

Russia's Mail.Ru and China's Alibaba Complete Deal to Team Up

AliExpress Russia is looking to grab a share of the growing e-commerce market.

By [East-West Digital News](#)

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The new venture will use Mail.Ru's existing social media platforms. **Sergei Bobylev / TASS**

As Russian e-commerce enters a new growth and concentration cycle, Alibaba, Mail.Ru Group, Russian telco MegaFon and sovereign fund Russian Direct Investment Fund (RDIF) have finalized a deal to establish an e-commerce joint venture.

The joint venture will use the existing businesses of Alibaba's AliExpress Russia, which controls the bulk of e-commerce flows between China and Russia.

The joint venture will keep the name AliExpress Russia, and operate in both the cross-border and domestic segments. This will "create an unmatched value proposition for merchants,

consumers and Internet users” across Russia and some other post-Soviet republics.

Presenting the joint venture as “an important part of Alibaba’s globalization strategy,” Daniel Zhang, Executive Chairman and CEO of Alibaba Group, said the partnership will “enable regional brands and SMEs to reach and serve their target consumers through our unique and innovative shopping experience” — in line with Alibaba’s goal to “help 10 million small businesses reach profitability and serve 2 billion customers worldwide.”

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Mail.ru Group CEO Boris Dobrodeev said this alliance aims to “build an undisputed leader in Russian e-commerce.”

“Building an [unmatched level of] user services of e-commerce in Russia is only possible with very strong partners,” he added.

To reach such goals, the joint venture aims to use Mail.Ru Group’s leading positions in Russian social media (via the group’s properties VKontakte and OK, whose audience far exceeds that of Facebook in Russia), as well as online gaming (100 million registered users worldwide), email services (100 million user accounts) and online communications.

MegaFon, on its side, is bringing a customer base of 77 million people.

VKontakte and AliExpress began developing their social commerce project in early 2019, soon after their respective shareholders announced their JV project. Approval from the Russian antimonopoly authority was received in June 2019.

Related article: [Ozon Battling It Out for E-Commerce Supremacy in Russia](#)

Russian e-commerce is entering a promising development cycle. The market for physical goods was worth \$23 billion last year, including \$5 billion in cross-border sales, and the sector is growing by around 20% a year.

In late 2018, Morgan Stanley forecast the market could be worth \$50 billion by 2023. Local market experts have diverging views on the matter: while the Russian E-Commerce Association tends to consider these predictions as inflated, Data Insight believes Russian e-commerce could develop even faster.

“Over the past year or two, the performance of many players, including both large and medium-sized sites, has been so impressive that forecasts may have to be revised upwards,” the research agency’s co-founder Boris Ovchinnikov told East-West Digital News.

The AliExpress Russia JV will have to compete with strong players on the domestic scene. Wildberries is, by far, the current market leader with nearly \$1.8 billion in revenues generated last year. Ozon, one of the most established industry players, raised some \$150 million from its existing shareholders earlier this year to support its ambitious development goals.

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