Russian e-commerce: Key facts & figures

Moscow, November 1, 2012
Europe’s largest Internet market
Europe’s largest Internet market

• More than 60 million users in Russia*
  (+ 20 million Russian speaking users outside Russia)

• Just half of the population connected: Still huge potential ahead

• Further growth fuelled essentially by the regions
  (penetration rate as low as 30% in certain areas)

* Unique users monthly as of Spring 2012
Internet users in Russia: Distribution by regions

- NORTH WEST: 6.3 million (11% of Russia's internet users)
- CENTRAL REGION (incl. Moscow): 16.3 million (28%)
- OURAL: 5.1 million (9%)
- VOLGA: 11.5 million (20%)
- SIBERIA: 7.8 million (13%)
- FAR-EAST: 2.7 million (5%)

Total: 57.8 million users 18+ as of Winter 2011-2012 – Source: FOM.
Russia’s e-commerce market
Key figures 2011

**Total market size:**
- $10.5bn (310bn rub.)
- Of which $7.8bn (230bn rub.) was spent on physical goods...
- While cross-border sales reached at least $2bn.

Online retail accounted for less than 2% of the total Russian retail market...

...but grew by at least +25% in one year.

**SOURCES:**
- DATA insight
- East-West Digital News

**18 million Russians**
- Shopped online in a 6-month period, or 14% of the population 18+
- (or 7 million monthly)

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- Russians shopped online in a 6-month period, or 14% of the population 18+

**89 million**
- Orders of physical goods were made during the year (or 245,000 per day)

**45 million**
- Of which 45 million (or 125,000 per day) came from the regions.
Key trends 2012

1. The market is growing by at least 25% each year; some major online retailers are even seeing their sales double or triple.

2. The regions still lag behind the capitals, but pioneering retailers now generate more than half of their sales from the regions.

3. Major offline retailers are now coming to e-commerce while online-offline concepts multiply.

4. Investment activity is growing fast, but exits are still exceptions and are likely to remain so at least in the short term.

5. Logistics and delivery are still bottlenecks for e-commerce in the regions; major retailers overcome this by building their own capacities.

6. Cash-on-delivery is the rule for physical goods and will remain so for a long time, but merchants find ways to cope with the related issues.

7. The lack of qualified HR appears to be one of the most painful issues, hampering the entire Internet industry.

8. Cross-border sales have grown considerably over the last few years, but foreign e-merchants still have to pull down two major walls: customs clearance and delivery across Russia.
E-commerce split and market size in macro-regions
(Moscow, St. Petersburg, regions, 2011)

Source: Data Insight
<table>
<thead>
<tr>
<th>Chain</th>
<th>Online sales channel</th>
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<tr>
<td>Auchan</td>
<td>First initiatives in 2010-2012 with limited assortment</td>
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<td>Azbuka Vkusa</td>
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<td>Benetton</td>
<td>Online sales launched in early 2012 (TheStore.ru)</td>
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<td>Detsky Mir</td>
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<td>X5 Retail Group</td>
<td>E5.ru: An online catalog, launched in early 2012, offers a comprehensive assortment with pickup points in exising offline stores.</td>
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<tr>
<td>Yves Rocher</td>
<td>Strong online sales (started in 2006)</td>
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<td>Zara</td>
<td>No online sales</td>
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Russian online retail market forecast
(2010-2020)

Included:
- Physical goods
- Ticketing
- Couponing

Not included:
- Virtual goods
- B2B

2010: $8 bn
2011: $10 bn to $30 bn
2015: $23 bn to $60 bn
2020: $40 bn to $60 bn
Long term potential: $100 bn to $150 bn
Market size and growth rates 2011*:
International comparisons

- Brazil: $11bn, 37% growth
- Russia: $10bn, 25% growth
- France: $50bn, 22% growth
- Italy: $11bn, 20% growth
- UK: $80bn, 16% growth
- USA: $202bn, 15% growth
- Germany: $35bn, 12% growth

*Growth rates 2011 / 2010 – Sources: Data Insight (Russia), Forrester (Brazil, USA), Netcomm (Italy), CRR (market size UK), IMRG (growth rate UK), Handelsverband Deutschland (market size Germany), GGK (growth rate Germany)
About EWDN’s study on Russian e-commerce
"E-Commerce in Russia" has instantly become the international reference in research in this industry.

The study (316 pages, 10 chapters) includes:

• **Comprehensive and precise market data** with mid and long term trend analysis

• Deep analysis and insights on the regional e-commerce scene

• Full coverage of operational aspects, from marketing to payment, fulfillment, HR and legal aspects, based on interviews with 80 industry players and experts

• An exclusive ranking of the top 40 Russian e-commerce properties

• An analysis of investment related issues with a complete review of publicly disclosed deals over the last 2 years
Study contents

1. Figures and trends: Yesterday, today and tomorrow
   1.1. Europe’s largest Internet market
   1.2. The Russian e-commerce market

2. Demand side: Shoppers
   2.1. How many are they?
   2.2. Who are they?
   2.3. What do they buy?
   2.4. Why do they buy – or not – online?
   2.5. How do they shop online?

3. Supply side: Merchants
   3.1. The Russian e-commerce scene: An overview; including an exclusive ranking of 40 top Russian e-commerce sites
   3.2. Case studies and interviews: eBay, Kupivip.ru, the Otto Group, Ozon.ru, Sapato.ru, Shoesofprey.ru, Syvaznoy.ru, Travelmenu.ru, Utinan.ru, Vseinstrumenti.ru, the daily deal site market
   3.3. Investing in Russian e-commerce; including a review of investment deals 2010-2012

4. Logistics
   4.1. Imports
   4.2. Warehousing and fulfillment
   4.3. Delivery
   4.4. Merchandise returns
   4.5. Call centers

5. Payments
   5.1. A specific situation
   5.2. A wide range of payment methods: Cash; Electronic payments; Payment aggregators

6. Marketing and sales channels
   6.1. Russian specifics
   6.2. Main instruments: SEO; SEM and contextual advertising; Display advertising; Advertising networks and affiliation networks; Marketplaces; Discounts and flash sales; Social commerce; Viral marketing; Auction sites; Email marketing; Loyalty programs; Mobile commerce; Offline marketing

7. Legal aspects
   7.1. Main requirements for distance selling
   7.2. Personal data: Collection, storage and usage
   7.3. Legal aspects of online marketing activities
   7.4. Possible risks connected with e-commerce in Russia

8. HR, the most painful issue?
   8.1. Few skilled people, high salaries
   8.2. Recruitment alternatives
   8.3. Employee motivation and loyalty

9. E-commerce in the Samara region – A monograph
   9.1. Online shoppers: Who are they?
   9.2. What do they buy?
   9.3. Regional online retailers compared to nationwide sites
   9.4. How e-commerce is changing consumption patterns in the region

10. From cross-border sales to market entry
    10.1. Market figures and trends
    10.2. Issues and solutions
    10.3. From cross-border sales to market entry
Participating experts

The study is published by East-West Digital News in partnership with Data Insight and Moscow’s Higher School of Economics.

Also participating are experts from leading Russian and international consultancies, universities, media and specialized providers.
Participating companies

**Online Retailers**

- allegro group
- anyway any day
- BayRu
- Collection Privée
- CultPens
- eBay
- HIPCLUB
- JUST EVA
- KUPI Vip.RU
- @mail.ru group
- @mail.ru
- ozon.ru
- X5 RETAIL GROUP
- molotok.ru
- Tiu.ru
- otto group russia
- travelmenu
- связной
- otto group
- otto group
- Wildberries
- second price auction
- minution
- Click&Pay
- Ютнет.ру
- LA REDOUTE
- oktogo.ru
- mebelrama
- MALL STREET
- wikimart
- YVES ROCHER
- Все инструменты
- zina.ru
Thank you for your attention!

Please contact us at editor@ewdn.com