

Ozon Rides Wave of E-Commerce with 80% Growth

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Online retailer Ozon Holding reached record turnover of 8.87 billion rubles (\$300 million) last year, showing growth of almost 80 percent and outstripping its competitors in the Russian e-commerce market.

Over the same period, the number of users registered on Ozon's sites — which include its online store Ozon.ru and vacation-booking service Ozon.travel — increased to 6.5 million, up from 4.8 million in 2010.

"2011 was a key year in our development; we cemented our leading position [in the market]," Ozon Holding general director Maelle Gavet told reporters at a news briefing.

Last year was also significant in terms of investments, she added, as Ozon raised \$100 million in September from investors including the Baring Vostok Private Equity Fund and Rakuten, the largest online retailer in Japan.

Products for children and domestic appliances were among the company's fastest-growing segments, with growth rates of more than 100 percent and 87 percent, respectively, while books (34 percent) and electronics (32 percent) retained their former position as the company's best sellers, Ozon said in a presentation.

In an effort to capitalize on rising demand in Russia's regions, which accounted for more than 50 percent of sales for the first time, Ozon is aiming to offer customers a choice of 5,000 sales points — where customers can place orders, pick up their deliveries, or return items — reaching every city with more than 50,000 inhabitants in the coming years.

At present, the company operates 2,000 sales points in 130 cities in Russia and Kazakhstan, said Nina Mogilevskaya, director of Ozon's courier service, O-Kuryer.

Such outlets are key to expanding sales, as customers overwhelmingly prefer to pay in cash, said Gavet, citing Russians' lack of trust in electronic forms of payment.

Looking to the future, she identified Russia's near abroad — the former Soviet republics and countries with a high percentage of Russian speakers — as potential growth markets.

Ozon's success comes on the back of a bumper year for the overall Russian e-commerce market, which also expanded dramatically in 2011.

The market grew 39 percent last year to reach nearly 245 billion rubles in value, according to a report released in late February by InSales, a company that develops online stores for Russian companies.

Experts are predicting bountiful profits for the country's online retailers, as this trend is expected to last.

"Over the next two to three years, we expect the domestic e-commerce market will grow at approximately 20 percent a year," said Tatyana Tsvetkova, director for development at Fast Lane Ventures, a venture capital firm specializing in Internet startups.

"Fashion and accessories for women rate among the most promising sectors, and we expect these to more than double in value over the next year," she continued.

Consistent with Tsvetkova's assessment, Ozon started 2012 in a bullish mood, showing its appetite for expansion by buying Sapato.ru — an online store selling shoes and accessories — from Fast Lane Ventures in February for an undisclosed fee.

"Bringing out fashion items will allow us to offer customers a wider range of goods and attract a new audience," Gavet said at the time of the acquisition.

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