



Consumer Trends in Russia – A Guide to Understanding the Growing E-Commerce Russian Market

Understanding a market of 142 million consumers is no easy task. In order to do that, one needs to grasp the dynamics of the e-consumer behavior in Russia.

NEW YORK, NEW YORK, USA, August 26, 2013 /EINPresswire.com/ -- The internet penetration in Russia has an average growth rate of 15 percent year on year, and although the current level of 45 percent penetration countrywide is low compared to Europe, it is one of the highest among the BRIC countries, and is expected to reach beyond 90 percent by 2045. From an average of 1.7 hours daily spent by the Russian digital consumer online, the increase is projected to reach 2.4 hours by 2015, and the total time that Russians spend online each day will increase from 75 million hours to 180 million hours, according to a study by Boston Consulting Group.

Search engines and email use are among the top preferred activities, at 81 percent and 78 percent respectively, with instant messaging, social networking, and online news following closely. A highly notable development is that 21 percent of Russians shop online, the second-highest proportion among the BRIC countries after China. The e-commerce market, not including cross-border sales, reached \$10.5 billion in 2011, \$13 billion in 2012 and is expected to reach beyond \$50 billion before the end of the decade. A growing number of Russians are turning to cross-border shopping due to a tax exemption for personal-use purchases from abroad for up to \$1,300 per month per receiver, which is highly attractive considering the fact that all foreign products sold in Russia are otherwise subject to a 30 percent import tax.

Moreover, about 12 percent of Russian mobile phone users access the internet through their devices, again the second-highest proportion among the BRIC countries after China, with the mobile internet market expected to have the highest growth potential in Russia. The e-commerce sites are the first ones to understand the benefits of combining the two platforms, and providers such as TetraMall already offer Android based apps.

As interesting as these trends are to any foreign company wishing to benefit from them, one major hurdle still remains: the vast majority of Russians don't speak English, which means they trust local internet platform-providers overwhelmingly compared to foreign ones. Although all major foreign sites have Russian-language platforms, almost three-quarters of Russia's top 20 most visited sites are local, with as Yandex.ru, Vkontakte.ru, Mail.ru leading the way. Local e-commerce providers have seen the potential of linking the two and have developed bi-lingual websites, such as TetraMall.

Yandex, the local leader in Russia is a search engine and internet portal with 64 percent market share, nearly three times that of Google. The rise of social networking in Russia is also notable through the development of the local Vkontakte, highly similar to Facebook, which has more than 75 million registered users.

A study by Frost & Sullivan explains that Russia is currently the largest consumer market in Europe, with a high demand for intangible products, services, leisure and entertainment, coming from the

booming middle-class and the reverse brain-drain, with a purchasing power that is likely to reach \$16,255 in annual disposable income per capita in 2020, from \$6,035 in 2010. New business models are catering to this trend, such as private shopping clubs, group purchasing, penny auctions and particularly e-commerce full service providers, making it easier to solve the widespread logistics and payment issues in Russia.

When it comes to e-commerce, 24 percent of the Russian consumers declare to have made at least one purchase through a foreign online platform, but the household name remains BayRu, which claims that its sales grew eight-fold in 2011. In the category of full service providers, fast growing solutions such as TetraMall Global Trading System, acting as an intermediary between the Russian and foreign markets, are becoming the preferred solution due to their approach of the e-commerce business as a single integrated service dealing with each aspect of the trade, guaranteeing the payment for the foreign provider due to the pre-paid order feature (currently the common option for Russian operators is cash-on-delivery) and at the same time guaranteeing delivery for the Russian consumer, banking on the importance of the aforementioned trust-based relationship.

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