at £100,000”, he insisted, “with the finest beluga, blinis and borscht”.

Tariko is little known outside Russia but that is about to change. He is raising his profile to become the figurehead for Russian Standard. By aping the likes of Sir Richard Branson and living the brand, he hopes to achieve his dream of creating a raft of global Russian consumer goods.

“The only Russian brand the world has heard of is Kalashnikov, which is not good,” he said. “I want Russian people to have their own best vodka, their own best bank, their own best credit card that can sit alongside the best western equivalents.”

How did Tariko beat the system to become that rarity — an honest Russian billionaire?

His is a tale of outsize ambition, guile, luck and great timing. “This is where it all began,” said Tariko as he stepped out of his £300,000 Maybach limousine onto the filthy pavement on Sretenka Street in downtown Moscow. “This is where I got my first job.”

Tariko arrived in the Russian capital at the age of 17. He couldn’t wait to escape his home in Tatarstan. “The conditions there were pretty terrible,” he said. “My mother threw my father out when I was one because she said he was useless. Our apartment was so cold we had to keep the iron on to stay warm.”

He got a part-time job sweeping the streets in between his studies at Moscow University’s Institute of Transport Engineers. “I had to get up at 4.30am and clear the snow even if it was -20C.”

But even on those cold, dark mornings he had an eye for a rouble. He formed a small cleaning company with two friends and struck a deal with a nearby bank to clear the snow from around the building at a higher rate than the city authorities were paying him.

Through a friend, he soon got a job in a restaurant and began to make so much money in tips from the emerging business class that he moved into buying and selling consumer electronics — foreign luxuries that were just beginning to trickle into the newly liberalised Russian market. He sold one imported television set for a 4ft square cardboard box stuffed with roubles.

His big break established the formula for his future success. In 1986 he set up a concierge service for foreigners visiting Moscow. At that time, hotel rooms for foreigners were hard to come by and one Italian travel agent offered him a 20% commission for every bed he could secure.

With communism beginning to collapse, Tariko took a gamble and bypassed the KGB-style committee that usually decided where foreigners could stay and approached the biggest hotel in Moscow, the Rossiya, near Red Square. He persuaded the manager to use her connections with the Tourism Authority to allow her to deal direct with him.

To everyone’s surprise, the authority agreed and soon Tariko was securing so many rooms that he was earning hundreds of dollars a day at a time when the average wage was \$5 a month. “I led a small consumer revolution in hotels,” he said. “I shook up the system. If something does not work, I like to explode it and put it back together, so that it does. I’ve been doing it ever since.”

Tariko moved on from hotels to luxury goods. He knew Russians loved western consumer brands — “in university, if you had Nikes you were a king” — and were prepared to pay vastly over the odds for them. So he decided to use his Italian connections “to really spoil”

his countrymen — he got a licence to distribute Ferrero Rocher chocolates.

Consignment after consignment of the sweet, gold-wrapped confectionery sold out and word of his success reached the Italian drinks company Martini & Rossi, which hired Roust Trading, Tariko’s luxury-goods import company, as the Russian distributor for its vermouth. Triple-digit percentage price rises and import-and-export regulations that changed daily made it tough to make a profit. There was also the small matter of visits from the local mafia. Tariko used his connections to stay one step ahead of the bureaucrats and the bad guys.

Over a beluga caviar and Imperia vodka dinner at Moscow’s plush Cafe Pushkin, he said: “I hired staff who knew the authorities, so we always managed to get our product. And when gangsters demanded protection money from one of my staff in St Petersburg, I phoned a friend who gave me the private telephone number of the police chief. I gave the number to the guys making the threats. We never heard from them again.” The appetite for luxury in 1990s Russia was so great that Tariko soon became the largest supplier of Martini in the world, selling 1.5m nine-litre cases a year. He moved on to produce his own Russian Standard Original and Imperia vodka.

The money he made from booze — about \$200m in a decade — paved the way for his biggest gamble: banking. In the 1990s getting a loan in Russia could take weeks and consumers did not have credit cards. Tariko set up Russian Standard Bank, cobbled together a rudimentary credit-scoring system, based on marital status, age and income and persuaded the authorities to let him set up sales desks near the cashiers in big stores, offering cards that could be approved in 15 minutes.

Interest rates were — and still are — high at an average 40% but he guessed, correctly, that ordinary Russians would seize their first chance to become western-style debt-addicted consumers, splurging cash on dishwashers and fridges. Although Tariko’s sales plummeted during the 1998 financial crisis, the group survived.

The father of three-year-old twin girls — he and the twins’ mother, Tatiana Osipova, are separated but on good terms — has reaped the benefits of Russia’s booming economy — it has been growing at 6.5% a year since 1998. Sales at Roust Trading have increased by more than 20% annually for the past seven years to reach \$250m.

Russian Standard Bank has issued 13m credit cards and holds more than \$8 billion in credit-card and other loans, making it the nation’s biggest lender to consumers. The bank, which has 19m customers, more than doubled its net profit last year to \$570m.

Still bigger fortunes — and risks — lie ahead. He plans to create a Russian life-insurance sector and sell financial services in emerging markets, notably India. And he wants to make Imperia America’s No 1 premium vodka, selling 1m cases a year there in the next five years.

As Tariko expands at home, buffs his global image and turns down offers from western institutions to buy him out, what analysts are asking is: can anything halt his progress?

Tariko finances Russian Standard Bank with junk-rated bonds from western financial institutions, notably Dresdner and Deutsche banks. Last month there was \$6.2 billion outstanding, at an average rate of 8.6%. Repaying the debt will require lots of new customers at a time when competition is increasing — Citigroup, Societe Generale and Austria’s Raiffeisen Bank are moving into the Russian market.

And the Russian economy is still something of a gamble. Tariko himself has expressed fears that the country’s currency is overvalued and could crash. A sharp downturn, political turmoil or a credit crunch could spell disaster for both the bank and the trading company.

But, for now, Tariko is on a roll. He and his products skilfully tap into modern Russian consumers’ love of the new and their nostalgia for their nation’s former imperial greatness. “I believe in emotional branding,” he said. “I’m an aggressive patriot. My products have Russian names, like Russian Standard, but they look like and perform like western products. They appeal to both sides of the Russian psyche: love of Russia and appetite for western lifestyle.”

Tariko’s wealth and desire to go global have prompted speculation that he will leave his homeland. As the last glass of Imperia vodka was sunk at Cafe Pushkin, he recalled that at a recent meeting with the board of HSBC in Canary Wharf one bank executive asked him how long it would be before he moved to London to join his fellow Russian billionaires and enjoy the spoils of his consumer revolution.

“I told them I can never leave,” he said. “I may have a lot of money . . . I may travel a lot. I may go to bed in London, in New York, in Paris or on my plane. But when I sleep I am in Russia in my mind and I wake up Russian. This country gave me everything.”

And, with that, he raised the collar on his bespoke Italian suit and walked out onto the freezing streets that he used to sweep but which, for him at least, are now paved with gold. ■