

ANALYSIS OF THE POSITION OF E-COMMERCE IN THE DIGITAL ECONOMY OF THE RUSSIAN FEDERATION IN 2023

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Abstract: The author analyzes negative and positive factors impacting the industry of e-commerce in Russia: digitalization, pandemic, cross-border purchases, export markets, foreign companies' exodus, and logistics, past and future of the industry.

Keywords: e-commerce, digital economy, marketplaces, retail.

Two major conferences, The Electronic Commerce 2023 conference and the 27th Russian Internet Forum recently discussed the state and future of e-commerce in Russia. The conferences covered topics such as online store optimization, logistics, payment systems, and customer experience. The events also showcased the latest technological innovations in e-commerce. In 2023, Russian e-commerce is expected to

continue its growth trajectory, with more businesses and consumers embracing online shopping. The conferences provided a platform for industry leaders to share insights and strategies for success in the evolving e-commerce landscape.

As a result, the purpose of this article is to present a comprehensible overview of the current state of e-commerce market in Russia in 2023 based on the latest numbers and facts.

The most fundamental push for the development of the e-commerce market in Russia was given by state intervention. The national project "Digital Economy" is a comprehensive initiative launched by the Russian government in 2019 to promote the development of digital technologies and increase the country's competitiveness in the global digital economy. One of the key objectives of the project is to boost e-commerce in Russia and help the country become one of the top ten world leaders in this area by 2024.

To achieve this goal, the project includes a range of measures aimed at creating a favorable environment for e-commerce businesses, improving digital infrastructure, and promoting digital literacy among the population. For instance, the project aims to increase the availability and quality of high-speed internet across the country, expand the use of electronic payment systems, and simplify the process of registering and

running e-commerce businesses.

Russian IT industry has been receiving government support measures that have had a positive impact on the e-commerce market. Accredited IT companies that promote advertisements (e.g. for goods or services) benefit from tax breaks, simplified hiring procedures for foreigners, and exemption from scheduled inspections. The list of accredited companies includes popular marketplaces like Wildberries, Yandex Market, hh.ru, Superjob, and Avito, as well as marketplace-affiliated companies like Sbertekh. However, the criteria for accreditation is constantly changing and it is becoming more difficult to pass for smaller or less profitable companies [4].

To further support the growth of the IT industry and e-commerce market, the government could consider offering additional incentives that would target the e-commerce segment specifically.

In 2023, for Russian e-commerce companies it got very difficult to execute financial transactions and goods delivery to foreign markets as a result of sanctions. The project partially relieves that pressure as it includes initiatives to promote e-commerce exports, such as creating an online platform to connect Russian exporters with foreign buyers. Created Russian

export center provides support for small and medium-sized enterprises (SMEs) that want to enter international markets. As a result, the countries of the EAEU, the states of Asia, Africa, and Latin America have become promising for Russian produce.

The national project "Digital Economy" is a significant step towards boosting e-commerce in Russia and making it more competitive on the global stage. By creating a supportive environment for digital businesses, improving digital infrastructure, and promoting digital literacy, the project aims to increase the volume of e-commerce in Russia and help the country become a leading player in this field.

Another significant factor for the rapid growth and development of the online retail industry in Russia was COVID-19 pandemic. The pandemic has accelerated the shift towards online shopping, with consumers opting for the convenience and safety of e-commerce. This trend is particularly evident in Russia, where a quarter of consumers now buy most everyday goods online. [6] This represents a significant increase from just two years ago, highlighting the rapid growth of the online retail industry. As the pandemic continues to impact consumer behavior, it is likely that this trend will continue, with more consumers turning to e-

commerce for their everyday needs. This presents both opportunities and challenges for retailers, who must adapt to meet changing consumer demands and expectations in the digital age.

For Russia, it's no longer relevant to worry about the number of Internet users as every resident of Russia is a user [2]. Now measuring E-commerce reach and MAU is a thing. Mediascope 2022 survey shows that 73% of the population visits E-commerce platforms at least once a month with 37% of the population does that daily [7]. As far as media consumption goes, in Q1 2023 marketplaces have shown 20,5% growth in share of media consumption rising from 2,7% in 2022 to 3,2% in Q1 2023 [8].

In 2023, 11% of Russians perform purchases mainly online, as opposed to just 8% last year [12, 6]. E-commerce now pushes traditional supermarkets as online sales of milk and meat grow, occupying 13.4% and 10.6% of spending.

In 2023 the e-commerce market retains its status as one of the main drivers of sales growth in the FMCG industry and the fastest growing channel, showing a dynamic of +29% compared to last year growing largely due to growth in real demand, not just inflation [12].

Number of orders in 2023 has grown by 58% in Q2 of

2023 compared to 2022. This fact, along with a 10% decrease in the average SKU count per order, shows that the role of the online market in the context of the daily cycle of purchasing goods and consumption is growing, and shopping missions are changing. Many active online shoppers are increasingly turning to online stores for urgent purchases with delivery services located just around the corner.

In 2022 the e-commerce segment grew by 32% - to RUB 11,421.2 billion. Now it takes up 93% (+2,5%) of the Russia Digital Economy (often called the RuNet economy) [9]. The e-commerce segment includes online retail, online sales of travel services, online sales of services, electronic payment services market, and C2C online trading market.

Furthermore, the rise of e-commerce in Russia has also led to the growth of digital advertising market, emergence of new payment systems and logistics solutions. Online payment platforms, such as Yandex.Money and Qiwi, have become popular among consumers, while delivery services, such as CDEK and DPD, have expanded their operations to cater to the growing demand for online shopping.

In addition, the development of e-commerce has also created new opportunities for entrepreneurs and small businesses. With the help of online marketplaces, such as Ozon

and Wildberries, small businesses can reach a wider audience and compete with larger retailers without worrying about additional IT costs that are unaffordable for SMEs [5]. This has led to the growth of a vibrant start-up ecosystem in Russia, with many innovative e-commerce companies emerging in recent years.

As a result, the growth of e-commerce in Russia has had a major impact on the country's digital economy. However, according to AKIT, the share of e-commerce in total retail trade turnover in Russia in 2022 amounted to 11,7% (+2,5%). This figure is lower than in the UK (26%) and China (27,2%) showing that there's still a lot of growth potential.

In Russia, online sellers are adapting to mobile traffic, with Google's search engine being a strong player in the market. Mobile app purchases are also becoming more popular, with Wildberries having a mobile app that has been downloaded over 50 million times in the Play Market.

E-commerce is not limited to physical goods and can also export IT products. For example, Maxim Taxi offers franchises with a single mobile application and operates in several countries including Bulgaria, Tajikistan, Iran, and Argentina. However, Maxim Taxi faces immense legal pressure to leave West-oriented markets with the Philippines, Indonesia,

and Malaysia having court orders and fines against them just this spring according to reports by The Manila Times, Tech in Asia, and New Straits Times.

2022 marks the lowest recorded year for cross-border online purchases by Russian residents, showing just a 4% share, compared to a peak of 30% in 2018 [2, 9, 11]. One of the reasons for that is the decline of AliExpress (previously 10% of the market [1]) as a popular marketplace in Russia and the growth of the number of goods offered by AliExpress from warehouses in Russia (no longer cross-border). Another is the refusal of major US and EU-based marketplaces to ship to Russia.

In 2022 eGrocery (purchase of everyday goods via the Internet) hasn't shown as rapid growth as before, slowing down from +159% YOY to just +66% [2, 9].

Conclusion: Russian e-commerce is growing at a high rate and is replacing traditional retail. Even though the potential for an increase in new buyers is still great, its realization requires both the efforts of market players and the resolution of several economic and legislative problems.

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