# RUSSIAN E-COMMERCE MARKET 2014. ANNUAL REPORT

DATA insight

InSales

PayU

# RESEARCH PARTNERS

DATA insight

Research & consultancy agency

InSales

eCommerce Platform with multichannel integration

PayU

Online payment service provider

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# We achieved a great result!

DATA insight

This report is the result of a huge work:  together with our partners — and InSales and PayU — we counted all numbers regarding the internet commerce in Russia, and created the most comprehensive knowledge base of the Russian market online and retail.

This required creating two surveys (one online and one offline), comparong the survey data with statistical data stores, checking the data on financial statistics and assess the results with experts help. The resulting market model takes into account all these parameters simultaneously. In other words, we managed to correlate all the data obtained in three different ways with each other — which is a really fantastic job.

At the beginning of fall together with InSales and PayU we decided to find answers to a list of key questions:

- How will rise the e-commerce market in future?
- What growth potential this market has?
- What is the mechanism of growth of the e-commerce in Russia today?
- How will retail and online sales interact?

Plus, our task was to clarify our current knowledge about the Internet-retail: its market volume, number of customers, average check, number of purchases, share of prepaid orders,  payment methods and delivery, regional distribution, etc. and, of course, to understand the attitude of consumers to online shops and online shopping. We devoted an entire chapter to the study of cross-border trade. The rapid growth in the number of orders and faster deliveries — makes it a notable segment of the Russian e-commerce  market.

Another chapter is devoted to mobile commerce: online sales through mobile phones and smartphones. They already account for 9% of total sales, and the proportion of mobile devices in the online channel is greatly increased. In 2014, we clearly see the global trend of Mobile First — when the mobile screen is the first interface for contact with the consumer content.

This is the full report which is open and free for all readers.

*Fedor Virin*
partner

*Boris Ovchinnikov*
partner

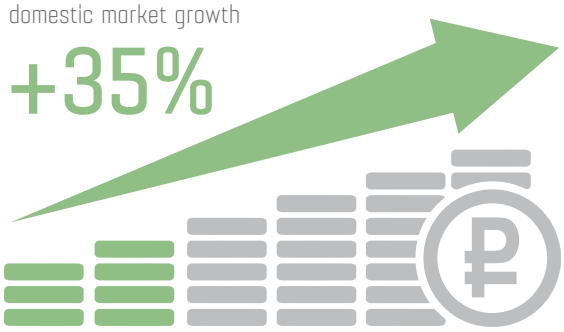
Enjoy reading and have a nice day!

Fedor Virin and Boris Ovchinnikov

# KEY RESULTS 2014

domestic market growth

**+35%**



**560 bn rubles**

Russian B2B e-commerce market

**online orders: 195 m**

include cross-border

**7.7 online orders**

per online shopper a year

## PRODUCT CATEGORIES (TOP 5)*

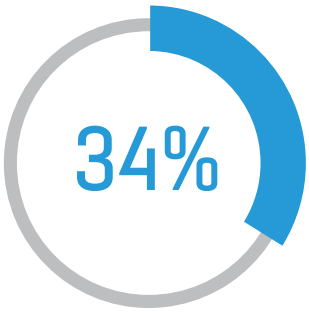
| | apparel (adults) | portable devices | house appliances | toys and kids care | desktops/laptops |
|---|---|---|---|---|---|
| SHARE OF ALL ORDERS | 22,3% | 12,3% | 7,6% | 9,9% | 6,5% |
| CROSSBORDER SHARE IN THE CATEGORY | 49% | 31% | 4% | 28% | 21% |
| SHARE OF DOMESTIC ORDERS | 15,8% | 11,8% | 10,2% | 10% | 7,2% |

growth for number of online shoppers

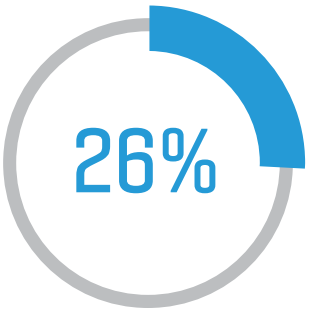
**+37%**

**25.4 m people**

number of online shoppers 18–64 yo



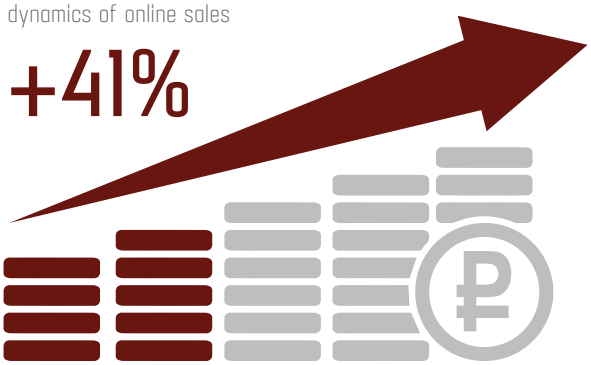

share of online shoppers among Internet users 18–64 yo




share of online shoppers among population 18–64 yo

dynamics of online sales

+41%

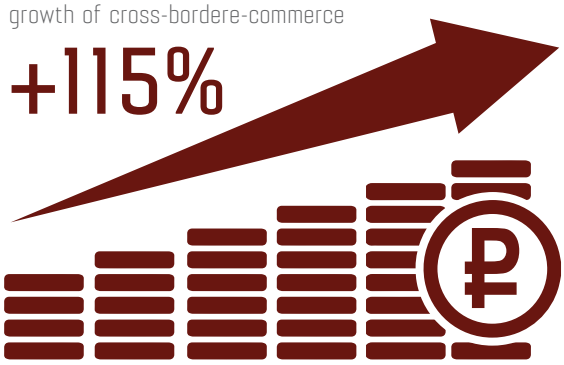


645 bn rubles

spending on online purchases of physical goods

growth of cross-bordere-commerce

+115%



85.1 bn rubles

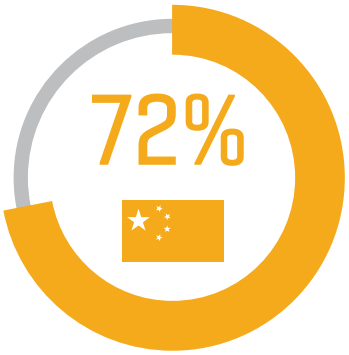
volume of cross-border online purchases

number of cross-border orders

+135%

47 m orders

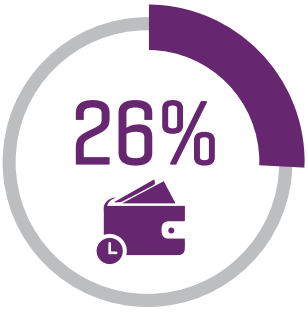
were made from Russia in foreign online stores



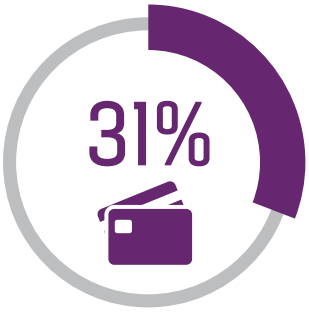

share of orders in China

3,300 rubles

average order value (incl. delivery cost)




prepaid orders
as % domestic purchases




orders paid by card
as % of all orders

## mobile purchases

30%

online shoppers use mobile devices to search and choose goods

17%

online shoppers use mobile devices to order physical goods

9%

orders were made with mobile device (tablet or smartphone) only

## order placement

84% of orders were made via basket & standard order form at the site

5%

of orders are made via phone calls

1%

of orders is made via mobile apps

## delivery methods

36%

for domestic orders

34%

24% – retailers' pickup points
2% – pickup points of courier companies
7% – in-store pickup

60%

ПОЧТА РОССИИ

of online shoppers received at least 1 parcel via Russian Post

38%

of Internet users, who have not shopped online, are going to start to do this in nearest future

# Research methods

The “Russian  E-Commerce Market 2014” annual report is built on the combination of data from two all-Russia offline and online surveys. The online survey made it possible to collect answers from a large number of online shoppers (almost 3.5 thousand people) on a broad range of questions related to their behavior on the internet and, first and foremost, to their use of the internet shopping.  At the same time, the offline survey made it possible to set basic parameters, including correlation of online shoppers, online audience and the population in general, and provided control data to check the distortions related to the unavoidable bias of the online sample towards more active users.

On the first stage (October 31 – November 2, 2014), general data was collected via an offline survey. During this survey we used omnibus in “Public Opinion” Foundation — a regular all-Russia covering a population of 1500 people, conducted using the method of the personal (face to face) interview at the respondent’s location. During this survey, respondents were asked questions specifically on internet use (frequency, length of experience, locations of use), and on their online shopping experience: how long ago and in which online store (Russian or foreign) they made their most recent purchase, how long ago they had begun buying online, and what goods categories they purchased.

Out of 1500 respondents, 947 people (63%), including 929 people under 65, answered that they used the internet. The questions about online purchasing experience were answered by 315 respondents.

The initial survey results received from the Public Opinion Foundation Company were processed additionally to improve the quality and accuracy of calculations on the level of e-commerce penetration and of the activity of online shoppers:

- Because of doubts regarding the reliability of data collected by individual interviewers, some of the 80 survey questions were excluded from the analysis  (population centers included in the sample of regular Public Opinion Foundation surveys). Doubts about the reliability of data were related to anomalously large deviations in the distributions of answers on individual survey questions from the distributions of answers as a whole across population centers of similar size.
- For the minimization of deviations in the social-demographic and geographic structure of the sample, the following parameters were reweighted:

**Combination of two surveys of the population: offline and online**

**5512**
**survey participants**

**3797**
**online shoppers**

- type of place of residence, and also gender and age — to remove the imbalances arising with the exclusion from the data arrays of survey points that were recognized as probably unreliable;
- macro regions (Federal districts, with the isolation of Moscow and its Region and Saint Petersburg and its Region as distinct units of the analysis) — proceeding from Data Insight's model for the geographical distribution of the online audience (based on LiveInternet and Yandex data) and averaged over the two latest quarter Public Opinion Foundation on internet penetration throughout the federal districts. The most substantial adjustment was connected to the share of Moscow and its region in the internet audience: in the offline surveys, it is underestimated on account of the understatement of the real size of the population in official statistics (which are used in constructing the sample and quotas for offline surveys). According to Data Insight calculations, Moscow and its Region account for about 23% of all internet users;
- education — to calculate the growth in the share of people with a higher education during the period after the 2010 population census.

During the second stage (December 2 – 6, 2014), the online survey was conducted using access-panels provided by the CINT company. The survey was conducted by quota sample — with two sets of quotas, which were independent of each other: by gender and age, and by macro regions (the quota questions were determined on the basis of results from the first stage of the study — the offline survey, and data compiled earlier on the geographical structure of the online audience).

The online survey covered 4012 people, including 3472 online shoppers (those who had purchased material goods in Russian or foreign online stores at least once in the past 12 months). The subsample of future online shoppers was reweighted in such a way that its structure (distribution across key parameters) was maximally close to the structure of the online shopper audience as determined on the basis of the offline survey. Reweighting was performed on the following parameters:

- gender and age;
- type of population center;
- educational level;
- income level;
- length of experience using online stores (originally, people with less than 2 years of online experience were underrepresented in the sample);
- time elapsed since the most recent order at an online store (originally people were underrepresented in the sample who made their last purchase more than 2 weeks before the survey);

- number of goods categories in which a consumer makes online purchases (originally, people buying in only 1 category were underrepresented in the sample).

Weights assigned to individual categories for all the parameters enumerated above were determined based on shares actually obtained in the online survey and on anticipated shares, determined on the basis of the offline survey. For the minimization of the effect of individual questionnaires on the overall results, the maximum "weight" of a questionnaire was limited.

**Research that represents Russia's population aged 18–64**

In the preparation of the report, the following data from the two surveys were used:

- from the offline survey (weighted data): distribution of the online shopper audience by social-demographic groups; penetration of e-commerce by social-demographic groups; distribution of the audience by length of internet use and online-shopping experience; distribution of the audience by time elapsed since the most recent purchase, average frequency of purchasing, and distribution by number of goods categories (in which online purchases are made);

- from the online survey, with additional control of results using offline survey data: the share of respondents making online purchases in each of the goods categories, the distribution of online purchases by ordering method, and the distribution of online purchases between Russian and foreign online stores;

- the remaining data was taken from the online survey, including: detailed profiles of the most recent online order; possession of purchasing experience in foreign online store; possession of experience using the various delivery and payment options; criteria used in selecting stores; preferences; use of mobile devices for purchasing, etc.

Linear online survey results were obtained taking into account the reweighting described above. Distributions of orders by various criteria were calculated without additional reweighting of questionnaires, based on number of orders and time elapsed since the most recent purchase, inasmuch as testing of the data showed that such additional reweighting would not substantially influence the results obtained. The only exception was the distribution of orders by goods category and frequency of online purchases in the individual goods categories, which were calculated based on overall frequency of online purchases for each user, and on how often users who purchased online within the last 12 months in a certain goods category indicated it as the category of the most recent online-store order.

Data extracted from online survey cross-tabulations were taken without reweighting but with adjustment of the original data for:

- correlation of the share of the category corresponding to a continuous row in the table, in weighted and unweighted linear results;
- analogous correlation for the share of the category corresponding to a continuous column in the table.

Over 80 questions in the online questionnaire

# 1. SIZE OF THE MARKET

## 1.1. Size of the e-commerce market

The Russian e-commerce market in 2014 accounts RUB 560 billion. Additionally Russian cross-border e-commerce segment shows another RUB 85 billion. Summing up, Russians spent RUB 645 billion purchasing material goods in online stores in 2014.

Still there are segments that are not included in the estimates:

1. Online purchase of digital goods (software, films, music, etc.) and services;
2. Online purchase of travel products: air and train tickets, hotels, tours, etc.
3. Online purchase of event tickets;
4. Fast food delivery (pizza, sushi);
5. Corporate purchases (purchases for company needs) in ordinary online stores, including purchases made by company employees acting nominally as individuals;
6. Wholesale (incl. small-size wholesale) online purchases;
7. Group shopping, purchases via classifieds and auctions, purchases through MLM systems.

Growth of online sales in Russia (for material goods only) was 35% in 2014 for domestic segment and 42% for overall market including cross-border purchases. Growth rates remained nominally at the level of previous years, and even slightly surpassed them. However, the reasons of the growth changed considerably: during a long period, the market volume growth followed the increasing number of online orders, but in 2014, almost a half of the nominal growth is due to the prices increase (we estimate that the inflation-driven increase of the average order value was near 15% in 2014).The 'real' growth of the Russian e-commerce market counted in number of domestic online orders was approximately 17%, which was 1.5 times lower than the growth in 2013 comparing to 2012.

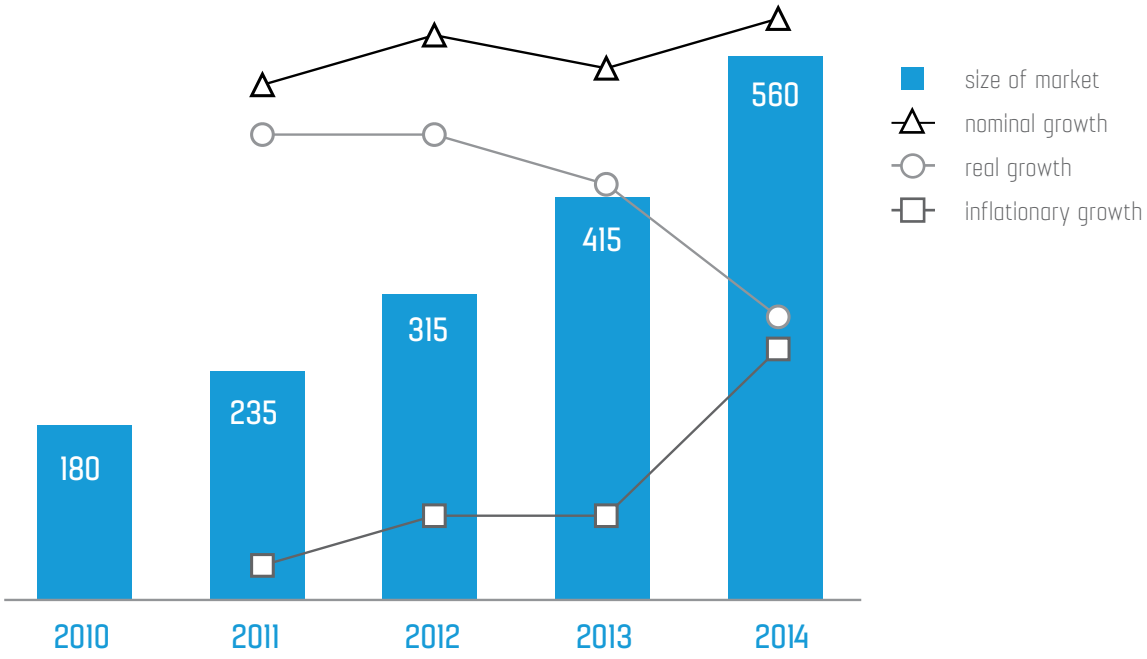
*The size of Russian e-commerce market (material goods only) reached 560 billion rubles in 2014 with is 35% annual growth rate*

**Table 1.1.** Size of the e-commerce market: key numbers

| SEGMENT | value |
|---|---|
| Domestic online sales | RUB 560 billion |
| Cross-border online sales | RUB 85 billion |
| Online sales, total | RUB 645 billion |
| Market growth (incl. cross-border) | 42% |
| Market growth, domestic only | 35% |

**Fig. 1.2.** Domestic online sales growth rates (cross-border purchases not included)

| YEAR | size of Market,billion RUB | nominal growth | inflation-based growth | real growth |
|---|---|---|---|---|
| **2010** | 180 | | | |
| **2011** | 235 | 31% | 2% | 28% |
| **2012** | 315 | 34% | 5% | 28% |
| **2013** | 415 | 32% | 5% | 25% |
| **2014** | 560 | 35% | 15% | 17% |



# 1.2. Number of online shoppers

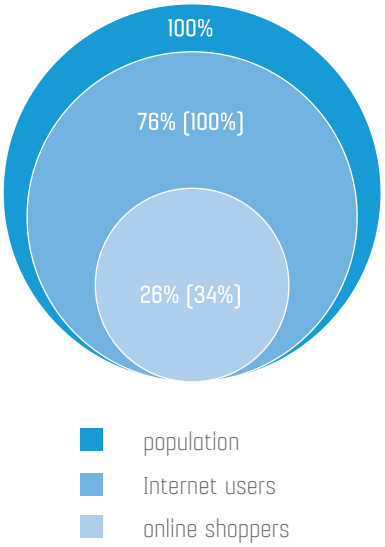
By the end of 2014, 34% of internet users between 18–64 years belong to the segment of online shoppers, which means that they purchased material goods online at least once during the last 12 months [1].

*Online shoppers: 34% of the Internet audience or 25 million people*

Taking into consideration the numbers of total population between 18 and 64 years old reaching 97 million [2] and 74 million internet users of the same age range [3], the 34% e-commerce penetration corresponds to 25.4 million online shoppers.

**Fig. 1.3.** E-commerce penetration: share of online shoppers

| | million people | % of population share | % of internet audience share |
|---|---|---|---|
| population 18–64 | 97 | | |
| Internet users 18–64 | 74 | 76% | |
| online shoppers 18–64 | 25 | 26% | 34% |




It is worth reminding that Internet users above 65 years and under 18 years are not included in these calculations. Russians over 64 rarely use Internet (and online stores in particular) and make an insignificant portion of the overall number of online shoppers (less than 1%). Meanwhile teenagers of 12–17 years old (about 10 million people) are active online users and many of them use Internet to browse and purchase goods — even though a considerable portion of their online purchases are completed together with adults (usually parents), not independently. Thus, 18–64 age limits for online-shoppers do not make a considerable influence on the e-market analysis of the number of orders and turnover.

1 The above estimate is based on the results of an offline survey conducted as part of that study, and also relies on other surveys conducted in and before 2014.

2 Official data of the Federal State Statistics Service.

3 Data Insight estimate on the basis of data from the Public Opinion Foundation (FOM) and TNS, corrected for underestimation in these sources (occasioned by systematic errors in official data on the population of largest cities) of the share and size of the internet audience in Moscow and other big cities.

# 1.3. Shopping frequency and number of orders

The average frequency of online purchases (including purchases in both Russian and foreign online stores) is 7.7 a year per an online shopper — or one purchase per shopper every 47 days.

*On average, every online shopper makes almost 8 purchases a year online*

This average rate comes from the mixture of low online shopping frequency shown by the vast majority of customers and hyperactivity among a small core of the e-commerce audience. Just top 5% of online shoppers place 30% of all orders, while only 18% of orders came from the low-active majority (users with 1–3 online purchases per year; 53% of all shoppers).

The core of the e-commerce audience creates about 1200 thousand people — these are users who purchase online material goods typically two or more times a month and generate almost a third of all orders in online stores.

**Table 1.4.** Distribution of shoppers by number of online purchases per year

| NUMBER OF ORDERS PER YEAR | share of online shoppers | audience, million people | share of online orders |
|---|---|---|---|
| 1 | 16% | 4.2 | 3% |
| 2–3 | 37% | 9.3 | 15% |
| 4–5 | 19% | 4.9 | 14% |
| 6–10 | 13% | 3.3 | 17% |
| 11–20 | 10% | 2.5 | 22% |
| 21–50 | 4% | 1.0 | 20% |
| more than 50 | 1% | 0.2 | 10% |

As of November 2014, 69% of all online shoppers (17.5 million people) bought online at least once over the past 3 months (that is, during the fall of 2014), as well as 47% (12 million people) bought online in November.

In total, Russian shoppers made 195 million purchases of material goods online in 2014, including 47 million orders in foreign online stores and 148 million in Russian online stores.

This estimate does not include:

1. Purchases of digital goods, event tickets, air/railroad tickets and other travel products;
2. Prepared ready meal;
3. Purchases for corporate use or wholesale purchases;
4. Purchases through MLM systems;
5. Purchases through classifieds, auctions, group shopping or other C2C platforms;
6. Purchases made without a website: for example, through a paper catalog (while orders made by telephone or e-mail after a visit to a site are included);
7. Orders placed via web-terminal sat points of sale (via terminals set up in the store, or with the assistance of sales consultants).

With an average frequency of online orders just under eight per year, 25 million online shoppers generate in total 95 million online purchases.

*With an average orders frequency just under eight per year, 25 million online shoppers make 195 million purchases a year in online stores.*

## 1.4. Average order value

According to survey data, the average order value for all purchases in online stores in 2014 was RUB 3,300 (including delivery cost). The estimate of RUB 3,300 takes into account both domestic and cross-border segments — the latter has AOV more than twice lower than Russian online stores.

*The average online order value in 2014 was RUB 3,300*

More than half of all orders are cheaper than RUB 2000 (each 4th order is below RUB 800), but these 'cheap' orders generate than 15% of total turnover in e-commerce (table 1.5).Both the comparatively large size of the average order value and the large e-commerce turnover are succeeded moreover thanks to a small number of expensive purchases: almost half of all online sales (45%) derives from orders costing over RUB 7500 (which is, however, only 10% of the total number of orders). Top 4% of orders (costing approximately RUB 15,000 and more) make a quarter of the whole e-commerce market (26%).

**Table 1.5.** Distribution of online orders by value *

| ORDER VALUE, RUB | share of orders | share of orders without cross-border | numberof orders, million | share in turnover |
|---|---|---|---|---|
| less than 750 | 24.9% | 14.9% | 48 | 3% |
| approximately 1,000–1,500 | 29.7% | 31.2% | 58 | 11% |
| approximately 2,000–3,000 | 22.9% | 25.0% | 45 | 19% |
| approximately 5,000 | 12.5% | 15.4% | 24 | 21% |
| approximately 10,000 | 6.2% | 8.1% | 12 | 19% |
| approximately 15,000–20,000 | 2.4% | 3.5% | 5 | 13% |
| more than 25,000 | 1.4% | 1.9% | 3 | 13% |

* *During the survey, respondents were able to indicate the exact price of the answer. The majority indicated an approximate (rounded up to the nearest number) price. For the purposes of this report, all non-standard answers (answers with an indication of the exact price or with the price rounded only within a hundred, and not a thousand or half a thousand rubles) were joint with the closest typical variant of the answer; at next stage, variants of answers categorized in this way were grouped within a few ranges, presented in the table*

## 1.5. Online purchases outside the online stores

Within the survey respondents were asked what additional purchases — except material goods — they bought online. The most popular categories turned out to be orders for fast food (pizza, sushi, etc.), train tickets, and in-game paid options: each of these were bought by more than 20% of all e-commerce users.

**Table 1.6.** Activities connected with online shopping outside of online stores

| WHAT ELSE — BESIDES GOODS FROM ONLINE STORES HAVE YOU BOUGHT, ORDERED, OR PAID FOR THROUGH THE INTERNET? | percentage of respondent answers |
|---|---|
| fast food with home or office delivery | 21.5% |
| train tickets | 20.3% |
| paid services and options in online games | 20.2% |
| airplane tickets | 17.1% |
| event tickets | 15.1% |
| discount coupons | 14.9% |
| software and games | 14.3% |
| online services | 9.2% |
| music, films, and books in digital format (in the form of files) | 9.0% |
| gift certificates | 8.6% |
| subscription for access to music, films, books, or information | 4.8% |
| online education services | 4.8% |
| flowers and gift baskets | 4.4% |
| none of the answers listed | 4.3% |
| don't remember, hard to say | 21.2% |

*36% of respondents have experience with C2C sales*

A larger definition of e-commerce covers not only other products beside material goods but also shopping formats alternative to a standard online store. The purchase of goods through classified services is the most popular among these alternative formats — 21% of online shoppers used this method. It is worth noting that even more — 36% of respondent — said that they were selling online; such a disproportion may signify that the majority of sellers have been unable to sell anything, and/or that a substantial part of what is put up for sale by private parties is being bought by professional second-hand dealers.

Other online shopping format - through MLM systems or through group purchases- are preferred by approximately 10% of the surveyed online shoppers (the MLM audiences and group shoppers overlap a lot).

It is worth noting also that 22% of respondents leave comments about the acquired goods and sellers: users not only read comments attentively, but they write them as well (influencing in their turn the choices of other shoppers).

**Table 1.7.** Shopping-related online activities outside of online stores

| AND WHAT ELSE HAVE YOU DONE THROUGH THE INTERNET OVER THE LAST 12 MONTHS? | percentage of respondents answers |
|---|---|
| sold through online classified services | 35.5% |
| published comments on the internet about goods and stores | 22.4% |
| purchased through online classified services | 20.6% |
| ordered goods from representatives of direct sales companies — such as Avon, Oriflame, Amway, or Vision | 9.6% |
| participated in group purchases | 8.9% |
| ordered services from individuals through Internet | 7.9% |
| none of the answers listed | 30.1% |

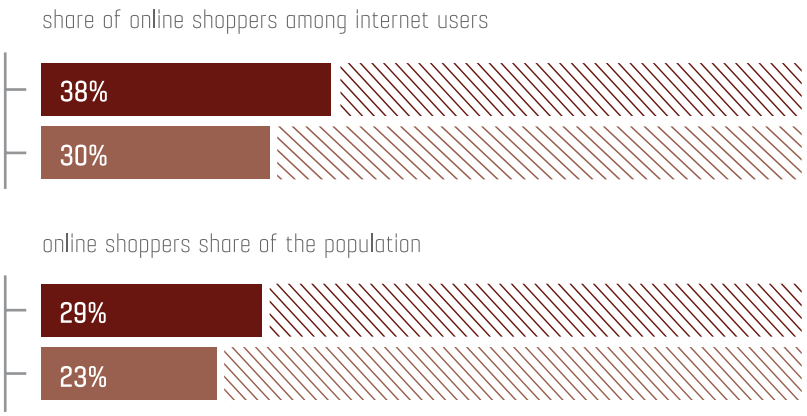
# 2. ONLINE SHOPPERS

## 2.1. Age and gender

Women are the most active shoppers, so there is nothing surprising about the fact that they form the majority of online shoppers as well. 29% of women and only 23% of men (among Russians between the ages of 18 and 64) made at least one purchase at an internet store (including foreign purchases) in 2014. As a percentage of internet users, penetration of e-commerce is 38% among women and 30% among men. Women take a 55% share of all online shoppers in Russia.

*Women make up a 55% share of all online shoppers in Russia.*

**Fig. 2.1.** Online shoppers share of the internet audience and of the population by gender (population aged 18–64)




| GENDER | share of online shoppers among internet users | online shoppers share of the population |
|---|---|---|
| Women | 38% | 29% |
| Men | 30% | 23% |

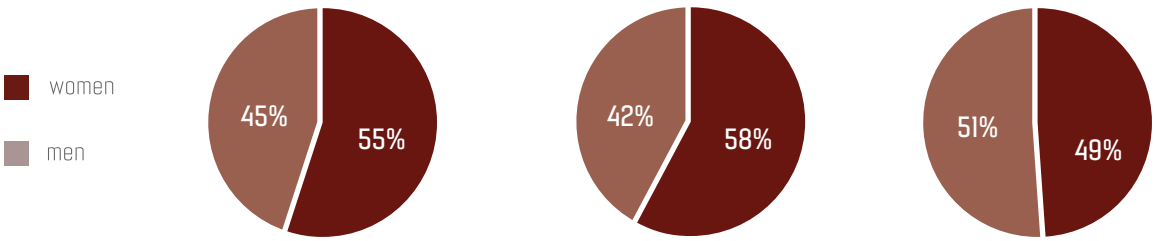
*Women make more purchases, but spend less money*

If we look at purchasing statistics, it turns out that the share of e-commerce customers is greater among women, and they buy on the internet more frequently (8.1 purchases a year on average, versus 7.1 for men. So that women's share in online shopping, by number of purchases, actually comes to 58%. However, these purchases normally are almost a third cheaper than purchases made by men (thanks to the greater share of purchases in the clothing and cosmetics categories and a smaller share of purchases in the electronics and technology categories).
As a result, women account for slightly less than half of all money spent online by Russians on retail shopping.

**Table 2.2.** Shopping frequency and average check, depending on gender

| GENDER | average number of online purchases per year | average check, RUB |
|---|---|---|
| Women | 8.1 | 2,800 |
| Men | 7.1 | 4,000 |

**Fig. 2.3.** Distribution of shoppers, purchases and expenses by gender

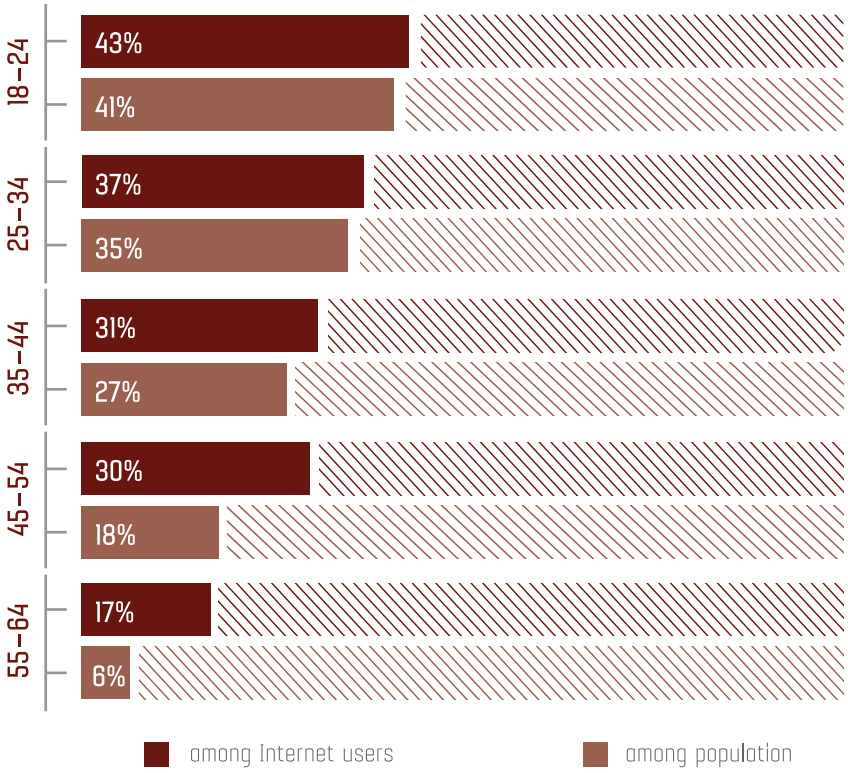



| GENDER | share among online shoppers | share of online purchases | share of expenses on online shopping |
|---|---|---|---|
| Women | 55% | 58% | 49% |
| Men | 45% | 42% | 51% |

Among all the age groups, the greatest share of online shoppers is in the youngest category between 18–24: within the past year online shopping activity comes form 41% of the population and 43% of internet users in this age range.  Penetration of e-commerce decreases steadily with increasing respondent age: 45–54 year olds cover only 30% of internet users and 18% of the national population, while in the next age range (55–64), it falls to 17% and 6%, respectively.

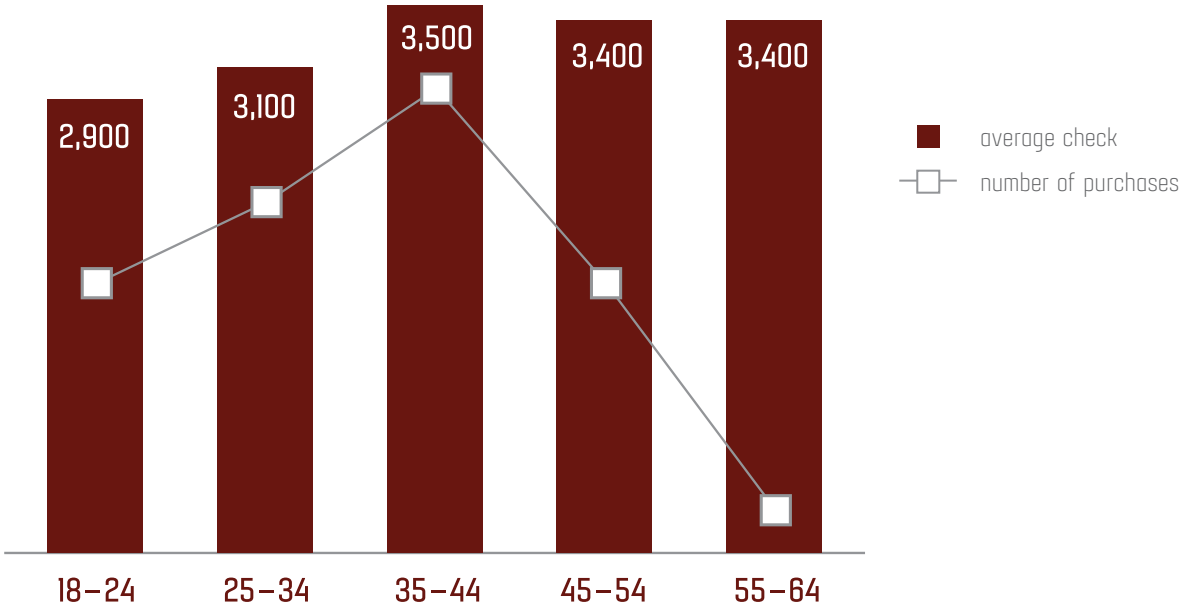
As we move into the higher ages, we realize not only decrease of the e-commerce penetration, but also increase in the difference between the share of online shoppers as a percentage of the population and as a percentage of the internet audience. If for the audience of 18–24 years old these two indicators practically coincide, because internet penetration for this category is close to 100%, the category of 55–64 years old displays a 3 time difference, since internet penetration in this age group is less than 40%.

**Fig. 2.4.** Percentage of online shoppers in the internet audience and in the population by age



Online shopping frequency and purchase size increase with the getting older. When having a family and children, there are more household expenses, but there are also more opportunities to make them, thanks to growing experience, position, and salary. This is precisely why we see the greatest shopping frequency and the greatest size of the average check at around age of 40 (between 35 and 44). After 45, online shopping frequency decreases (by almost 1.5 times by the age of 55–64), but the average check for online purchases of material goods remains practically the same.

**Fig. 2.5.** Shopping frequency and average check depending on a respondent age




| AGE GROUP | average frequency of orders per year | average check, RUB |
|---|---|---|
| 18–24 | 7.5 | 2,900 |
| 25–34 | 8.0 | 3,100 |
| 35–44 | 8.7 | 3,500 |
| 45–54 | 7.5 | 3,400 |
| 55–64 | 6.1 | 3,400 |

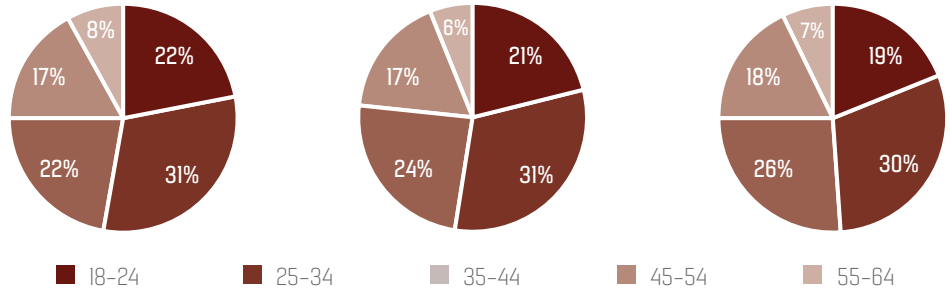
*The biggest category of online shoppers is people between the ages of 25 and 34*

The biggest category of online shoppers is people aged 25–34 making 30–31%, both by number of shoppers and by number of orders, and also by volume of expenses on online shopping. Success of online shopping is explained by the size of this population of this age (a generation born during the final 10 years of the Soviet Union's existence) and the high level of internet and e-commerce penetration.

The second category by volume of expenses on online shopping is people between 35 and 44 years. Although only 22% of online shoppers belong to this category. High shopping frequency and a high average check makes the share of this category orders and expenses increase to 24% and 26% respectively.

The share of 18–24 years old is 22% of the total number of online shoppers (this is a lot, considering that this is a 7-year interval, and not a 10-years like in the other categories). However, a lower shopping frequency and a smaller share of expensive purchases results in the lower audience's share in the number of orders and the volume of expenses on online shopping (21% and 19%, respectively).

**Fig. 2.6.** Distribution of shoppers, purchases and expenses by age




| AGE GROUP | share among online shoppers | share of online purchases | share of expenses on online purchases |
|---|---|---|---|
| 18–24 | 22% | 21% | 19% |
| 25–34 | 31% | 31% | 30% |
| 35–44 | 22% | 24% | 26% |
| 45–54 | 17% | 17% | 18% |
| 55–64 | 8% | 6% | 7% |

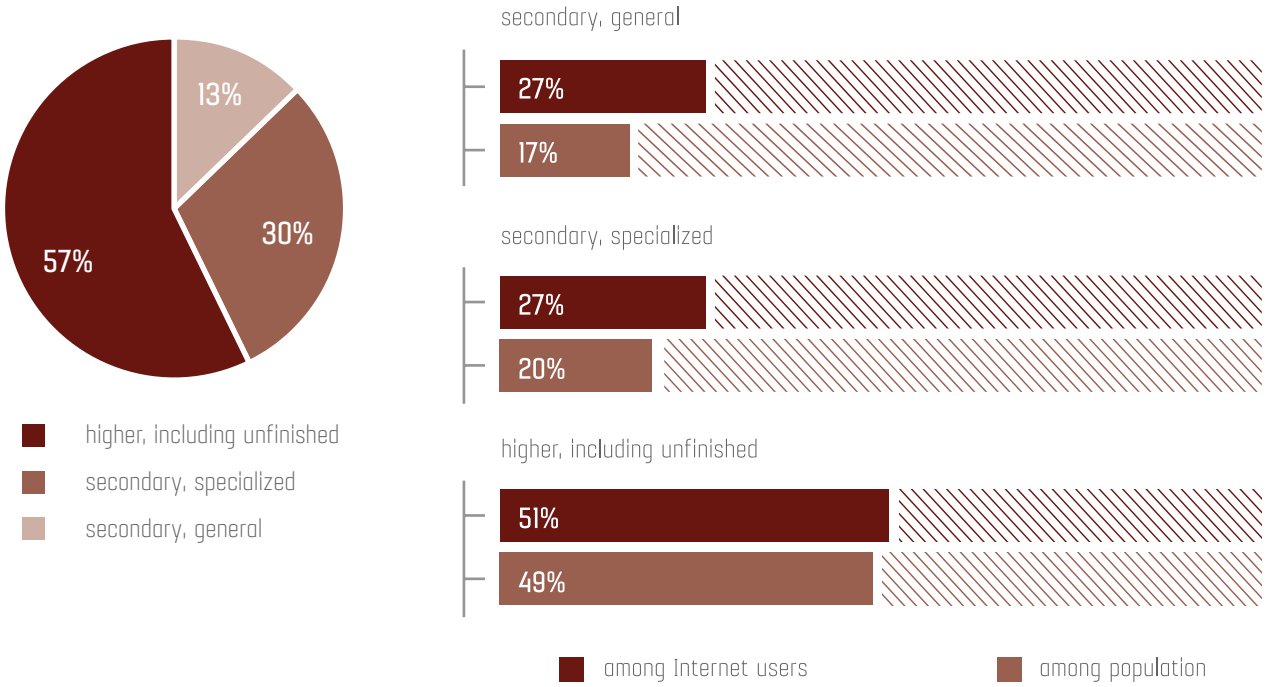
## 2.2. Education, career, income

In Russia, there are many people with a higher education [1]. Having a higher education substantially influences which services are used, readiness to take risk (for example, to order online), and to utilize online payment.

The experience of online market development in Russia (and in other countries as well), over the last 20 years shows that people with a higher education (including an unfinished one) are the engine of market development. They are the first to start using services, and become active long-term consumers; and this is exactly what was and is observed in the e-commerce market.

People with a higher education (including an unfinished one) make up about 40% of the internet audience, but among online shoppers, they form the majority (57%). Among people aged 18–64 with a higher education, the share of online shoppers is 49% (or 51% of internet users with a higher education — internet penetration among the educated minority is close to 100%).

**Fig. 2.7.** Share of online shoppers in the internet audience and the population, depending on education




1 According to official statistical data (the 2010 census), 29% of the population over 17 had some higher education (including those who did not graduate and left education): http://www.gks.ru/free_doc/new_site/perepis2010/croc/perepis_itogi1612.htm. Based on statistics on the release of students from universities and colleges in 2010–1014, and taking into account understatement in official statistics of the proportion of Russians living in Moscow and other big cities, the actual percentage of people with a higher education in the population over 17, as of the end of 2014, may be estimated at 31%..

Type of occupation and position influence as well consumer's behavior. Among managers and specialists, the share of internet shoppers is higher than in the remaining groups — 49% and 46%, respectively (51% and 50% of internet users within these social groups). The share of online shoppers is not lower among students (which is natural, since e-commerce is preferred by both the young and the educated). Among those who are not working and are not planning to search for employment (this category includes mostly housewives), there are also many online shoppers 46% of the internet users. But as the level of internet penetration in this segment is far from 100% of the audience, online shoppers make up only 29% of all those of the nation's inhabitants who are unemployed and are not searching of a job.

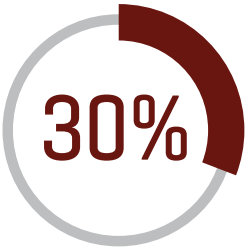
At the opposite side are blue-collar workers, those who are temporarily out of work, and unemployed retirees — only 18–19% of internet users in this category are online shoppers. In addition, retirees are distinguished by a low share of internet users: only 5% of unemployed retirees under the age of 65 made at least one purchase at an online store during the last year.

Most prevalent among online shoppers, as might be expected, are specialists — they make up 30% of all shoppers (fig. 2.9). The greatest growth potential in the e-commerce audience is among white-collar and blue-collar workers: these are large categories that have recently begun to use the internet, and we expect them to show in the nearest future an increase in their online shopping activity.

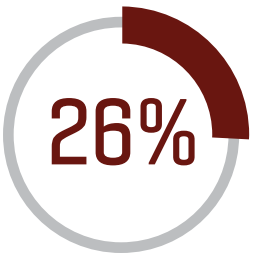
*The greatest growth potential in thee-commerce audience is among white-collar and blue-collar workers: these are large categories that have recently begun using the internet, and in the near future we will see an increase in their online shopping activity*

**Fig. 2.8.** Distribution of shoppers by type of occupation

| WHAT IS YOUR TYPE OF OCCUPATION AT PRESENT? | share |
|---|---|
| businessman, proprietor | 4% |
| manager | 8% |
| specialist | 30% |
| white-collar worker, technical specialist | 7% |
| service or commerce worker | 7% |
| blue-collar worker | 10% |
| I am not working and do not plan to search for an employment | 3% |
| I am not working, but am searching for an employment | 11% |
| retiree (I do not work) | 4% |
| student (I do not work) | 8% |

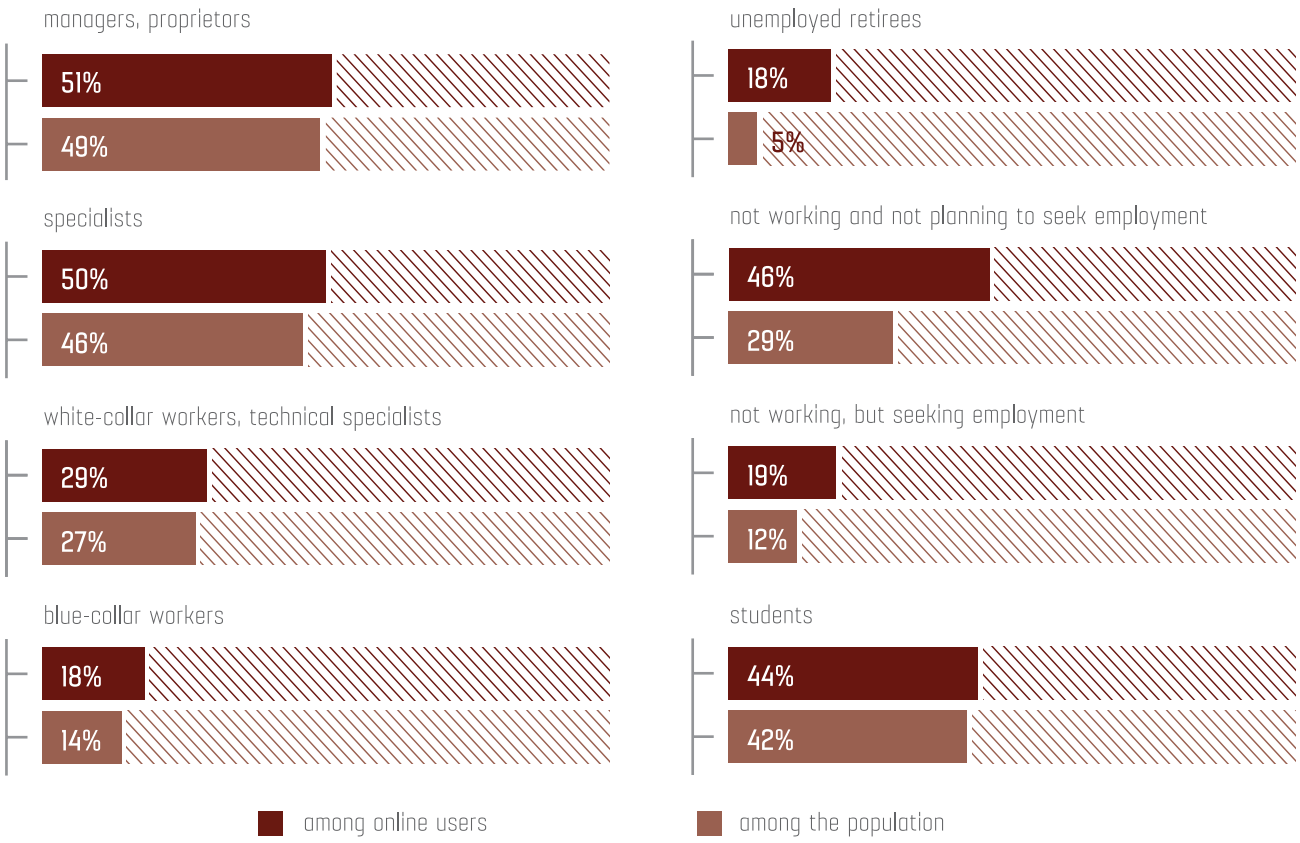



share of specialists among online shoppers




share of unemployed among online shoppers

**Fig. 2.9.** Share of online shoppers in the internet audience and the population by type of occupation




| TYPE OF OCCUPATION | share of online shoppers among internet users | share of online shoppers in the population |
|---|---|---|
| managers, proprietors | 51% | 49% |
| specialists | 50% | 46% |
| white-collar workers, technical specialists | 29% | 27% |
| blue-collar workers | 18% | 14% |
| unemployed retirees | 18% | 5% |
| not working and not planning to seek employment | 46% | 29% |
| not working, but seeking employment | 19% | 12% |
| students | 44% | 42% |

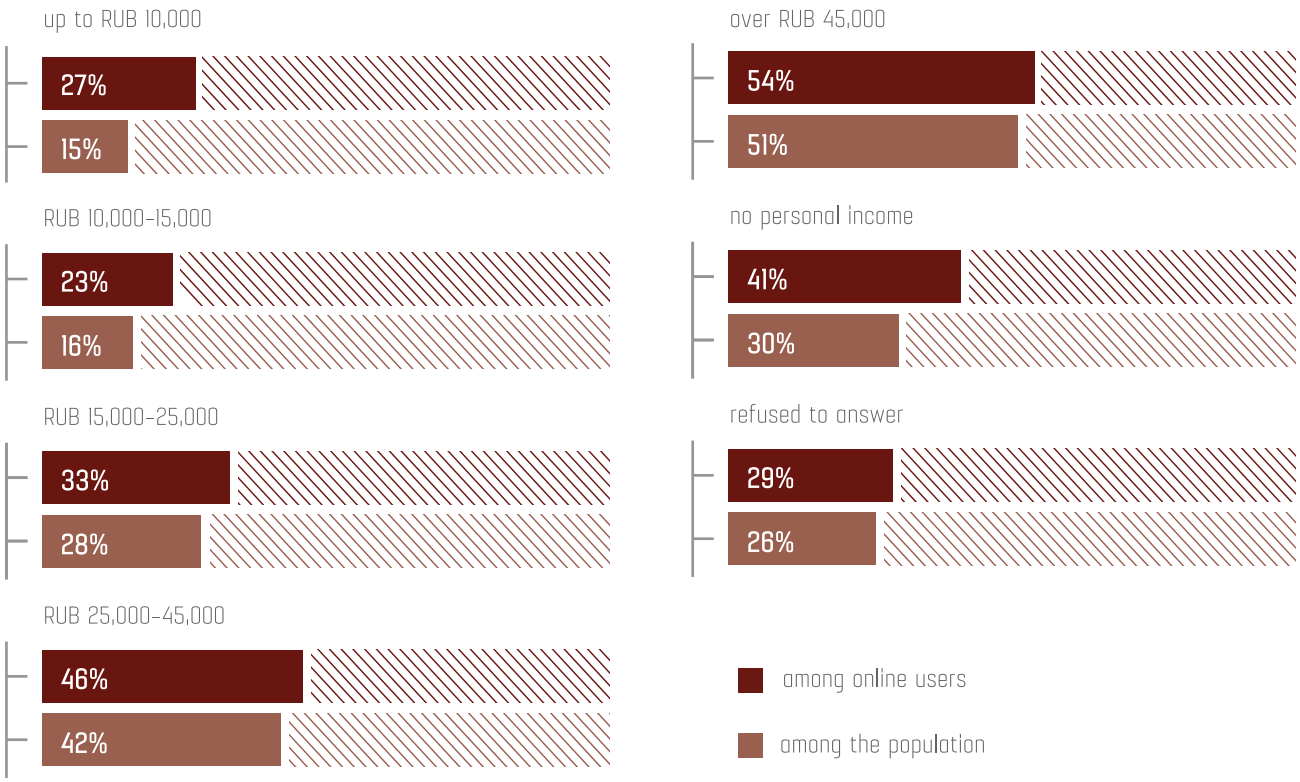
E-commerce is a tool of the middle class. These users include the maximum share of online shoppers; these users show also the greatest share of internet users. Shoppers with personal income over RUB 25,000 a month already make a sufficient quantity of purchases, a significant part of them on the internet. The higher we climb up the income ladder, larger the average shopper's check grows, as well as the number of store visits and the number of online purchases. An average check for the comfortably rich and the least prosperous shoppers differ by more than twice; this difference appears, firstly, due to the fact that, along with growth in income we notice the rise of the upper limit on the cost of online orders.

People with income over RUB 50,000 a month make up only 10% of the online shopper audience (and an even smaller section of the internet audience, and especially, of the national population), yet they still account for 22% of expenses on online shopping. The largest segment of the audience in terms of number of shoppers and orders as well as aggregate expenses on online shopping, is people with income of RUB 30,000–50,000. About 60% of online shoppers remain active online with a personal monthly income between RUB 12,000 and RUB 50,000.

**Table 2.10.** Shopping frequency and average check, depending on income level

| PERSONAL INCOME IN THE PAST MONTH | average number of online purchases per year | average check, RUB |
|---|---|---|
| RUB 6,000–12,000 | 6.7 | 2,100 |
| RUB 12,000–20,000 | 6.2 | 2,600 |
| RUB 20,000–30,000 | 7.4 | 2,900 |
| RUB 30,000–50,000 | 8.3 | 3,400 |
| RUB 50,000–75,000 | 9.7 | 4,500 |
| over RUB 75,000 | 10.7 | 5,100 |
| no personal income | 7.3 | 2,900 |
| refused to answer | 6.9 | 3,800 |

**Fig. 2.11.** Share of online shoppers in the internet audience and the population, depending on income level




| INCOME LEVEL | share of online shoppers among internet users | share of online shoppers in the population |
|---|---|---|
| up to RUB 10,000 | 27% | 15% |
| RUB 10,000–15,000 | 23% | 16% |
| RUB 15,000–25,000 | 33% | 28% |
| RUB 25,000–45,000 | 46% | 42% |
| over RUB 45,000 | 54% | 51% |
| no personal income | 41% | 30% |
| refused to answer | 29% | 26% |

**Table 2.12.** Distribution of shoppers, purchases and expenses by income level

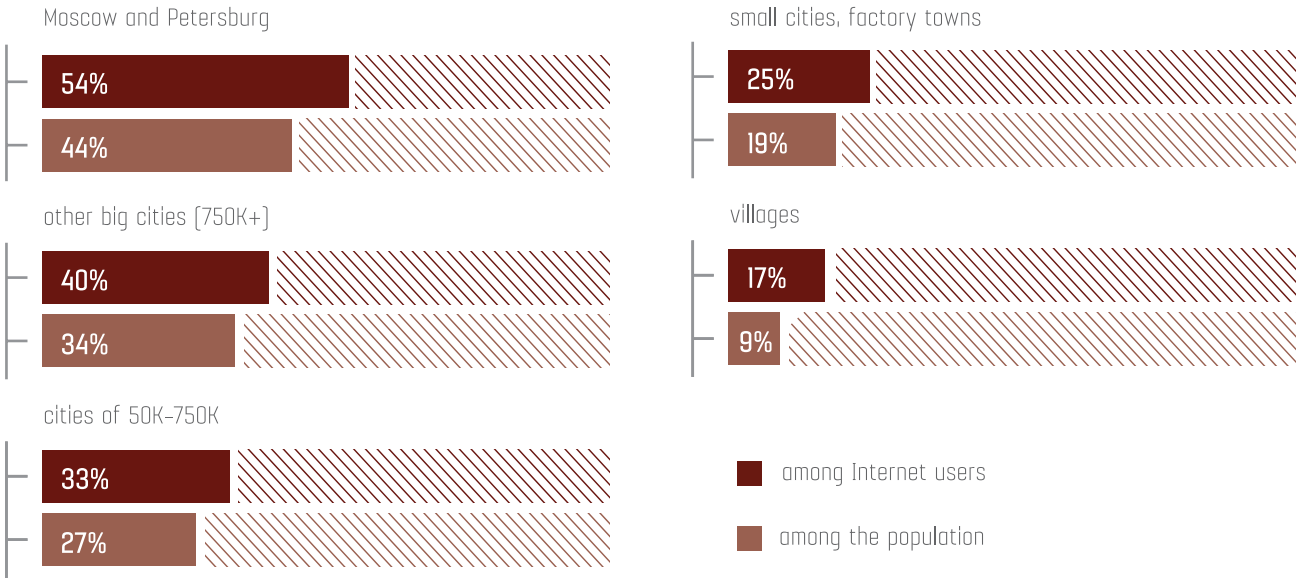
| INCOME LEVEL | share among online shoppers | share of online purchases | share of expenses on online shopping |
|---|---|---|---|
| under RUB 6,000 | 8% | 7% | 7% |
| RUB 6,000–12,000 | 11% | 10% | 7% |
| RUB 12,000–20,000 | 21% | 17% | 14% |
| RUB 20,000–30,000 | 20% | 20% | 19% |
| RUB 30,000–50,000 | 21% | 23% | 25% |
| RUB 50,000–75,000 | 6% | 8% | 12% |
| over RUB 75,000 | 4% | 6% | 10% |
| no personal income | 8% | 8% | 7% |

## 2.3. Regions

More than half (54%) of Moscow and Saint Petersburg residents who use the internet made at least one purchase of material goods in 2014 (this corresponds to 44% of those cities' population between the ages of 18 and 64). For the rest of millionaire cities (we count among these cities with official populations of more than 750,000 inhabitants), this share comes to only 40% of the number of internet users and 34% of the cities' population. The proportion of online shoppers decreases with the diminishing size of the population center in which a person lives, and in rural areas, the number of shoppers does not exceed 17% of the number of internet users (9% of the population).

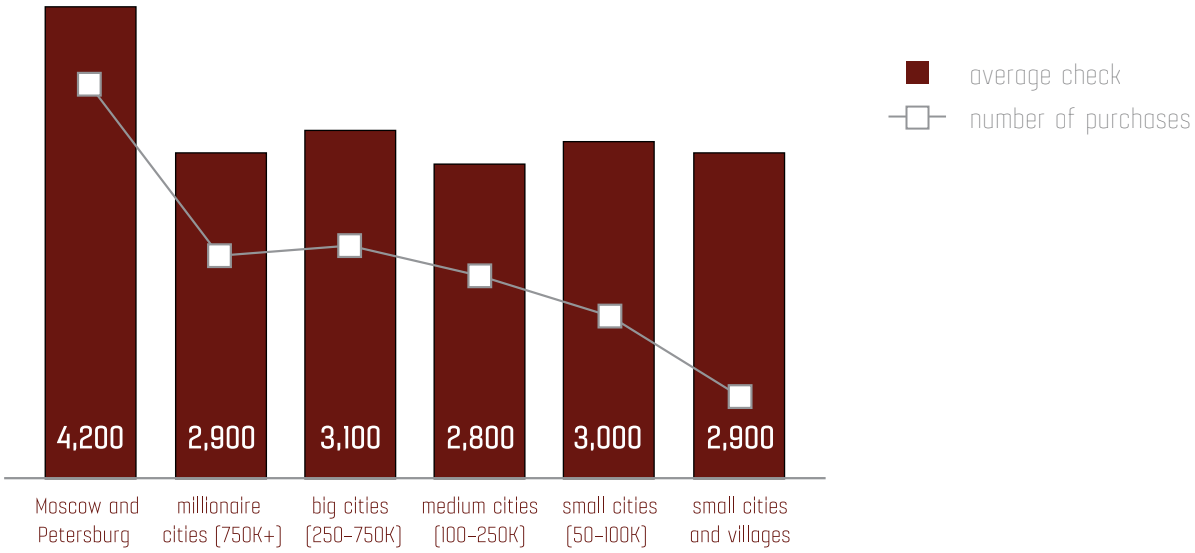
Following the lead of e-commerce penetration, shopping frequency also decreases with diminishing size of the population center; within this, the difference between noncapital millionaire cities and rural population centers is less using this parameter than the lag of the millionaire cities behind Moscow and Petersburg. The average check in Petersburg and Moscow is also substantially higher than in the rest of Russia — while, outside the borders of the two capitals, the size of the average check is practically independent of the size of the population center: limited access on the periphery to options for free or cheap pickup decreases the share of inexpensive purchases in small cities and in villages.

**Fig. 2.13.** Share of online shoppers in the internet audience and the population by type of population center




| TYPE OF POPULATION CENTER | share of online shoppers among internet users | share of online shoppers in the population |
|---|---|---|
| Moscow and Petersburg | 54% | 44% |
| other big cities (750K+) | 40% | 34% |
| cities of 50K–750K | 33% | 27% |
| small cities, factory towns | 25% | 19% |
| villages | 17% | 9% |

**Fig. 2.14.** Distribution of shopping frequency and average check by type of population center

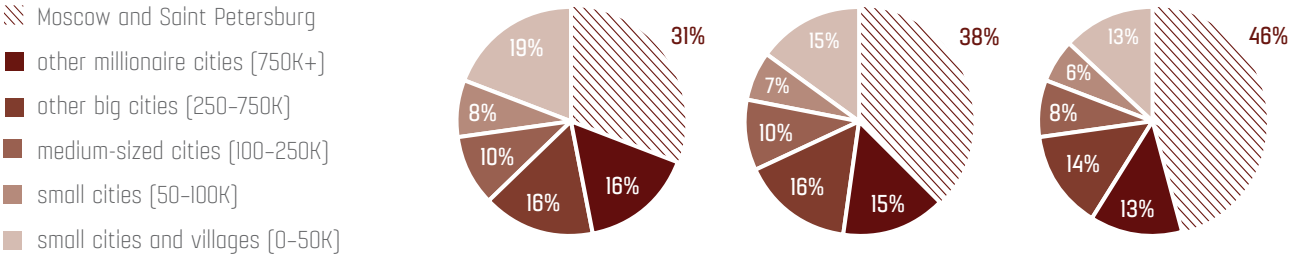



| TYPE OF POPULATION CENTER | average number of online purchases per year | average check, RUB |
|---|---|---|
| Moscow and Saint Petersburg | 9.1 | 4,200 |
| other millionaire cities (750K+) | 7.4 | 2,900 |
| other big cities (250–750K) | 7.5 | 3,100 |
| medium-sized cities (100–250K) | 7.2 | 2,800 |
| small cities (50–100K) | 6.8 | 3,000 |
| small cities and villages (0–50K) | 6.0 | 2,900 |

Moscow and Petersburg (without the suburbs) account for more than 30% of all shoppers, 38% of orders, and almost half (46%) of the monetary volume of the market. The share of small cities and villages (and that is almost a quarter of the country's population) comes to only 19%, 15% and 13% respectively.

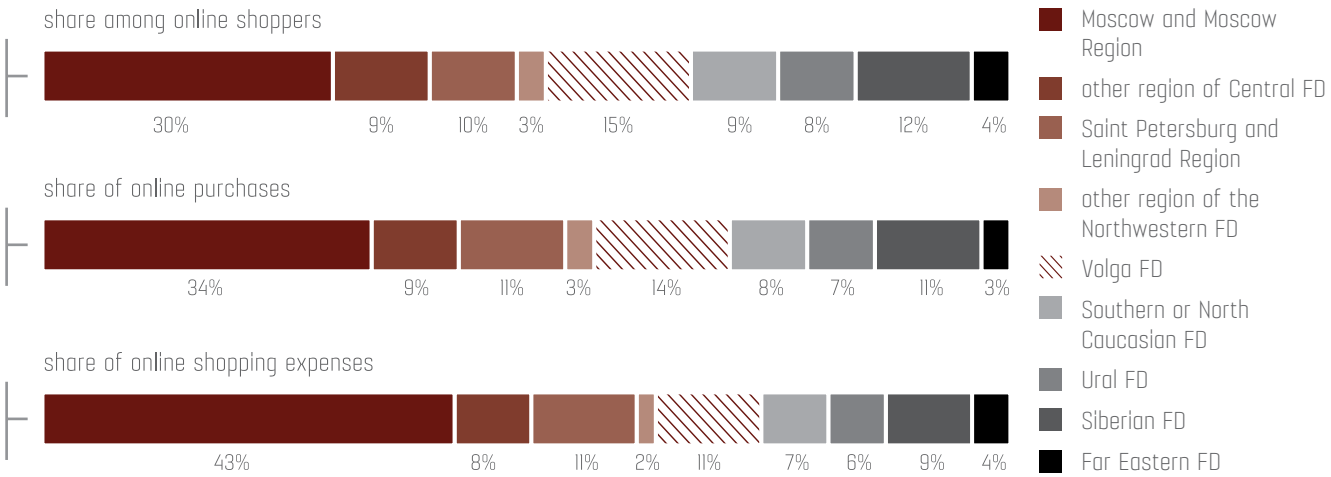
Overall, a substantial gap persists in e-commerce utilization activity between Moscow and Petersburg, on the one hand, and the rest of Russia (with the possible exception of Ekaterinburg) on the other. At the same time, this gap demonstrates a significant potential for growth in e-commerce in the regions. Currently greatest potential is concentrated in the millionaire cities, as local internet experience and income levels create more preconditions to keep up with Moscow than in the small cities.

**Fig. 2.15.** Distribution of shoppers, purchases and expenses by type of population center




| TYPE OF POPULATION CENTER | share among online shoppers | share of online purchases | share of online shopping expenses |
|---|---|---|---|
| Moscow and Saint Petersburg | **31%** | 38% | 46% |
| other millionaire cities (750K+) | **16%** | 15% | 13% |
| other big cities (250–750K) | **16%** | 16% | 14% |
| medium-sized cities (100–250K) | **10%** | 10% | 8% |
| small cities (50–100K) | **8%** | 7% | 6% |
| small cities and villages (0–50K) | **19%** | 15% | 13% |

**Fig. 2.16.** Distribution of shoppers, purchases and expenses by income level




| MACROREGION | share among online shoppers | share of online purchases | share of online shopping expenses |
|---|---|---|---|
| Moscow and Moscow Region | **30%** | 34% | 43% |
| other region of Central Federal District | **9%** | 9% | 8% |
| Saint Petersburg and Leningrad Region | **10%** | 11% | 11% |
| other region of the Northwestern Federal District | **3%** | 3% | 2% |
| Volga Federal District | **15%** | 14% | 11% |
| Southern or North Caucasian Federal District | **9%** | 8% | 7% |
| Ural Federal District | **8%** | 7% | 6% |
| Siberian Federal District | **12%** | 11% | 9% |
| Far Eastern Federal District | **4%** | 3% | 4% |

If we look at the macro regions, beyond the borders of the two capitals online shopping frequency leaders are Volga, South and Northern Caucasus. Ural remains among the lagging regions which, at the same time, outstrips the other noncapital macro regions in share of online shoppers, so that the drop in shopping frequency may be taken as a result of maximal expansion of the e-commerce audience).

Differences among noncapital macro regions in the average cost of online purchases are insignificant — we should note Ural and the Far East: in the first case, the increased size of the average check is achieved thanks to a large share of purchases in the categories of electronics and technology (with pick-up from local stores) and the high income level of residents of oil and gas regions; and in the second case, to the small share of cross-border purchases (which, in border regions, lose out in competition with offline shuttle commerce).

**Table 2.17.** Distribution of shopping frequency and average check by macro region

| MACROREGION | average number of online purchases per year | average check, RUB |
|---|---|---|
| Moscow and Moscow Region | 8.8 | 4,300 |
| other region of Central Federal District | 8.3 | 3,000 |
| Saint Petersburg and Leningrad Region | 8.6 | 3,400 |
| other region of the Northwestern Federal District | 6.9 | 3,000 |
| Volga Federal District | 7.3 | 2,700 |
| Southern or North Caucasian Federal District | 7.3 | 2,900 |
| Ural Federal District | 6.0 | 3,200 |
| Siberian Federal District | 6.9 | 2,700 |
| Far Eastern Federal District | 7.4 | 3,800 |

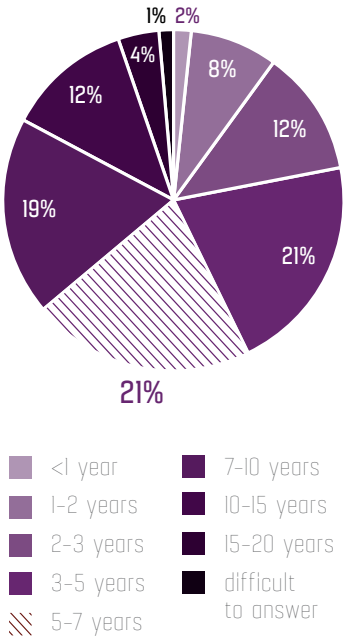
# 3. DYNAMICS OF THE ONLINE SHOPPER AUDIENCE

## 3.1. Growth in e-commerce penetration

The internet audience in Russia has been "gathering dust" for the third straight year. To test this assumption, we will utilize data on the length of experience of internet users, posing the question, "How long ago did you begin using the internet?" The survey results show that only 2% of the total number of users appeared in 2014, while 2013 stands for 8% and 2012 for 12% of current number of users. So we can see the peak of internet audience growth in Russia has passed. Taking into account the fact that the number of users has overreached 80 million, we have no grounds for assuming that there will ultimately be acceleration in internet audience growth rates in future.

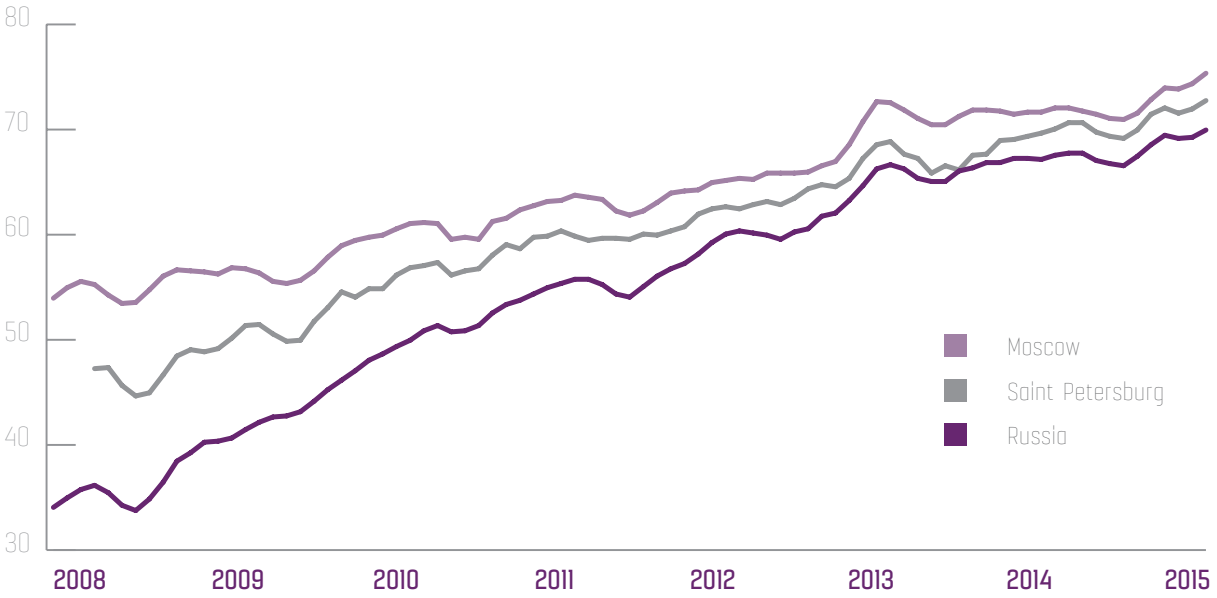
**Fig. 3.1.** Distribution of the internet audience by length of internet use

| HOW LONG AGO DID YOU BEGIN USING THE INTERNET? | weighted public opinion Foundation data |
|---|---|
| less than 1 year ago | 1.9% |
| a year or more ago (but less than 2 years) | 8.3% |
| 2 or more years ago (but less than 3 years) | 12.0% |
| 3 or more years ago (but less than 5 years) | 20.8% |
| 5 or more years ago (but less than 7 years) | 21.1% |
| 7 or more years ago (but less than 10 years) | 18.9% |
| 10 or more years ago (but less than 15 years) | 11.9% |
| 15 or more years ago (but less than 20 years) | 3.2% |
| over 20 years ago | 0.7% |
| I do not remember, it is difficult for me to answer | 1.2% |



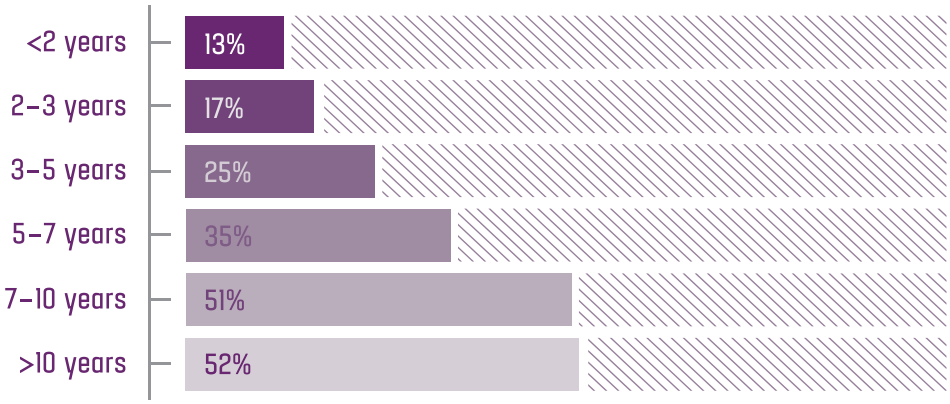

The TNS Web Index data cited in the illustration below also reveals a similar picture of the dynamics of internet penetration.

**Fig. 3.2.** Dynamics of internet penetration. Monthly Reach%, 12+ years. TNS Web Index. January-March 2015




As a result, new shoppers at online stores do not come from those who are not using the internet today, but from those who use the internet, but do not buy online. Taking into account the fact that the share of online shoppers among the total number of users is 34%, we may say that a "turning point" is reached when the length of internet use experience reaches five years. In other words, a person starts actively using the online channel for shopping in 5 years from the moment of becoming an internet user. For the 7-years experienced audience the share of shoppers who made at least one purchase in 2014 is over 50%.

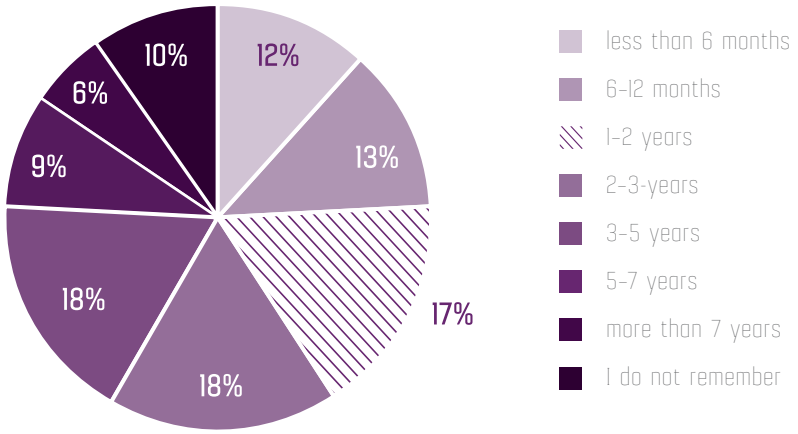
**Fig. 3.3.** Share of online shoppers depending on length of their internet experience



The majority of online shoppers have only brief experience in dealing with internet stores. This is connected with the swift growth in the online shopper audience: if their number grows by a third every year, accordingly, half of today's shoppers have been using online stores for less than 2.5 years. At the same time, the share of users who have more than five years' online shopping experience comes to less than 15%.

*Half of today's online shoppers made their first purchase in an online store less than 2.5 years ago*

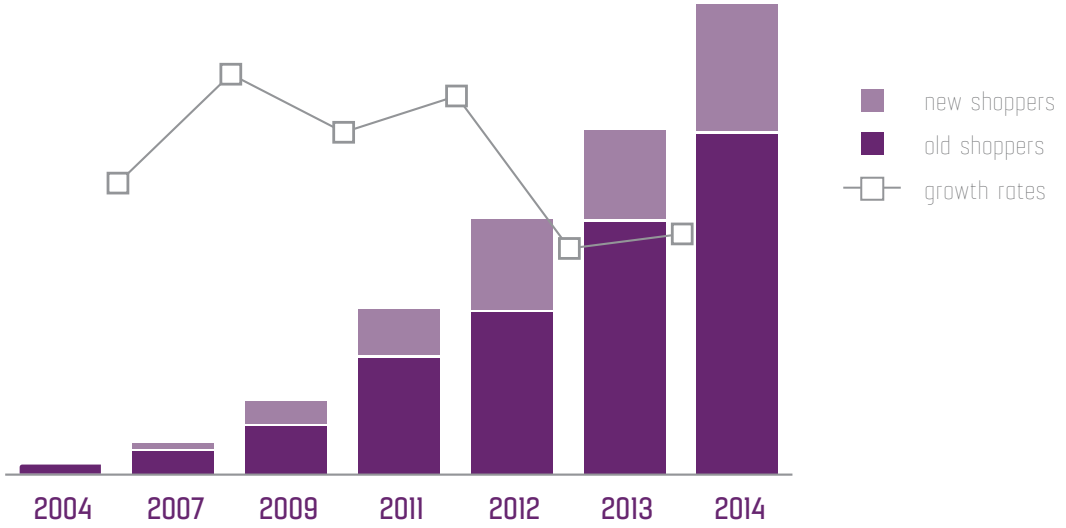
**Fig. 3.4.** Distribution of online shoppers by length of experience shopping on the internet




| LENGTH OF ONLINE SHOPPING EXPERIENCE | share |
|---|---|
| less than 6 months | 11.7% |
| 6–12 months | 12.5% |
| 1–2 years | 16.9% |
| 2–3 years | 17.5% |
| 3–5 years | 17.5% |
| 5–7 years | 8.6% |
| more than 7 years | 5.7% |
| I do not remember | 9.6% |

At the same time, despite the express growth in number of shoppers, the rates of this growth have substantially slowed down over the past two years: if, in 2010–2012, the number of online shoppers grew by more than 1.5 times a year, in 2013 and 2014 it grew faster than over a third a year. Moreover, as we will see in Chapter 5 (p. 70), a supplemental increase of several million shoppers in 2014 was explained by increase of a number of purchases overseas, and if this would not have happened, we would now state a decrease in shopper audience growth rates to 23–25% .

**Fig. 3.5.** Retrospective analysis of online shopper audience dynamics




| YEAR | number of online shoppers, estimate at the end of the period, million | new online shoppers per year, millions | growth rate for the year |
|---|---|---|---|
| 2014 | **25.4** | 6.9 | 37% |
| 2013 | **18.5** | 4.8 | 35% |
| 2012 | **13.7** | 4.9 | 56% |
| 2010–2011 | **8.8** | 2.5 | 51% |
| 2008–2009 | **3.8** | 1.2 | 59% |
| 2005–2007 | **1.5** | 0.3 | 44% |
| 2004 | **0.5** | | |

At the same time the share of shoppers in the internet audience is not only growing quickly, but increasing its growth rate. There are several reasons for this. In the first place, there is a slowdown (practically stop) of growth of the internet audience in Russia. The number of shoppers continues to grow at least at the same — and, in reality, as mentioned above, at higher rates - increasing its share of the internet audience.

**Fig. 3.6.** A retrospective analysis of the dynamics of the share of online shoppers in the internet audience


| YEAR | share of online shoppers in the internet audience, estimates at the end of the period | annual growth in share of online shoppers |
|---|---|---|
| 2014 | **34%** | 34% |
| 2013 | **26%** | 23% |
| 2012 | **21%** | 34% |
| 2010–2011 | **16%** | 27% |
| 2008–2009 | **10%** | 25% |
| 2005–2007 | **6%** | – |

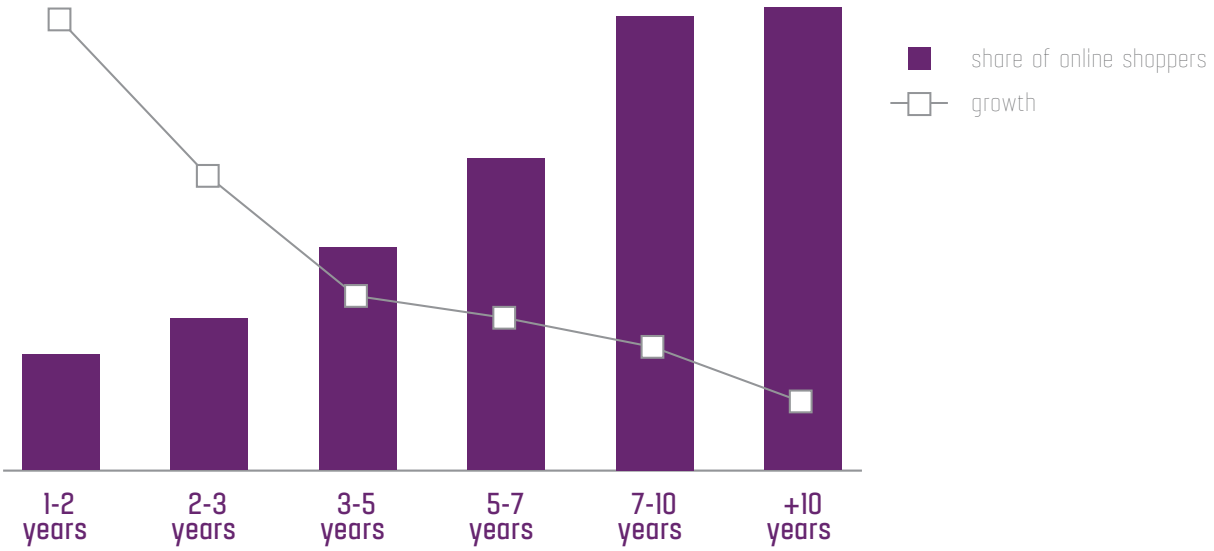
Since we do not state a 100% penetration of e-commerce within even one of the groups by length of internet use, the share of online shoppers is growing in all the groups mentioned with a stable quick speed, including that group which has been using the internet for over 10 years. This signifies that e-commerce is increasing, not only and not so much thanks to users who have recently become internet users, but thanks to the other segments of the internet audience. More than half of people who tried online shopping for the first time last year (in 2014) started using the internet before 2008.

The fact that a significant contribution to the growth of the online shopping audience is made by people with many years of internet-using experience, allows us to predict that the number of e-commerce users will still continue to grow during the next years by several million people a year. In 3–4 years, growth in e-commerce penetration will practically cease among those who became internet users before 2008, but, on the other hand, active adaptation of e-commerce will probably continue among those who started using the internet in 2008–2012 (and it is precisely during those years that the influx of new internet users reached maximum figures).

*Growth in numbers of online shoppers is in its blossom period. Even among the most experienced users, there are those who still do not buy online*

In other words, growth in the number of online shoppers is in its blossom period; the number of users will increase until the experienced user's saturation, which will be followed by appearance of new online shoppers from the new internet users.

**Fig. 3.7.** Growth in the online shopper audience in a cross-section of groups by length of internet use experience




| HOW LONG AGO DID YOU START USING THE INTERNET? | growth in number of online shoppers | share of online shoppers one year ago | share of online shoppers now | growth in the share of online shoppers for the year, in percentage points |
|---|---|---|---|---|
| 1-2 years ago | 127% | 6% | 13% | 7 p.p. |
| between 2 and 3 years ago | 84% | 10% | 17% | 7 p.p. |
| between 3 and 5 years ago | 51% | 17% | 25% | 8 p.p. |
| between 5 and 7 years ago | 45% | 25% | 35% | 10 p.p. |
| between 7 and 10 years ago | 37% | 39% | 51% | 12 p.p. |
| over 10 years ago | 22% | 45% | 52% | 7 p.p. |

**Table 3.8.** New, recent, and experienced e-commerce users: comparison of segments by length of internet use experience

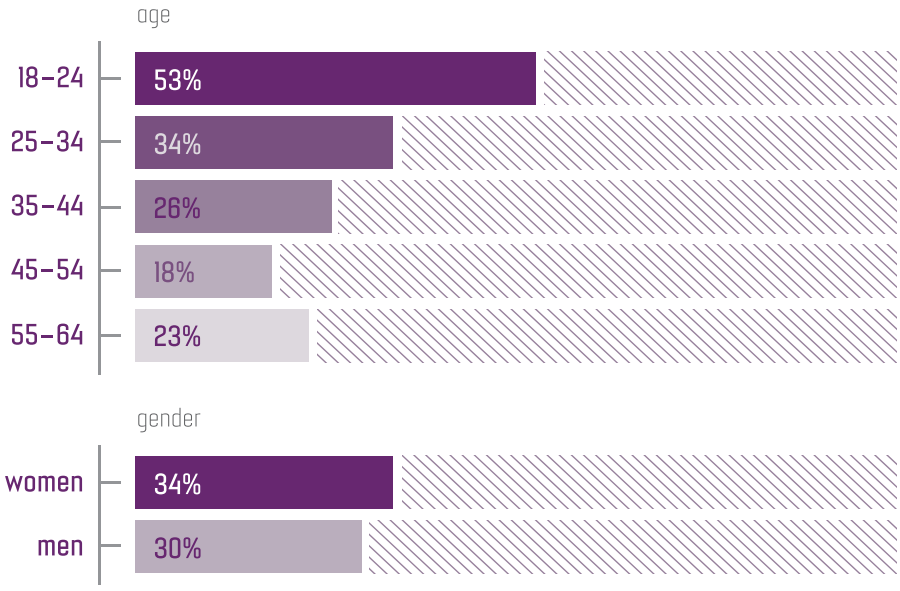
| HOW LONG AGO DID YOU BEGIN USING THE INTERNET? | share among online shoppers with over 3 years of experience | share among online shoppers with between 1 and 3 years of experience | share among online shoppers with less than 1 year of experience |
|---|---|---|---|
| less than 2 years ago (2013–2014) | – | 5% | 9% |
| between 2 and 3 years ago (2012) | – | 5% | 6% |
| between 3 and 5 years ago (2010–2011) | 5% | 12% | 12% |
| between 5 and 7 years ago (2008–2009) | 13% | 22% | 22% |
| between 7 and 10 years ago (2005–2007) | 25% | 24% | 25% |
| between 10 and 15 years ago (2000–2004) | 35% | 24% | 19% |
| over 15 years ago (prior to 2000) | 22% | 7% | 7% |

## 3.2. New online shoppers profile

The group of 18–24 years old showed the fastest growth of the number of online shoppers. The slowest growth rate was detected in the group of 45–54 years old. Young people grasp innovations easily, and moreover, they are starting their independent lives, and trying to shop themselves; and it is not surprising that, together with the offline shopping, they also, as a rule, learn shopping online. It is curious that growth in the number of older shoppers (55–65) is higher than in the preceding age group — the reasons are their low ground knowledge and the continuing growth of internet penetration. Users in this age category have only started appreciating the convenience of e-commerce.

If there is a noticeable diversity among the different age groups, among men and women, the number of online shoppers is growing with almost identical speed — however this growth is still quicker among female internet audience, so that the share of women among online shoppers is constantly increasing. At the same time, among internet users who have not made online purchases, the share of men is already noticeably higher than 50%.

**Fig. 3.9.** Growth in the online shopper audience in a cross-section of groups by gender and age



Comparing the situation of previous years, the most significant contribution into the growth of the number of online shoppers is made by young and people up to 35. At the same time, the share of people around 40, and especially, around 50, among those beginning to shop on the internet decreases every year — a smaller segment of consumers 35–54 years old age has already learned online shopping. As a rule, they got used to it long ago, while the majority demands more time for trial and adaptation to this new practice than the younger internet users.

*The audience of internet-shoppers is growing mainly by means of the audience of the young people and, generally, by the 35 years olds*

**Table 3.10.** Comparison of profiles of old online shoppers, new online shoppers, and non-shoppers by gender and age

| AGE / GENDER | length of online shopping experience over 3 years | length of online shopping experience 1–3 years | length of online shopping experience less than 1 year | do not buy online (do use internet) |
|---|---|---|---|---|
| 18–24 | 12% | 26% | 32% | 17% |
| 25–34 | 30% | 32% | 32% | 27% |
| 35–44 | 24% | 20% | 19% | 24% |
| 45–54 | 24% | 15% | 11% | 20% |
| 55–64 | 11% | 6% | 6% | 12% |
| Women | 54% | 55% | 57% | 49% |
| Men | 46% | 45% | 43% | 51% |

The thesis regarding an active phase of the e-commerce growth is taken from by the fact that the number of online shoppers is growing uniformly over all regions except Moscow and Saint Petersburg, where growth is less than average, and the Central Federal District (outside the borders of the Moscow Region), where growth is considerably bigger than average. In all the rest of the macro regions, the growth in the share of online shoppers is roughly the same, and coincides with average growth throughout the whole country.

If we take a look not at macro regions but at types of population centers, and their size, we'll see that the situation is similar: growth in the number of online shoppers in Moscow and Saint Petersburg is considerably less than in the smaller cities (20% versus 33%, respectively), but after that, growth across all categories of population center is more or less the same. We see a substantial difference, as expected, in the smallest population centers, with a population count of less than 50 thousand inhabitants (small cities, factory towns of urban type, villages) — here, growth was 50%, versus 33% in medium-sized population centers.

**Table 3.11.** Growth in the online shopper audience in a cross-section of groups by macro region and type of population center

| MACROREGION | growth in number of online shoppers in 2014 |
|---|---|
| Moscow and Moscow Region | 23% |
| Other regions in the Central Federal District | 44% |
| Saint Petersburg or Leningrad Region | 28% |
| other regions in the Northwestern Federal District | 37% |
| Volga Federal District | 35% |
| Southern and North Caucasian Federal District | 36% |
| Ural Federal District | 37% |
| Siberian Federal District | 38% |
| Far Eastern Federal District | 37% |
| **TYPE OF POPULATION CENTER** | |
| Moscow and Saint Petersburg | 20% |
| other millionaire cities (750K+) | 30% |
| other big cities (250–750K) | 32% |
| medium-sized cities (100–250K) | 36% |
| small cities (50–100K) | 34% |
| small population centers (0–50K) | 52% |

Moscow and Petersburg macro regions supplied over half of the arrival of new online shoppers until 2012, in 2014 their contribution reduced to one third (32%). At the same time, among the newcomers the share of inhabitants of the regions and especially inhabitants of small cities, factory towns and rural population centers, increased.

**Table 3.12.** Profile comparison of old and new online shoppers by region and type of population center

| HOW LONG AGO DID YOU BEGIN USING THE INTERNET? | length of online shopping experience over 3 years | length of online shopping experience 1–3 years | length of online shopping experience less than 1 year |
|---|---|---|---|
| Moscow and Moscow Region | 39% | 24% | 23% |
| Other regions in the Central Federal District | 7% | 11% | 11% |
| Saint Petersburg or Leningrad Region | 12% | 8% | 9% |
| other regions in the Northwestern Federal District | 2% | 3% | 3% |
| Volga Federal District | 13% | 17% | 16% |
| Southern and North Caucasian Federal District | 7% | 10% | 10% |
| Ural Federal District | 8% | 9% | 10% |
| Siberian Federal District | 10% | 14% | 14% |
| Far Eastern Federal District | 3% | 4% | 4% |
| **TYPE OF POPULATION CENTER** | | | |
| Moscow and Saint Petersburg | 42% | 25% | 22% |
| other millionaire cities (750K+) | 16% | 16% | 15% |
| other big cities (250–750K) | 13% | 19% | 16% |
| medium-sized cities (100–250K) | 8% | 11% | 11% |
| small cities (50–100K) | 7% | 8% | 8% |
| small population centers (0–50K) | 15% | 19% | 27% |

The distribution of growth rates by family status shows that growth in the number of online shoppers is less in families, and especially in families with children (32% and 24%, respectively). On the other hand, the greatest growth is among singles, people living with their parents, and single parents (39%, 43% and 40%, respectively).

*Moscow and Petersburg macro regions supplied over half of the arrival of new online shoppers until 2012, in 2014 their contribution reduced to one third (32%)*

The observed correlation should not be interpreted as the direct influence of family status on the dynamics of mastering e-commerce: more likely, we may speak of the fact that family status depends on other factors that influence starting online shopping, age, for example. The greatest growth in number of online shoppers today is among aging internet users (who most often live alone), youth (who more frequently live with their parents), and less-prosperous families (incomplete families). Within this, young families (without children) and families just a little older (with children) are representatives of the segments with the highest level of internet penetration and greatest length of experience as users, and in addition, they also have the greatest require to make purchases (furnishing a home, birth of a child), so that, probably, they already began shopping online a few years ago.

Share of shoppers among people with a higher education is substantially greater than among people with a secondary or specialized secondary education, and, for just that reason, there is nothing surprising in the fact that we see the greatest growth among the users without a higher education, and, more precisely, among people with a secondary general education. The year 2014 has been the first year when people with a higher education made up less than half of the total contribution to new online shoppers.

*The greatest influence on readiness to become an online shopper is exerted by age and income*

For the same reasons, growth rates in the number of online shoppers decrease steadily with the growth of personal income. Among wealthy consumers with more than 75 thousand rubles a month in personal income, growth in the number of online shoppers came to only 19% in 2014, while, among users with income fewer than 6 thousand rubles, the number of online shoppers grew by almost 1.5. More than a half (55%) of new online shoppers are people with income under 20 thousand rubles, or with no personal income at all.

*In all segments of the audience, we have seen double-digit growth figures for online shoppers in 2014; it follows that e-commerce saturation has not yet been reached in a single one of these segments*

In all segments of the audience, we have seen double-digit growth figures for online shoppers in 2014; it follows that e-commerce saturation has not yet been reached in a single one of these segments.

**Table 3.13.** Growth in the online shopper audience in a cross-section of groups by family status, education and income

| FAMILY STATUS | length of online shopping experience more than 3 years |
|---|---|
| I live alone | 39% |
| I live with my parents (parent) | 43% |
| I live with my husband/wife/partner | 32% |
| I live with my husband/wife/partner and children | 24% |
| I live with my children (single parent) | 40% |
| **EDUCATION** | |
| secondary, general | 53% |
| secondary, specialized | 39% |
| higher, including incomplete | 24% |
| **PERSONAL INCOME** | |
| under RUB 6,000 | 49% |
| RUB 6,000–11,000 | 43% |
| RUB 12,000–19,000 | 37% |
| RUB 20,000–29,000 | 27% |
| RUB 30,000–49,000 | 25% |
| RUB 50,000–74,000 | 21% |
| over RUB 75,000 | 19% |
| there was no personal income | 42% |
| I do not wish to answer | 28% |

**Table 3.14.** Comparison of profiles of old online shoppers, new online shoppers and non-shoppers by educational and income levels

| EDUCATION | length of online shopping experience over 3 years | length of online shopping experience 1–3 years | length of online shopping experience less than 1 year | do not buy online (they use the internet) |
|---|---|---|---|---|
| secondary, general | 7% | 15% | 19% | 23% |
| secondary, specialized | 25% | 30% | 36% | 45% |
| higher, including incomplete | 69% | 56% | 45% | 32% |
| **PERSONAL INCOME** | | | | |
| under RUB 6,000 | 5% | 9% | 11% | 7% |
| RUB 6,000–11,000 | 8% | 12% | 13% | 17% |
| RUB 12,000–19,000 | 16% | 22% | 22% | 21% |
| RUB 20,000–29,000 | 22% | 20% | 17% | 16% |
| RUB 30,000–49,000 | 24% | 18% | 16% | 10% |
| RUB 50,000–74,000 | 9% | 5% | 4% | 4% |
| over RUB 75,000 | 7% | 2% | 3% | |
| there was no personal income | 6% | 8% | 9% | 12% |
| I do not wish to answer | 5% | 3% | 5% | |

# 4. GOODS CATEGORIES

## 4.1. Shoppers portrait

The biggest goods category by number of online shoppers is clothing for adults: 8 million people bought clothes online in 2014. Altogether, clothing, shoes and accessories (without counting children's goods) were bought by 8.6 million people in 2014. There were even more online shoppers — 11 million people — in electronics and home appliances combined, but if this market is split into separate segments (computers, laptops, and spare parts; appliance, TV and audio-video technology; smartphones, tablets and other portable electronics), the number of online shoppers in each category is no more than 6.5 million people.

*11 million: the number of people purchased clothing, shoes and accessories online in 2014*

It is odd that cosmetics and perfumes, which are only in sixth place by market share, take third place (5.5 million people) in number of shoppers. A low average check and, surprisingly, low shopping frequency make this fairly popular category not so big in turnover.

*E-commerce in Russia is a big market: even the smallest category — food products — accounts 1.3 million people*

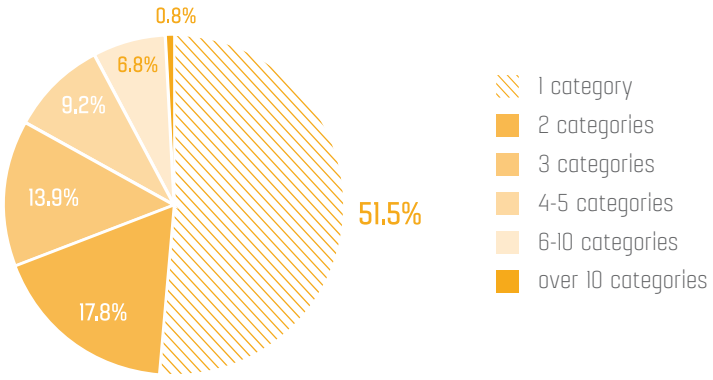
E-commerce in Russia is a big market and a big audience: even the smallest category — food products (even without counting fast food) — which is 1.3 million people.

Over 25 million people nationwide make purchases of material goods through the internet. They do so for various goods categories; the majority of them purchased things in more than one goods category in 2014 (fig. 4.2).

**Fig. 4.1.** Number of online shoppers by goods category

| GOODS CATEGORY | number of shoppers, millions | share of shoppers in category in % of all online shoppers |
|---|---|---|
| clothing for adults | 8.1 | 31.8% |
| telephones, tablets and other electronics | 6.5 | 25.4% |
| cosmetics, perfume | 5.5 | 21.7% |
| technology for the home, including appliances | 5.2 | 20.4% |
| books, music, software, games | 5 | 19.6% |
| goods for children, children's clothing and shoes | 4.7 | 18.6% |
| laptops, computers and spare parts | 4.6 | 18.0% |
| souvenirs, gifts, jewelry | 4.2 | 16.6% |
| shoes for adults, purses, and other accessories | 3.9 | 15.5% |
| hobby and craft supplies | 2.6 | 10.4% |
| home furnishings, furniture | 2.3 | 8.9% |
| goods for sports, tourism, fishing and hunting | 2.2 | 8.6% |
| medical supplies and medicines | 2.1 | 8.1% |
| auto parts, electronic auto components, tires, and wheels | 1.9 | 7.6% |
| household chemicals, pet care products | 1.9 | 7.5% |
| supplies for repairs, building, and the dacha | 1.6 | 6.3% |
| foodstuffs, drinks (not including fast food) | 1.3 | 5.0% |

**Fig. 4.2.** Distribution of online shoppers by number of goods categories in which the consumer made purchases in 2014




| NUMBER OF CATEGORIES IN WHICH PURCHASES WERE MADE | share of shoppers |
|---|---|
| 1 category | 51.5% |
| 2 categories | 17.8% |
| 3 categories | 13.9% |
| 4-5 categories | 9.2% |
| 6-10 categories | 6.8% |
| over 10 categories | 0.8% |

It is important that internet purchases, as a rule, do not have 100% addiction; they do not triumph completely over traditional offline purchases in these goods categories: the user who made at least one purchase on the internet will, probability, shop there again and again in future; however, he will only shop online when it is more convenient for him than offline. One and the same person may make purchases both online and offline in one and the same goods category. Furthermore, an increase in the share of omni-channel stores is leading to a blurring of boundaries (including in the mind of the user) between different shopping formats.

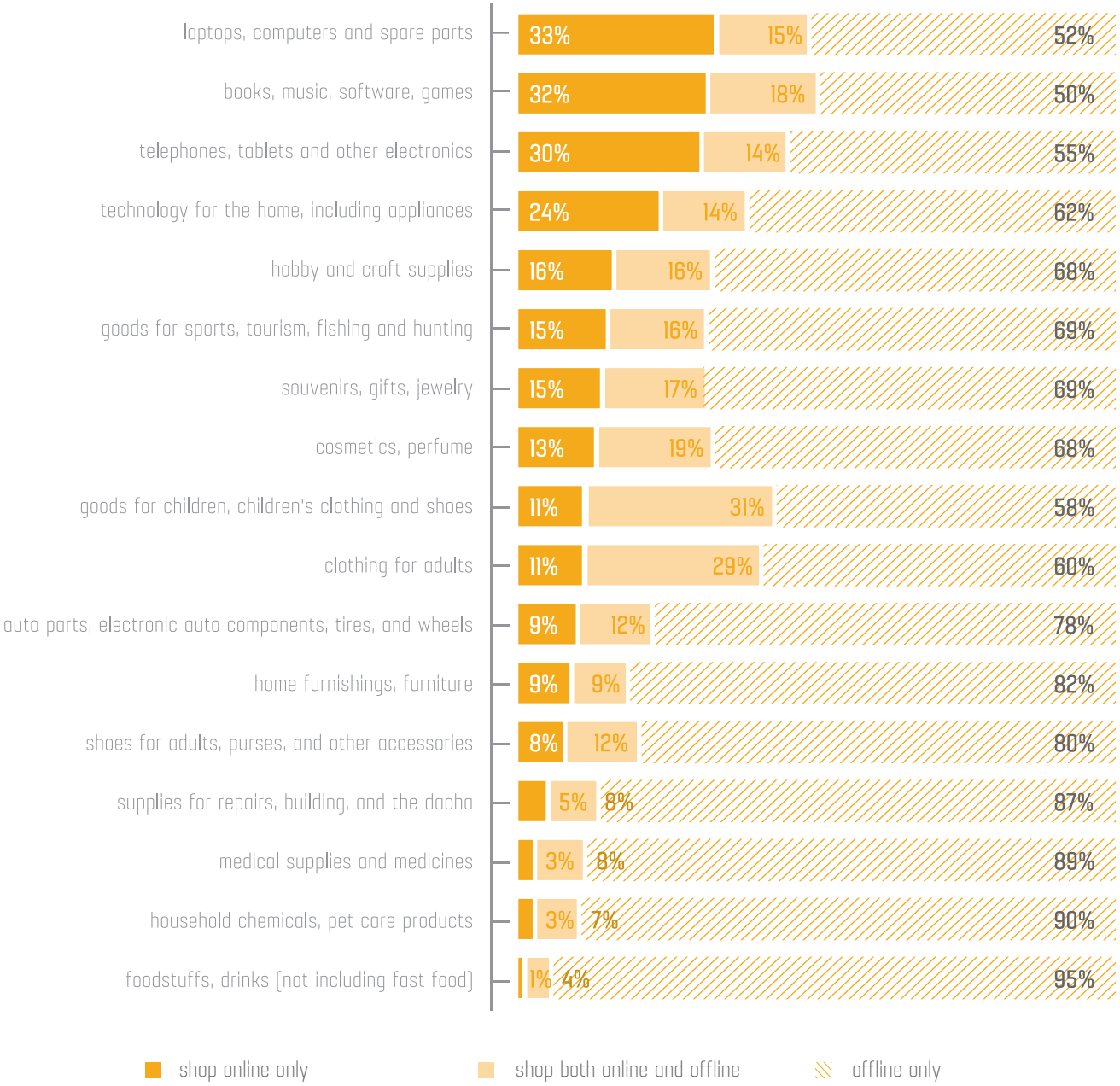
Current research shows that, even in an online shopper audience of 25 million, i.e., among people who are using e-commerce (even if they practice online shopping within one category of goods), within each separate category, the majority make purchases offline as before. For example, there are 8 million online shoppers for clothing and shoes — but there are still one-and-a-half times as many who only purchase goods in other categories on the internet, and buy clothing exclusively offline.

*After making their first purchase online, the user does not transfer all his shopping to the internet. But he shops wherever is convenient for him at the moment: on the internet, or offline*

The four most interesting «online» categories are computers (48% of all shoppers in the online shopper audience acquired them, if only once, on the internet), books (50%), telephones and tablets (45%), and home appliances (38%). It should be underlined once again that the same shoppers were able to make purchases in these goods categories offline as well, including, perhaps, even more frequently than online. The share of online — only shoppers in the most «online» categories reaches 30–33% of all those who purchased in corresponding goods categories (and also having online shopping experience in any category in 2014).

At the same time, there are categories in which online purchases are not, generally, characteristic. Foremost among these are foodstuffs, household chemicals, medical supplies and medicines (only 10%, or even less, of purchasers of these goods who count as online shoppers by their orders in other goods categories, had the experience of acquiring these online in 2014), supplies for repairs; furniture; home furnishings and, strange as it seems, shoes (less than 20%). For many of these goods categories, the small share of people purchasing them online signifies enormous potential for growth within the next few years.

**Fig. 4.3.** Distribution of shoppers in separate goods categories, by shopping location



## 4.2. Purchases

The picture of online shopping frequency differs substantially from offline. Where, offline, we make the highest number of purchases in convenience stores, drugstores, and stores for household chemicals, online, these categories are weakly represented. Therefore, clothing and children's goods (likewise mainly children's clothes, but also, hygiene products) shopping frequency in these categories is twice as high as average.

It is interesting that telephones and other portable electronics take third place; the affinity index for this category is 128 (that is, purchases in this category are made with 1.3 times average frequency). And the high shopping frequency is guaranteed, not so much by smartphones and other expensive gadgets, as by small orders for various types of small electronic stuff and accessories.

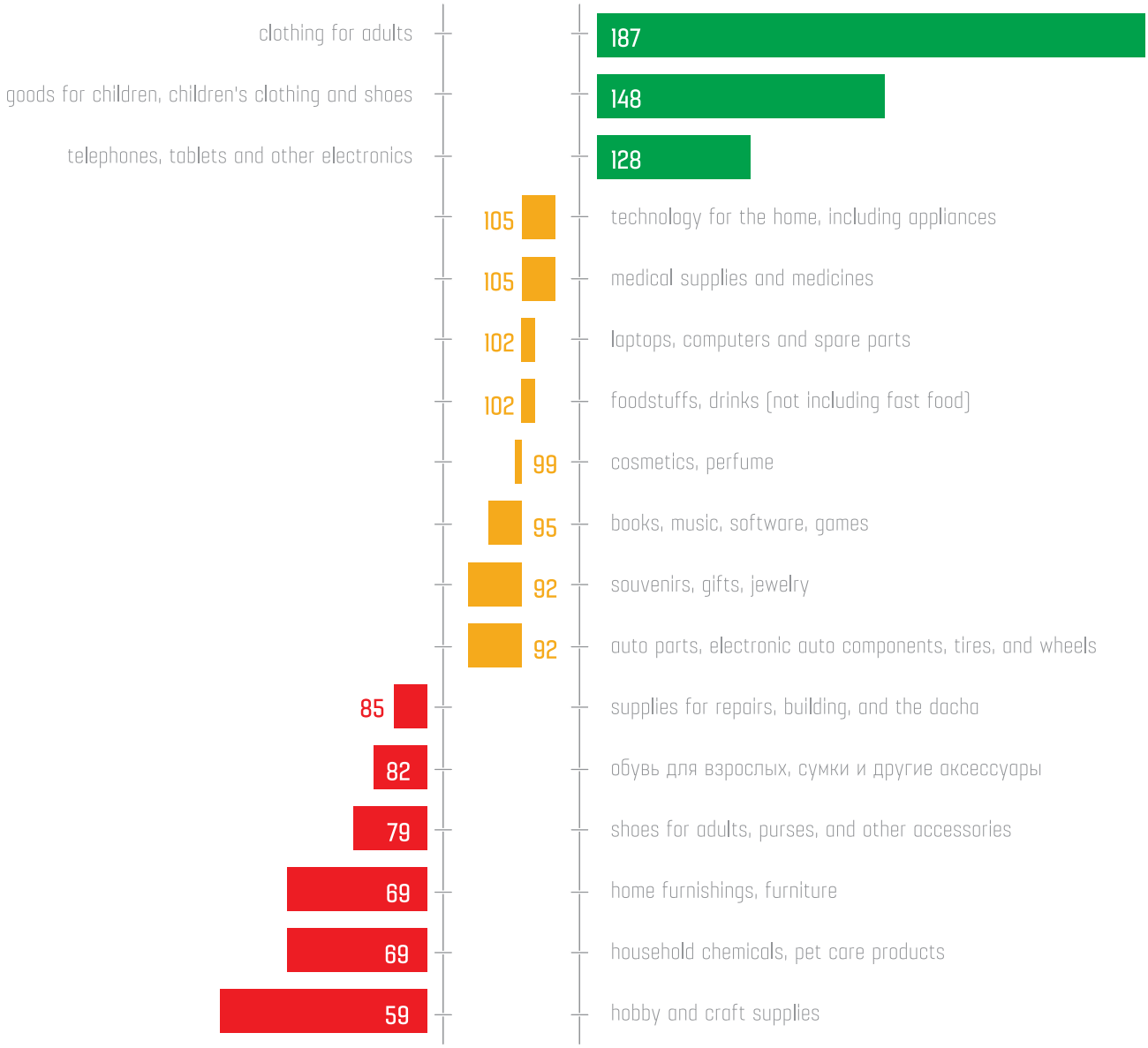
Goods that should be bought fairly often (mentioned above foodstuffs), are very seldom purchased online. The main reason is the very low supply of these goods categories online, and the large number of people who try purchasing them on the internet, but are not left sufficiently satisfied to repeat the experience in the following months.

Shopping frequency is also lower than average in the "furniture" category (which seems logical). What does not seem logic is the low frequency of online orders in the "shoes and accessories" categories (affinity index 82) and a rather low frequency in the "cosmetic and perfume" categories (affinity index 99). These two categories are rather weakly developed for their high online-sales appeal, and, consequently, in the immediate future, we may expect faster-than-market growth in these segments.

*The chief candidates for speedy growth today are cosmetics and perfume, and shoes with accessories*

Where foodstuffs, household chemicals and pet products are evidently weakly developed goods categories online, facing a long and very difficult path into e-commerce, the chief candidates for speedy growth today are cosmetics and perfumes, and shoes plus accessories. In shopping frequency they lag far behind the "clothing" goods category, which is close in terms of character of the target audience and sales format; and, in the next year or two, these two categories may "close the gap".

**Fig. 4.4.** Shopping frequency in separate goods categories. Affinity index



On the basis of the data cited above on the number of online shoppers and on relative shopping frequency in each of the goods categories, we have been able to estimate how the total volume of orders in internet stores (195 million in 2014) is distributed by categories of purchased goods.

The biggest category in numbers of orders is clothing. It accounts for 22% of all orders, and, if purchases of shoes and accessories are considered as well, the share grows to 27%. Also included in the top 5 categories are all three segments of the BT&E market — portable electronics, usehold appliances and other technology for the home, and computer technology. Each of these accounts for 7% to 12% of orders — a total of 26% altogether. Another significant segment, with a 10%share of all online orders, is children's clothing and other goods for children.

Correlation among goods categories by number of orders changes substantially if cross-border shopping is excluded, and only shopping in Russian online stores is considered. In this case, the share of clothing, shoes, and accessories for adults is reduced to 20% (of which clothing for adults accounts for 16% of Russian domestic purchases), while the total combined share of the three technology and electronics segments rises to 29%. Books and CD segment is also among the biggest goods categories by number of orders in Russian online stores and makes up 9%.

**Fig. 4.5.** Distribution of online orders: main goods categories (combined)

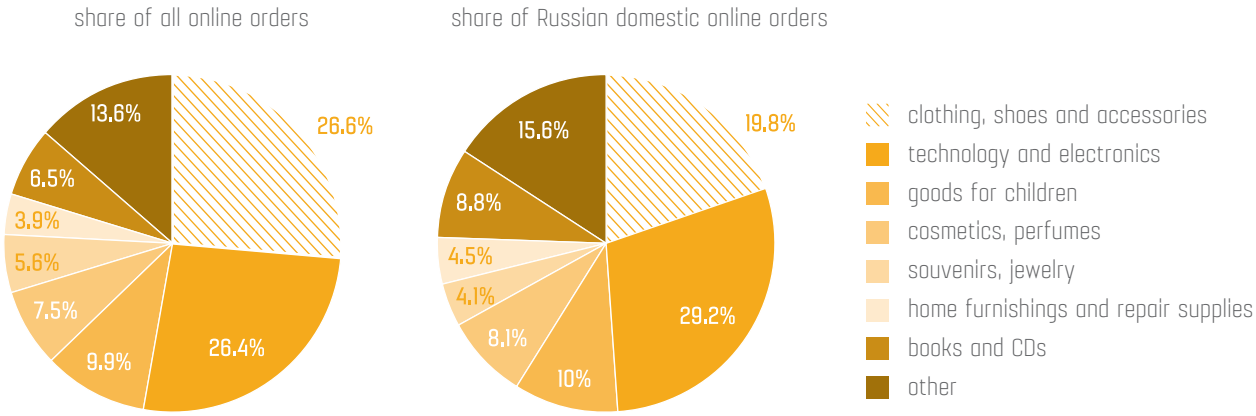


**Fig. 4.6.** Distribution of online orders by goods category

| GOODS CATEGORY | share of all online orders | share of Russian domestic online orders |
|---|---|---|
| clothing for adults | 22.3% | 15.8% |
| telephones, tablets, and other electronics | 12.3% | 11.8% |
| technology for the home, including appliances | 7.6% | 10.2% |
| goods for children, children's clothing and shoes | 9.9% | 10.0% |
| books, music, software, games | 6.5% | 8.8% |
| cosmetics, perfume | 7.5% | 8.1% |
| laptops, computers and spare computer parts | 6.5% | 7.2% |
| other | 3.4% | 4.4% |
| souvenirs, gifts, jewelry | 5.6% | 4.1% |
| medical supplies and medicines | 3.1% | 3.9% |
| shoes for adults | 3.1% | 3.2% |
| supplies for sports, tourism, fishing and hunting | 2.5% | 2.6% |
| auto parts, auto electronics, tires and wheels | 2.4% | 2.6% |
| hobby and craft supplies | 2.2% | 2.1% |
| supplies for repairs, building, and the dacha | 1.8% | 2.1% |
| home furnishings | 1.6% | 1.7% |
| purses, accessories | 1.2% | 0.8% |
| furniture | 0.5% | 0.7% |

## 4.3. First purchases categories

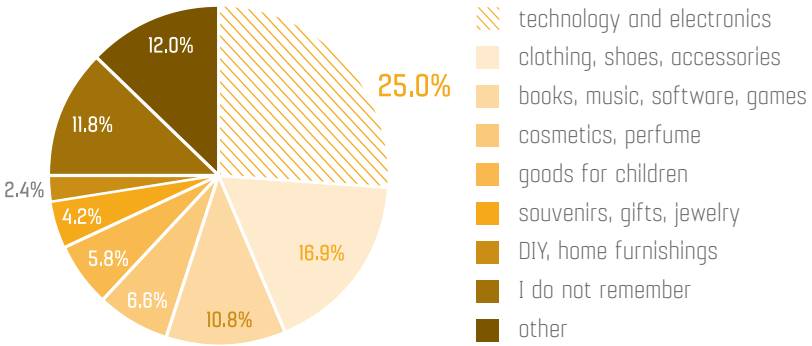
What goods categories are “magnets” for a first purchase online? Only 12% of online shoppers had difficulty answering this question. As, on the whole, for all orders, the most popular first purchase category is clothing; the path to e-commerce began with it for 14% of respondents. Next come books: this is one of the first e-commerce market categories, and those who have been using the internet for more than 15 years remember that, aside from books, nothing else was used to be sold on the internet. In third place are telephones and tablets — the things that many were already purchasing for the first time back between 2000 and 2009.

The distribution of first purchases by goods categories will differ substantially if we look at it in a cross-section of different times of familiarizing with online shopping. Those categories which were the most attracting 10 or 15 years ago do not necessarily turn out to be in first position today.

The most experienced e-commerce users, more often than not, started out by buying books — this is the first category for every fifth person with over 5 years of online shopping experience. At the same time, for “new shoppers” with less than a year of online shopping experience, acquaintance with the e-commerce market most often began with a clothing order (every fifth shopper). The «new shoppers» with a high probability will prefer gifts and souvenirs’ for their first online purchase category: some begin with an internet order for “knick-knacks” for friends, and only later make the transition to shopping for their own use as well.

*For “new shoppers” with less than a year’s internet shopping experience, acquaintance with the e-commerce market in 2014 most often began with a clothing order (relevant for every fifth shopper)*

## Fig. 4.7. Goods category of first online purchase




| IN WHICH GOODS CATEGORY DID YOU MAKE YOUR FIRST PURCHASE EVER IN AN ONLINE STORE? | share |
|---|---|
| I do not remember | 11.8% |
| clothing for adults | 13.8% |
| books, music, software, games | 10.8% |
| telephones, tablets and other electronics | 9.3% |
| laptops, computers and spare parts | 8.3% |
| technology for the home, including appliances | 7.4% |
| cosmetics, perfume | 6.6% |
| goods for children, children's clothing and shoes | 5.8% |
| souvenirs, gifts, jewelry | 4.2% |
| shoes for adults, purses and other accessories | 3.1% |
| hobby and craft supplies | 2.3% |
| supplies for sports, tourism, hunting and fishing | 2.0% |
| home furnishings, furniture | 1.8% |
| concert, theater, movie, etc. tickets | 1.8% |
| auto parts, auto electronics, tires and wheels | 1.7% |
| fast food with home or office delivery | 1.6% |
| household chemicals, pet supplies | 1.4% |
| supplies for repairs, building, and the dacha | 0.6% |
| foodstuffs, drinks, alcohol | 0.4% |
| medical supplies and medicines | 0.0% |
| other | 3.1% |

**Table 4.8.** First purchase in an internet store, depending on online shopper's length of experience

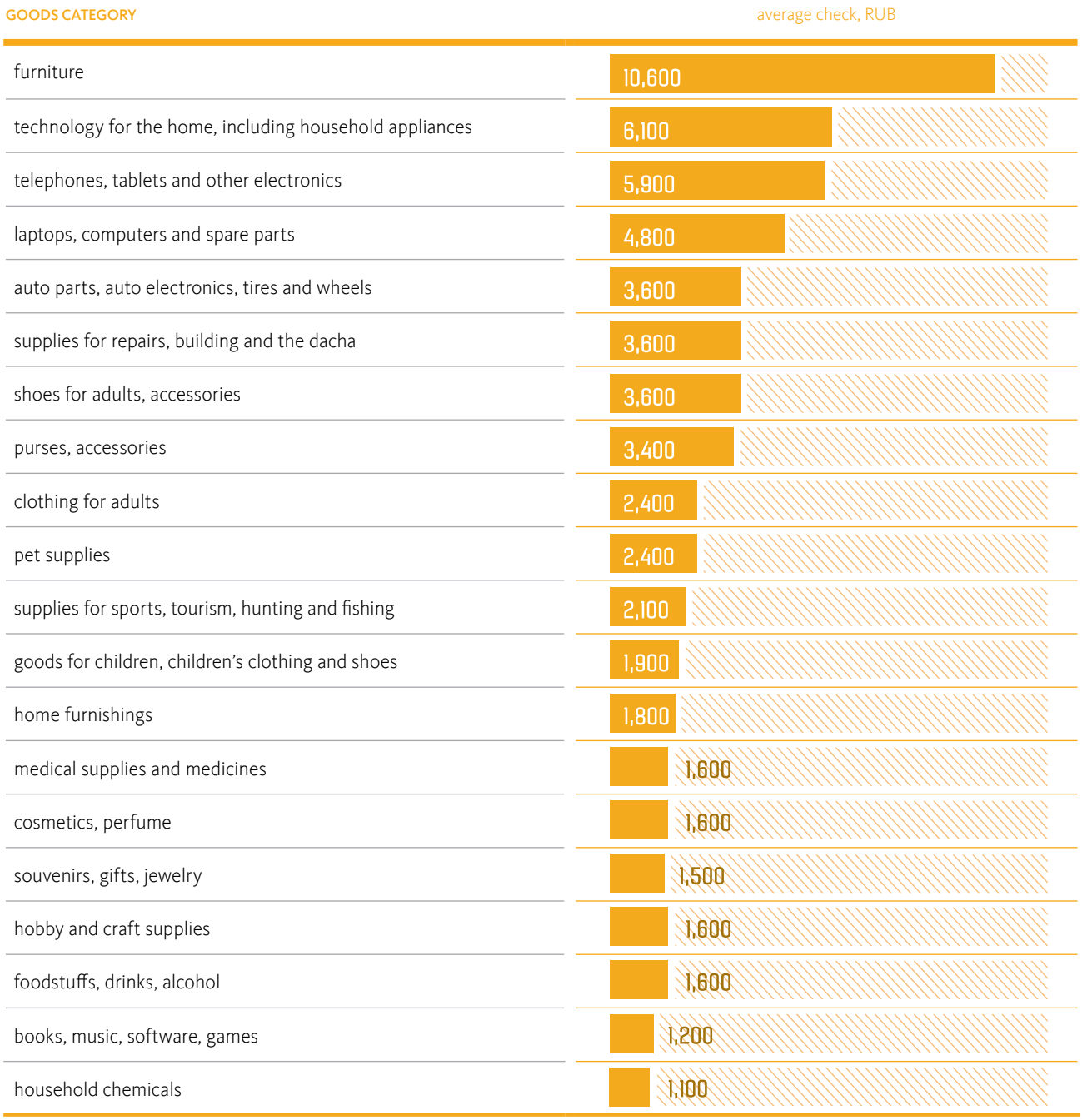
| GOODS CATEGORY | less than 1 year | 1–3 years | 3–5 years | over 5 years |
|---|---|---|---|---|
| clothing for adults | 20% | 18% | 18% | 13% |
| books, music, software, games | 6% | 12% | 11% | 19% |
| telephones, tablets and other electronics | 11% | 10% | 12% | 12% |
| technology for the home, including household appliances | 9% | 8% | 13% | 10% |
| laptops, computers and spare parts | 7% | 9% | 8% | 10% |
| cosmetics, perfume | 7% | 7% | 10% | 10% |
| goods for children, children's clothing and shoes | 8% | 8% | 6% | 3% |
| souvenirs, gifts, jewelry | 7% | 5% | 4% | 1% |
| shoes for adults, purses and other accessories | 3% | 5% | 3% | 3% |
| hobby and craft supplies | 3% | 3% | 3% | 2% |
| auto parts, auto electronics, tires and wheels | 2% | 2% | 3% | 4% |
| supplies for sports, tourism, hunting and fishing | 3% | 3% | 2% | 2% |
| home furnishings, furniture | 3% | 3% | 2% | 3% |
| medical supplies and medicines | 4% | 2% | 3% | 2% |
| household chemicals, pet supplies | 1% | 0% | 1% | 1% |
| foodstuffs, drinks, alcohol | 2% | 1% | 1% | 1% |
| supplies for repairs, building and the dacha | 2% | 1% | 1% | 1% |
| other | 2% | 3% | 2% | 4% |

## 4.4. Average check and size of market by category

The largest average check is observed in the "furniture" goods category: it comes to almost RUB 11,000. It is important to note that the average order value in this category is calculated counting a large number of small purchases (for example, chairs), and, in many separate internet stores (particularly niche ones), the average check may be substantially higher.

The remaining categories, distinguished by the large size of the average check, are the electronics and household appliance categories. For computer technology, the average order value is lower than for technology for the home (including appliances) or portable electronics. The main reason is that it is in the computer technology segment that the share of purchases of accessories and replacement parts is the biggest, and the share of expensive purchases (laptops, monitors) is the least.

**Fig. 4.9.** Average check by goods category



Thanks to the large size of the average check and the great number of orders, first place among the goods categories in 2014 in terms of monetary volume goes to portable electronics (first of all telephones and tablets): this goods category alone take up a quarter of the whole e-commerce market. Together, the three technology and electronics market goods categories have an online sales turnover of 323 billion rubles, that is, just over 50% of total e-commerce turnover (with a share in number of orders of only 40%).

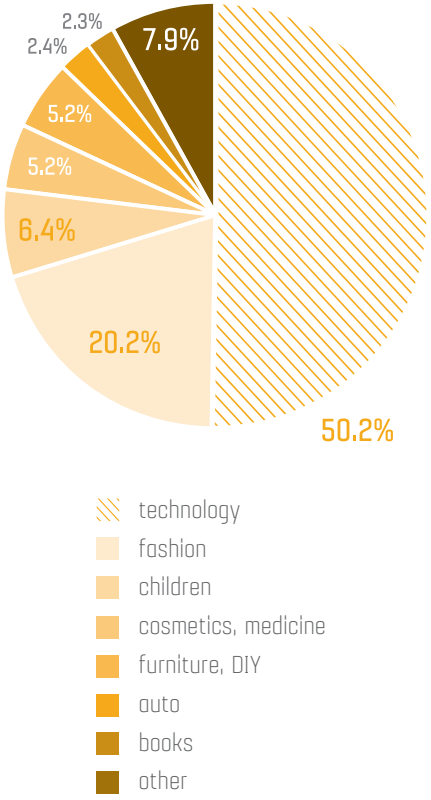
*Half of expenses by Russians on online shopping for material goods in 2014 were in the technology, electronics and gadgets category*

The category of clothing for adults is lagging behind the telephone and tablet category in volume of online sales by one-and-a-half times (104 billion rubles in 2014, 16% of the market). Shoes and purses, along with accessories, add another 26 billion rubles (4% of the market) to this volume.

No other category, besides those mentioned above, broke the 50-billion-ruble-a-year barrier. Moreover, only three categories surmounted the 20-billion-ruble threshold (or came seriously close to that figure). These are “goods for children,” “cosmetics and perfume” and “souvenirs and gifts” (including jewelry and flowers).

**Fig. 4.10.** Categories' share in total turnover, including cross-border sales

| GOODS CATEGORY | share in turnover | turnover, RUB billions |
|---|---|---|
| telephones, tablets, and other electronics | 25.9% | 167 |
| clothing for adults | 16.1% | 104 |
| technology for the home, including appliances | 13.3% | 85 |
| laptops, computers and spare parts | 11.0% | 71 |
| goods for children, children's clothing and shoes | 6.4% | 41 |
| cosmetics, perfume | 3.7% | 24 |
| souvenirs, gifts, jewelry | 2.9% | 19 |
| shoes for adults and accessories | 2.8% | 18 |
| auto parts, auto electronics, tires and wheels | 2.4% | 16 |
| furniture | 2.4% | 16 |
| books, music, software, games | 2.3% | 15 |
| supplies for sports, tourism, hunting and fishing | 1.9% | 12 |
| supplies for repairs, building and the dacha | 1.9% | 12 |
| medical supplies and medicines | 1.5% | 10 |
| hobby and craft supplies | 1.3% | 8 |
| pet supplies | 1.2% | 8 |
| purses, accessories | 1.3% | 8 |
| home furnishings | 0.9% | 6 |
| foodstuffs, drinks, alcohol | 0.4% | 3 |
| household chemicals | 0.2% | 1 |



# 5. CROSS-BORDER E-COMMERCE

Cross-border shopping is the fastest-growing segment of the Russian e-commerce market. In 2014, online shoppers placed 47 million orders at foreign internet stores, and received 75 million parcels from abroad (one order on Aliexpress or eBay may contain several items from different merchants, and then they will be sent in separate packages). This is almost three times more than number of packages sent in 2013.

*In 2014, Russian online shoppers placed 47 million orders abroad and received 75 million correspondence containing these orders*

The volume of the cross-border shopping market in 2014 came to RUB 85 billion, that is, 13% of the total volume of purchases of material goods in online stores by Russians. This data is cited without counting online purchases of tourist services, tickets for events, digital content (music, films, e-books and so on), apps, or content for mobile devices.

*Cross-border shopping market volume in 2014 came to RUB 85 million, that is, 13% of the total volume of purchases of material goods by Russians in online stores*

Within the parameters of this research, we are designating cross-border commerce all sales made by foreign online stores directly (ASOS, Yoox), via trading systems (Aliexpress, eBay), or via brokers (Shipito.com, Shopfans.ru). Moreover, the consumer may not know that he is ordering goods from abroad.

The growth of cross-border e-commerce has three main components (in order of decreasing contribution to overall growth):

1. A segment of internet users who do not have prior online shopping experience begin shopping at foreign online stores. The chief motives are selection, which is absent in Russia, and the low price of the goods purchased.

2. Online shoppers who have experience shopping at Russian online stores start purchasing in foreign online stores. The motives are the same as in the preceding version. This constitutive growth is substantially less significant than the first.

3. Online shoppers who have experience shopping at foreign online stores increase their shopping frequency.

China became the main driver of cross-border e-commerce in 2014: its share by number of orders almost doubled, from 45 to 72%, in the course of one year. The share of the Chinese trend in cross-border commerce market turnover is smaller — only 55% — by virtue of the modest average check, which, for orders from China, is twice as low as for European ones.

**Table 5.1.** Key indicators of cross-border online commerce in 2013 and 2014

| INDICATOR | 2013 | 2014 | growth, times | unit of measurement |
|---|---|---|---|---|
| Number of orders per year | 20 | 47 | 2.4 | million items |
| Orders from China | 9 | 34 | 3.8 | million items |
| Orders from other countries besides China | 11 | 14 | 1.3 | million items |
| Share of orders from China | 45% | 72% | 1.6 | |
| Total number of orders on the platforms of the Alibaba group | 7 | 28 | 4.0 | million items |
| Orders on [eBay] | 6.5 | 9 | 1.4 | million items |
| Remaining vendors | 6.5 | 9 | 1.4 | million items |
| Remaining vendors, China | 1 | 3 | 3.0 | million items |
| Remaining vendors, non-China | 5.5 | 6 | 1.1 | million items |
| Number of cross-border packages | 27 | 75 | 2.8 | million items |
| Number of packages, on average, in one order in China | 1.8 | 1.8 | 1.0 | items |
| Number of packages, on average, in one order in the whole rest of the world | 1 | 1 | 1.0 | items |
| Number of shoppers in foreign stores | 8 | 11.7 | 1.5 | million people |
| Average check | 1980 | 1800 | 0.9 | RUB |
| Average check for orders in China | 1350 | 1350 | 1.0 | RUB |
| Average check for orders not in China | 2500 | 2800 | 1.1 | RUB |
| Market volume | 39.7 | 85.1 | 2.1 | RUB billion |

The number of users of cross-border e-commerce in Russia in 2014 approached 12 million people.

Online shoppers make, on average, 4 purchases in foreign online stores per year. In comparison with 2013, shopping frequency grew by more than 1.5 times (up from 2.6 orders per year). Growth in frequency of shopping by existing and new shoppers is one of three key factors in the growth of e-commerce.

*Online shoppers are making an average of 4 purchases a year in foreign online stores. Shopping frequency rose by more than 1.5 times compared to 2013*

The average check for one foreign order came to RUB 1,800, including RUB 1,350 for orders from China and twice as much — RUB 2,800 — for orders from Europe and the USA. Moreover, in one order in China, on average, there are more than 1.5 names (sent, as a rule, by different stores in separate packages), while, for orders from Europe and other countries, the presence of one item in an order — and, accordingly, one package — is more typical. So, the difference between the Chinese and other trends in terms of average package value is still bigger than in terms of average order value.

The size of the average check, on average, per segment of cross-border commerce grew insignificantly over the year; the value of orders from China remained unchanged, while the value of orders from Europe and the USA grew by more than 10% — from RUB 2,500 to RUB 2,800, primarily due to change in the exchange rate of the dollar. These changes would have been greater, but, simultaneously with the increase in cost of goods due to the exchange rate of the dollar, users began shifting their interest to cheaper goods; and, if we consider cross-border online commerce as a whole, then the displacement of orders towards China also negatively affected the size of the average check.

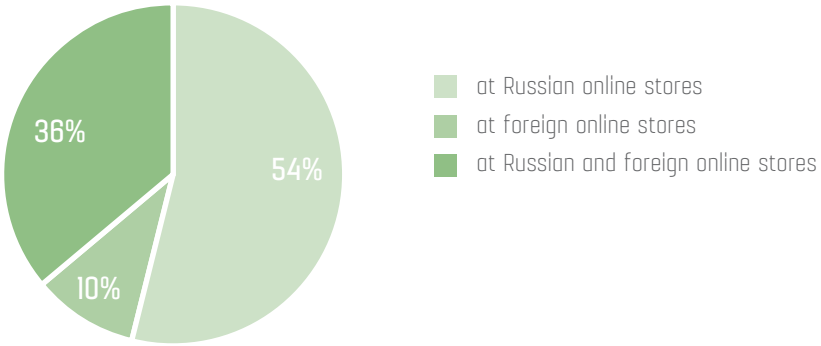
*An average check for one foreign order came to RUB 1,800, including RUB 1,350 for orders from China and twice as much — RUB 2,800 — for orders from Europe and the USA*

# 5.1. Audience structure: correlation between shopping in Russia and abroad

*12 million Russians purchased something online abroad in 2014*

Besides the significant growth in shopping at foreign online stores, the number of shoppers also grew, but, at the same time, the composition of those shoppers changed substantially. In 2014 almost 12 million people (46% of all online shoppers) made at least one purchase at a foreign online store. Approximately 9 million of them (36% of online shoppers) made purchases at both Russian and foreign online stores, while 2.5 million (10% of online shoppers) shopped online only abroad..

**Fig. 5.2.** Audience distribution: share of shoppers only within Russia, only abroad, and both within Russia and abroad




| IN WHICH ONLINE STORES HAVE YOU MADE PURCHASES AT SOME TIME? | share of online shoppers | number of online shoppers, millions |
|---|---|---|
| at Russian online stores | 54% | 13.6 |
| at foreign online stores | 10% | 2.5 |
| at Russian and foreign online stores | 36% | 9.3 |
| total | 100% | 25.4 |

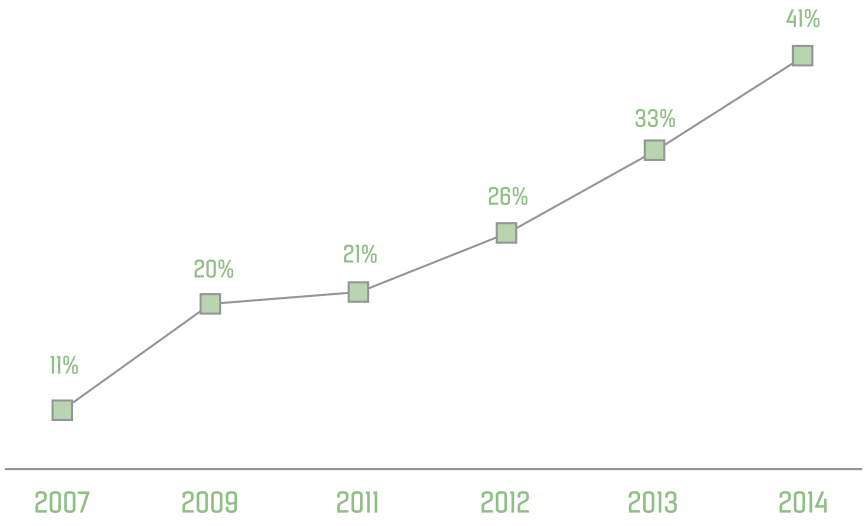
Number of shoppers buying from abroad is growing faster than the e-commerce audience in total. Growth in the number of shoppers at foreign online stores came to 3.5 million people, or 48%, versus a growth in the total number of online shoppers of 37% in the same period. Meanwhile, the number of shoppers who were acquiring goods both in Russia and abroad grew by 78% (from 5.2 to 9.3 million people), while the number of consumers making purchases only at foreign online stores, conversely, decreased by 10%.

A similar tendency is observed beginning in the middle of 2012 (fig. 5.4). So, we may speak about the fact that the audience of consumers who makes purchases only at foreign online stores is not growing and, moreover, has even decreased a little over the past two years. Once they begun shopping abroad, consumers quickly come to Russian online stores as well. Thanks to this, the number of people who make purchases at both Russian and foreign online stores is increasing significantly. At the same time, those consumers who buy actively within Russia are beginning to shop abroad as well.

*The audience of consumers who shop only in foreign online stores has been decreasing for the past two years*

For example, among all shoppers at Russian online stores, the share of those who had made cross-border purchases as well, even against the background of speedy growth in the Russian e-commerce audience, grew from 11% 8 years ago and 21% 4 years ago to 41% by the end of 2014. If the trend continues, in 2016, the majority of shoppers at Russian online stores will already be composed of those who, along with online shopping inside Russia, do cross-border online shopping as well.

**Fig. 5.3.** Share of shoppers at foreign online stores out of the total number of internet users who, at that moment, had experience shopping at Russian online stores



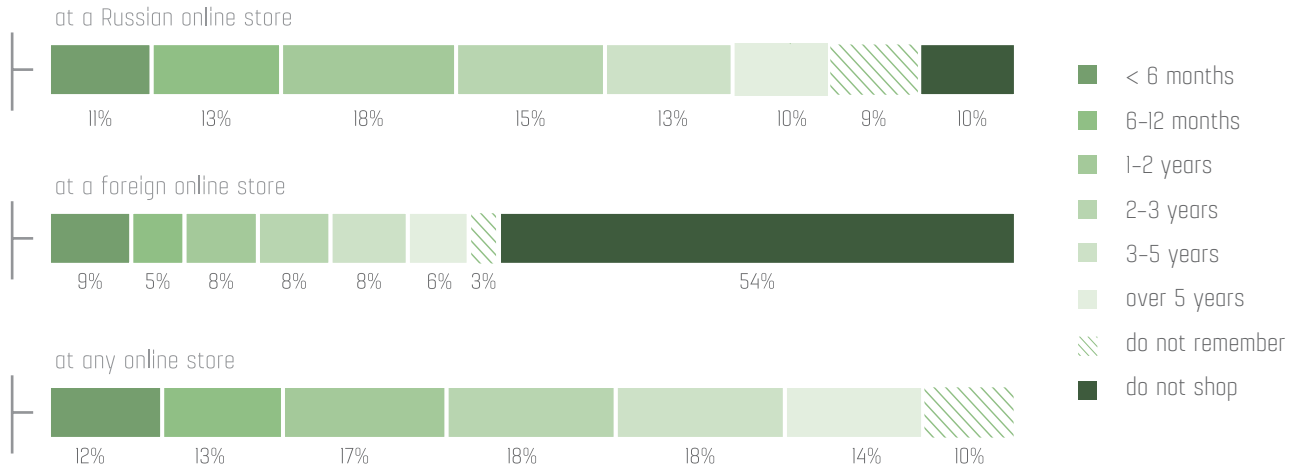

| YEAR | share |
|---|---|
| 2014 | 41% |
| 2013 | 33% |
| 2012 | 26% |
| 2011 | 21% |
| 2009 | 20% |
| 2007 | 11% |

New shopper dynamics (fig. 5.4) show that the arrival of "new shoppers" into foreign online stores has always lagged behind growth in the number of shoppers at Russian online stores; however, this gap narrowed significantly in 2014, especially in the second half of the year.

*Their first foreign purchase was made by 14% of all online shoppers in 2014*

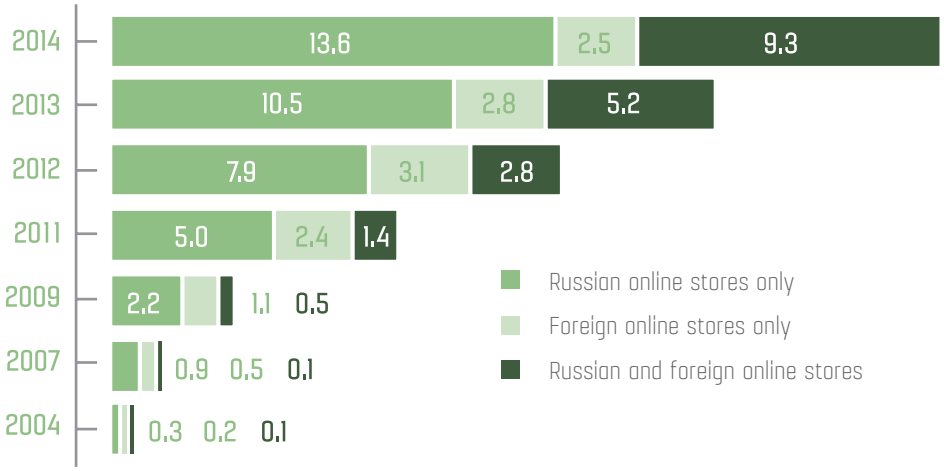
Large-scale growth in cross-border e-commerce occurred in 2014 and brought, not only growth in the number of packages from China, but also an overall increase in the influx of new shoppers. In the course of 2014, 14% of all online shoppers made their first foreign purchase, while 24% of all online shoppers made their first purchase ever at a Russian online store

**Fig. 5.4.** Distribution of shoppers by length of online shopping experience at Russian and foreign online stores




| HOW LONG AGO WAS THE FIRST PURCHASE MADE? | at a Russian online store | at a foreign online store | at any online store |
|---|---|---|---|
| less than 6 months ago | 10.6% | 8.5% | 11.7% |
| 6–12 months ago | 13.4% | 5.5% | 12.5% |
| 1–2 years ago | 18.1% | 7.6% | 16.9% |
| 2–3 years ago | 15.4% | 7.5% | 17.5% |
| 3–5 years ago | 13.2% | 8.0% | 17.5% |
| 5–7 years ago | 6.0% | 4.1% | 8.6% |
| 7–10 years ago | 2.7% | 1.4% | 3.9% |
| over 10 years ago | 1.2% | 0.8% | 1.8% |
| do not remember | 9.4% | 3.1% | 9.6% |
| do not shop | 10.0% | 53.5% | – |

**Fig. 5.5.** Dynamics of the number of shoppers at online stores broken down by shopping location, in millions of people




| YEAR | Russian online stores only | foreign online stores only | Russian and foreign online stores |
|---|---|---|---|
| 2014 | 13.6 | 2.5 | 9.3 |
| 2013 | 10.5 | 2.8 | 5.2 |
| 2012 | 7.9 | 3.1 | 2.8 |
| 2011 | 5.0 | 2.4 | 1.4 |
| 2009 | 2.2 | 1.1 | 0.5 |
| 2007 | 0.9 | 0.5 | 0.1 |
| 2004 | 0.3 | 0.2 | 0.1 |

So we see that major growth in the cross-border e-commerce audience is guaranteed by newcomers in the area of online shopping.

Totally in 2014 in Russia appeared 6.9 million new shoppers, of whom 3.8 million (53%) shop online only within the country, another 1.8 million (26%) are shopping only abroad, and 1.4 million people are shoppers who, in the very first months, got experience in both. The total number of users who got their first cross-border shopping experience in 2014 comes to about 4 million people, of whom 80% (3.2 million people) are those who had no online shopping experience at all before 2014, and only 20% (0.7 million people) are people who had already started earlier (over a year before) to shop on the internet, but only within Russia.

*Major growth in the cross-border e-commerce audience is guaranteed by newcomers in the online shopping arena*

So, large-scale growth in the number of shoppers at foreign online stores has a dual character:

1. New online shoppers make their purchases right away at foreign online stores (1.8 million people) or simultaneously at Russian and foreign stores (1.4 million people).

2. Online shoppers who already have experience shopping at Russian online stores (and got that experience prior to 2014), begin shopping abroad as well (0.7 million people).

In addition, there exists as well a third, reverse trend: over 2 million shoppers, who, as of 2014, had prior experience only with foreign shopping, made their first purchase within Russia that year.

Almost half of all users who had foreign online shopping experience made their first online purchase in a foreign store. The overwhelming majority of these shoppers, in the course of a few years after the first foreign purchase, also made their first purchase within Russia.

*Almost half of all users with foreign online shopping experience did their first online shopping at a foreign store*

In fact, among those who today shop only in foreign stores, only 30% have more than a year online shopping experience. The share of the total e-commerce audience who acquired their first online shopping experience on foreign sites comprises 23%: this is 2.5 times less than the share of those who began with Russian online stores (yet another 18% answered that they began buying in both places at roughly the same time, or had difficulty answering the corresponding survey questions).

**Fig. 5.6.** Distribution of online shoppers by location of first purchase

| LOCATION OF FIRST ONLINE SHOPPING | share of respondents |
|---|---|
| at Russian online stores | 58.9% |
| at foreign online stores | 23.1% |
| at both, at approximately the same time | 12.5% |
| do not remember, had difficulty answering | 5.5% |

## 5.2. Online shoppers at foreign online stores

While the total share of online shoppers making purchases in foreign online stores comes to 46%, within different target audiences, this share may differ substantially. The youngest age group (18–24 year olds) shops more frequently at foreign online stores (53% versus a 46% overall average). What is more, representatives of this group shop substantially more frequently only at foreign stores (17% versus an average of 10% of all shoppers). The 18–24 year old age group are the most active international shoppers.

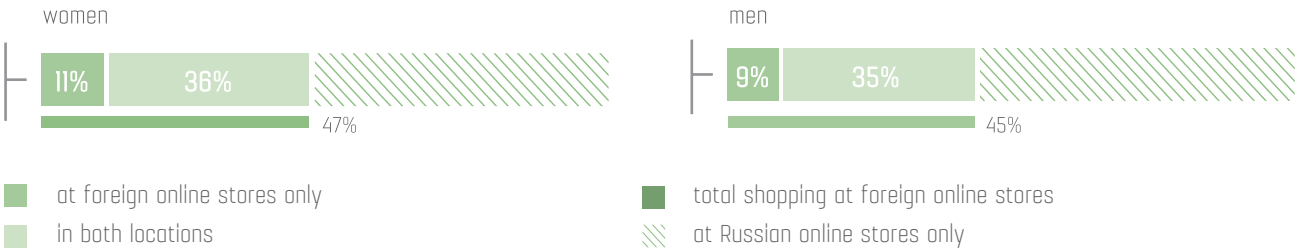
The 25–34 year old age group is also more active in foreign online stores, but its difference from the average is not so great as among the younger age group. Altogether, shoppers under age 35 comprise 60% of the entire audience for cross-border purchases.

Cross-border commerce is used at least by all by people over 45: among online shoppers of this age, only 35% of respondents shopped abroad in 2014. Cross-border shopping is also modestly used in the Far Eastern Federal District (36%), where competition with "shuttle" commerce and the opportunity to make independent offline purchases across the border (in China) is maximal.

*Young people aged 18–24 include the most shoppers of all in foreign online stores*

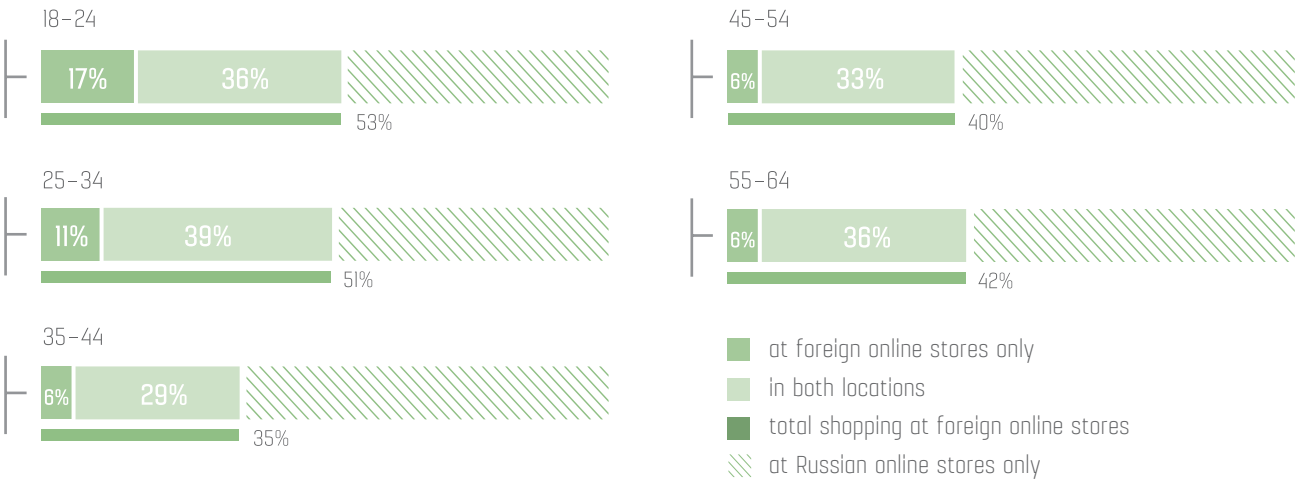
In Moscow, the share of those making purchases in foreign online stores is also lower than average, and users who would purchase online exclusively from abroad are met rarely. The share of "cross-border" shoppers is higher than average in the European part of Russia, excluding Mocow and the Northwest, but including Petersburg.

**Fig. 5.7.** Distribution of the audience by online shopping location: segments by gender



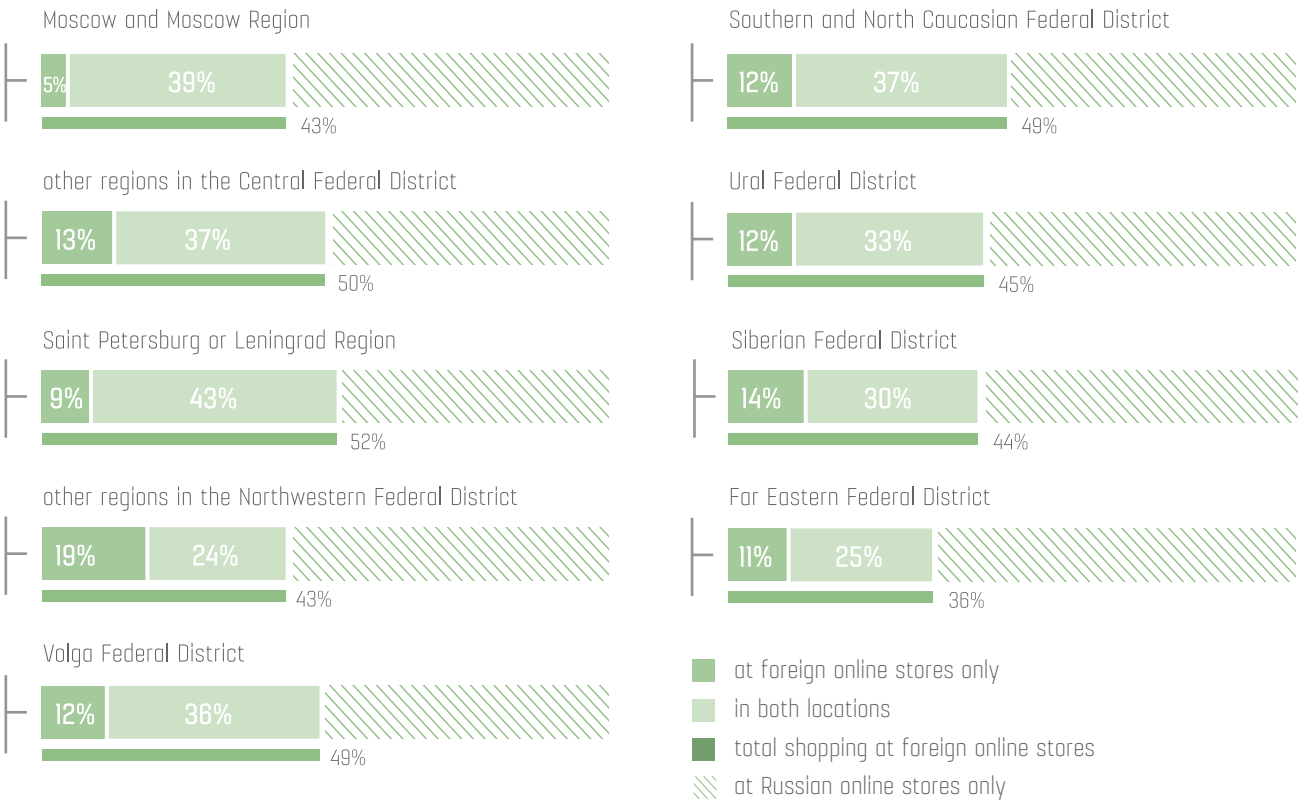

| GENDER | at foreign online stores only | in both locations | total shopping at foreign online stores |
|---|---|---|---|
| Female | 11% | 36% | 47% |
| Male | 9% | 35% | 45% |

**Fig. 5.8.** Distribution of the audience by online shopping location: segments by age




| AGE | at foreign online stores only | in both locations | total shopping at foreign online stores |
|---|---|---|---|
| 18–24 | 17% | 36% | 53% |
| 25–34 | 11% | 39% | 51% |
| 35–44 | 6% | 33% | 40% |
| 45–54 | 6% | 36% | 42% |
| 55–64 | 6% | 29% | 35% |

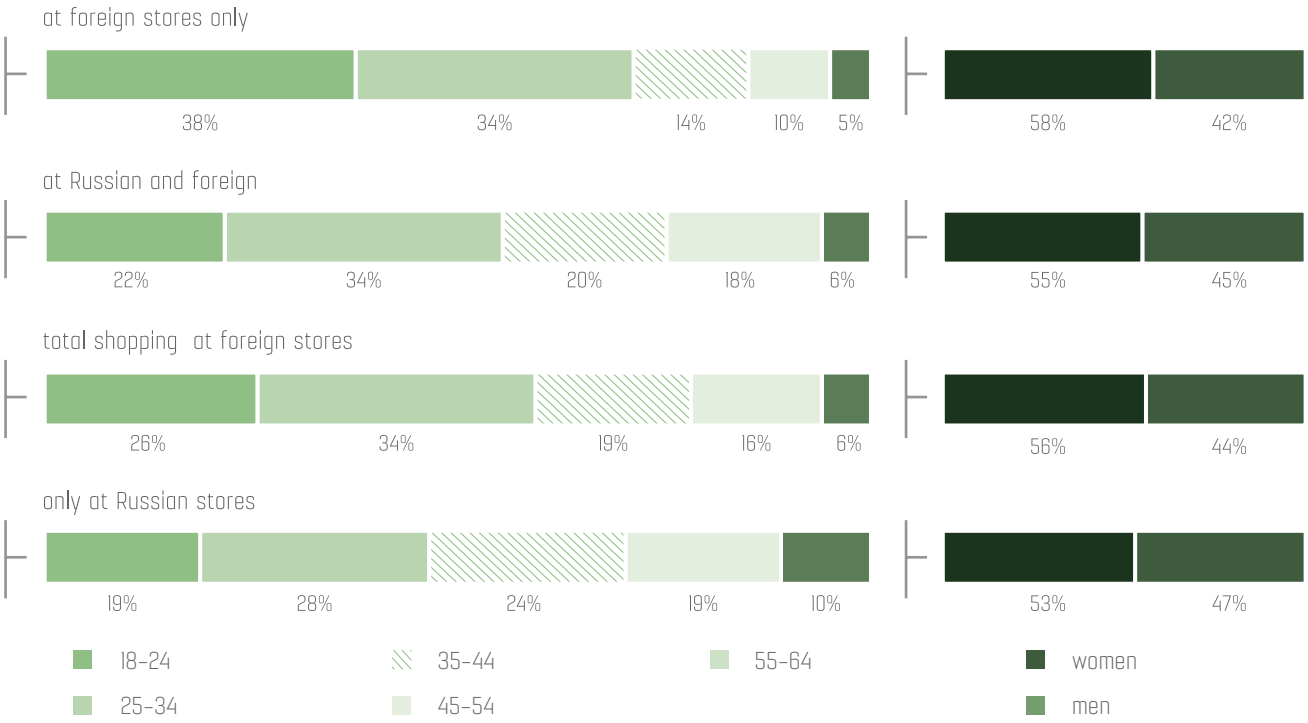
**Fig. 5.9.** Distribution of the audience by online shopping location: segments by macroregion




| MACROREGION | at foreign online stores only | in both locations | total shopping at foreign online stores |
|---|---|---|---|
| Moscow and Moscow Region | 5% | 39% | 43% |
| Other regions in the Central Federal District | 13% | 37% | 50% |
| Saint Petersburg or Leningrad Region | 9% | 43% | 52% |
| other regions in the Northwestern Federal District | 19% | 24% | 43% |
| Volga Federal District | 12% | 36% | 49% |
| Southern and North Caucasian Federal District | 12% | 37% | 49% |
| Ural Federal District | 12% | 33% | 45% |
| Siberian Federal District | 14% | 30% | 44% |
| Far Eastern Federal District | 11% | 25% | 36% |

If we compare the age and gender composition of online shoppers in the different types of stores, we see a noticeable declining for young people aged 18–24 at Russian online stores. This gap also exists in the next age group, 25–34 year olds, but it is expressed to a substantially lesser degree. In fact we may say that the target audience for cross-border e-commerce is people under 30, largely women. A significant share of this target group shops only at foreign online stores (over 20% for the "women aged 18–30") target group.

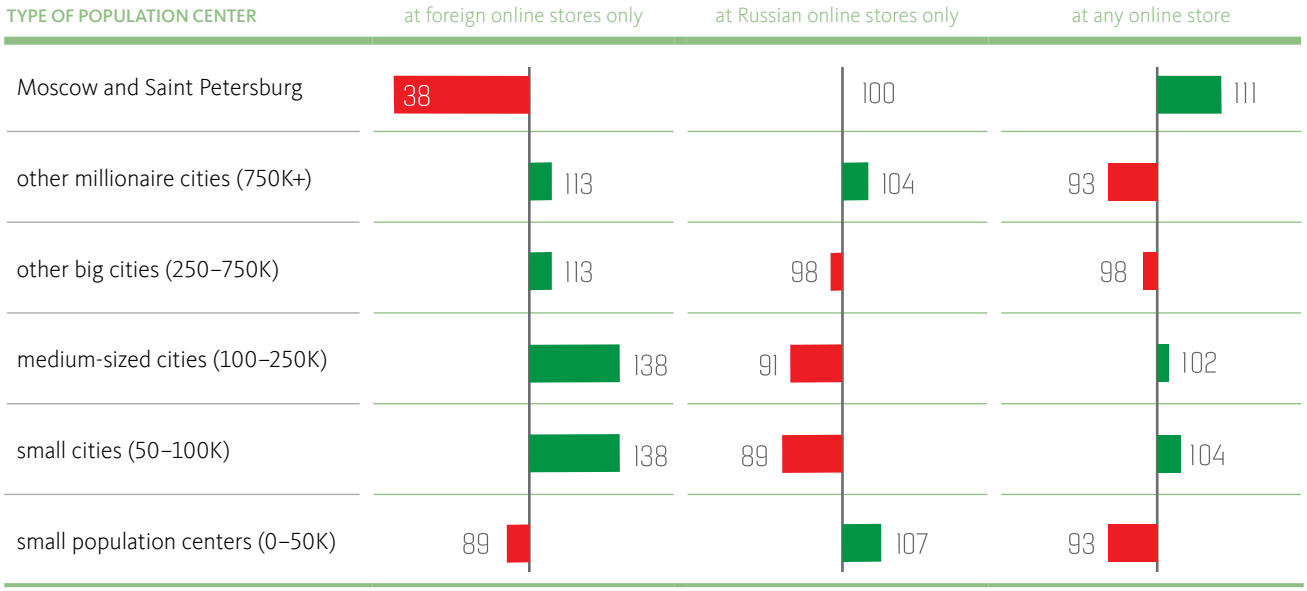
**Fig. 5.10.** Comparison of shoppers at Russian and foreign online stores by gender and age




| AGE/GENDER | at foreign stores only | at Russian and foreign | total shopping at foreign stores | only at Russian stores |
|---|---|---|---|---|
| 18–24 | 38% | 22% | 26% | 19% |
| 25–34 | 34% | 34% | 34% | 28% |
| 35–44 | 14% | 20% | 19% | 24% |
| 45–54 | 10% | 18% | 16% | 19% |
| 55–64 | 5% | 6% | 6% | 10% |
| women | 58% | 55% | 56% | 53% |
| men | 42% | 45% | 44% | 47% |

The distribution by type of population center shows that shoppers from Moscow and Saint Petersburg shop with higher than average frequency in both Russian and foreign online stores. It is only necessary to remember that overall shopping frequency is higher in the capitals than in the regions. The share of those who shop only at foreign online stores in the two capitals comes to only 3% (of all online shoppers in these cities). At the same time, in cities with populations of 50 to 250 thousand inhabitants, the share of those who shop only abroad already comes to 11%: the affinity index is close to 140 points (fig. 5.11).

**Fig. 5.11.** Location of online shopping, depending on size of population center. Affinity index




If we analyze the behavior of new users only (those who made their first purchase on the internet in 2014), we see that in the small cities, up to a third of new shoppers made purchases during the year only in foreign online stores: this is three times as many as in Moscow and Saint Petersburg. It is typical that the share of such users is great in the millionaire cities as well the number of those shopping exclusively abroad came to about one fourth. In Moscow, the situation is different — almost half of new online shoppers already had experience with both Russian and foreign online shopping.

Among new online shoppers who have already shopped at both Russian and foreign online stores, 26% are residents of Moscow and its region. Among newcomers who made only cross-border online purchases, the share of residents of the capital region is 3 times as small — only 9%. A similar ratio (11% versus 6%) is given for the Petersburg Region as well. There are especially many inhabitants of the Volga and Urals (25% and 14% respectively) among those new online shoppers who limit themselves strictly to foreign online stores. The only macro region in which familiarity with e-commerce begins exclusively at Russian stores with much more than average frequency is the Central District outside the limits of Moscow and its Region: here live 15% of those "new shoppers" who, for now, shop online only within Russia, and the mere 8–11% among those "new shoppers" who shop exclusively or partly in foreign online stores.

**Table 5.12.** Distribution of new shoppers in Russian and foreign online stores by macro region. Online shoppers who made their first purchase in 2014

| FEDERAL DISTRICT | Foreign online stores only | Russian online stores only | Russian and foreign online stores | all new shoppers |
|---|---|---|---|---|
| Moscow and Moscow Region | 9% | 17% | 26% | 18% |
| Other regions in the Central Federal District | 8% | 15% | 11% | 12% |
| Saint Petersburg or Leningrad Region | 6% | 6% | 11% | 7% |
| other regions in the Northwestern Federal District | 8% | 4% | 1% | 4% |
| Volga Federal District | 25% | 18% | 17% | 19% |
| Southern and North Caucasian Federal District | 12% | 11% | 15% | 13% |
| Ural Federal District | 14% | 9% | 9% | 10% |
| Siberian Federal District | 16% | 15% | 8% | 13% |
| Far Eastern Federal District | 3% | 5% | 3% | 4% |

## 5.3. Goods categories and stores in cross-border shopping

A third of goods acquired from abroad are clothing and shoes. Electronics and technology (as a combined total of the "telephones and tablets," "computers" and "technology for the home" categories of goods) make up another quarter. A noticeable place in cross-border shopping is occupied by souvenirs and gifts (9%) and also cosmetics and perfume (6%). Children's goods, including children's clothing and shoes, are another 9%; the shares of the other categories do not exceed 3% (table 5.13).

*One third of goods acquired from abroad are clothing and shoes*

**Table 5.13.** Distribution of cross-border shopping by goods category

| GOODS CATEGORY | share of foreign purchases |
|---|---|
| clothing for adults | 31% |
| telephones, tablets and other electronics | 17% |
| souvenirs, gifts, jewelry | 9% |
| goods for children, children's clothing and shoes | 9% |
| cosmetics, perfume | 6% |
| laptops, computers and spare parts | 6% |
| hobby and craft supplies | 3% |
| supplies for sports, tourism, hunting and fishing | 3% |
| auto parts, auto electronics, tires and wheels | 3% |
| shoes for adults | 3% |
| purses, accessories | 2% |
| home furnishings | 2% |
| technology for the home, including household appliances | 2% |
| supplies for repairs, building and the dacha | 1% |
| books, music, software, games | 1% |
| medical supplies and medicines | 1% |

Cross-border commerce has the greatest share in the categories of clothing and accessories, and also, gifts and souvenirs (affinity index between 187 and 207). Aside from that, the share of sales from abroad is higher than average in the "Hobby and craft supplies" category, and also in the "Telephones and tablets" category, including every sort of accessory for these devices, and also small gadgets.

At the same time, in the "Building and repairs," "Medical supplies," "Pet supplies" and "Foodstuffs" categories, purchases from abroad are atypical (an affinity index of 28-54). For example, in the "Foodstuffs" category, the role of cross-border shopping is reduced almost exclusively to purchases of tea, supplements and seasonings.

Finally, in the "Furniture," "Technology for the home" and "Books, music" (on material media) categories, purchases abroad are wholly uncharacteristic (affinity index of 10–17): these categories are the least threatened by foreign online stores (table 5.14).

**Table 5.14.** Share of cross-border sales in goods categories. Affinity index

| GOODS CATEGORY | affinity index | GOODS CATEGORY | affinity index |
|---|---|---|---|
| purses, accessories | 207 | auto parts, auto electronics, tires and wheels | 84 |
| clothing for adults | 194 | laptops, computers and spare parts | 81 |
| souvenirs, gifts, jewelry | 187 | supplies for repairs, building and the dacha | 54 |
| hobby and craft supplies | 126 | foodstuffs, drinks, alcohol | 39 |
| telephones, tablets and other electronics | 122 | medical supplies and medicines | 34 |
| goods for children, children's clothing and shoes | 109 | pet supplies | 28 |
| supplies for sports, tourism, hunting and fishing | 107 | technology for the home, including home appliances | 17 |
| shoes for adults | 99 | books, music, software, games | 15 |
| home furnishings | 92 | furniture | 10 |
| cosmetics, perfume | 89 | | |

The unquestioned leader in cross-border commerce, according to respondents' answers, is AliExpress: its share in foreign purchases comes to almost 55%; following it with a fourfold lag is eBay (14%). It should be noted that users named the stores they remembered, which always yields a certain overstatement of the leaders' share. At the same time, neither the existence of a several fold difference between AliExpress and eBay, nor the difference of more than an order of magnitude between AliExpress and any individual online store (Asos) occasion any doubt (table 5.15).

Among the leaders in cross-border commerce (8 stores surmounted the threshold with 0.5% of answers) three belong to the Alibaba Group. Of the eight biggest foreign online stores (or trading platforms), China offers five projects.

The majority of users make their purchases in foreign online stores exclusively (66%) or primarily (11%) directly. Only 6% of respondents indicated that they used intermediaries exclusively for ordering goods from abroad, and another 6% of respondents also purchase directly, but place a substantial or the greater part of their orders through intermediaries. Another 10% had difficulty answering the question (table 5.16).

**Table 5.15.** Location of last purchase (only for those who made their last purchase from abroad). The table shows those stores with over 0.5% of respondent answers

| LOCATION OF LAST PURCHASE (AT FOREIGN ONLINE STORES ONLY) | share of respondents |
|---|---|
| AliExpress.com | 54,5% |
| Ebay.com | 14,0% |
| Taobao.com | 2,4% |
| Asos.com | 1,4% |
| Alibaba.com | 1,2% |
| LightInTheBox.com | 0,8% |
| Tinydeal.com | 0,8% |
| Iherb.com | 0,7% |
| others | 6,9% |
| do not remember where they shopped | 17,3% |

**Table 5.16.** Distribution of respondents by method of shopping at foreign online stores

| SHOPPING METHOD | share of respondents |
|---|---|
| shopped directly only | 66.4% |
| shopped mainly directly, but sometimes via intermediary services as well | 11.1% |
| shopped approximately equally frequently both ways | 2.9% |
| shopped mainly via intermediary services, but sometimes directly as well | 2.9% |
| shopped only through intermediary services | 6.3% |
| do not remember, had difficulty answering | 10.4% |

# 6. ONLINE STORE SELECTION CRITERIA

## 6.1. Choosing in favor of online

*Low prices are the main reason for shopping online*

Low prices are the main driver of online shopping. This is precisely how almost half of all respondents answered on the motives for their choice of online for their most recent purchase (checking more than one answer was permitted). A low price was indicated as the criteria for the selection of a shopping location one and a half times more frequently than any other answer.

When key drivers are divided into groups, we see the following answers:

1. The internet is cheaper. This covers both the internet being cheaper on the whole, and the fact that it is easier to seek out a store with a cheaper price on the internet (60% of online shoppers checked at least one of these options);
2. For an online order, you don't have to go anywhere or organize delivery; you don't have to waste time going to a store (44%);
3. There is more information online, including the fact that it is more convenient to compare goods and choose what you need (36%);
4. The selection is better online (27%).

It is interesting that where, a few years ago, breadth of selection was close to the first place, now it is one of the last. Users have become accustomed to it, taking a wide selection for granted. Plus, the national currency crisis has placed economy among the leaders, lowering the significance of the existence of a large selection.

While the internet is, for many, a long-mastered means of shopping with known advantages, for the majority, online is not a replacement, but a supplement to offline shopping: only 6% answered that "they were used to ordering everything through the internet" (although checking more than one answer was permitted).

The "other" answers allows us to see several additional reasons. Thus, the most frequent (more than half of answers in the "other" category) nonstandard reason for choosing to shop online is there being an extra discount, points, a promotion, or even a gift certificate to an online store:

***The most frequent nonstandard reason for choosing online is the existence of an extra discount, points, a promotion, or even a gift certificate to an online store***

*"there were points at this store";*

*"there were bonus coupons for a purchase";*

*"there were gift certificates for this store."*

The second important group of reasons in the "other" category were answers specifically related to selection (the spelling and grammar are retained):

*"I liked the clothes, there were none of that sort in stores";*

*"I liked the object; I didn't see one in our stores";*

*"it is difficult to find beautiful postcards for postcrossing on the market";*

*"at my city's stores this product has not yet managed to appear for sale";*

*"at the store, they did not have the right color, but the online store had it."*

The purchaser and the recipient are not the same person: this is still another factor that induces people to shop via the internet; however, this motive is encountered rather rarely. In other countries, this category is primarily filled by foodstuffs—a goods category which, in Russia, is extremely weakly developed.

**Table 6.1.** Factors in the choice of online shopping (choosing more than one answer was permitted)

| WHY DID YOU PREFER TO MAKE THIS PURCHASE AT AN ONLINE STORE, AND NOT AT A REGULAR STORE? | share of respondents |
|---|---|
| this product is cheaper online than at regular stores | 48.0% |
| it is simpler and more convenient to choose and compare goods in an online store | 32.7% |
| choosing the store with the best price is convenient online | 30.5% |
| it was more convenient to order on the internet than to walk or drive to a regular store myself | 25.2% |
| it was more convenient to order right away, with delivery | 24.6% |
| they don't have this exact product at regular stores in my city/village | 20.8% |
| there is more product information online | 16.1% |
| there is no time or opportunity to walk or drive to a regular store myself | 10.7% |
| I did not know which regular store this product could be bought at | 8.9% |
| I do not like walking around from store to store | 8.8% |
| I am used to ordering everything on the internet | 5.8% |
| other | 2.5% |

## 6.2. Models of shopping and choice of location

As with retail in general, spontaneous purchases are the most important component of e-commerce. We posed the question to respondents: to precisely what degree did they know what they would buy? More than 40% indicated that in their most recent order, they had chosen an item spontaneously during the shopping process, or had added unplanned-for goods to the order. Another 1% answered that they had bought a substitute item (there was none of the right one, or they found a more interesting choice). So, according to the study results, we see that the share of spontaneous purchases in e-commerce is very high. The share of shopping designed around the search for a suitable online store (without a previously known list of candidates) is 2.5 times as high in Russian domestic e-commerce as in cross-border commerce.

***More than 40% indicated that, in the most recent order, they had chosen an item spontaneously during the shopping process or had added unplanned-for goods to the order***

**Table 6.2.** Model of choice of goods: share of spontaneous purchases

| WHAT LEVEL OF CERTAINTY COMES CLOSEST TO DESCRIBING YOUR MOST RECENT PURCHASE AT AN ONLINE STORE? | share of respondents |
|---|---|
| knew in advance exactly what they would buy | 57.9% |
| did not know in advance exactly what they would buy, and chose an item while already in the process of studying the selection in online stores | 30.1% |
| besides what they were planning to purchase earlier, bought other goods at the same time | 10.4% |
| were unable to purchase, or changed their minds about purchasing, what they wanted, and bought another similar item | 0.9% |
| other | 0.2% |
| does not remember, difficult to answer | 0.5% |

A significant portion of users do not choose the site of a future purchase — they already know one or several stores that they find adequate (this is a combined total of 68% of shoppers). Only about a quarter of consumers choose a store from a multitude of unknown ones, that is, search for a store "from scratch." The share of purchases initiated by stores themselves via the mechanism of recommendations is heading towards zero — only about 4% of those surveyed made their purchase on the recommendation of an online store. Counted among the recommendations, for example, are also those purchases made at online stores following postal mailings to client bases.

*A significant portion of users do not choose the site of a future purchase — they already know one or several stores that they find adequate (this is a combined total of 68% of shoppers)*

The indicated figures differ substantially for Russian and foreign purchases, and also for separate goods categories. So, for foreign purchases, the share of those looking "from scratch" comprises only 12%, while, for Russian ones, it is 2.5 times as high —30%. The situation with the share of those who had already decided on a shopping site is the opposite — 59% for cross-border purchases, and only 37% for Russian domestic ones. Among the goods categories the furniture segment has highest share of those "searching from scratch" (55%), while the foodstuffs segment has the lowest (9%).

*Доля покупок, построенных на поиске подходящего интернет-магазина (без заранее известного списка кандидатов), во внутрироссийской онлайн-торговле в 2,5 раза выше, чем для трансграничной торговли*

On the whole, the share of those who had already decided on a shopping site is higher, and that of those searching "from scratch" is lower, where there is a clear leader — such as, for example, AliExpress for cross-border shopping, or Utkonos for the online foodstuffs sales segment.

Where the average share of purchases by recommendation came to 4%, in separate goods categories, this share may be substantially higher — it comes to almost 7% for clothing, and 9% for cosmetics and perfume. At the same time, for automotive goods (tires, wheels, auto parts, accessories) the share of such purchases is 1%; for purses and accessories — less than 1%. Most probably, we are seeing here dependence, not solely, and not so much, on goods category, as on degree of development of recommendation systems, loyalty programs, and CRM systems (including mailings to users).

**Table 6.3.** Model of selection of an online store for making a purchase

| | all purchases | Russian domestic purchases | cross-border purchases |
|---|---|---|---|
| I knew in advance exactly in which online store I would purchase | 43% | 37% | 59% |
| I knew in advance several online stores where similar goods could be bought, and chose one of them to purchase | 25% | 27% | 24% |
| I did not know in advance where the requisite item could be bought, and looked for a site where such goods were sold—with the best deals on the price, delivery, etc. | 26% | 30% | 12% |
| I did not plan this purchase—the online store itself offered/advertised/recommended this item | 4% | 5% | 4% |
| other | 1% | 1% | 0% |
| difficult to answer | 1% | 1% | 0% |

## 6.3. Criteria in the choice of an online store

If a consumer does not know in advance where exactly he will purchase, and he has several stores to choose, or if he is generally making a search "from scratch," then how does he choose a store? Almost half (47%, including 52% for purchases within Russia) of online shoppers who made their most recent purchase online (following precisely that model of store choice) indicated an internet search as a tool. Another 15% made this search "manually" — these are the shoppers who choose from among several (a few) previously known stores by making rounds of them.

Choice based on the recommendations of acquaintances and relatives accounted for just over a 14% share (and only 9% indicated that they had chosen a store based on reviews on the internet, and another 6% went by the store's reputation). Within that, the share of recommendations comes to more than 20% for the "jewelry" and "shoes for adults" segments, while, for "medical supplies" and "furniture" it is 5% or less. Altogether, for Russian domestic online shopping, the share of answers "by recommendation" came to 10% — versus 34% for cross-border commerce. As a criteria for choosing a store, 13% indicated personal experience shopping at it.

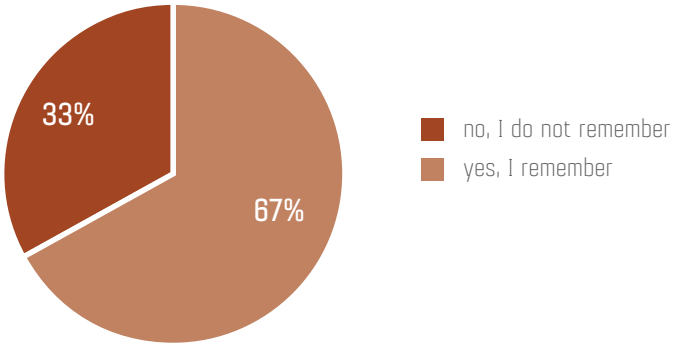
Almost 13% of respondents had selected their last purchase through Yandex.Market; just over 5% more — through other price aggregators. In distinct goods categories, the share of Yandex.Market was several times bigger than the market average. Thus, for the "Home appliance", "Telephones", and "Computers" categories, the share of Yandex.Market comprises 33%, 29% and 28%. The situation is analogous for the "Building and repairs" and "Furniture" categories — 27% and 34%, respectively. Conversely, for the clothing segment, Yandex.Market was utilized in only 2% of purchases, and in the "Home furnishings" category — 3%. If cross-border shopping is not counted, then Yandex.Market's total share as the channel used in choosing a store is 15% across all goods categories.

***Almost 13% of respondents chose their most recent purchase through Yandex.Market; an additional slightly-more-than 5% chose using other price aggregators***

For cross-border shopping (in which the shopping location was not known in advance), there is a completely different alignment of store selection answers—the recommendations of friends and relatives take first place (34%); after that come online searches (25%), personal experience (22%), "manual" comparison of online stores (19%) and store reputation (13%).

It should be noted that, even for orders in which the shopping site was not originally specified, 52% of respondents (including 70% of those who chose among several stores previously known to them, and 34% of those searching "from scratch") remembered and, in the course of the survey, indicated exactly which online store they had chosen as a result of searches and comparisons.

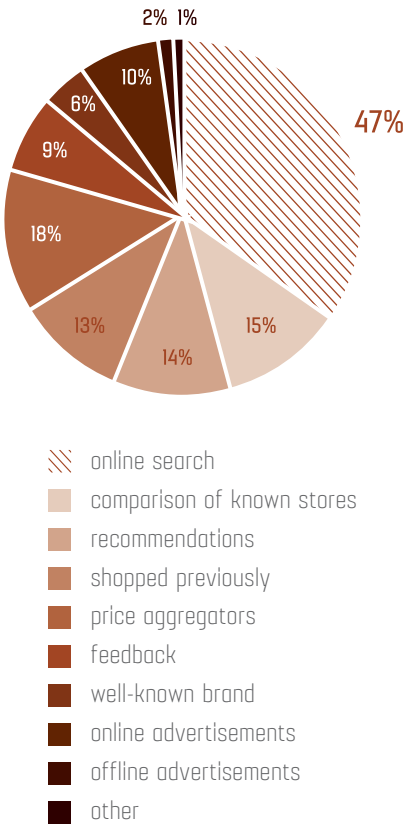
**Fig. 6.4.** Knowledge of site of most recent online purchase (store name)




| DO YOU REMEMBER THE NAME OF THE ONLINE STORE WHERE YOU MADE THIS PURCHASE? | share of respondents |
|---|---|
| yes, I remember | 66.9% |
| no, I do not remember | 33.1% |

**Fig. 6.5.** Criteria used to choose an online store by consumers who chose among several or many online stores for a purchase (checking more than one answer was permitted)

| HOW EXACTLY DID YOU CHOOSE THE ONLINE STORE IN WHICH YOU MADE YOUR MOST RECENT PURCHASE? | share of respondents |
|---|---|
| by online search | 47.3% |
| compared prices and other things at several well-known online stores and chose the best one | 14.9% |
| at the recommendation of relatives, friends, acquaintances | 14.1% |
| chose an online store where they had shopped before | 13.4% |
| through Yandex.Market | 12.7% |
| following online feedback | 8.7% |
| chose an online store with a name that they had heard of (a well-known store) | 5.9% |
| through other [besides Yandex.Marketing] online systems for searching for goods, searching for stores, and comparing prices | 5.4% |
| from an advertisement on the internet or in e-mail | 5.2% |
| from advertising announcements in search results | 4.7% |
| from an advertisement that was not online (outdoor advertisement, press, TV, radio) | 2.1% |
| other | 0.9% |



For those users who knew exactly where they would make a purchase, having made previous purchases is of key significance (49%). Having had prior personal experience was of the greatest significance in the purchase of books and CDs — 80% of online shoppers in this category checked this answer (for online bookstores, including Ozon.ru, a large share of repeat purchases is typical). The personal experience factor carries the least weight in the furniture (11%) and building and repairs supplies (34%) categories; that is, where shopping frequency is at a minimum.

***A successful shopping experience is the most important factor in choosing the location of the next one***

The second most important basis for making a purchase in a particular online store are recommendations — this answer was selected by 25% of respondents, including 22% of those who had bought within Russia, and 36% of those who had bought at foreign online stores (first and foremost, on AliExpress). In such "sensitive" categories in terms of choice of a seller as clothing, the share of recommendations exceeds 40%, while, in the technology and electronics categories, it is only 15%.

Among marketing channels, the most significant "trigger" for a purchase in a particular online store (without comparison with the offerings of its competitors) is the distribution of information, including via social networks, about promotions and special offers (10%). In the cosmetics and perfume segment, the share of the above category reaches 25%. Another 7% each goes to billboards and to mailings via e-mail and SMS. For 2% of orders, respondents indicated an offline advertisement.

A famous store brand was indicated by 12% of respondents as an argument in favor of shopping at that particular store. However, for furniture, this is 32% of sales (here, one must understand that the market is small, and for now, there are not very many sales); for automotive goods, including tires and parts — 23%; for books and CDs — just over 17%.

***A famous store brand brings, on average, an additional 12% in sales to a market***

It is worth mentioning that there is a large share in the "other" category of those shoppers who have special discounts and bonuses from the store, for example, due to participation in the store's loyalty program. It may be supposed that, if the existence of bonuses were included in the question as a separate answer, it would be selected much more frequently than was indicated in the interpretations of the answer, "other."

**Table 6.6.** Criteria used to choose an online store by consumers who chose a definite store in advance for their shopping (checking more than one answer was permitted)

| WHEN YOU PLACED YOUR MOST RECENT ORDER ONLINE, WHY DID YOU GO TO THAT PARTICULAR ONLINE STORE? | share of respondents |
|---|---|
| already shopped at that online store before, I like it | 48.5% |
| it was recommended by relatives, friends, acquaintances | 25.3% |
| the name of the online store sounded familiar | 12.0% |
| read online about a promotion or a special offer from the online store | 10.4% |
| passed a billboard | 7.3% |
| became interested by an offer received from the online store via e-mail or SMS | 6.8% |
| saw or heard an advertisement (outdoor advertisement, press, TV, radio) | 2.3% |
| other | 2.7% |
| I do not remember, it is difficult for me to answer | 1.6% |

## 6.4. Store evaluation

Independently of making a purchase on a site, or even whether he will shop there in future, a user may or may not consider the store convenient. What are most important to a user on a site are high-quality descriptions of the goods and the presence on the site of feedback on the goods (39% and 37%, respectively). That is, regardless of the existence of Yandex.Market with feedback and standard pictures, consumers want to see the same thing on the store's website. Photos are substantially less important to consumers — the existence of large, high-quality pictures was checked by only 21% of respondents. Almost as many users (20%) want to see a search for goods..

***The most important things for consumers on a website are high-quality descriptions of the goods and the presence on the website of feedback on the goods (39% and 37% respectively)***

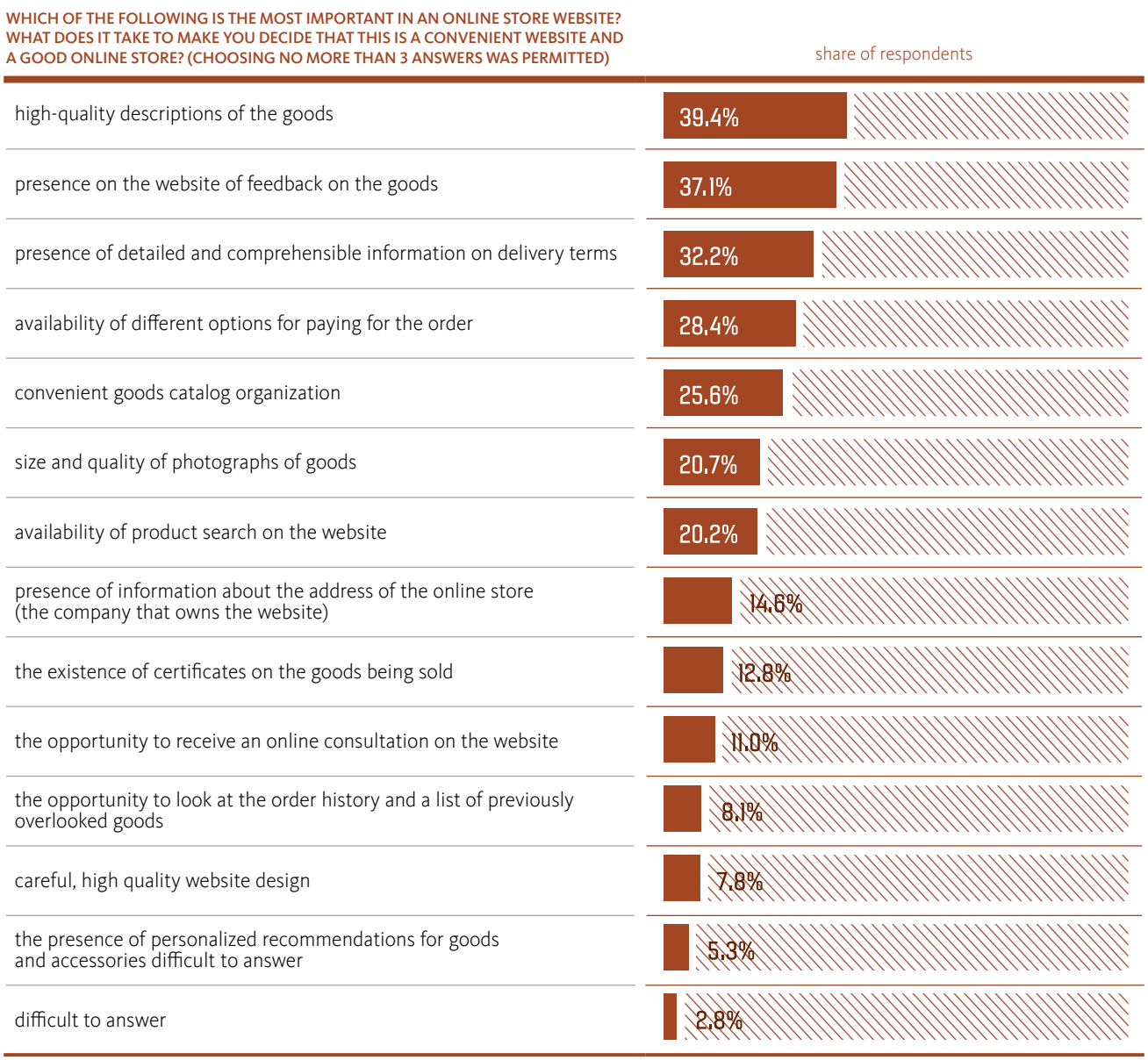
Almost a third of respondents want to see comprehensible and detailed delivery information. However, information on the company for assessment of the quality of the website or of the store is important to only 15% of consumers; a still smaller number of people require certificates on the goods being sold (13% of respondents).

***Almost one third of respondents want to see comprehensible and detailed delivery information***

The appraisal categories did not get too many answers — most probably, in the first place, due to the absence of a clear scale for these characteristics. Hence, the importance of convenient catalog organization was checked by 26% of respondents — while another subjective parameter — careful, high-quality design — was chosen by only 8%.

It is worth noting that online consultations do not appear to be the function most in demand — they are of interest to only 11% of users, and personal recommendations are still less in demand (6%), although it should be taken into account that a user may not understand that the batch of goods being shown to him are already the result of personal recommendation.

**Fig. 6.7.** What is important to consumers on an online store's website, making the consumer consider the website good and the store, convenient? (Choosing up to three answers was permitted)



There are always far more reasons to refuse than to agree to use stores. Almost 70% of users will not buy anything if the price has gone up in the process of placing an order. And that despite the fact that the survey was conducted in November of 2014, when, because of a drop in the value of the national currency, prices were already unstable. Bad feedback on an online store is the second most important indicator: 65% of all respondents reacted to it. The two aforementioned causes lead by a large margin — none of the rest get even half of the votes.

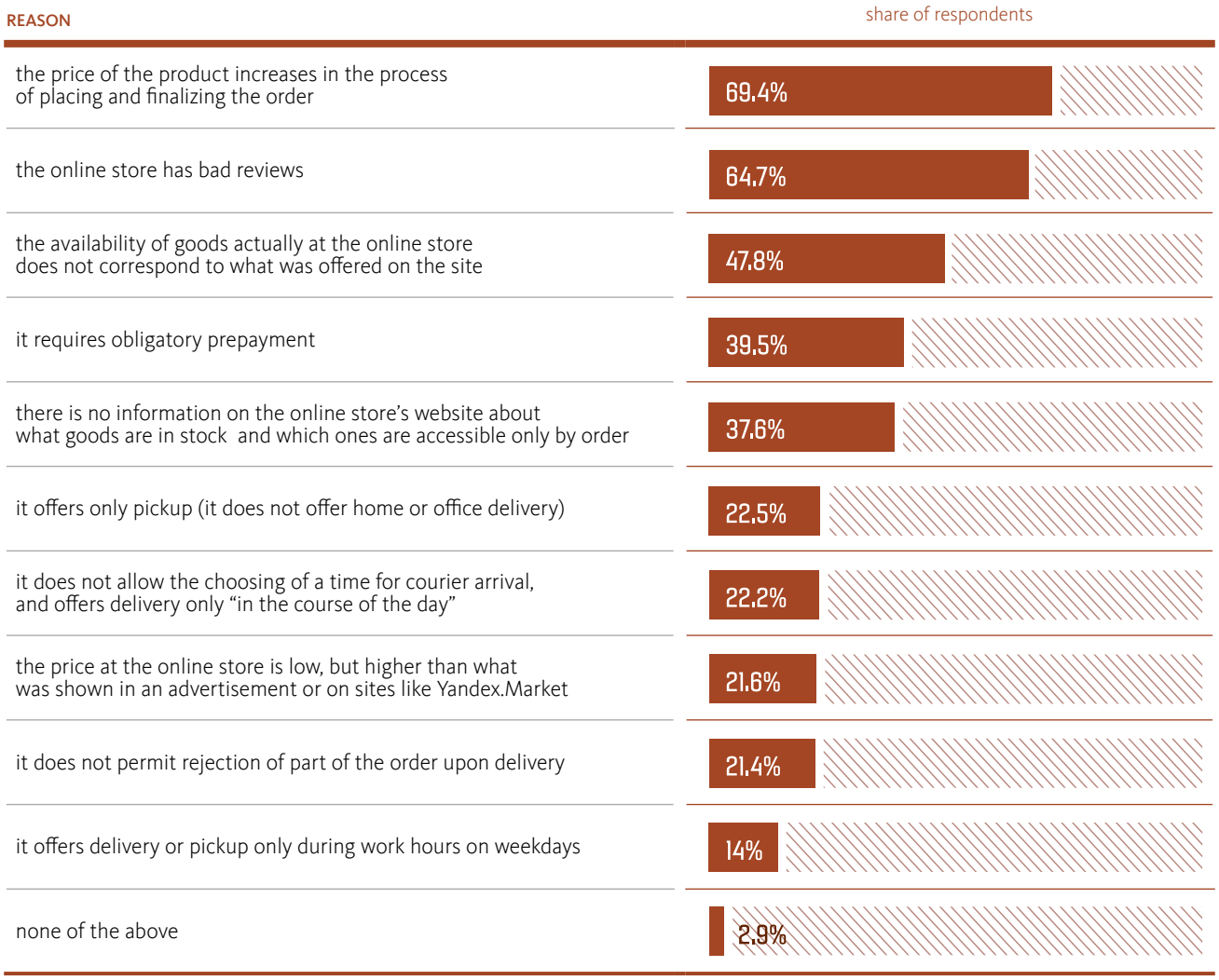
***Almost 70% of consumers will not buy anything if the price has gone up in the process of placing an order***

***Bad feedback about an online store is the second most important indicator: 65% of respondents react to it***

The third most significant negative signal for shoppers is a store's not having the goods advertised on the website (48% of respondents). In fact, a single negative experience with selection may become the reason for refusing to use that store in future. Attention should be paid to the fact that, not only is the absence of goods an important problem, but also the absence of information on whether they are in stock or accessible only by order (38%). Obligatory prepayment is also a bad quality in a store, at least from the point of view of 40% of shoppers.

It is interesting that lack of the option of ordering for home delivery, lack of the option of choosing  a "narrow window" for delivery, lack of evening and vacation delivery, lack of the option of partially rejecting an order — all these negative factors hold significance for only every fifth shopper. For the majority of users, even if convenient delivery is important, inflexible delivery is not a reason to refuse to shop at an online store.

**Fig. 6.8.** Possible reasons for refusal to shop at a particular store (choosing more than one answer was permitted)




Theoretically, shoppers eagerly acknowledge various reasons for possibly refusing to shop at one or another online store; however, the majority of them (62%) were unable to remember similar real examples from their shopping experience.

The most frequent reason for refusing to shop at an online store is the failure of an order: failure to honor time (11%); cancellation of the order by the store (11%); absence of the agreed-upon product (10%); or a mistake in filling the order (9%).

All the rest of the possible reasons are met with still more rarely, while analysis of the "other" category found quite a "menagerie" of minor reasons, occasionally rather exotic (spelling and grammar are preserved):

*"Too pushy in their efforts to palm off something";*

*"No relation between the actual characteristics of the product and the information on the site (not a correct description)";*

*"Inconvenient packaging, bulky carton."*

Thus, the key inference that we draw in this part of the study is that online shoppers are fairly patient and loyal (or easily appeased): more than 60% do not remember an instance in which they were prepared to refuse "ever again" to use one or another online store. The only truly important reason for refusal to use an online store in future is the substantial failure of an order (it was not delivered; the wrong thing was delivered; it was delivered at the wrong time).

***Theoretically, shoppers eagerly acknowledge various reasons to refuse shopping at one or another online store; however, the majority of them (62%) were unable to remember similar real examples from their shopping experience***

**Table 6.9.** Reasons for refusing to continue shopping at a store where the respondent has previously shopped (checking all applicable answers was permitted)

| REASON | share of respondents |
|---|---|
| I do not remember any such instance | 62.1% |
| substantial breach of delivery time | 10.6% |
| unfilled order | 10.6% |
| an order was taken, and afterwards, it turned out that it was not in stock | 10.4% |
| what was delivered was not what was ordered | 8.7% |
| they would not accept an item for repair or exchange | 4.6% |
| after an order, they showered the customer with advertising SMS or letters | 3.6% |
| at delivery, the item turned out to be more expensive than the advertised price | 3.5% |
| telephone operator rudeness | 3.4% |
| breakage/spoilage of packaging | 3.0% |
| bad service at the order distribution point | 2.6% |
| lack of checks and invoices | 2.4% |
| courier having no change | 1.5% |
| previously used goods were sold | 1.5% |
| long line at the order distribution point | 0.9% |
| courier was unable to find/unable to understand what was required of him/spoke Russian badly | 0.8% |
| rude/drunk/bad-smelling courier | 0.7% |
| other | 1.8% |

## 6.5. Existence of a favorite store

Do consumers have a favorite store? Yes, it turns out that more than 50% of online shoppers have at least one favorite store. Besides their very favorite store overall, respondents could also indicate their favorites in separate categories. Most frequently (among 15–20% of all those surveyed), such stores were singled out for the most popular goods categories — "household appliances and electronics" and "clothing and shoes." In all the remaining goods categories, clear preferences for particular online stores are less common. And 41% of online shoppers indicated that they had no favorite online store (neither in the market as a whole, nor in separate goods categories).

Most frequently named as a "favorite" store was Aliexpress (19% of respondents to this question; 10% of all respondents). After it comes Ozon (9.5% of those surveyed), eBay, Ulmart and Wildberries. By the composition of the top, it is highly noticeable that liking for a store is not related only to the number of orders from it. For example, Yves Rocher, which occupies 8th place in this rating, turns out to be among the stores with substantially more than its number of orders. Online shoppers are inclined, in the first place, to name as their favorites stores with a wide selection, and also stores from goods categories in which the share of repeat orders and the factor of brand loyalty are maximal: for example, clothing and cosmetics (table 6.11).

***A powerful merchant brand is not enough; shoppers must know it specifically as an online store***

**Table 6.10.** Consumers' having "favorite" online stores in separate goods categories

| HAVING A FAVORITE STORE IN A GOODS CATEGORY | share of respondents |
|---|---|
| **Total** | 52.0% |
| Electronics and household appliances | 19.6% |
| Clothing and shoes | 15.0% |
| Children's goods | 7.8% |
| Home furnishings, supplies for the dacha and for repairs | 5.0% |
| Automotive supplies | 3.6% |
| Cosmetics and perfume | 7.8% |
| no favorite/frequently used online stores | 40.6% |

**Table 6.11.** Online shoppers' favorite stores. Open question*

| STORE | % of those who answered the question | % of all online shoppers |
|---|---|---|
| aliexpress.com | 18.8% | 10.4% |
| ozon.ru | 17.3% | 9.5% |
| ebay.com | 7.6% | 4.2% |
| ulmart.ru | 4.4% | 2.4% |
| wildberries.ru | 4.0% | 2.2% |
| citilink.ru | 3.0% | 1.7% |
| bonprix.ru | 2.7% | 1.5% |
| yves-rocher.com | 2.2% | 1.2% |
| labirint.ru | 2.1% | 1.2% |
| enter.ru | 1.9% | 1.0% |
| lamoda.ru | 1.8% | 1.0% |
| eldorado.ru | 1.2% | 0.7% |
| e5.ru | 0.8% | 0.4% |
| svyaznoy.ru | 0.8% | 0.4% |
| e96.ru | 0.8% | 0.4% |

**Do you have favorite online stores where you often shop?*

# 6.6. Loyalty programs

What to give shoppers, how to motivate them? As we have already demonstrated above, the role of loyalty programs in motivating users may be quite large. We asked users what loyalty programs they had already participated in over the past 12 months.

*Payment with accumulated bonus points is utilized by almost a quarter of respondents (23%)*

First place goes to payment with accumulated bonus points (23%). Next after that come bonuses for registration with the store (19%) and, finally, at 14%, getting premium status for frequent purchases — a decision less common than the rest. It is curious that, in spite of a frequent offer, few users are prepared to write reviews in return for a discount (8%).

*Free delivery is an excellent promotion. Users remember it and want it repeated*

Analysis of the "other" category reveals two user bargains for stores — these are the promotional formats in which they are prepared to actively participate: free delivery and gifts added to the purchase, depending on the size of the order. Practically all interpretations of the "other" category left by users talk specifically about these two factors. Besides these two options, we come across gifts on one's birthday and a discount on the first purchase; however, the share of these answers is insignificant.

It is important that 31.5% of respondents answered that they had not participated in any online store promotions or loyalty programs. Another 16% indicated that they had difficulty answering; that is, it is most likely that they also do not participate in any way (or participate without knowing about it, and, consequently, are not motivated by it). Thus, only just over half of online shoppers have had, in the last 12 months, knowing and meaningful experience of participation in online store loyalty programs.

**Table 6.12.** Note, please, those online store promotional activities in which you have participated over the past 12 months. Respondents could choose an unlimited number of answers

| MARKETING PROMOTION | share of respondents |
|---|---|
| Payment (in part or in full) using accumulated bonus points for regular shopping at an online store | 23.3% |
| Registration at an online store in exchange for a discount or bonus points | 18.6% |
| receiving premium status (with a higher discount) for frequent and large purchases | 13.6% |
| invitation of friends and acquaintances to an online store in exchange for a discount or bonus points from it | 9.6% |
| participation in contests organized by online stores | 9.5% |
| placement of feedback on Yandex.Market in exchange for a discount or bonus points | 8.2% |
| publication of a store announcement on your page on a social network in exchange for a discount or bonus points | 5.1% |
| other | 2.0% |
| none of the above | 31.1% |
| I find it difficult to answer | 15.5% |

## 6.7. Motivations and potential of non-online shoppers

We asked respondents who did not shop online what factors kept them from doing so. If we take into account that online shoppers today are only one third of the internet audience, then the bulk of internet users in Russia still do not shop online and, moreover, have no experience in online shopping. So, for us, it is of critical importance to understand what might get them to become online shoppers or, conversely, what is keeping them from shopping online.

The main reason, of course, as in the past as well, is the desire to "feel" a purchase before paying (52%). According to our estimates, this category's share among the total number of non-online shoppers has not decreased for several years now, and remains at 50%. Shoppers who do not shop online do not do so because, in the first place, they do not actually believe in the internet as a source of information on a purchase; for them, hands and eyes are a much more precise and trustworthy way to get information on a product.

*The main reason for refusing, as before, is the desire to "feel" a prospective purchase*

The second most common answer is having a habit of buying everything in ordinary stores and/or an idea of offline shopping as a more convenient (for a particular user) way of shopping.

The third most significant reason is the fear of an order being unfilled, or being filled, but with a mistake. At the same time, in recent years, we observe a reduction in the significance of fears related to insufficient knowledge: "I do not have enough information on how to shop online...", "there is no money for shopping online". Thus, only 3.5% of respondents said that shopping online was complicated, and another 10% indicated that they did not have enough information to utilize online retail. For comparison — a few years ago another our research showed that the share of these factors approached a total of 50%.

*Only 3.5% of respondents said that shopping online was complicated*

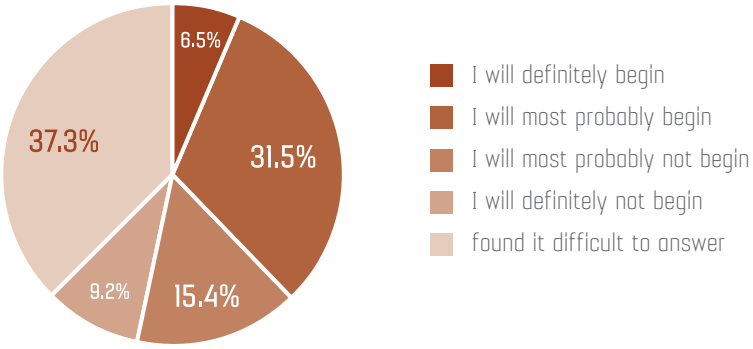
**Table 6.13.** Factors involved in choosing to shop offline (answers from non-online shoppers). Checking more than one answer was permitted

| REASON | share of respondents |
|---|---|
| I don't want to buy what I can't see or touch before ordering | 51.5% |
| it is more convenient and more familiar to shop in regular stores | 46.9% |
| I am afraid that they won't bring the item, or will bring the wrong thing | 36.2% |
| I don't have enough information about what can be bought online, and how | 10.4% |
| another family member does the online shopping | 7.7% |
| there is no money for shopping at online stores | 7.3% |
| delivery from online stores is expensive | 6.5% |
| shopping online is too complicated | 3.5% |
| other | 3.5% |

The share of online shoppers among the number of internet users (and, consequently, among the nation's population as well) is growing fairly quickly. In 2014 this share grew by almost a third, and reached 34% of all internet users (26% in 2013). We have no basis for assuming a decrease in growth rates in the number of online shoppers.

The survey conducted confirms this tendency: 38% of internet users who have not been online shoppers thus far suppose that, in the course of the coming year, they will begin shopping on the internet. Within this, 7% are completely sure, while 31% are somewhat doubtful. To be sure, this is no more than an estimate of their own futures by the users themselves, which we do not call too precise a prognosis, and, in reality, it is hardly likely that more than 15% of the "non-shoppers" will begin shopping online. However, it is important that only a small portion of the internet audience are confirmed opponents of online shopping — only 23% of user respondents answered with one or another degree of conviction that they would not begin shopping online.

**Fig. 6.14.** In your estimation, will you begin shopping in online stores over the next 12 months, or not? The question was posed only to non-shoppers




| | share among those answering |
|---|---|
| I will definitely begin | 6.5% |
| I will most probably begin | 31.5% |
| I will most probably not begin | 15.4% |
| I will definitely not begin | 9.2% |
| found it difficult to answer | 37.3% |

Of course, new online shoppers may  turn their attention first to electronics (37%), clothing and shoes (31%), and also books (28%). Only after that — in fourth place among the potential shopping categories of future online shoppers — are train and airplane tickets (27%), which is substantially lower than in years past: the income level and mobility of people who have not yet begun online shopping are comparatively low, and the majority of them generally do not travel by train, let alone fly.

We may also label as potentially fast-growing the cosmetics and perfume category (20% of potential future online shoppers are prepared to begin their shopping there) and home furnishing and repair supplies (25%). Consumers show moderate interest in them, but the offering in these categories online is still weak. Such a state of affairs creates the base for speedy growth with the appearance of new, strong players.

**Table 6.15.** Which goods, exactly, might you possibly begin buying on the internet in the next 12 months? (checking more than one category was permitted; the question was posed to internet users who did not shop online)

| GOODS CATEGORY | share of respondents |
|---|---|
| electronics and home appliances | 39.6% |
| clothing and shoes for adults | 30.9% |
| books, music, software, games | 28.1% |
| train or airplane tickets | 27.3% |
| home furnishings and repair supplies | 25.2% |
| cosmetics, perfume | 20.1% |
| concert, theater, movie, etc. tickets | 18.0% |
| goods for children, children's clothing and shoes | 16.5% |
| fast food with home or office delivery | 12.9% |
| foodstuffs, drinks (not including fast food, pizza, or sushi) | 5.0% |
| medical supplies and medicines | 3.6% |
| other | 9.4% |

# 7. PLACEMENT, PAYMENT AND DELIVERY OF AN ORDER

## 7.1. Ways to place an order

The days of telephone orders is over. Where, a few years ago, by some estimates, up to a third of orders were still placed by telephone, now, the share of such purchases comes to less than 5% and, to all appearances, will continue to decrease. This is facilitated to a considerable degree by the fact that users have become more experienced and are growing used to ordering online. In addition, the shares of regional orders, and cross-border sales as well — where there is no opportunity or it is complicated/expensive to connect with a merchant by telephone — are increasing.

At the same time, a partial replacement has occurred of the standard telephone order setup by the "rush order" format, where the user enters his phone number and receives an answering call from the online store (according to the survey data, the "rush order" format is used even somewhat more frequently than the classic method of a call made by the shopper himself to the online store).

The greatest number of orders is made through a store's website that is, using a shopping cart and standard order form (84%). A small portion of clients place orders by e-mail (2%) or through an "online consultant" on the site (1%) — despite their inclusion by a large number of online stores, "online consultants," as a rule, are not accepted as a channel for placing orders.

***The greatest number of orders is placed through the store's website that is, using a shopping cart and standard order form (84%)***

The share of orders via the standard order form differs in different goods categories, but the spread is not so great. This share is at its smallest in repair and building supplies (70%) and at its greatest in books (91%).

The second most significant method of communication usually accounts for about half of the total share of orders placed in a shopping cart run and on the standard order form, and the "rush order" form, most often, is coming to be this method.

There are also anomalies: in the "Building and repairs" category, the share of telephone orders is large (14%), while, in the "Gifts, souvenirs, jewelry" category, approximately 5% of respondents placed an order through an online consultant: there is no longer such a large share in any other category.

**Table 7.1.** Order placement options used by clients. Distribution by last order

| HOW EXACTLY DID YOU PLACE YOUR MOST RECENT ORDER AT AN ONLINE STORE? | share of respondents |
|---|---|
| using a shopping cart and order form on the online store's website | 84.0% |
| using a "rush order" form (left a phone number, and they called me back) | 5.4% |
| by phone/I called myself | 4.7% |
| by e-mail | 2.4% |
| via an online consultant's window on the website | 1.3% |
| using a mobile application | 0.6% |
| in a regular store, via a terminal or with the assistance of a salesperson/consultant | 0.6% |
| does not remember, difficult to answer, other | 1.1% |

**Table 7.2.** Share of orders placed via a website using a standard order form for the main goods categories. Not counting cross-border orders

| GOODS CATEGORY | share of orders using a cart and order form | most popular alternative order format |
|---|---|---|
| auto parts, auto electronics, tires and wheels | 81% | "rush order" form (7%) |
| books, music, software, games | 91% | |
| cosmetics, perfume | 87% | |
| medical supplies and medicines | 81% | "rush order" form (10%) |
| laptops, computers and spare parts | 84% | "rush order" form (7%) |
| clothing for adults | 85% | |
| souvenirs, gifts, jewelry | 74% | "rush order" form (6%) |
| telephones, tablets and other electronics | 83% | "rush order" form (6%) |
| technology for the home, including home appliances | 83% | "rush order" form (8%) |
| goods for children, children's clothing and shoes | 85% | by telephone (4%) |
| home furnishings | 78% | by telephone (12%) |
| supplies for repairs, building and the dacha | 70% | by telephone (14%) |
| supplies for sports, tourism, fishing and hunting | 78% | "rush order" form (8%) |
| hobby and craft supplies | 87% | |
| other categories | 81% | |

# 7.2. Order delivery methods

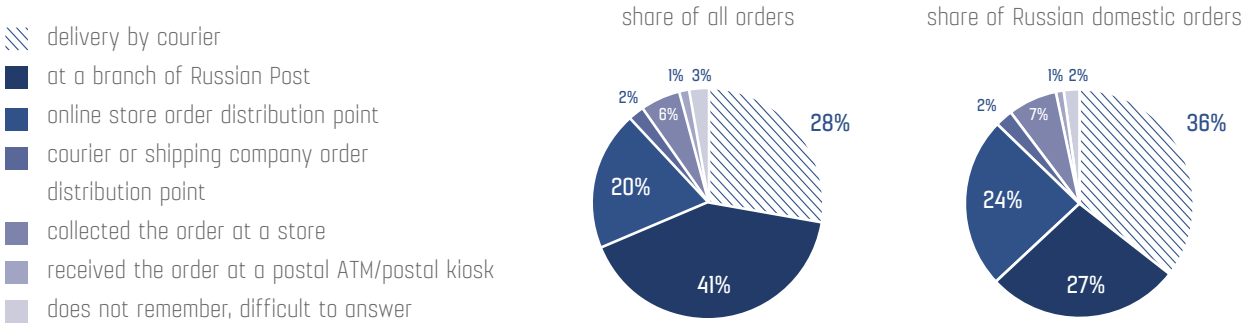
Two out of five orders in November, 2014 were delivered by Russian Post. All told, almost 60% of online shoppers received at least one order via Russian Post in 2014. Another quarter of orders in November were delivered by couriers (the store's own couriers, or a shipping company's couriers). The share of shoppers who were brought at least one purchase by a courier service in 2014 comes to 41%.

***Two out of five orders in November, 2014 were delivered by Russian Post. Altogether, almost 60% of online shoppers received at least one order via Russian Post in 2014***

The third most frequent delivery option is an online store order distribution point (ODP). Here (at least once during a year) a third of online shoppers collected their orders; and here 20% of the most recent orders had been delivered at the time of the survey. If logistics companies' distribution points are taken into account as well, then the share of distribution points reaches 22% of all orders. Another 7% of orders belong in different categories of "pickup"—from the offline stores of retail networks and from postal ATM's.

The distribution of delivery methods differs in essence between Russian domestic and cross-border shopping.  Where cross-border orders are almost always received via Russian Post (86%, according to respondents' answers, but, in reality, even more), for Russian domestic orders, the most popular option is delivery by courier, while receipt by mail and at a distribution point have roughly equal shares.

**Fig. 7.3.** Methods used to receive orders from online stores




| DELIVERY METHOD | % of orders — all purchases | % of orders — Russian domestic purchases | % of users (used at least once during the year) |
|---|---|---|---|
| courier delivered to home or work | 27.9% | 35.8% | 41.0% |
| received at a branch of Russian Post | 40.7% | 27.4% | 57.5% |
| received at an online store's order distribution point | 19.5% | 24.3% | 32.2% |
| received at a courier or shipping company's order distribution point | 2.3% | 2.4% | 7.0% |
| collected the order at a store | 5.5% | 6.9% | 14.6% |
| received the order at a postal ATM/postal kiosk | 1.3% | 1.2% | 4.0% |
| does not remember, difficult to answer, other | 2.7% | 2.1% | – |

There is a big difference in delivery methods between goods categories even for Russian domestic orders, The leaders in share of courier deliveries are the "Furniture," "Foodstuffs" and "Pet products" categories. Courier delivery also comprises over 50% of the share for shoes, medications and household chemicals. Conversely, the share of pickup is high for various types of technology (including household appliances, which include a fair number of large-sized items), and also for auto parts. Postal delivery is, as formerly, not very popular in the technology and electronics segment of online shopping; but, on the other hand, it is the most popular option when buying clothing, cosmetics and perfume, souvenirs, and craft supplies (fig. 7.4 and fig. 7.5).

**Fig. 7.4.** Distribution of online orders by delivery method, depending on goods category

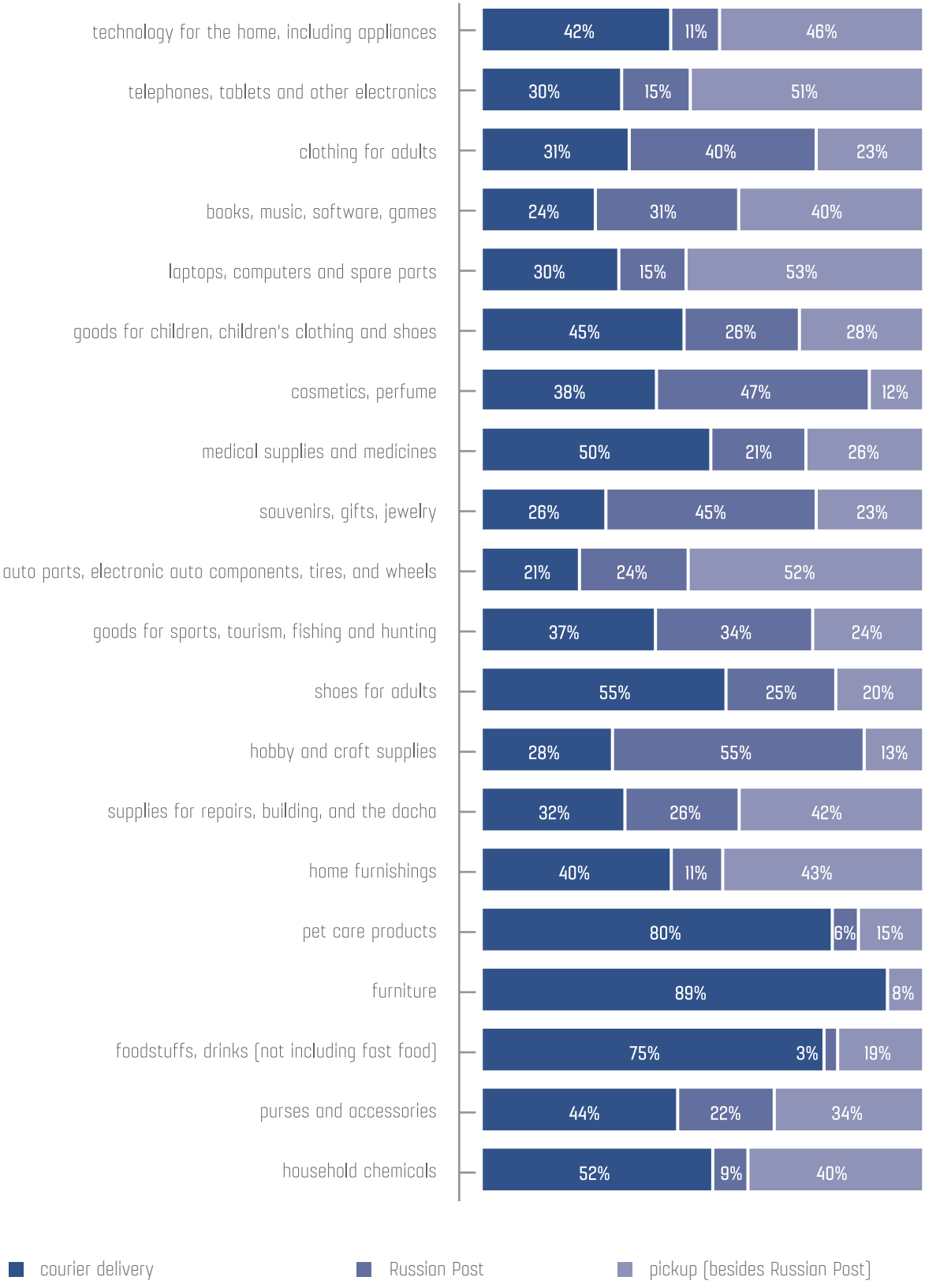


**Fig. 7.5.** Distribution of online orders by delivery method, depending on goods category. Affinity index

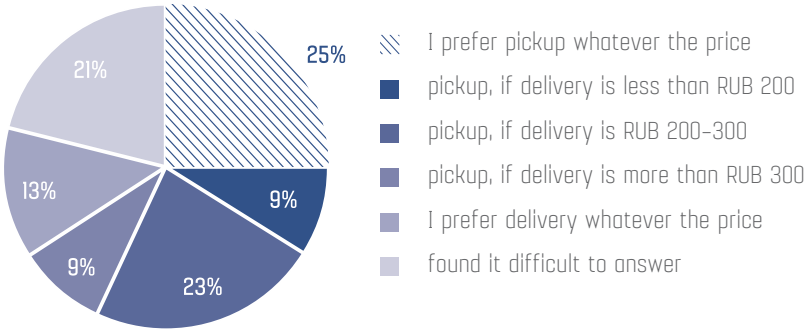
| GOODS CATEGORY | affinity index for courier delivery | affinity index for receipt via Russian Post |
|---|---|---|
| technology for the home, including home appliances | 117 | 42 |
| telephones, tablets and other electronics | 83 | 58 |
| clothing for adults | 86 | 154 |
| books, music, software, games | 67 | 119 |
| laptops, computers and spare parts | 83 | 58 |
| goods for children, including children's clothing and shoes | 125 | 100 |
| cosmetics, perfume | 106 | 181 |
| medical supplies and medicines | 139 | 81 |
| souvenirs, gifts, jewelry | 72 | 173 |
| auto parts, auto electronics, tires and wheels | 58 | 92 |
| supplies for sports, tourism, fishing and hunting | 103 | 131 |
| shoes for adults | 153 | 96 |
| hobby and craft supplies | 78 | 212 |
| supplies for repairs, building and the dacha | 89 | 100 |
| home furnishings | 111 | 42 |
| pet supplies | 222 | 23 |
| furniture | 247 | 00 |
| foodstuffs, drinks, alcohol | 208 | 12 |
| purses, accessories | 122 | 85 |
| household chemicals | 144 | 35 |

*On average, about one fourth of all shoppers prefer pickup whenever the delivery price exceeds zero*

We asked users what the maximum delivery price was, beyond which they would prefer to go themselves to a pickup point (in the event of purchasing a small, light item, for example, a telephone). The survey shows that, on average, about a quarter of all shoppers prefer pickup to any delivery cost above zero. At the same time, 13% of respondents prefer delivery independently of how much it increases the cost.

Those without a clear preference in favor of pickup or delivery most frequently indicated as the threshold payment for delivery, beyond which the respondents were prepared to come for the order themselves, RUB 200 or RUB 300; more rarely, RUB 100 (fig. 7.6). If we exclude those who experienced difficulty in answering (21% of all those who answered the question), then it turns out that, with a payment for delivery of RUB 50, 35% prefer pickup all the same; while, with a payment for delivery of RUB 200, the majority of online shoppers already prefer pickup (fig. 7.7).

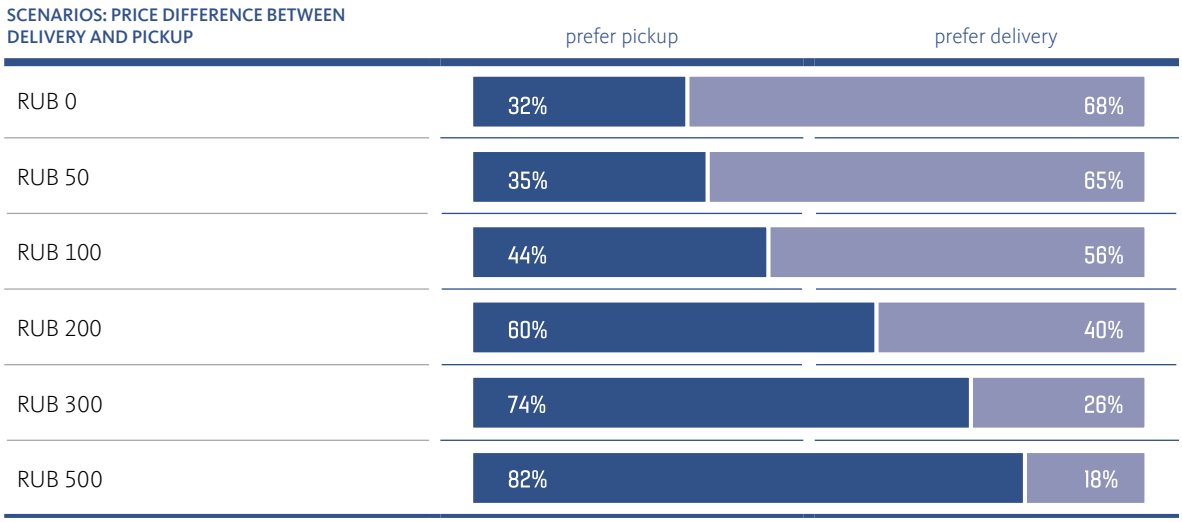
**Fig. 7.6.** Acceptable delivery price to induce a shopper to choose courier service over pickup




**HOW MUCH ARE YOU PREPARED TO PAY FOR HOME OR OFFICE DELIVERY OF A SMALL ORDER (FOR EXAMPLE, A TELEPHONE) FROM AN ONLINE STORE?**

| | |
|---|---|
| I prefer pickup where there is any difference in price | 25% |
| I prefer pickup even if home delivery will be less than RUB 200 more expensive | 9% |
| I prefer pickup if home delivery will be more expensive by RUB 200–300 | 23% |
| I prefer pickup if home delivery will be more than RUB 300 more expensive | 9% |
| I prefer delivery no matter what the difference in price | 13% |
| found it difficult to answer | 21% |

**Fig. 7.7.** Choice between pickup and delivery, depending on price of delivery




The answers of online shoppers on preferences in the portion on delivery methods depends a lot on type of population center: shoppers outside the limits of Moscow and Petersburg prefer pickup much more frequently—with any, even no, surcharge for delivery, 33% of inhabitants of large and medium-sized noncapital cities prefer it, versus 17% of inhabitants of the capitals. Meanwhile, in small cities and rural localities (less than 100 thousand people), there is less readiness to choose pickup, inasmuch as stores and shipping companies cannot offer such an option in the small cities, and receiving packages at branches of the Russian Post is not regarded as pickup (table 7.8).

**Table 7.8.** Acceptable delivery price to induce a shopper to choose courier service over pickup, depending on type of population center

| HOW MUCH ARE YOU PREPARED TO PAY FOR DELIVERY OF A SMALL ORDER (FOR EXAMPLE, A TELEPHONE) FROM AN ONLINE STORE? | Moscow and Saint Petersburg | other millionaire cities (750K+) | other big cities (250–750K) | medium-sized cities (100–250K) | small cities (50–100K) | small population centers (0–50K) |
|---|---|---|---|---|---|---|
| I prefer pickup where there is any difference in price | 17% | 33% | 35% | 31% | 20% | 22% |
| I prefer pickup even if home delivery will be less than RUB 200 more expensive | 9% | 12% | 13% | 6% | 3% | 5% |
| I prefer pickup if home delivery will be more expensive by 200-300 RUB | 34% | 20% | 19% | 14% | 19% | 17% |
| I prefer pickup if home delivery will be more than 300 RUB more expensive | 9% | 9% | 8% | 5% | 12% | 10% |
| I prefer delivery no matter what the difference in price | 14% | 10% | 10% | 14% | 17% | 13% |
| found it difficult to answer | 16% | 15% | 16% | 29% | 29% | 32% |

At the same time, the survey did not reveal a big difference in users' preferences from one macro region to another. The accent on courier delivery is evident only in Moscow and its Region, in Saint Petersburg and its Region, and also, in the third largest (in number of users and number of shoppers) center of e-commerce — Ekaterinburg and its Region, which displaces all the statistics on the Ural Federal District (we do not distinguish this city in the survey).

**Table 7.9.** Acceptable delivery price to inspire choice in favor of delivery — by macro regions

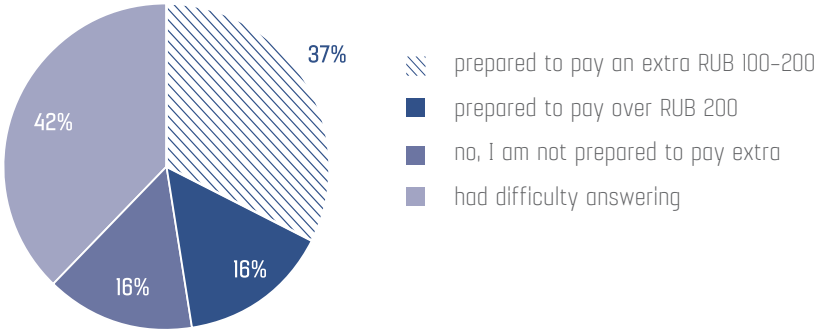
| HOW MUCH ARE YOU PREPARED TO PAY FOR HOME OR OFFICE DELIVERY OF A SMALL ORDER (FOR EXAMPLE, A TELEPHONE) FROM AN ONLINE STORE? | Moscow and its region | Central Federal District | St. Peters-burg and its region | North-western Federal District | Volga Federal District | Southern and North Caucasian Federal District | Ural Federal District | Siberian Federal District | Far Eastern Federal District |
|---|---|---|---|---|---|---|---|---|---|
| I prefer pickup where there is any difference in price | 15% | 30% | 23% | 38% | 33% | 32% | 20% | 32% | 35% |
| I prefer pickup even if home delivery will be less than RUB 200 more expensive | 6% | 15% | 12% | 6% | 10% | 5% | 8% | 13% | 5% |
| I prefer pickup if home delivery will be more expensive by 200–300 RUB | 34% | 19% | 26% | 19% | 17% | 17% | 20% | 14% | 17% |
| I prefer pickup if home delivery will be more than 300 RUB more expensive | 10% | 8% | 10% | 3% | 7% | 8% | 13% | 8% | 6% |
| I prefer delivery no matter what the difference in price | 16% | 9% | 10% | 13% | 10% | 11% | 15% | 11% | 15% |
| found it difficult to answer | 18% | 20% | 19% | 20% | 22% | 27% | 24% | 22% | 22% |

An important result of our research is the simple answer that online shoppers would sooner pay a small amount for speedy delivery. More than a third of those surveyed (37%) said that they were prepared to pay an additional RUB 100–200 for rush delivery, and another 16% are prepared to pay even more. Only 16% of respondents answered the question about paying extra in the negative, while a significant portion of respondents (42%) had difficulty answering the question — they have neither a positive, nor a negative answer to this question, which means primarily that they have most likely not been confronted with such an option in reality.

***Shoppers are prepared to pay extra for speedy delivery, but the extra payment amounts to RUB 100–200***

Of those respondents prepared to pay RUB 100–200 for express delivery, more than a third expects delivery within 24 hours. At the same time, every fourth or fifth (22%) understand fast priority delivery to mean within more than 3 days, or even within a week or more. To all appearances, in the latter case, this refers to delivery from other regions and may even primarily mean delivery from abroad.

**Fig. 7.10.** Readiness to pay extra for express delivery




| ARE YOU PREPARED TO PAY EXTRA (IF NOT ALWAYS, THEN AT LEAST FOR SOME ORDERS) FOR EXPRESS DELIVERY FROM ONLINE STORES? | |
|---|---|
| yes, I am prepared to pay an extra RUB 100–200 for fast delivery | 36.7% |
| yes, I am prepared to pay over RUB 200 for even faster delivery | 16.3% |
| no, I am not prepared to pay extra for faster delivery | 16.3% |
| had difficulty answering | 41.8% |

**Table 7.11.** Expected delivery time for express delivery at extra cost

| DELIVERY TIME FOR WHICH YOU ARE PREPARED TO PAY AN EXTRA RUB 100–200 | |
|---|---|
| 24 hours | 36% |
| 2–3 days | 42% |
| 4–6 days | 10% |
| 7 days or longer | 12% |

# 7.3. Order payment methods

Payment for 66% of all Russian domestic orders is made in cash on delivery. Another 8% are paid for by card on delivery. So, almost three quarters of all orders (74%) are paid for on delivery.

***Three-quarters of all orders (74%) are paid for on delivery***

Prepayment for an order is most often effected by bank card (14% of Russian domestic orders) and, more rarely — with e-money (or bank cards tied to "online wallets"). Neither payment using online banking, nor offline have prepayment options played a substantial role in the structure of payment methods for purchases at Russian online stores.

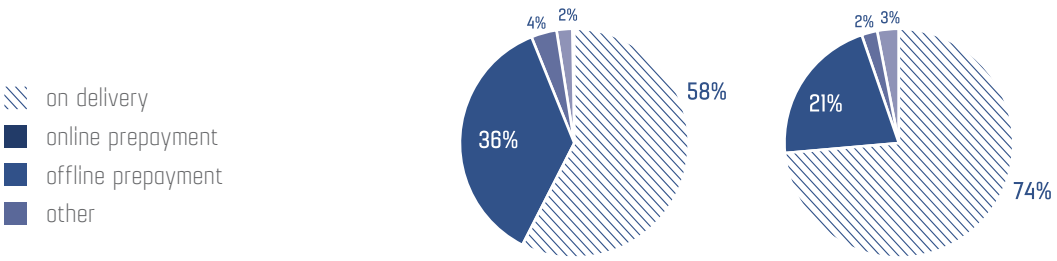
It is important to note that the share of online shoppers with experience in noncash payment for their orders is much larger than the share of orders paid by card or "e-money": 30% of shoppers paid for purchases at Russian online stores at least once over the last year by card on the store website, 16% each by card on delivery and via "online wallets."

If we take into account, not only Russian domestic, but also cross-border orders, (which are almost always prepaid), then the distribution of payment methods is noticeably displaced towards online prepayment — its share grows to 36% of all orders (including 25% that is prepayment using bank cards). Meanwhile, the share of ready cash payment on delivery decreases to 52%. For cross-border sales, the share of prepayments using bank cards exceeds 60%, and those using e-money come to just fewer than 30%. These two payment methods alone account for nearly a 90% share of all cross-border purchases.

***In 2014, 30% of online shoppers paid for a purchase at least once online with a bank card***

Taking into account cross-border shopping also increases the estimate of the share of payments via customs terminals — this is the most popular method of offline prepayment for cross-border purchases.

**Fig. 7.12.** Methods used by online shoppers to pay for orders *




| PAYMENT METHOD | % of orders — all shopping | % of orders — Russian domestic shopping | % of users (used at least once during the year) * |
|---|---|---|---|
| cash on delivery | 51.6% | 66.1% | 72.3% |
| by bank card on delivery | 6.2% | 7.8% | 16.4% |
| by bank card when the order is placed | 24.8% | 14.4% | 30.3% |
| using an electronic payment system (for example, Yandex.Dengi,Yandex. Money or PayPal) | 10.0% | 5.7% | 15.5% |
| using online banking or mobile banking | 1.4% | 1.0% | 3.7% |
| using points from a bonus or discount card | 1.3% | 1.5% | 5.1% |
| by bank or postal transfer | 1.5% | 1.7% | 4.2% |
| using a payment terminal (for example, Qiwi) | 2.1% | 0.6% | 4.3% |
| via cellphone network salons or other payment acceptance points | 0.1% | 0.0% | 1.1% |
| other | 0.9% | 1.1% | – |
| I do not remember, I find it difficult to answer | 0.2% | 0.2% | – |

** Counting only purchases in Russian online stores*

The share of prepaid orders is weakly dependent on the goods category in which the purchase is made. Notable exceptions are medical supplies and medicines, and repair supplies, which are paid for more frequently than is usual with cash on delivery, on the one hand, and the auto parts segment (where many players, including the leader — Exist.ru — demand mandatory prepayment), on the other. However, even in online purchases of auto parts in Russian online stores, more than half of orders are paid for with cash on delivery; in other categories, the share of cash payments is still higher (fig. 7.13).

**Fig. 7.13.** Methods of payment for orders at Russian stores by goods category. Affinity index

The share of cash-on-delivery payments decreases substantially (by one and a half time) as soon as we go outside the limits of Moscow and Saint Petersburg. It is important that in the regions, not only are fewer orders paid for on delivery, but online shoppers are more frequently met with who have no experience of such a thing: where, in the capitals, cash-on-delivery payment was used at least once during the year by 87%, in the regions, it was used by only 65%.

***The share of cash-on-delivery payments decreases by one and a half time as soon as we go outside the limits of Moscow and Saint Petersburg***

Redistribution in favor of prepayment in the regions occurs equally for both main types of payment — both the share of prepayments by bank card, and the share of prepayments by e-money. In small cities, the share of orders paid for with bank or postal transfers is also greater than in the millionaire cities, and especially in Moscow.

**Table 7.14.** Distribution of last purchase by payment method, depending on type of population center

| | Moscow and Saint Petersburg | other millionaire cities (750K+) | other big cities (250–750K) | medium-sized cities (100–250K) | small cities (50–100K) | small population centers (0–50K) |
|---|---|---|---|---|---|---|
| cash on delivery | 63% | 45% | 41% | 42% | 49% | 49% |
| bank card on delivery | 7% | 8% | 8% | 5% | 2% | 3% |
| bank card when order was placed | 18% | 27% | 30% | 28% | 30% | 27% |
| using electronic payment systems (for example, Yandex.Dengi, Yandex. Money or PayPal) | 7% | 13% | 13% | 10% | 9% | 13% |
| using online banking or mobile banking | 1% | 2% | 1% | 2% | 0% | 2% |
| with points on a bonus or discount card | 1% | 1% | 1% | 2% | 3% | 1% |
| by bank or postal transfer | 1% | 1% | 2% | 4% | 3% | 1% |
| using a payment terminal (for example, Qiwi) or cellphone network salons | 1% | 1% | 2% | 4% | 2% | 3% |
| does not remember, difficult to answer, other | 1% | 2% | 2% | 2% | 2% | 1% |

As with the questions about the price of delivery, discussed above, variation among the federal districts is not great, if we do not count Moscow or Saint Petersburg, or, to some degree, the Ural Federal District with Ekaterinburg. The only substantial difference is observed in the Northwestern Federal District, where the share of orders prepaid by card is higher than anywhere else. The main reason, possibly, is the large share of orders from abroad (table 7.15).

**Табл. 7.15.** Distribution of last purchase by payment method, depending on region (only the main answers are shown)

| REGION OF RESIDENCE | cash on delivery | bank card on delivery | bank card when order was placed | using electronic payment systems (for example, Yandex.Dengi, Yandex. Money or PayPal) | other |
|---|---|---|---|---|---|
| Moscow or Moscow region | 67,8% | 5,4% | 16,7% | 5,3% | 4,8% |
| Other region in the Central Federal District | 48,6% | 6,7% | 27,0% | 9,2% | 8,5% |
| Saint Petersburg or Leningrad region | 49,7% | 9,4% | 24,2% | 9,8% | 6,9% |
| Other region in the Northwestern Federal District | 35,2% | 4,0% | 40,2% | 10,2% | 10,4% |
| Volga Federal District | 40,4% | 7,0% | 29,4% | 15,3% | 7,9% |
| Southern or North Caucasian Federal District | 40,6% | 3,3% | 31,8% | 14,2% | 10,1% |
| Ural Federal District | 45,6% | 8,3% | 23,0% | 13,1% | 10,0% |
| Siberian Federal District | 43,5% | 4,7% | 32,0% | 11,8% | 8,0% |
| Far Eastern Federal District | 46,8% | 8,2% | 25,8% | 10,2% | 9,0% |

# 7.4. Reasons for choosing online payment

*Shoppers will choose online payment when he has no other choice*

The main reason for choosing online payment, according to the survey results, is mandatory prepayment at the request of the store. This reason was cited by 60% of respondents — three times as many as cited habit (the second most popular answer). More than 10% each indicated that they had paid for their purchase online because they received a discount from the store or bonus points from the bank. None of the remaining reasons are substantial. It is worth noting that the respondents, as a rule, gave an unambiguous answer as to the reasons for their choice of online payment — more than 80% of those who answered checked only one reason from the list of suggested ones.

**Table 7.16.** Reasons for choosing online payment. Respondents were permitted to select all appropriate answers

| WHY DID YOU PREFER TO PAY FOR THE ORDER IN ADVANCE ONLINE, AND NOT ON DELIVERY? | share of respondents |
|---|---|
| the online store requires mandatory prepayment | 60.3% |
| I am used to paying for orders online, it is more convenient for me | 20.1% |
| the online store gives an extra discount if the order is paid for online | 11.2% |
| it is to my advantage to pay by card online, as the bank or payment system awards bonus points | 13.0% |
| the order was being received by a different person, so that I could not pay for it on delivery | 4.9% |
| I was not sure that I would have the right amount of cash on hand when the order was delivered | 4.8% |
| I don't like to pay couriers in cash | 4.0% |
| other | 0.9% |
| I don't remember, had difficulty answering | 1.4% |

The majority of users are prepared to use online payment more often if they receive a sort of bonus for it: for example, a discount, free delivery, or extra points. Aside from that, many users are worried about the security of payment, and they are prepared to pay more often by card (and to prepay for orders in general) if they are offered guarantees of secure payment (48%) and a guarantee of fulfillment of its obligations on the store's part, or return of funds in case of nonfulfillment (44%). All the remaining types of motivation are of substantially less interest to users.

***The majority of users are prepared to use online payment more often, if they receive any sort of bonus — for example, a discount, free delivery or extra points***

**Table 7.17.** Stimuli to more frequent online payment. Respondents were allowed to check all appropriate answers

| WHICH OF THE FOLLOWING MIGHT INDUCE YOU TO USE ONLINE PAYMENT MORE OFTEN WHEN SHOPPING AT ONLINE STORES? | share of respondents |
|---|---|
| a small discount with prepayment online | 55.6% |
| free delivery of the ordered goods in return for prepayment online | 54.6% |
| a guarantee of the security of the payment and of card (account, wallet) information | 48.4% |
| bonuses/points awarded by the online store for an order that is prepaid online | 45.9% |
| a guarantee of return of funds if the order is not filled | 44.3% |
| greater convenience in online payment (payment with one click, without entering all the logins, passwords and card numbers) | 22.3% |
| priority processing of the order (accelerated preparation and shipping of the order) with prepayment online | 19.8% |
| the availability of partial rather than full prepayment for the order | 13.0% |
| other | 0.6% |
| none of the above | 2.6% |
| had difficulty answering | 2.6% |

Among those online shoppers who do not use online payment (approximately 40% of all shoppers), half of them do not pay online because they want to see and evaluate a purchase before paying for it. More than a third of users are not convinced of the security, either of the transaction itself (21%), or of the purchase—there is no guarantee that the store will fulfill its obligations (14%). Another quarter of respondents speak of simply having no need to pay for goods online. It is important that, in the payment process, practically no users appeared who could not deal with online payments, who considered them too complicated (4% of all respondents).

***Practically no users turned up who were unable to deal with online payments, who considered them too complicated (4% of all respondents)***

**Table 7.18.** Reasons for refusing to use online payment, given by respondents who do not pay online today and have no experience of doing so

| WHY DO YOU NOT USE THE ONLINE PAYMENT OPTION WHEN SHOPPING AT ONLINE STORES? | share of respondents |
|---|---|
| before paying, I need to see and evaluate the order | 49% |
| there is no need topay online/it is more convenient to pay on delivery | 24% |
| I am not convinced of the security of online payments | 21% |
| I don't have enough money on my card/in my online wallet | 15% |
| I am not convinced of the honesty of online stores | 14% |
| online payment is too complicated | 4% |
| other | 3% |
| had difficulty answering | 7% |

# 8. MOBILE COMMERCE

## 8.1. Mobile devices

Half of online shoppers used the internet via smartphone at least once over the past year, and more than 30%, via tablet. The total share of mobile users with mobile access (and using it) from a telephone or a smartphone/tablet comes to 59%.  In other words, the majority of tablet users also go online with the help of a smartphone.

Despite the fact that we are analyzing only data on online shoppers, this statistic is practically indistinguishable from the data on Runet as a whole. Thus, for comparison, we took TNS data for February, 2015 (TNS Web Index, cities of 100K+, population 12+). The TNS data show us smartphone penetration at the level of 54% of the internet audience, and tablet penetration at 35%. The difference in the data is caused by different research methods, and is ignored in this instance.

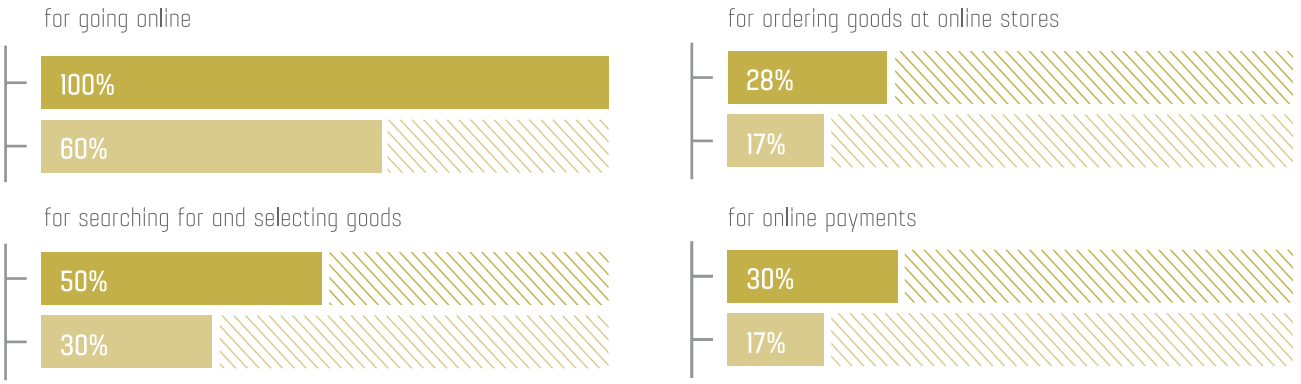
**Table 8.1.** Use of different devices for internet access by online shoppers. Data Insight and TNS data for comparison

| WHAT DEVICES DO YOU USE (HAVE YOU USED AT LEAST ONCE IN THE LAST 12 MONTHS) TO GO ONLINE? | online shoppers 18-64 (Data Insight) | internet users 12+ (TNS *) |
|---|---|---|
| Desktop computer at home | 68.6% | 65.8% |
| Laptop, netbook | 57.0% | 54.3% |
| Smartphone | 50.7% | 53.6% |
| Tablet | 31.3% | 34.9% |
| Desktop computer at work | 29.3% | |
| Regular mobile phone | 11.5% | 13.4% |
| Smart TV | 8.0% | 14.8% |

** TNS Web Index, February 2014, Russia, cities 100K+*

Half of those who use a smartphone or a tablet for internet access (30% of all online-shoppers) seek out their future purchases with its assistance; just over a quarter (or 17% of all online shoppers) not only seek out, but also order goods at online stores. Just over 17% of respondents also make payments using mobile devices — the penetration of mobile payments is better than the penetration of mobile purchases, thanks to the existence of a large number of services paid for with mobile devices (parking, phone service, etc.).

**Fig. 8.2.** Use of a smartphone or a tablet at different stages of e-commerce




| USE OF A SMARTPHONE OR A TABLET AT LEAST ONCE IN THE LAST 12 MONTHS | share of all online shoppers | share of online shoppers using mobile access |
|---|---|---|
| For going online | 59.3% | 100.0% |
| For searching for and selecting goods | 29.8% | 50.3% |
| For ordering goods at online stores | 16.6% | 28.0% |
| For online payments | 17.4% | 29.3% |

However, the presence of a mobile device, and even experience with its use for shopping, does not signify that a particular order will be made specifically by telephone or tablet. A smartphone or a tablet was used for only 16% of online orders, and only in 9% of cases was the entire selection and ordering process carried out on a mobile device. Online shoppers use mobile access only when it is convenient for them, and the survey data shows that in many cases, shoppers use “mobiles” for additional study of a product and choice of a shopping location, and for ordering proper, resort to laptops or desktop computers. The mobile device enters in only in the role of a first, starting screen in the shopping process (Mobile First).

***16% of online orders were made using a smartphone or a tablet, and only in 9% of cases was the whole process of selection and ordering carried out on a mobile device***

If several different devices are used in the choosing of a future purchase, then the final purchase is most frequently done on a computer — in the majority of instances, for now, this is more convenient for users. In Russia today, 9% of all online purchases of material goods are made without the use of computers.

*In Russia today, 9% of all online purchases of material goods are made without the use of computers*

Here it should be noted that the tablet is a more independent and a more convenient device than the smartphone. A tablet was used for 8% of orders, and for 5% of orders, it was the sole device employed (only in 2 cases out of 5 was a laptop or stationary computer used in addition to a tablet). A smartphone was used in just over 8% of orders, but only in less than half of these cases (about 3.5%) was it the only gadget used to place the order.

*A smartphone is more frequently used for shopping coupled with a PC, and a tablet — by itself*

**Table 8.3.** Share of purchases in which mobile devices were used in the selection and/or ordering of goods

| WHICH SPECIFIC DEVICES HAVE YOU USED IN THE PROCESS OF SELECTING GOODS, CHOOSING AN ONLINE STORE, AND DOING THE ACTUAL ORDERING? | share of respondents |
|---|---|
| selected and ordered on a regular computer (or laptop) | 84.2% |
| selected and ordered on a tablet | 5.1% |
| selected and ordered on a smartphone or a telephone | 3.6% |
| used both a regular computer (laptop) and a smartphone (telephone) in the selection/ordering process | 3.8% |
| used both a tablet and a smartphone (telephone) in the selection/ordering process | 0.3% |
| used both a regular computer (laptop) and a tablet in the selection/ordering process | 2.1% |
| used a regular computer (laptop), a tablet, and a smartphone (telephone) in the selection/ordering process | 0.7% |
| I do not remember, I find it difficult to answer | 0.1% |

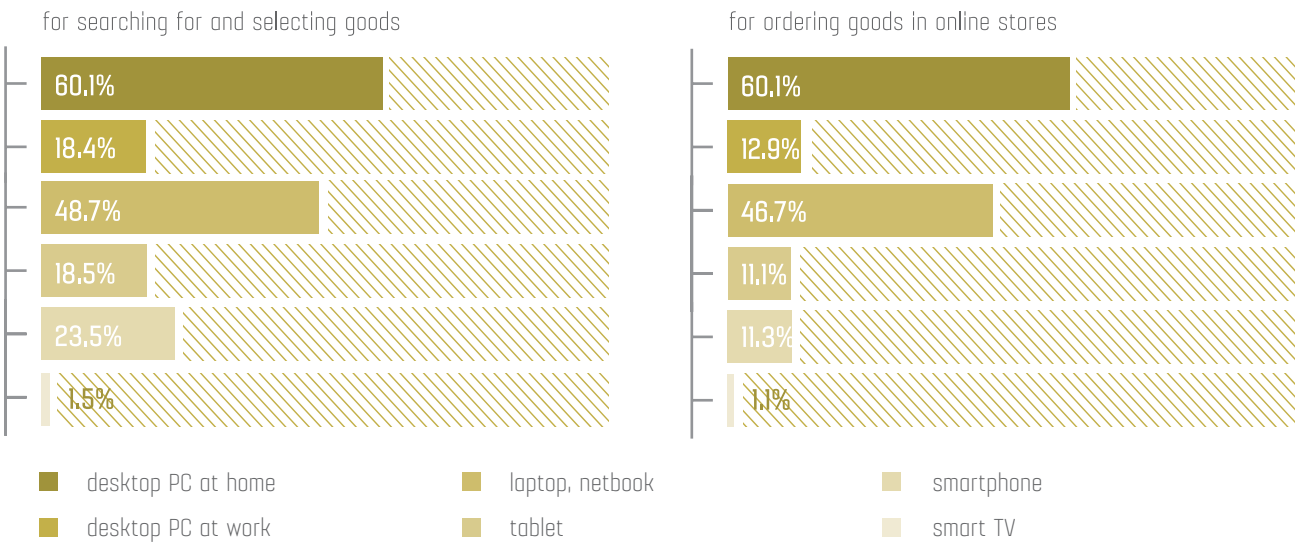
The character of use of various devices in various situations may differ substantially. Thus, for example, while a home computer, as also a laptop, is used to an equal degree to search for information on a future purchase and for the purchase itself, a computer at work is used substantially more often for searching than for making purchases. This difference is still more pronounced where smartphones and tablets are concerned.

The situation does not change, even when we look only at mobile users and mobile shoppers: only 60% of those who use a tablet for searching for and choosing goods make purchases on the tablet, while the analogous indicator for smartphones comes to 48% (fig. 8.4).

If we calculate in percentages of all users of the respective device, then 35% of tablets and 22% of smartphones belonging to online shoppers are used for purchases proper in online stores. For comparison, the share of home computers and laptops used in this way exceeds 80% (fig. 8.5).

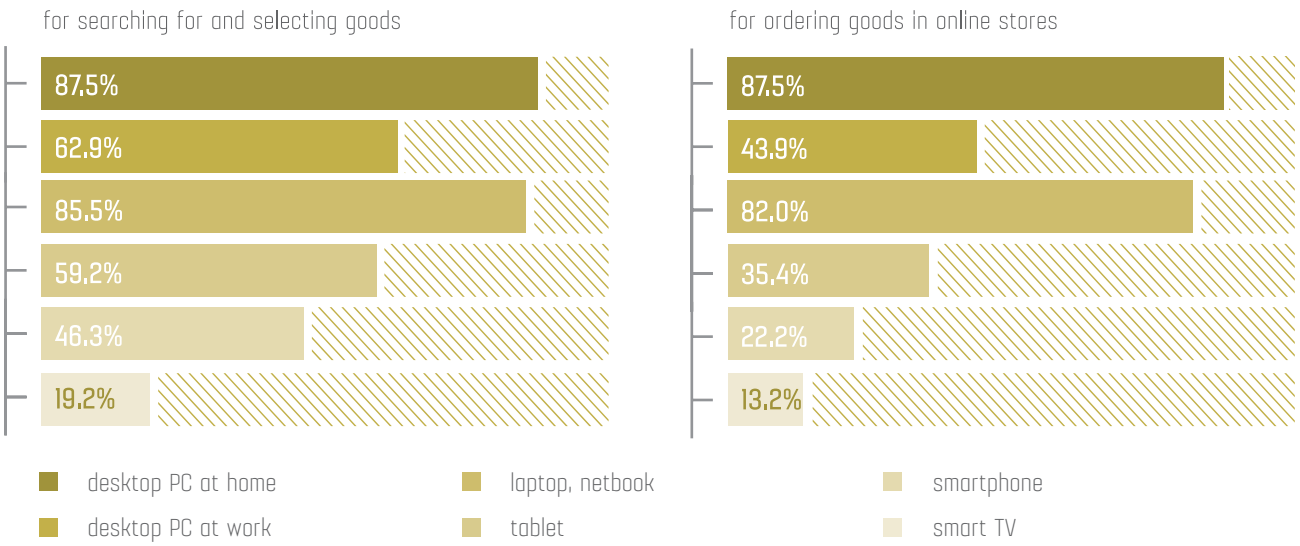
In fact, we see that, for one reason or another, it is inconvenient for users to utilize a mobile device to make purchases. They know how to do so (those who do know, of course), but prefer to use a computer.

**Fig. 8.4.** Use of different devices for searching for information on a future purchase and for the purchasing proper. In percentages of all online shoppers




| DEVICES USED AT LEAST ONCE IN THE LAST 12 MONTHS | ...for searching for and selecting goods | ...for ordering goods in online stores | share of shoppers among those choosing |
|---|---|---|---|
| desktop PC at home | 60.1% | 60.1% | 100% |
| desktop PC at work | 18.4% | 12.9% | 70% |
| laptop, netbook | 48.7% | 46.7% | 96% |
| tablet | 18.5% | 11.1% | 60% |
| smartphone | 23.5% | 11.3% | 48% |
| smart TV | 1.5% | 1.1% | 73% |

**Fig. 8.5.** Use of different devices for searching for information on a future purchase and for the purchasing proper. In percentages of users of the respective devices



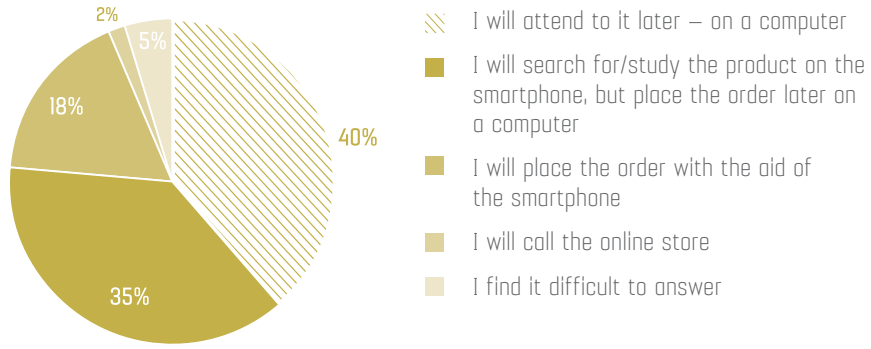

| DEVICES USED AT LEAST ONCE IN THE LAST 12 MONTHS | ...for searching for and selecting goods | ...for ordering goods in online stores |
|---|---|---|
| desktop PC at home | 87.5% | 87.5% |
| desktop PC at work | 62.9% | 43.9% |
| laptop, netbook | 85.5% | 82.0% |
| tablet | 59.2% | 35.4% |
| smartphone | 46.3% | 22.2% |
| smart TV | 19.2% | 13.2% |

A smartphone works as a purchasing device, but is so inconvenient on the whole, that the majority of users, at the very least, put off ordering until the time when they return to a normal computer, or even decline to search for and compare goods here and now altogether, until a computer is within reach. Only 18% of smartphone users are prepared to make a purchase immediately from a smartphone if a device with a bigger screen is not available at a given moment..

What is interesting: the share of respondents who, in this case, use the telephone for its correct purpose, and call an online store to make an order, is negligible — only 2%. This is even less than the total share (in the whole e-commerce market) of orders placed at online stores by telephone (almost 5%). Smartphone users do not like to phone, and prefer to use the telephone as a portable computer rather than specifically as a way to make calls — especially in situations where they have no access to a desktop computer or a laptop.

*A mobile phone screen is already the place of first contact between store and shopper for 18.5% of online shoppers*

**Fig. 8.6.** Preference among devices for ordering (in percentages of online shoppers using smartphones for internet access)




| IF YOU NEED TO FIND AND BUY SOME PRODUCT, AND HAVE NO COMPUTER OR LAPTOP ON HAND, OR IF YOU HAVE SEEN A LETTER FROM AN ONLINE STORE ON YOUR SMARTPHONE WITH AN OFFER THAT INTERESTS YOU, WHAT ARE YOU MOST LIKELY TO DO? | share of respondents |
|---|---|
| I will put off the search for/study of the product and attend to it later—on a laptop or standard computer | 40.4% |
| I will search for/study the product directly on the smartphone, but place the order later on a laptop or a standard computer | 34.9% |
| I will place the order directly, with the aid of the smartphone (via a website or app) | 18.1% |
| I will call the online store | 1.7% |
| I find it difficult to answer | 4.7% |

## 8.2. Mobile apps

As indicated above, mobile devices were used in the process of making online purchases by 16% of respondents, who placed 9% of all orders directly with them. Almost all of these orders were placed via a store website, and not via an app — those account for only about 1% of orders. The overwhelming majority of purchases (totaled across all access devices, 84%) are made via a store website, and this tendency is retained in mobile commerce as well.

*Among online shoppers using mobile devices for internet access, 70% indicated that there was some kind of app on their smartphone or tablet earmarked for shopping and payments*

The share of app use for purchasing is negligible; however, the penetration of shopping apps is already fairly large. Among online shoppers who use mobile apps to access the internet, 70% indicated that they had apps earmarked for shopping and payment on their smartphones or tablets. This signifies that they have not only set up some apps for themselves, but — which is of no small import — still remember that fact.

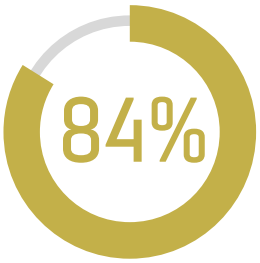
Apps for scanning barcodes (that is, apps for use in offline shopping) and apps for searching for stores and comparing prices (first and foremost, Yandex.Market) are the leaders. Also, more than 15% of online shoppers with mobile devices had set up each of the following: apps for individual online stores (17%) and marketplace apps — with AliExpress and Ebay in first place (16%). Here, we should pay attention to the fact that every ninth mobile internet user has a version of some service (or aggregator) for fast food delivery set up on his or her telephone — for a market that appeared comparatively recently, this is a very high indicator.

*Apps are used more frequently for searching than for placing an order*

**Table 8.7.** Distribution of purchases by order placement method

| ORDER PLACEMENT METHOD | share of purchases |
|---|---|
| using a shopping cart and order form on an online store's website | 84.0% |
| using a "rush order" form (left a telephone number, and they called me back) | 5.4% |
| by telephone/ I myself called | 4.7% |
| by e-mail | 2.4% |
| using an online consultant's window on a website | 1.3% |
| **using a mobile app** | **0.6%** |
| in a regular store — using a terminal or with the assistance of a salesperson/consultant | 0.6% |
| other | 0.2% |
| I do not remember, I find it difficult to answer | 0.9% |


share of purchases made using a mobile app




share of purchases made using a basket on a website

**Fig. 8.8.** Penetration of shopping-related mobile apps. All respondents using the mobile internet (including those who do not make purchases using a mobile device)

| TYPE OF APP | share of respondents |
|---|---|
| apps for scanning barcodes | 27.9% |
| apps for services for searching for goods and comparing prices (for example, Yandex.Market) | 19.8% |
| online store apps | 17.0% |
| trading platform apps (for example, Wikimart, Ebay, AliExpress) | 16.1% |
| apps for advertising services | 12.1% |
| apps for ordering fast food (pizza, sushi, etc.) | 11.5% |
| apps that collect information on discounts and points | 5.9% |
| apps for the creation and holding of shopping lists | 5.8% |
| apps with reviews and ratings of goods | 4.5% |
| I do not remember, I find it difficult to answer | 9.8% |
| none of the above | 29.8% |

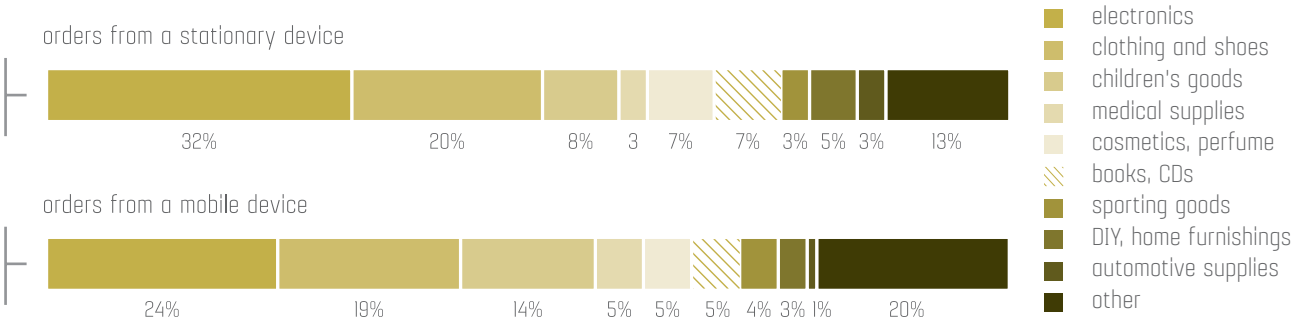
## 8.3. Mobile commerce goods categories

What exactly is bought using mobile devices? In spite of the similar, on the whole, distribution of purchases among goods categories, the affinity index reveals the low popularity of mobile orders (using only mobile devices) in the household appliances and electronics, books and CDs, cosmetics and perfume, home furnishings and repairs, and automotive supplies categories. At the same time, we see that people buy children's goods, sporting goods, and medicines comparatively willingly with mobile devices.

For the "other" category, the large share of "mobile" orders may be explained by the fact that fast food delivery is in it — a segment for which ordering by smartphone, including ordering using an app, is standard practice.

Here, it is necessary to understand that, on average, the share of mobile sales comprises only 9% of the total number of online purchases. Even in those categories where the affinity index exceeds 150, the share of mobile orders comes to less than 20% (fig. 8.9).

**Fig. 8.9.** Distribution of purchasing methods by goods category




| GOODS CATEGORY | orders from a stationary device | orders from a mobile device | using several devices | affinity index |
|---|---|---|---|---|
| electronics | 32% | 24% | 35% | 77 |
| clothing and shoes | 20% | 19% | 20% | 99 |
| children's goods | 8% | 14% | 7% | 170 |
| medical supplies | 3% | 5% | 4% | 171 |
| cosmetics, perfume | 7% | 5% | 4% | 74 |
| books, CDs | 7% | 5% | 3% | 69 |
| sporting goods | 3% | 4% | 3% | 150 |
| DIY, home furnishings | 5% | 3% | 6% | 51 |
| automotive supplies | 3% | 1% | 5% | 38 |
| other | 13% | 20% | 13% | 152 |

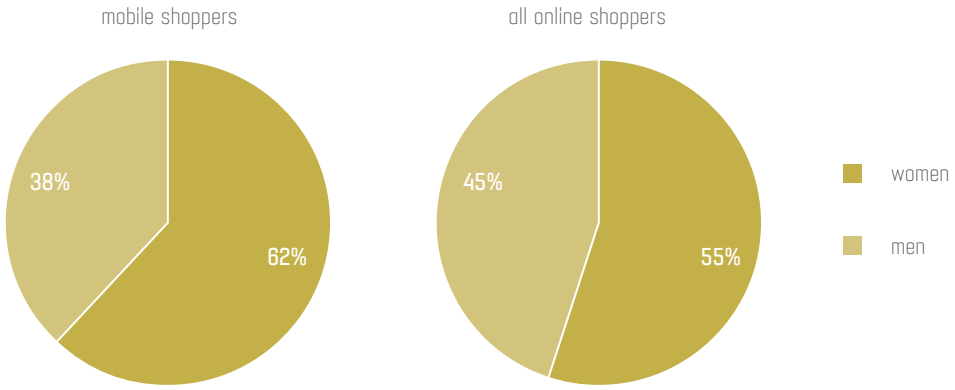
## 8.4. Mobile commerce audience

Who are the people who buy using mobile devices? In the first place, they are people with over 50 thousand rubles a month in personal income (affinity index of 147); also, they are, more often than not, women (affinity index of 114), people between the ages of 25 and 35 (affinity index of 122), with a higher education (affinity index of 114), and inhabitants of Moscow and its Region (affinity index of 120).

It is important that we may distinguish only Moscow (and the Moscow Region) geographically. All the rest of the regions of the country and the population centers show an affinity index close to unity, with the exception of small cities and the rural locality (population of less than 50 thousand inhabitants), where the affinity index comes to 75. To all appearances, we may speak of smartphone and tablet penetration being lower there, and, moreover, the share of experienced users of these devices is also smaller, since active growth in internet penetration began recently.

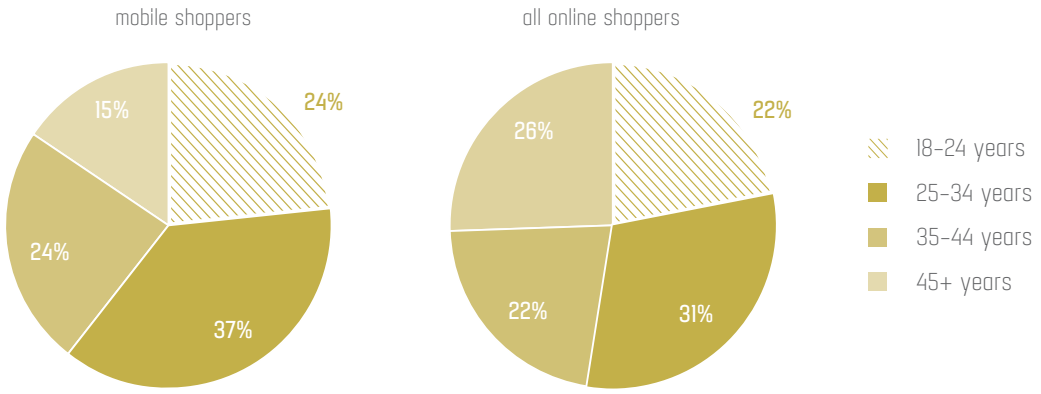
This description is, to a large degree, similar to the description of the audience of tablet users who are also active shoppers. This signifies that the use of a mobile device to make purchases online is just a function of a respondent's length of experience as a tablet or smartphone user.

**Fig. 8.10.** Distribution of mobile shoppers by gender



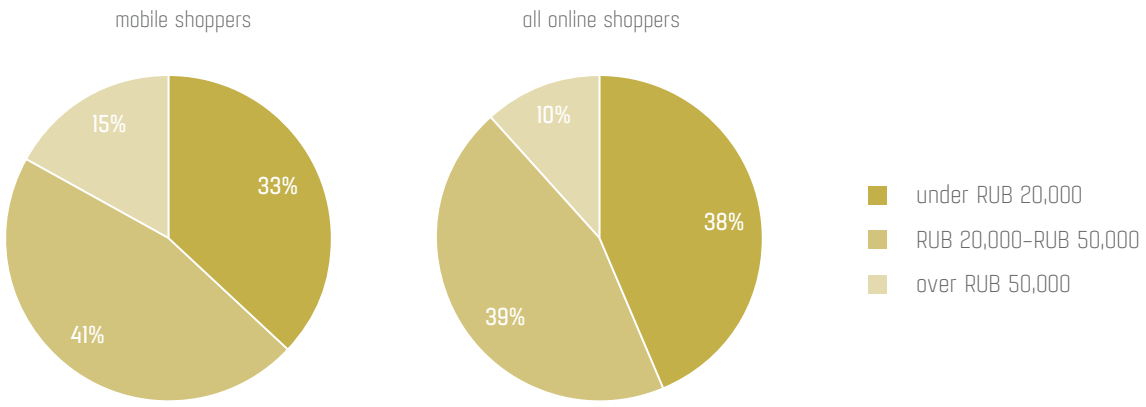

| GENDER | shopped with mobile devices | all online shoppers | affinity index |
|---|---|---|---|
| women | 62.1% | 54.5% | 114 |
| men | 37.9% | 45.5% | 83 |

**Fig. 8.11.** Distribution of mobile shoppers by age group



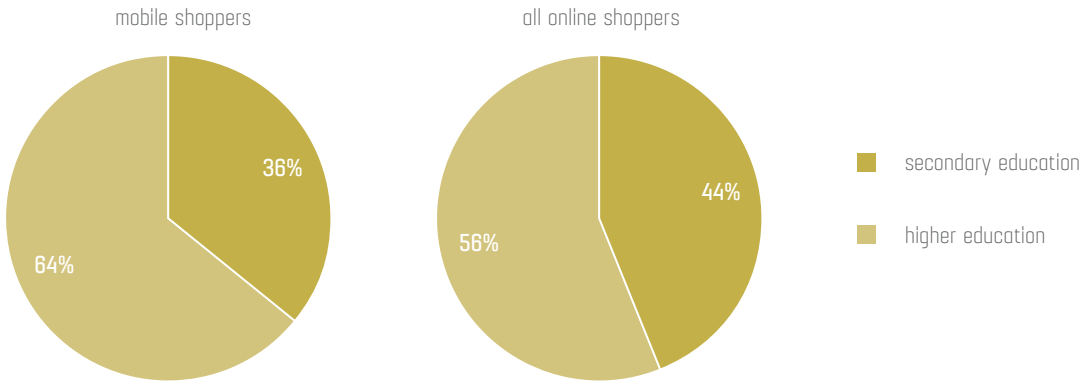

| AGE GROUP | shopped with mobile devices | all online shoppers | affinity index |
|---|---|---|---|
| 18–24 years | 23.5% | 22.2% | 106 |
| 25–34 years | 37.2% | 30.5% | 122 |
| 35–44 years | 23.9% | 21.8% | 110 |
| 45+ years | 15.4% | 25.5% | 60 |

**Fig. 8.12.** Distribution of mobile shoppers by personal income



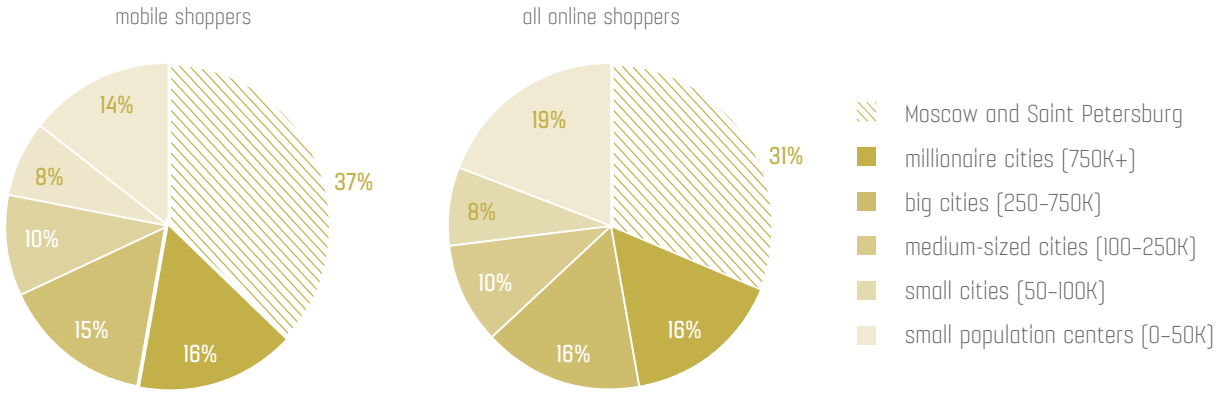

| PERSONAL INCOME | shopped with mobile devices | all online shoppers | affinity index |
|---|---|---|---|
| under RUB 20,000 | 32.7% | 38.1% | 86 |
| RUB 20,000–RUB 50,000 | 41.2% | 39.0% | 106 |
| over RUB 50,000 | 14.8% | 10.1% | 147 |

## Fig. 8.13. Distribution of mobile shoppers by education




| EDUCATIONAL LEVEL | shopped with mobile devices | all online shoppers | affinity index |
|---|---|---|---|
| secondary education | 36.1% | 43.7% | 83 |
| higher education | 64.0% | 56.3% | 114 |

## Fig. 8.14. Distribution of mobile shoppers by type of population center




| TYPE OF POPULATION CENTER | shopped with mobile devices | all online shoppers | affinity index |
|---|---|---|---|
| Moscow and Saint Petersburg | 37.4% | 31.4% | 119 |
| millionaire cities (750K+) | 15.6% | 15.6% | 100 |
| big cities (250–750K) | 15.2% | 15.8% | 96 |
| medium-sized cities (100–250K) | 9.9% | 10.1% | 98 |
| small cities (50–100K) | 7.7% | 7.6% | 101 |
| small population centers (0–50K) | 14.2% | 19.0% | 75 |

# 9. GROWTH POTENTIAL

The e-commerce market is developing thanks to an increase in the numbers of online shoppers, an increase in the frequency and scale of shopping at online stores (which essentially signifies an increase in the share of online shopping in the shopper's budget), and prices growth in online stores. Each of these factors makes a significant contribution today into the development of the market as a whole; meanwhile, the running balance of these factors depend to a large degree on economics (for example, the amount of inflation). The question is how these factors are reflected in the consciousness of consumers; how they perceive them.

Of particular interest in the assessment of market development potential are the opinions and motivations of those internet users who have not yet begun purchasing online –but have a high probability of starting it in the near future.

## 9.1. Reasons for refusing to shop online

According to the answers of respondents who do not shop online, a key reason for declining to use online stores is the impossibility of, at the moment of purchase, "feeling" an item (52%), and also the fear that the purchase will not be brought, or that the wrong thing will be brought (36%). These reasons have remained constant over the course of many years, although the degree of their significance is, of course, changing.

Attention should be paid to two groups of reasons: firstly, the answers, "I do not have sufficient knowledge" (10%) and, "online shopping is too complicated" (4%); and, secondly, the answer, "shopping in a regular store is more convenient and more familiar" (47%). The significance of reasons connected with insufficient knowledge and with the complexity of shopping has noticeably declined over the past few years, and yet the role of "offline is more convenient" as a motivation has noticeably grown. This points to the fact that a noticeable portion of newcomers to e-commerce today are the so-called "late majority".

***A noticeable portion of newcomers to e-commerce today are the so-called "late majority"***

Why do users choose to shop online? According to the answers of online shoppers, the key factor —side by side with cheapness — is precisely convenience (see 6.1, p. 88). The concept of "convenient" contains the availability of delivery, lack of the necessity of leaving home, economy of time, wide opportunities for searching for and comparing goods and for selecting stores. It is interesting that not infrequently, among the open answers, we come across some mention of e-commerce having become accessible and convenient upon moving to a big city. Meanwhile, access to online stores is substantially limited in small cities.

***In small cities, access to online stores is still substantially limited***

**Table 9.1.** Reasons for refusing to shop online

| WHY DON'T YOU SHOP AT ONLINE STORES? | share of respondents |
|---|---|
| I don't want to buy something that I can't look at or touch before ordering | 51.5% |
| shopping in regular stores is more convenient and familiar | 46.9% |
| I am afraid that they won't bring the item, or will bring the wrong thing | 36.2% |
| I don't have sufficient information on what and how one can buy online | 10.4% |
| another family member does the shopping in online stores | 7.7% |
| there is no money for shopping in online stores | 7.3% |
| delivery is expensive from online stores | 6.5% |
| shopping online is too complicated | 3.5% |
| other | 3.5% |

## 9.2. Readiness to begin shopping online

Among other questions, we asked respondents who had not previously made a purchase online one regarding their readiness to make such purchases in the very near future. Of the "non-shoppers" among the internet users, 7% think that they will definitely begin using online stores within the next 12 months, and another 31% suppose that they will most probably begin. All told (38%), this is more than one and a half times the share of those who believe they definitely or most likely will not begin to make use of e-commerce (25%).

We must take into account that respondents' answers on their readiness to begin performing any action are, as a rule, more positive than their real future behavior. For comparison, according to the data presented in Section 3.1 (p. 41), among internet users who, as things stood at the end of 2013, had no online purchasing experience, only 13% began using online stores during the following 12 months (in previous years, rates of "conversion" of internet users into online shoppers were even lower). It may be supposed that, in 2015 as well, only approximately a third of those who said that they would begin shopping on the internet will actually become online shoppers.

*38% of non-shoppers think they will make their first online purchase in 2015*

The profile of respondents who answered that they would definitely or most probably begin shopping in online stores resembles the profile of e-commerce users as a whole. Those prepared to use online stores are people who are young (46% of the "non-shoppers" in the 18–34 year old age group, versus 23% for 55-64 year olds), better off financially (63% among "non-shoppers" with personal incomes over 30 thousand rubles, versus 33% among people with incomes under 30 thousand rubles), better educated (46% among those with a higher education, versus 33% among those without) or living in Moscow (51% in Moscow versus 37% outside its limits).

This sort of coincidence with the profile of users who have already begun using online stores allows us to predict that in the next few years, the structure of the online shopper audience will not experience substantial changes. The only difference is that the share of potential shoppers is greater among men (while there are more women among shoppers), and is somewhat greater among those who live with their parents or alone. At the moment, e-commerce penetration is lower than average in these segments, but the data at hand permit us to expect a reduction in this lag — while the differences between ages, between categories base on income and educational levels, and between geographical segments of the audience are of a more stable, long term character.

**Fig. 9.2.** Readiness of internet users who do not use online stores to begin shopping online

| DO YOU THINK THAT, IN THE NEXT 12 MONTHS, YOU WILL BEGIN PURCHASING IN ONLINE STORES, OR NOT? | share of respondents |
|---|---|
| I will definitely begin | 6.5% |
| I will most probably begin | 31.5% |
| I will most probably not begin | 15.4% |
| I will definitely not begin | 9.2% |
| I find it difficult to answer | 37.3% |

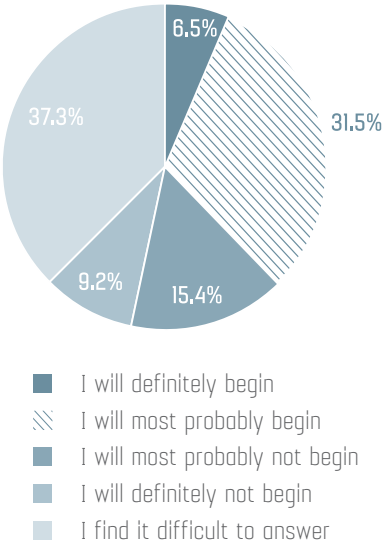



**Fig. 9.3.** Social-demographic profile of those prepared to begin shopping

| SHARE OF NON-ONLINE SHOPPERS WHO ANSWERED THAT THEY WOULD DEFINITELY OR MOST PROBABLY BEGIN SHOPPING IN THE NEXT 12 MONTHS | |
|---|---|
| secondary education | 38% |
| age 18–34 | 46% |
| age 35–54 | 39% |
| age 55–64 | 23% |
| men | 43% |
| women | 33% |
| income under RUB 30,000 | 33% |
| income over RUB 30,000 | 63% |
| with a higher education | 46% |
| without a higher education | 33% |
| Moscow and its region | 51% |
| elsewhere in Russia | 37% |
| live alone or with their parents | 41% |
| live with a spouse and/or children | 38% |

# 9.3. Goods categories

Among the goods categories with the greatest probability of becoming a "starter," causing a consumer to make a first online purchase, we see the same categories that dominate in the overall structure of the e-commerce market. In fact, the most attractive category for "non-shoppers" today is the electronic and household appliance goods category (40%, and the same amount in the overall volume of the market by number of purchases), clothing and shoes, books, and tickets for transportation. In other words, independently of which first purchase the consumer actually makes, he is attracted to the same degree and by the very same categories that are already leading in online sales.

Although the tourist service (including tickets) and online fast food order (pizza and sushi) categories were not counted in estimates of market volume, these answer options were included in the question on potential categories of purchases, and airplane and train tickets turned out to be in fourth place in popularity, with 27% of answers — the convenience of buying tickets online is a significant factor for the broadening of the online shopper audience.

*Electronics, clothes and books are the main categories that attract oline-shoppers*

On the whole, comparing the answers of potential online shoppers with what they actually order as a first online purchase, we see that the real picture differs somewhat from consumers' expectations, although these differences are not too substantial (see table 9.5).

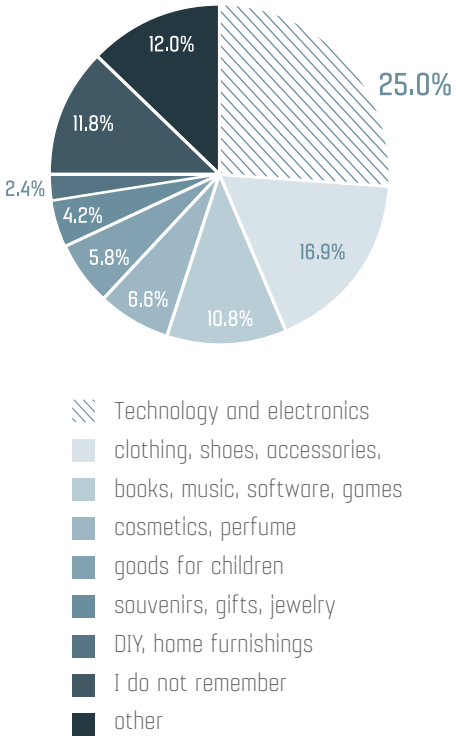
**Table 9.4.** Probable goods categories of future first online purchases

PRECISELY WHAT GOODS WILLYOU POSSIBLY BEGIN TO BUY ONLINE IN THE NEXT 12 MONTHS?

| | | | |
|---|---|---|---|
| electronics and household appliances | 39.6% | train or airplane tickets | 18.0% |
| concert, theater, movie etc. tickets | 30.9% | foodstuffs, drinks (not including fast food such as pizza or sushi) | 16.5% |
| clothing and shoes for adults | 28.1% | home furnishings and repair supplies | 12.9% |
| goods for children, children's clothing and shoes | 27.3% | medical supplies and medicines | 5.0% |
| books, music, software, games | 25.2% | cosmetics, perfume | 3.6% |
| fast food with home or office delivery | 20.1% | other | 9.4% |

## Fig. 9.5. Goods categories of first online purchase

| IN WHAT GOODS CATEGORY DID YOU MAKE YOUR FIRST PURCHASE EVER IN AN ONLINE STORE? | share |
|---|---|
| I do not remember | 11.8% |
| clothing for adults | 13.8% |
| books, music, software, games | 10.8% |
| telephones, tablets and other electronics | 9.3% |
| laptops, computers and spare parts | 8.3% |
| technology for the home, including household appliances | 7.4% |
| cosmetics, perfume | 6.6% |
| goods for children, children's clothing and shoes | 5.8% |
| souvenirs, gifts, jewelry | 4.2% |
| shoes for adults, purses and other accessories | 3.1% |
| hobby and craft supplies | 2.3% |
| supplies for sports, tourism, fishing and hunting | 2.0% |
| home furnishings, furniture | 1.8% |
| concert, theater, movie, etc. tickets | 1.8% |
| auto parts, auto electronics, tires and wheels | 1.7% |
| fast food with home or office delivery | 1.6% |
| household chemicals, pet products | 1.4% |
| supplies for repairs, building and the dacha | 0.6% |
| foodstuffs, drinks, alcohol | 0.4% |
| medical supplies and medicines | 0.0% |
| other | 3.1% |



## 9.4. Reasons for growth in shopping frequency

Two out of five (39%) of online shoppers surveyed think that the share of purchases made by them in online stores (and not in offline ones) will increase in the coming year; including 7% who think it will increase significantly. Meanwhile, the total share of those who think they will start to buy less online comes to only 5%.

*Expectations of growth in frequency of online shopping in 2015 are the same among all of today's online shoppers*

Here, as also in case with the answers of "non-shoppers," we need to take into account that respondents' intentions are not automatically transformed into their deeds. The share of purchases made online may, for example, not increase — or may even decrease — thanks to the fact that a person (due to a drop in real income) spends a greater part of his or her budget than formerly on foodstuffs (which are comparatively rarely bought online). What is more, under conditions where purchasing power is reduced, even growth in the share of purchases made online does not necessarily translate into growth in the frequency of online purchases or expenses on them — online activity may still decrease, only not as much as the frequency of offline purchasing.

It is worth mentioning that online shoppers' expectations regarding an increase in the share of purchases made online are almost identical across all target groups: about 40%, with small deviations, within a 4% margin, in either direction. That is, all target groups of users expect to an equal degree that the share of online shopping will grow.

**Table 9.6.** Expectation of growth in the share of purchases made online

| DO YOU THINK THAT THE SHARE OF YOUR PURCHASES MADE ONLINE WILL BE GREATER OR LESS IN THE COMING YEAR THAN NOW? | |
|---|---|
| it will increase significantly | 6.9% |
| it will increase | 32.2% |
| it will not change | 35.5% |
| it will decrease | 3.7% |
| it will decrease significantly | 0.8% |
| I find it difficult to answer | 20.9% |

**Table 9.7.** Expectations of growth in the share of purchases made online by segments of the audience

| | SHARE OF THOSE WHO ANSWERED THAT THEY WOULD INCREASE THEIR SHARE OF ONLINE PURCHASES (INCLUDING SIGNIFICANTLY) |
|---|---|
| age 18–34 | 40% |
| age 35–54 | 38% |
| age 55–64 | 38% |
| men | 37% |
| women | 41% |
| income under RUB 30,000 | 38% |
| income over RUB 30,000 | 44% |
| with a higher education | 41% |
| without a higher education | 38% |
| Moscow and its Region | 37% |
| elsewhere in Russia | 39% |
| live alone or with their parents | 34% |
| live with a spouse and/or children | 41% |

Here is an important result that we receive answers, “convenient” and “cheap” have an approximately equal share, and together make up an absolute majority of answers. A random sample of 50 answers to the open question on reasons for an increase in shopping frequency reveals two main components of growth: “cannibalization” of a portion of offline shopping by the internet (due to the fact that the internet is “cheaper” and “more convenient”), and an increase in income leading to overall growth in the number of orders in stores (both offline and online).

***The two main reasons for an increase in the number of online purchases: transfer of shopping from offline, and growth in personal income***

**Fig. 9.8.** A random sample of 50 answers to the open question, "why are you going to shop at online stores more often than you do now?" Spelling and grammar have been retained

- It's cold outside, it's convenient not to go out in the cold.
- An addition to the family ;)
- Cheaper.
- Since the situation in the country is changing, it is possible that on the internet, it will be cheaper and more secure to buy the necessary item.
- The price is lower.
- Convenient.
- Convenient.
- Prosperity is growing.
- Convenient.
- Convenient.
- Cheaper, less time on choosing a product.
- It is cheaper there.
- The selection is greater and the price is lower.
- Convenient accessible and selection is greater.
- It is convenient.
- The winds of time.
- In our city it is difficult to find such a product.
- Convenient, advantageous, there are no pushy sales consultants.
- The assortment is wider.
- Convenience of selection, payment, delivery.
- The quality will be better.
- Pay is increasing.
- It is cheaper than in regular stores.
- Convenient, it's not necessary to search through regular stores for the necessary item, it's better to order on the Internet.
- Because it is more convenient and saves a heap of time.
- Receiving an item at home is convenient.
- I like it.
- Because it is cheaper, besides, the selection is significantly greater than at an ordinary store.
- The price is much less than in the stores.
- Convenient.
- Prices in online stores are lower.
- It is advantageous and convenient.
- Selection is greater, prices are cheaper, convenience of delivery.
- Very convenient.
- It is convenient.
- Advantageous.
- I plan to move to the suburbs and bear a child — there will not be enough time to go from store to store.
- CHEAPER, THE SELECTION IS GREATER. THE BABY IS GROWING, I AM GOING TO BUY HIM CLOTHES IN ONLINE STORES.
- Cheaper.
- Untransportability and increase in family members.
- Cheaper, large selection.
- Growth in prices at retail stores.
- I don't feel like wasting time walking around from store to store.
- Insufficient assortment of goods in the city's stores.
- Convenient, not going out of the house to shop.
- More pay.
- Because I am trying to change to payment with e-money, and on the internet, that is very convenient to do when buying an item.
- I will be receiving more.
- Cheaper.
- In the majority of cases it is advantageous.

**Fig. 9.9.** The most detailed answers to the open question, "Why are you going to shop at online stores more often than you do now?" Spelling and grammar have been retained

- Probably, because there is an opportunity to put off a purchase and think over the need for it thoroughly, in a situation where you are trying to buy because you simply like the item; and, if you buy something out of necessity, there's the opportunity to compare prices and choose from a larger number of models than at an ordinary store.
- Making purchases in online stores is more convenient and advantageous for me and my family, because there is access to online store goods at any time, a big selection, one may find reviews of goods easily, various discounts, bonuses and promotions for those buying via the internet.
- Convenient, fast, less personal time is wasted, bonuses and discounts and clearance sales are offered, there is a wider assortment of goods from different manufacturers, different brands, one may choose exactly the item that is needed or that one likes, making payment is convenient.
- Recently, trust is increasing towards payment systems. Moreover, progress in the internet industry is leading to the fact that, in the near future, a large portion of purchases will be made online. This is convenient and less wasteful of time and means.
- Since there is not always enough time for trips to stores. Well, and if now it is very accessible and easy to receive a certain purchase without leaving work or the house, then why not use it.
- The selection is bigger; 2. there is more information on goods; 3. it is convenient to compare different goods; 4. there are often reviews of the item of interest; 5. it is cheaper to shop than at regular stores.
- I moved to Moscow, where there are more online stores and delivery is developed. In the regions online stores are not developed, and delivery is primarily by post, with the exception of fast food delivery.
- I moved to a big city where there are more opportunities for online shopping. It will go much faster, and there will be far more options for receiving goods.
- There are coming to be more online stores; their selection will broaden accordingly, and, as a consequence of competition, more advantageous offers, discounts, bonuses, and promotions will appear.
- I will find more highly-paid work, become more independent, will be able to work more on my style, and that means buying more stuff (clothes, accessories).
- Because it is more advantageous using the internet, and next year will be hard financially as it is. Well, and there is a bigger selection, it is simpler to find, you waste less time and nerves.
- A lower price for the same or better quality (if one is speaking of Chinese manufacture). An item may be chosen and ordered without leaving the house.
- It is convenient; all the stores are on the screen of a monitor; goods may be compared without wasting time on visiting stores; one can read reviews of the stores.
- More and more goods are becoming more profitable to buy online; what it was more logical formerly to look at and feel, now it is simpler to choose on a website.
- The enormous selection of goods for every purpose, which cannot always be found in stores, plus the price in online stores is sometimes significantly lower.

## 9.5. Reasons for decreasing shopping frequency

The small number of respondents anticipating a decrease in the share of purchases online most frequently (in approximately 70% of cases) indicated as the reason factors related to the condition of the economy — growth in prices, a reduction in the allure of cross-border commerce due to the rise in the value of the dollar, a decrease in income. Others of those surveyed indicated that a period of major purchases (for example, repairs on an apartment) had passed, and, consequently, the overall frequency of shopping would decrease substantially in future.

**Fig. 9.10.** A random sample of 20 answers to the open question, "Why are you going to shop less often than you do now in online stores?" Spelling and grammar have been retained

- Already bought what I wanted.
- Inflation and devaluation.
- The last store turned out to be a fraud; they sent an item that did not correspond to what had been ordered, without certification. I will be more careful.
- In connection with the sharp rise in prices for goods, related to the rise in the value of the dollar.
- Because, due to the drop in the value of the ruble, prices for goods have increased significantly.
- The crisis.
- All the prices are in dollars, and at this exchange rate, it is not profitable.
- Delivery from foreign stores has been impeded.
- We have two children and lack the means for various purchases.
- A decrease in income level.
- The economic situation.
- In connection with the crisis in the nation.
- The main supplies for remodeling the new apartment have already been bought.
- The growth in the currency exchange rate.
- More and more goods may be bought in regular stores.
- The complicated economic situation prices are rising fast.
- An increase in the payment for delivery.
- I shop mainly in foreign online stores; the exchange rate of the ruble is dropping sharply, it is becoming not very profitable.
- Everything is getting more expensive.
- The growth in prices.

**Fig. 9.11.** The most detailed answers to the open question, "Why are you going to shop less often than you do now at online stores?" Spelling and grammar have been retained

- The last store turned out to be a fraud; they sent an item that did not correspond to what had been ordered, without certification. I will be more careful.
- The exchange value of the dollar has gone up. Now, it is not advantageous to shop abroad. And there is an economic crisis in Russia. Time to tighten belts.
- I mainly shop in foreign online stores; the value of the ruble is dropping sharply, it is becoming not very profitable.
- I shop more often in foreign stores, where the prices are mainly in dollars, and right now, that is very disadvantageous.
- I will probably shop less often, because the exchange rate of the dollar is very high; I do not have that much money for a purchase.

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