

# Russia's Online Delivery Race Sees Tough Competition

**The failure of three food delivery startups show how seriously Russia's largest companies are investing in the sector.**

By [Adrien Henni](#)

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Russia's top tech firms, Yandex and Mail.Ru, made big investments into their fast food delivery services in 2019. **Sergei Savostyanov / TASS**

Three Russian online delivery startups have ceased operations in the last few weeks, as the digital market for food and groceries expands at a rapid pace and leading tech firms jostle for dominance.

The new players — Golama, Foodza and Superbro — failed to turn a profit or demonstrate viable business models, despite receiving multi-million dollar support from large Russian funders.

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VEB Ventures renounced plans for a \$7 million capital injection into online grocery delivery service, Golama, Russian business daily *Kommersant* [reported](#), with VEB considering the risks of the venture to be excessively high. Golama had previously [completed](#) a \$2.3 million funding round, but failed to secure a co-investor for the latest deal. The startup said it had invested almost \$8 million in logistics, order management and CRM systems, and claimed to be “close to break even” before eventually running out of cash.

Foodza, a startup that organized direct supplies of fresh fruit and vegetables to retail stores, restaurants and cafés, is also going bankrupt, after securing \$1 million in funds from Mail.Ru, Larix VC and FJ Labs in 2018. The company was led by Vladimir Kholyaznikov, an e-commerce veteran who [made](#) his name at the helm of flash sales platform KupiVIP. Kholyaznikov [told Rusbase](#) Foodza was close to finalizing a new funding round, but ultimately backed out of the deal, considering the company financially weak and lacking a “sustainable business model.”

Superbro — a spin-off of courier service Dostavista — also stopped operating in January, failing to demonstrate the “skyrocketing growth” its founders had [hoped](#) for, after building a network of around 1,200 retailers.

## Market Competition

The three failures do not reflect any slowdown of the Russian online delivery market, which has been growing at an annual rate of at least 40% over the last two years, figures from Data Insight [show](#).

“Old leaders like Utkonos and Okey tend to grow more slowly, reducing their market share, while newer companies are grabbing more and more ‘share of voice’ in [the] market,” Data Insight co-founder Boris Ovchinnikov said.

Last summer saw a series of strategic moves in the sector. Food delivery startup iGooods [attracted](#) nearly \$5 million from Joom, a Russian-founded international marketplace, and PIK Group, a leading residential property developer, [invested](#) in a St. Petersburg-based e-grocery service.

Most recently, the Russian sovereign fund RDIF [announced its intention](#) to invest in Elementaree, an online meal kit delivery service operating in Moscow and St. Petersburg. Through previous rounds of funding, [the last of which was in 2017](#), Elementaree had already raised nearly \$3 million from individual Russian investors.

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Russia’s largest companies are also active in an increasingly competitive market. Mail.Ru and Sberbank [cemented](#) a new partnership for their own online fast food delivery service, Delivery Club last summer — a rival to a similar service from Russia’s largest tech company, Yandex Eats.

Yandex itself recently launched its own grocery delivery service, with Yandex Lavka [promising](#)

to deliver groceries to customers within 15 minutes of ordering, using a network of small warehouses filled with 2,000 of the most-popular products such as bread, milk and eggs, dotted around Moscow.

Meanwhile, other signs of growth came from the traditional supermarkets. Chain Perekrestok grew its [position](#) in the online food delivery market at an impressive pace last year: processing 1.4 million orders — up three-fold on the previous 12 months.

While online groceries are one of the fastest-growing segments of Russia's domestic [e-commerce market](#), which grew 25% last year to \$25 billion, with the country's largest and most well-heeled firms on manoeuvres, neither this booming demand nor generous funding have so far been enough to ensure startup success.

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