The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Online Retailer Ozon Plans Grab at Chinese Trade in Russia

By The Moscow Times

June 21, 2015



Ozon, dubbed Russia's Amazon, is flush with cash after getting $150 million in equity investments from Sistema and its mobile unit MTS in April last year.

ST. PETERSBURG — Russian online retailer Ozon will begin hosting merchants from China and Europe this year to tap booming cross-border trade, its chief executive said.

Ozon, part owned by the Sistema conglomerate, also plans to make major investments in new warehouses in Russia's regions to accelerate sales growth, Danny Perekalsky said in an interview at the St. Petersburg International Economic Forum.

"We are developing cross-border [trade] and want to sell merchandise from China and Europe as early as the third quarter," Perekalsky said.

"There is a Chinese invasion ... and we will gradually develop in this area, and if our customers react positively, we will expand and invest more."

China accounts for more than two-thirds of all Russian cross-border online trade, which jumped 70 percent last year to an estimated $5 billion.

Over the past year, China's biggest e-commerce firms, Alibaba and JD.com, have raised their game in Russia. This week JD.com struck a partnership agreement with top online retailer Ulmart and launched a Russian website.

Ozon, dubbed Russia's Amazon, is flush with cash after getting $150 million in equity investments from Sistema and its mobile unit MTS in April last year.

Ozon, whose biggest shareholder is Baring Vostok private equity fund, will likely seek a share listing, although an IPO is not on its immediate agenda yet, Perekalsky said.

The latest funding round has helped Ozon to improve its IT platform and it plans new investments in its delivery system.

Perekalsky said Ozon planned to open two new warehouses — in the Urals and Volga regions — to shorten delivery times across the vast country and become more price competitive. It has yet to decide whether it will build, buy or rent warehouses there.

"In the regions, we are growing 20-30 percent while in Moscow by 50 percent. We understand we can grow faster in regions," he said.

"If you order before 24:00 [midnight] in Moscow, we deliver the next day. In the Volga region it takes three to four days, in Yekaterinburg — four to five days. We realize that if we deliver the next day and do it cheaper, it will do a lot for growth."

Ozon is currently being served by its only, albeit spacious, warehouse in the Tver region some 170 km north of Moscow. Perekalsky said Ozon will continue to expand it.

Sistema's investment had helped to speed up growth as the company was able to improve purchasing terms with key MTS' suppliers. It has also been opening pickup points in MTS' retail outlets.

Ozon expected to break even in its earnings before interest, taxation, depreciation and amortization next year and saw sales growth speeding up to 40 percent in 2016 from at least 30 percent projected for this year, Perekalsky said.

Original url:
https://www.themoscowtimes.com/2015/06/21/online-retailer-ozon-plans-grab-at-chinese-trade-in-russia-a47553