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CURRENT STATE OF E-COMMERCE IN THE RUSSIAN FEDERATION

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This article discusses the state of the e-commerce market in the Russian Federation and its characteristics, analyzes the position of the Russian Federation in the global e-commerce market, and identifies prospects for its development in the near future.

Keywords: e-commerce, Internet commerce, online market, online shopping, online trade, online store, online customer, Internet, information and communication technology.

INTRODUCTION

In recent years, an increasingly significant role in the global economy is played by a shift of cash flow into the sphere of e-business – commerce on the Internet, which once again confirms the fact that Internet technologies every year more and more affect the global economic processes. In the early 1990s, with the spread of computers, there was a significant impact on all spheres of society. Trading on the Internet has become one of the most powerful segments of national economies in industrial countries. Companies and entrepreneurs seek to use the advantages of the Internet in their activities through rapid training, processing and transmission of information, money, goods. Society moves to a qualitatively new stage of development, where information plays a decisive role.

Trade through the Internet has become inherent in the economy of any state. If ten years ago, people were concerned about buying goods via the Internet, now it is difficult to find a person who would not use the online store at least once. Indicators of the number of operations in this area are growing incredibly fast, and it has an increasing impact on the world economy.

Many foreign and domestic scientists have made a significant contribution to the study of e-commerce: Sokolova A. N. [7], Gerashchenko N. I. [7], Revinova S. Y. [6], Gates B. [10], Zwass V. [17], Kosiur D. [3] and others. However, a number of theoretical and methodological issues related to legislation, statistical accounting, tax accounting and so on remain unresolved.

The purpose of the article is to study the state of the e-commerce market in the Russian Federation, to determine its characteristics and development prospects.

RESEARCH RESULTS

Internet commerce acquires a special relevance, because in the current difficult economic conditions, it allows you to quickly and at relatively low cost organize the sale of products of domestic producers, thereby ensuring their survival and development. However, the practice suggests that the existing development potential of this type of business is used to an insufficient extent, in particular, due to the choice of organizational forms and technological means of online trading is inefficient, without taking into account

the specificity of the product and the consumer, the features of the selected target markets and like that.

In the last decade, when studying the development of the information society, much attention has been paid to the Information and Communication Technologies Development Index, which is designed to analyze the level of development of the ICT sector in various countries around the world (table 1).

Table 1

List of countries by ICT Development Index

Country	Index 2017	Position in the ranking of 2013	Position in the ranking of 2014	Position in the ranking of 2015	Position in the ranking of 2016	Position in the ranking of 2017
Iceland	8,98	3	4	3	1	1
The Republic of Korea	8,85	1	2	1	2	2
Switzerland	8,74	13	13	7	3	3
Netherlands	8,49	7	7	8	10	7
Luxembourg	8,47	9	10	6	9	9
Japan	8,43	12	11	11	10	10
Germany	8,39	19	17	14	12	12
United States	8,18	17	14	15	16	16
Canada	7,77	20	23	23	29	29
Russia	7,07	40	42	45	43	45
Brazil	6,12	62	65	61	66	66
Ukraine	5,62	68	73	79	78	79
China	5,60	78	86	82	80	80
South Africa	4,96	84	90	88	92	92
India	3,03	121	129	131	134	134

Source: compiled by the author according to [11].

In 2017, Iceland ranked first, with a small margin followed by the Republic of Korea and Switzerland. In 2017, the Russian Federation is confidently leading in terms of ICT development among the BRICS countries. According to the report of the International Telecommunication Union (ITU), Russia took the 45th position in the global ranking of the ICT Development Index, having gone down two positions compared to 2016. However, the overall figure for Russia was 7,07 in 2017, and this is higher than at the end of 2016 (6,91). Despite the need to cover a large area, the coverage of ICT services in the Russian Federation is at a high level. The calculation of the ITU index does not take into account the geographical features of countries, as well as population density and distribution, while these factors significantly complicate the development of ICT in countries with Russian parameters [11].

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Another indicator characterizing the level of development of e-commerce is the B2C E-commerce Index. This index was developed in 2014 by the United Nations Conference on Trade and Development (UNCTAD) (table 2).

Table 2

List of countries by UNCTAD B2C E-commerce Index

Country	Index 2017	Position in the ranking of 2014	Position in the ranking of 2015	Position in the ranking of 2016	Position in the ranking of 2017
Luxembourg	96,5	1	1	1	1
Switzerland	96,43	14	8	9	2
Netherlands	95,9	11	2	15	4
The Republic of Korea	95,5	8	4	7	5
United Kingdom	95,1	9	10	8	6
Japan	93,6	12	9	5	8
Germany	93,5	20	14	17	9
Iceland	93,0	-	6	2	11
United States	87,0	15	24	11	26
Canada	92,0	4	12	4	15
Russia	71,0	50	44	47	43
Brazil	62,0	47	53	51	62
Ukraine	60,0	58	61	54	63
China	60,0	65	55	64	65
South Africa	54,0	67	54	61	72
India	44,0	83	86	90	83

Source: compiled by the author according to [14; 15].

The first place in the ranking is taken by Luxembourg. Among the 10 largest economies, eight are from Europe and two from the Asia-Pacific region. The Russian Federation has achieved the following indicators that form the E-commerce Index: the level of Internet spread in the Russian Federation, according to UNCTAD, is 76%; the number of protected servers per 1 million inhabitants – 73%; the level of distribution of bank cards – 67% and the level of reliability of the postal system – 68%. Based on these indicators, Russia ranked 43rd place out of 144 in 2017, rising to four positions [15].

The global e-commerce market is one of the most dynamic and steadily growing markets. Currently, almost half of humanity uses the Internet and moreover, every fourth inhabitant of our planet is an online customer (table 3).

Table 3

Key e-commerce markets in 2017

Country	Internet penetration, %	The share of e-commerce in GDP, %	The volume of B2C e-commerce, in billion U.S. dollars
China	54	4,5	680
United States	76	2,6	440
United Kingdom	95	7,9	220
Germany	84	3,1	82,5
The Republic of Korea	95	4,9	81,6
India	30	1,0	37,6
Russian Federation	76	2,5	32,5
Brazil	61	1,0	15,8

Source: compiled by the author according [2; 13].

In all analyzed countries, the penetration rate of the global Internet is growing every year. 80,5% of the population in Europe are Internet users. The lowest penetration rate of Internet in the countries of the Asia-Pacific region (46,6%). The highest rate recorded in the UK – 95%, and the lowest in India – 30% [2; 11; 13].

The leaders in the volume of Internet trade in the world in 2017 are China, United States, United Kingdom, Japan, Germany, the Republic of Korea, France, India, Canada and Australia. The largest share of e-commerce in GDP of the countries have the United Kingdom – 7,9%, the Republic of Korea – 4,9% and China – 4,5%. In Russia, the share is 2,5% [2].

The most active online buyers are residents of China and the Republic of Korea – the share of the population involved in online purchases is 83%, only 1% ahead of the United Kingdom. With a minimum lag follows Germany – 81%, Indonesia – 79%, India and the United States – 77% [9].

According to the report eMarketer, in 2018, the volume of global retail e-commerce reached 11,6% of retail trade in general, by 2021, this proportion will increase to 15,5%; the growth rate of e-commerce will outpace the growth rate of retail trade as a whole [16].

The Russian Federation is the first country in Europe by the number of Internet users. According to the Association of Internet Trade Companies (AKIT), 90 million people visit the Internet every month. The level of Internet penetration in Russia in 2017 reached 76% [1]. The volume of the Russian e-commerce market is steadily growing (fig. 1).

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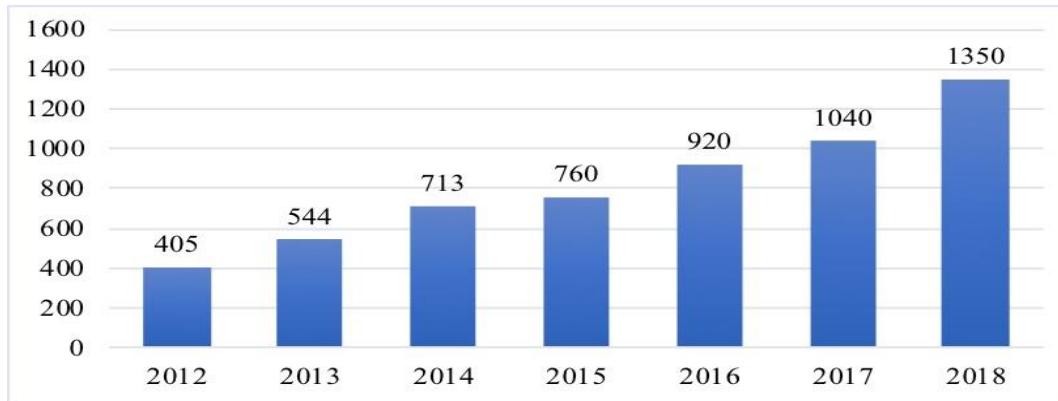


Fig. 1. The volume of e-commerce in Russia from 2012 to 2018, in billion U.S. dollars

Source: compiled by the author according [1; 4].

According to the National Association of Distance Trade (NADT), the Russian e-commerce market in 2018 amounted to 13,54 billion U.S. dollars. Among these, 10,3 billion U.S. dollars amounted to domestic sales, and 3,24 – cross-border sales. In total for the year, the Russians made 589,6 million orders [4]. According to the Central Bank of the Russian Federation, the share of online sales is about 3% of the total retail turnover in the country [8]. According to Data Insight, the largest Russian online stores are stores operating in five areas: hypermarkets, appliances and electronics, clothing and footwear, auto parts and office products [2].

The e-commerce market in the Russian Federation is characterized by the following features:

- geographical concentration of Internet sellers in Moscow;
- fragmented logistics infrastructure;
- a large share of self-delivery from stores and points of export orders;
- weak positions of international players within Russia;
- a high share of cross-border trade;
- a high customer expectations for speed of delivery;
- the prevalence of payment upon receipt.

In the Russian Federation exists at least 300 thousands of sites with the function of an online store. Only 2 thousands of them receive more than 20 orders per day. The average buyer's check falls for the second year in a row, the total drop occurred at the level of 2% to 3970 rubles. The number of orders for the year increased by 18% to 290 million units [2]. The most active consumers in this market are the most economically developed regions, such as Moscow and the Moscow region, St. Petersburg and the Leningrad region, the Krasnodar region. The socio-economic development of the regions is one of the key factors of such a distribution. Online commerce is growing due to the number of orders, but not at the expense of the average check, which falls for the second year in a row. The number of new customers and the number of orders per customer are growing.

The highest share of shipments of goods is performed by China (90%), the European Union (3%) and the United State (2%) [1].

The commodity structure of e-commerce in Russia is presented in fig. 2

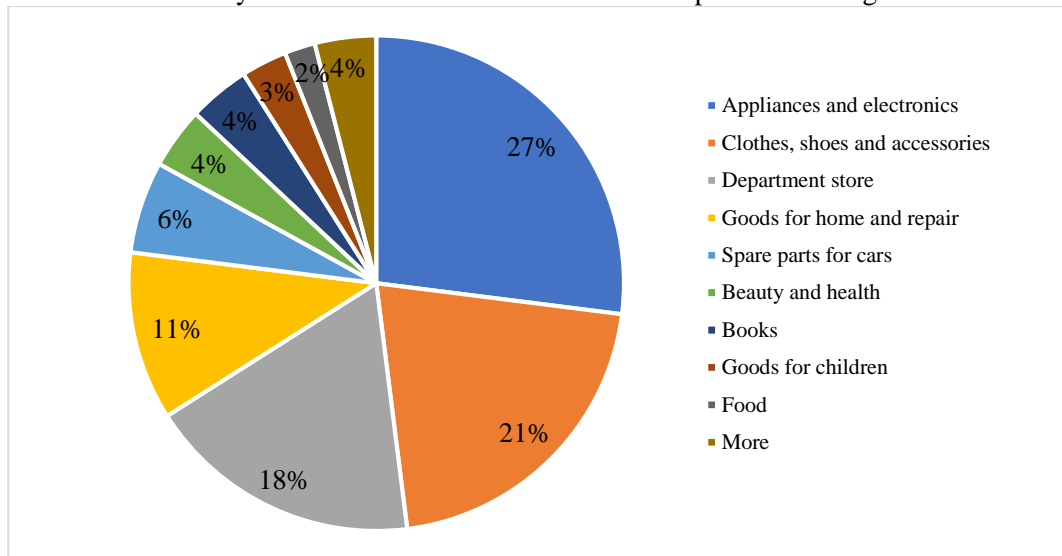


Fig. 2. Commodity structure of purchases on the Internet in the Russian Federation in 2017

Source: compiled by the author according [1; 2].

An analysis of the commodity structure of purchases shows that the most dynamic growth was shown by goods for home and repair (+35% compared to the same indicator of 2016), food (+31%), appliances and electronics (+30%), beauty and health (+29%), products for children and books (+27%), clothes, shoes and accessories (+26%). But consumers began to be interested in spare parts for cars less often (-12%) [1; 2].

«The strategy of trade development in the Russian Federation for the period of 2025» states that by 2025 the Russian Federation will try to achieve the following indicators:

- «... - 20% of the share of e-commerce in total trade;
- at least 70% of retail stores using the Internet channel in sales;
- at least 80% of the population over 12 years of age using the Internet to make purchases;
- increase to 10% of the Russian`s share in the global e-commerce market;
- increase in exports via e-commerce channels by at least 5%;
- at least 100 thousand people - Internet sellers are engaged in the field of e-commerce in the Russian Federation» [5, p. 6].

According to Morgan Stanley, the volume of the Russian e-commerce market by the end of 2023 will be 3,49 trillion rubles, which is 2,6 times more than 1,35 trillion rubles, which the market reached in 2018 [12].

CONCLUSIONS

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E-commerce has many advantages, because it works around the clock, provides access to a wide range of users, allows you to save time on the purchase and selection of products, provides an opportunity to get acquainted with a wide range of products. It is not limited neither by work time, nor by area, nor by the psychological mood of the seller. Electronic commerce is also useful for producers and consumers because it helps overcome traditional barriers of remote location and lack of information about market opportunities. In addition, the volume of employment in the field of Internet services will increase significantly due to electronic commerce.

Internet commerce, being a fairly young segment of the Russian economy, is actively developing. The Russian Federation is ready to occupy high positions in the e-commerce market. A good business organization, taking into account all the problematic issues, such as competitive prices, a wide range of products, the choice of delivery method, will help to promote Russia in the Internet space. The Russian e-commerce market is attractive enough not only for domestic players, but also for foreign investors.

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