



## IMPACT OF THE COVID-19 PANDEMIC ON THE STATE AND DEVELOPMENT TRENDS OF THE E-COMMERCE MARKET IN RUSSIA

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### ABSTRACT

The authors of this article investigate the impact of COVID-19 on the state and tendencies of electronic commerce in Russia. The aim of the article is to determine the impact of COVID-19 on e-commerce. It is assumed that the share of e-commerce in the total trade of Russia will increase in case of COVID-19 worst-case scenario. In the observed period, the volume of online store trade in Russia increased up to 20% when it comes to consumer goods, car equipment and parts, cosmetics, ready meals, office supplies etc. The methods of induction, deduction, description, comparison and statistical methods are applied in the article. It was concluded that e-commerce is increasing in the conditions of crisis generated by COVID-19.

### Introduction

The pandemic caused by virus COVID-19 has initiated the transformation of global trends. Throughout the history, only a few pandemics have affected such significant changes in human lives (Qiu et al., 2017). In addition to changing people's behavior, the way of doing business and trade has also been changing. Some industries, such as manufacturers of personal hygiene equipment, fresh food and dairy products, have been growing, while some other fields of industry, such as tourism, air transport and transport of people and goods, have been declining.

As the pandemic affects all spheres of life, it has impacted e-commerce as well. The majority of the population avoids going to classic retail facilities due to the presence of a large number of people. Also, the structure of consumption is changing, so more products for personal hygiene, flour, rice and such have been bought and, in addition to essential food products, this also applies to home physical activity equipment. In addition to the above example, the demand for some other products is declining, such as travel and swimming equipment, suits, footwear, watches, etc.

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## Research results

During the coronavirus pandemic, the sales volume of Russian internet companies increased for approximately 20% of total sales. This was said by the experts of Retail CRM on the TV channel Russia Today (RT) (Karpunina et al., 2019).

According to research, from February to October 2020, more and more online retail applications were launched for the technical and electronics industries (sales growth by 82%), automotive engines (54%), cosmetics (48%), books and office supplies (37%), and products of animal origin (34%).

Among other things, in the first half of 2020, the share of e-commerce in retail in Russia was about 11%, although at the end of 2019 it increased by only 6%. As the pandemic progressed, e-commerce became one of the main retail channels, and proved to be the only possible online sales channel for many types of goods. For Russia, the level of internet sales of about 11% has become historic. The results of Russian retail on the Internet were closer to the developed markets such as the US and China.

An increase in internet sales could occur in the event of a new wave of COVID-19 in Russia. Experts predict a partial repetition of the spring scenario regarding self-isolation and the closure of physical stores.

It is logical to assume that the trend will intensify in the field of entire online sales, especially when it comes to the supply of electricity and delivery of final products, clothing, cosmetics, flowers, as well as online education. In September 2020, there was a threefold increase in this category compared to September 2019.

According to AKIT (Association of Internet Trade Companies), the Russian e-commerce market reached 2,933 trillion rubles in 2020, compared to 2,032 trillion in 2019. At the same time, in the market structure, 79% (2,326 trillion) came from domestic trade, and 21% (607 billion) from cross-border trade (Tadviser, 2020, accessed 8 November 2020).

According to experts, the coronavirus has significantly accelerated the digital transformation and transition to Internet companies, which previously concentrated on offline sales. Experts believe that the growth of the online sales sector will continue after the pandemic (Bhatti et al., 2020).

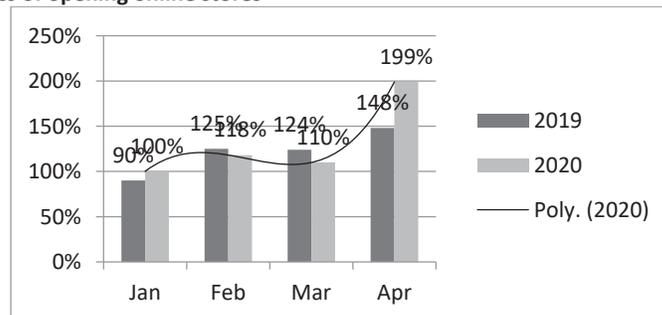
It is necessary to mention the organizational and other growth factors of this market segment, which included mobile and broadband internet, expansion of logistics coverage areas and optimization of logic schemes, as well as active marketing to attract online users (Lukiyanchuk et al, 2020).

Pandemic and restrictive measures in Russia have provided millions of new users of Russian services to online merchants (Karpunina et al., 2019). According to various estimates, their general audience increased to 15-17 million people, so they are now addressing their customers, who never shopped online before.

During the pandemic online stores recorded an increase in the number of new customers (from 100 % to 200%). Internet shopping officially surpassed retail, and e-commerce became one of the fastest growing industries in the 21st century (<https://belretail.by/news/kak-v-godu-rosli-ryinki-e-commerce-v-raznyih-stranah>, 20 November 2020). Since the beginning of the pandemic, online sales increased 1.5 times, and the number of non-cash payments increased by 34% (<https://www.tadviser.ru>, 26 November 2020).

In April 2020, the number of new opened online stores became almost twice as big as in the period January-March, and 1,5 times bigger than in April 2019 (Fig. 1). This indicates that business was adapting to new realities and the best solution in the current environment is going online (Marketingup, 2020, accessed 6 December 2020).

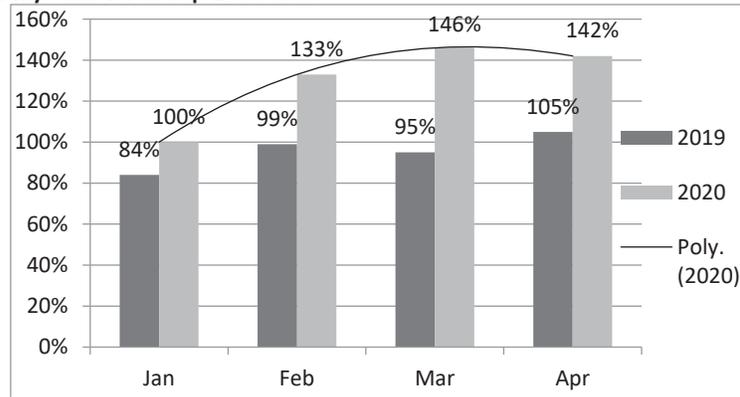
**Figure 1: Dynamics of opening online stores**



Source: Marketingup, 2020, accessed 6 December 2020.

For many online stores, this became a chance to increase the number of sales. As you can see in the graph (Fig 2), the average monthly turnover of top stores in April grew by 42% compared to January and by about 36% compared to April 2019 (Popenkova & Nikishin, 2020).

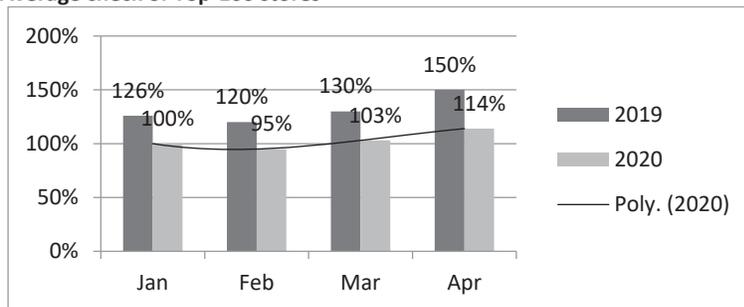
**Figure 2: Monthly turnover of Top-100 stores**



Source: Retail.ru.2020, accessed 11 December 2020.

Compared to April 2019, the number of orders increased by 25%. The average order receipt for the pandemic period increased by 14%, however, compared to 2019, it significantly decreased (Fig. 3).

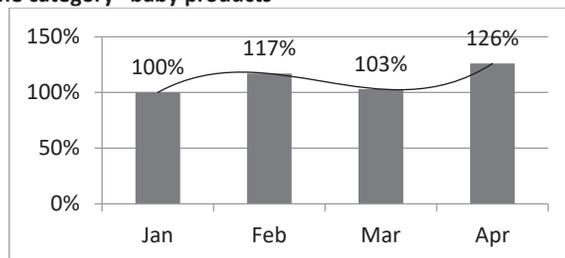
**Figure 3: Average check of Top-100 stores**



Source: Marketingup, 2020, accessed 6 December 2020.

The upward trend in sales is observed in the category of children's goods. Compared to March 2020, in April 2020, monthly turnover increased by 23% (Fig. 4).

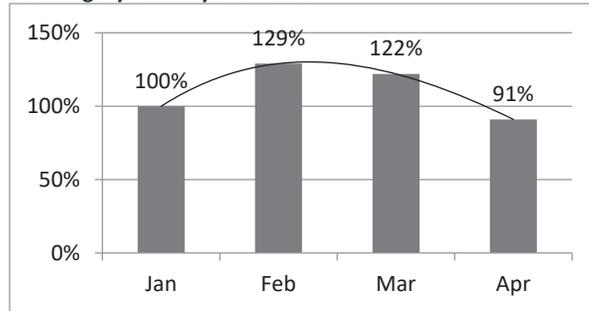
**Figure 4: Turnover in the category "baby products"**



Source: E-Paper.Aero, 2020, accessed 11 December 2020.

The pandemic did not significantly affect the cosmetics market. Statistics show a decrease in demand for goods in this category, since these goods are most often not intended to meet the basic needs of people. The turnover in this industry fell by 31%.

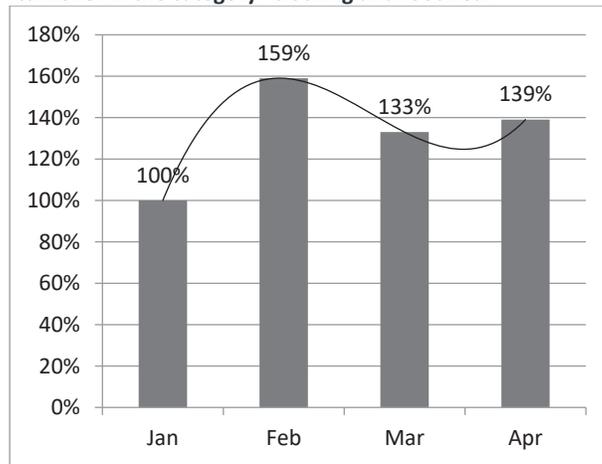
**Figure 5: Turnover in the category "beauty and health"**



Source: E-Paper.Aero, 2020, accessed 11 December 2020.

The growth trend observed in the category "clothing and footwear" indicates that people prefer to order these products online. Even in such a stressful period for business, companies, selling clothes and shoes, manage to stay "afloat". In April 2020, the increase in monthly turnover compared to March was 6% (Figure 6).

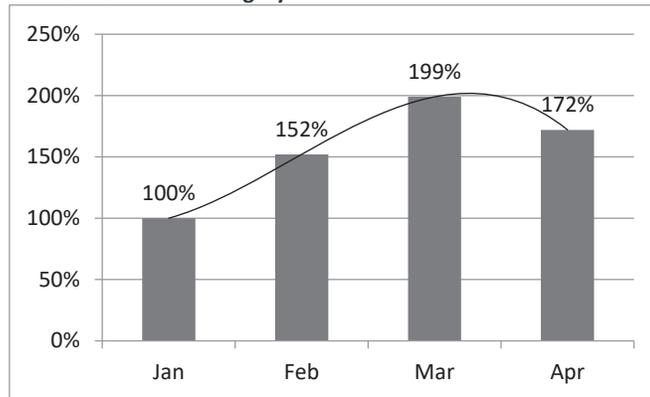
**Figure 6: Dynamics of turnover in the category "clothing and footwear"**



Source: E-Paper.Aero, 2020, accessed 11 December 2020.

With the development of the coronavirus situation, the purchase of food online increased. Thus, in March 2020, this area of trade became the fastest growing - the monthly turnover of stores increased by 71% (Figure 7) (E-Paper.Aero, 2020, accessed 11 December 2020). Thus online stores that sell food products are now experiencing an increase in consumer activity more than anyone else.

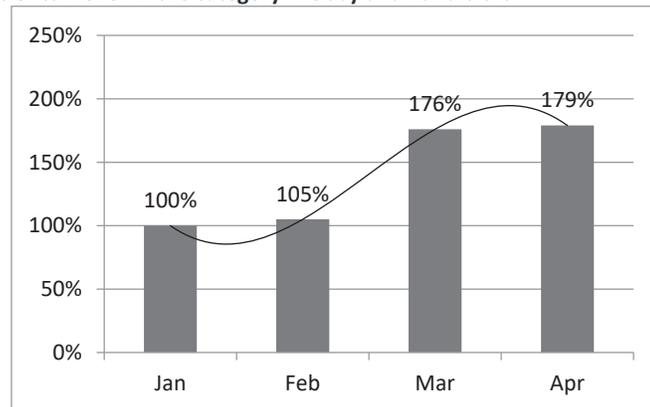
**Figure 7: Dynamics of turnover in the category "food"**



Source: [https://www.tadviser.ru/index.php/Article:Experience\\_transfer\\_of\\_companies\\_to\\_remote\\_work](https://www.tadviser.ru/index.php/Article:Experience_transfer_of_companies_to_remote_work); 12 December 2020.

In the observed period, there was a demand for goods in the category "hobbies and handicrafts" (Figure 8). This was precisely because of the quarantine of students and schoolchildren and the transfer of employees in most companies to teleworking. Compared to April 2019, in April 2020, the monthly turnover increased by 134%.

**Figure 8: Dynamics of turnover in the category "hobby and handicraft"**



Source: Adindex, 2020, accessed 12 December 2020.

### Conclusion

In the conditions of the coronavirus pandemic, the sales volume of Russian online stores increased by almost 20%. According to data available on the Internet on e-commerce, in the observed period, Russians were more likely to buy baby equipment, clothing and footwear, produce beauty and health, food, hobby products and handicrafts. In the first half of 2020, the share of the Russian e-commerce market increased from 6% in 2019 to a record 11% in 2020.

Based on the research, the share of e-commerce in the Russian market is expected to increase in the event of a worst-case scenario regarding COVID-19.

The coronavirus pandemic has caused an active growth in online sales. Online stores are constantly increasing their monthly turnover and number of orders (Roggeveen & Sethuraman, 2020). The landscape of e-commerce itself has changed significantly: in addition to online stores, this segment strongly includes online education, video services, food and goods delivery and medicines.

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