
Impact of the COVID-19 Pandemic on the Development of Online Retailing in Russia

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Abstract

A global pandemic has dramatically changed the way people live. The forced isolation and suspension or closure of many companies gave an impetus to the accelerated development of electronic services. The role of online retailing in people's lives has multiplied. The research aims to assess the current state of online retailing in Russia as one of the world's largest venues. Moreover, the research aims to identify the relationship between the COVID-19 pandemic and the growth rate of online sales. The authors applied methods of comparative, abstract-logical, dialectical, and rating analysis. The research shows that in 2020, the Russian online retailing market grew 1.6 times (by 58.5%) compared to 2019 and showed the highest growth rate in the world. This fact led to an increase in the share of non-cash payments in retail trade to 70%. The research found that the use of online services created new buying habits in people, thus affecting the market. In Russia, there is a growing demand for purchasing the following goods online: electronics and household appliances, household goods for home and repairs, cosmetics, and products for children. The biggest growth is observed among stores in the food category—3.5 times. The largest online stores in Russia are the largest marketplaces. The impact of the COVID-19 pandemic on the development of online commerce has been confirmed.

Keywords

Online trading • E-commerce • Cashless payments • Marketplaces • Online store • Online service

JEL Classification

F19

1 Introduction

Scholars began to address the topic of online sales not so long ago. It was only at the turn of the twentieth and twenty-first centuries that the first articles on the first experience of online commerce in the world appeared. This experience was primarily related to the opening of online exchanges. Their work caused controversy, and some authors focused precisely on the interaction between traders and brokers. Thus, Hsieh et al. [7] studied the risks of online trading and how to manage them.

Velocci [10] and Bisset [3] indicated that online trading exchanges leave many suppliers indifferent, and some firms avoid this mode of interaction. There was no clear understanding of the algorithm of the various users of services in this segment [8]. The first online store, Amazon.com, was launched in July 1995. Nevertheless, this experience was considered isolated for quite a long time. Many analysts believe that the catalyst for the development of e-commerce in the world was the economic crisis of 2009 because consumers started to look for more profitable deals and companies started to search for the opportunity to bear lower costs for the store. Thus, online shopping has become widespread in the second decade of the twenty-first century. The assortment offered is constantly growing. This is the most numerous class of online trading platforms. At this time, the first marketplaces were opened, quickly gaining their niche.

In Russia, the rate of development of online commerce was much lower than in developed countries. The first studies on this topic appeared relatively recently. Beloborodova and Martynova [2] and Borisov [4] considered the development of this segment in Russia in the pre-pandemic time. In recent years, due to the widespread introduction of

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various ways and tools of Internet communication in all spheres of life, considerable attention has been paid to various aspects of online sales. Thus, K. A. Nefedova and D. O. Maslakova evaluated the popularity of various online trading platforms among Russian consumers [9]. L. I. Drozdovich considered the advantages and disadvantages of Internet commerce in pricing [6]. However, the state of the global economy and the economy of Russia in the past year and a half is relatively new.

The topic of the impact of global world processes on the economy is more relevant than ever. We have witnessed a historic moment—due to the intense movement of people, a previously unknown infection has spread throughout the world in a short period, causing a global pandemic. The unprecedented measures taken by many governments have led to a fundamental shift in the way people live and think. There is no denying that the COVID-19 pandemic has had a negative impact on the overall quality of life of people and the economy. Some industries have suffered enormous losses. Small businesses and retail trade, which involves direct physical contact between the seller and the buyer, were particularly affected.

Simultaneously, there was a sharp push for the development of electronic services. As a result, the first half of 2020 has shown the largest ever e-commerce development in the world. It is currently undergoing one of its most impressive transformations. As one of the largest countries, Russia is of particular interest to Internet companies worldwide. Therefore, we consider the state and prospects of the development of online trading in Russia.

2 Materials and Methods

The research uses traditional analytical methods and techniques: comparative, abstract-logical, and dialectical. We studied data from scientific publications and analyzed the Web sites of popular companies specializing in processing data of organizations engaged in online commerce. The activities of the largest universal marketplaces operating in Russia are considered.

We applied a rating analysis of the largest online stores in Russia. The rating involved the Web sites of Russian companies selling goods online to Russian customers through online stores and marketplaces. We counted online sales considering the Web site or app where the order was placed on. Therefore, sales on the marketplace are counted in the volume of online sales of this marketplace and are not counted at the store-seller. Sales through the platform installed on other Web sites are not counted in the sales of the platform owner but are counted in the sales of the online store that uses this platform on its Web site. The rating does

not include ticket and certificate sellers and food delivery services.

The research aims to assess the current state of online commerce in Russia as one of the world's largest venues. Moreover, the research aims to identify the relationship between the COVID-19 pandemic and the growth rate of online sales.

3 Results and Discussion

The analysis of global e-commerce has identified the ten largest e-commerce markets globally. Their sales volumes in 2019–2020 are shown in Table 1.

As can be seen, China is way ahead of everyone. Its gap from second place (the USA) is 2.5 times. With \$37 billion in 2020, Russia occupies only ninth place (in 2019, it was in tenth place). In rubles, the volume of sales in Russia was 2.7 trillion rubles, which is 25.8 times less than in China.

However, the Russian online trading market became the fastest growing market in the world in 2020—its growth rate has reached 158%. The number of online purchases increased by 78% to 830 million orders. The growth rate of online trading in China is the lowest—only 5%—because it is the most saturated one.

The volume of online trading per capita (Fig. 1) is of particular interest. South Korea was in the lead, with the UK in second place and Japan in third. China occupies only eighth place, which is not surprising for the largest country in the world. In terms of this indicator, Russia is 126 times behind South Korea and 36 times behind China.

However, assessing the share of online commerce in the country's GDP, we can see that Russia is in third place among the same countries (with a share of 2.5%), which is due to the small volume of GDP. The largest share of e-commerce is observed in China's GDP (6.7%), followed by the UK (4.7%).

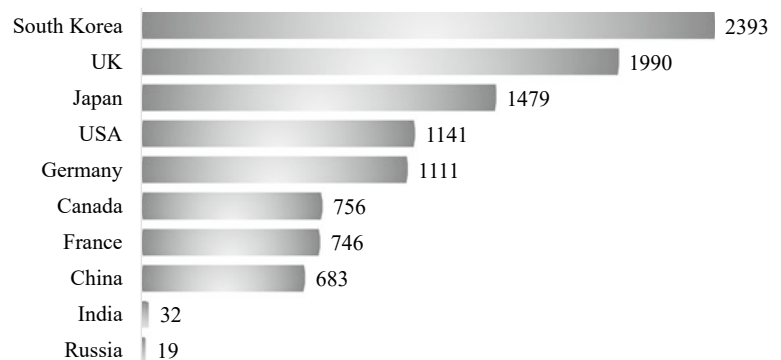
According to the forecasts of Data Insight analysts, top ten countries with the largest increases in online sales in the world are as follows:

- Russia (+34%);
- Turkey (+20%);
- Argentina (+16%);
- Indonesia (+15%);
- India (+13%);
- South Africa (+10%);
- Brazil (+9%);
- China (+9%);
- Spain (+8%);
- Italy (+8%).

Table 1 The volume of the online trading market, billion dollars

No.	Countries	2019	2020	2020 in % to 2019
1	China	910	955	105
2	USA	343	374	109
3	Japan	173	187	108
4	UK	117	133	113
5	South Korea	104	124	119
6	Germany	79	92	116
7	France	46	50	109
8	India	34	44	129
9	Russia	23	37	158
10	Canada	25	28	112

Source Compiled by the authors based on [5]

Fig. 1 The volume of e-commerce per capita in 2020, dollars. Source Compiled by the authors based on [5]

According to the forecast of this agency, in the next three years, the Russian market will continue to grow at a faster pace. By 2024, it is expected to grow by more than a third. Russia is seen as the fastest growing online commerce market globally over the next five years. By this indicator, in addition to Russia, we see Turkey, Argentina, and Indonesia.

Recently, the company Retail CRM published research data on the online commerce market. According to this research, there was an increase in online purchases of items that became unavailable in conventional stores during their closure during the COVID-19 pandemic. As a consequence of the use of online services, new buying habits have developed that will influence the market for a long time to come.

In numbers, we can see that Russians have increased demand for the purchase of the following products online:

- Demand for electronics and household appliances increased by 62%;
- Demand for home and repair goods increased by 65%;
- Demand for cosmetics increased by 73%;
- Demand for baby products increased by 60%.

The largest growth in 2020 was observed among stores in the food category—3.5 times.

The highest revenues are generated by online retailers of electronics and home appliances (about a third of all revenues) and stores of household goods, clothing, and footwear (in total, another third).

In 2020, there emerged new categories that were not previously considered—food (e-grocery) and pharmaceuticals (e-pharmacy).

Thus, the food segment has shown record growth—its volume in monetary terms has increased by 250% (3.5 times) to 130 billion rubles due to self-isolation. Last year, the number of orders in this category amounted to 69 million, and the average bill was 1880 rubles. In this case, a considerable role was also played by introducing an additional service by eating establishments—“take-away,” which ensured them to maintain their business in such a difficult time of restrictions.

E-pharmacy includes all sales of Internet pharmacies and online pharmacy delivery services. In 2020, this segment grew rapidly, not so much because of the introduction of self-isolation but because of the desire of the population to provide themselves with medicines for future use. During the studied period, this category of goods in online sales increased by 53% and amounted to 131 billion rubles. The number of orders has reached 78 million, and the average bill has increased to 1679 rubles.

The study showed that large universal marketplace (e.g., Wildberries, Ozon, AliExpress Russia, Yandex.Market, and others) benefited the most in the pandemic. The volume of this market niche has doubled to 721 billion rubles. In total, Russians ordered 405 million goods from these marketplaces with an average receipt per order of 1780 rubles.

The rest of the online stores kept up with the general market trends, with sales up 38%.

The association of e-commerce companies (AECC) summed up the results of e-commerce in 2020 and made a rating of the top 100 largest online stores in Russia. Table 2 shows that Wildberries (wildberries.ru) is in the first place by a wide margin, while Ozon (ozon.ru) is in second place. Next in a row, there are several large electronic and technology stores.

Considering the geography of online sales, we can see that 15 cities with more than one million inhabitants and two major cities (Tyumen and Krasnodar) provide almost half of e-commerce orders. Moscow and St. Petersburg come first.

In per capita terms, Krasnodar is ahead of the rest (21 orders per person, while the national average is 5.2).

When researching online sales, it should be understood that this market was growing even before the COVID-19 pandemic. To clearly see its impact, it is necessary to consider Fig. 2, developed by the AECC and Sberbank.

Figure 2 clearly shows two waves of growth in online sales.

The first was in March–April 2020 when the declaration of the COVID-19 pandemic resulted in severe self-isolation measures and restrictions on stores, restaurants, and other organizations. About 10 million people have discovered online sales, and, according to various sources, after the lifting of restrictive measures, they do not plan to stop shopping online.

The second wave was in November–December 2020, the peak months of COVID-19 and forced isolation.

In the first half of 2021, there were no sharp peaks in morbidity or restrictive measures, so we witnessed no sharp spikes.

4 Conclusion

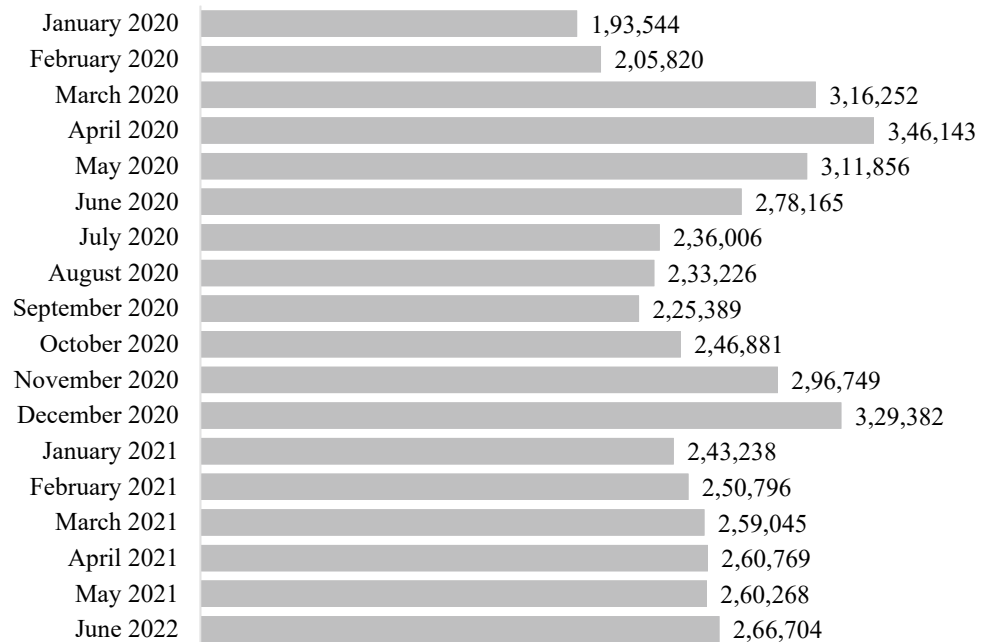
To summarize, we can indicate the following. According to the AECC, by the end of 2021, the volume of the Russian online trading market could grow to 3.552 trillion rubles from 3.221 trillion rubles in 2020. In 2020, the Russian e-commerce market grew 1.6 times (by 58.5%). Thus, market growth by the end of 2021 could slow to 10.3%. In January–September 2021, the volume of the market amounted to 2.412 trillion rubles. The e-commerce audience is already 60 million people who ordered online at least once in the last year. A year and a half ago, the e-commerce audience included only 40 million people.

Table 2 Rating of the top 15 largest online stores in Russia in 2020

No.	Stores	Online sales,		Orders	
		billion rubles	growth 2020 as % of 2019	million units	growth 2020 as % of 2019
1	wildberries.ru	413.2	+96	305.0	+100
2	ozon.ru	197.0	+144	73.8	+133
3	citilink.ru	132.7	+47	12.4	+23
4	dns-shop.ru	116.8	+117	12.4	+82
5	mvideo.ru	113.2	+100	8.9	+71
6	eldorado.ru	53.8	+95	6.4	+80
7	lamoda.ru	53.0	+32	14.6	+28
8	apteka.ru	50.1	+46	32.2	+48
9	aliexpress.ru	49.0	+171	19.1	+218
10	market.yandex.ru	44.1	+136	15.5	+159
11	petrovich.ru	44.0	+50	3.8	+119
12	vseinstrumenti.ru	42.5	+58	7.8	+106
13	ikea.com	40.8	+175	2.6	+240
14	detmir.ru	38.7	+142	24.3	+136
15	leroymerlin.ru	37.8	+217	4.5	+254

Source Compiled by the authors based on[1]

Fig. 2 Volume of online retail sales in Russia by months, million rubles. *Source* Compiled by the authors based on [1]



Studies have shown that people are adopting new gadgets and services. In turn, retailers make their online platforms and offline interactions more convenient and accessible to different types of consumers of goods and services.

According to the Central Bank of Russia, cashless payments in retail trade tend to be 70%. This is explained by the development of online commerce and the introduction of contactless payment systems.

The average bill of Russians decreased by 14% to 3260 rubles in 2020 due to the rapid growth of universal marketplaces and segments with a low average bill (online pharmacies, local food delivery) and the transformation of online shopping into everyday practice.

There is a drop in demand for premium goods and luxury items. This negative factor is due to a decrease in the purchasing power of middle-class citizens. However, it does not play such a significant role in the online segment because of the small percentage of online sales of goods in this category.

The research has shown a correlation between the volume of online sales in Russia and the restrictions imposed in connection with the COVID-19 pandemic. Additionally, the COVID-19 pandemic has spurred automation in all industries. Over 40% of companies have now started investing in robotics and business automation.

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