

THE ROLE OF MARKETING STRATEGY IN THE DEVELOPMENT OF E-COMMERCE IN THE CASE OF RUSSIA

Toshboltayev Begzod Erkin O‘g‘li

TUIT(105-21 group master)

Shayzoqova Madina Ilhom qizi

TUIT(690-21 group student)

ABSTRACT

E-commerce in Russia is in an early phase of development. The online bookseller, Ozon, is one of the earliest and best-known examples of business-to-customer e-commerce in Russia. In developing its business, Ozon has faced and dealt with many difficulties present in the Russian economic and business environment. The development of Ozon’s business has required it to resolve many challenges that are likely to be faced by other online retailers in Russia. These challenges, and Ozon’s solutions to them, are presented. The case of Ozon is illustrative of the challenges faced by many Russian e-commerce firms, and can be used to draw some initial conclusions about what tactics could be employed to deal with the peculiarities of doing business online in Russia.

INTRODUCTION

On the south side of Moscow lies the walled compound of Gazprom, Russia’s largest corporation and the world’s leading producer of natural gas. Its elegant, marbled corporate headquarters is symbolic of Russia’s initial efforts to privatise its state economy in the early 1990s. Although it is by far the most prominent example of how ownership of the former Soviet Union’s most valuable assets became concentrated in the hands of a well-connected few, its story is not atypical of other firms that came

into existence during Russia’s initial steps towards capitalism (Brady, 1999). These efforts resulted in a number of corporate giants in which former Soviet officials typically held a majority ownership stake. Owners and managers of such firms tend to emphasize the use of connections, power and influence, rather than the use of modern technologies and effective management and marketing techniques to advance their firms’ positions (Schweitzer, 2000).

The purpose of this paper is to provide some insight into what companies can do to become involved in Russian e-commerce. As one of the earliest and most successful examples of Russian e-commerce, Ozon is a good vehicle to discuss some of the specifics concerning this issue. Russia of course is not unique in all respects, and much that has been written about global e-commerce and ecommerce in developing countries provides useful background for understanding the situation in Russia.

METHOD

Data for this paper come from numerous published reports about Russian e-commerce companies, as well as data provided by two principal players at Ozon. The two persons that provided information about Ozon are the CEO of Reksoft Inc., the software firm that created Ozon, and the marketing director of Ozon. They responded to a set of open-ended questions about various aspects of the start-up, operations and management of Ozon. Questions were asked both via email and in-person interviews. Data were also collected via on- site visits to the offices and operations of Ozon and Ru-Net Holdings.

Challenges and solutions of B2C e-commerce There are a number of characteristics of the Russian economy that make doing e-business more difficult than in developed countries. Among these are the low penetration of Internet usage and relatively low incomes among the Russian population. Although these features will eventually change, firms either have to treat these features as limitations or somehow devise tactics for dealing with them. The following describes how Ozon dealt with three of them: lack of payment systems, unreliable and slow delivery, and low Internet penetration.

PAYMENT SYSTEMS

Credit card usage among the Russian population is very low (Tavernise, 2000). One reason why this is not as large a problem as it might otherwise be is the large proportion of Ozon’s customers that live outside of Russia. These customers mostly pay by credit card. If [704] Stephen Hawk The development of Russian e-commerce: the case of Ozon Management Decision 40/7 [2002] 702±709 an e-commerce site such as Ozon wants to have significant sales within Russia, however, some other means is needed to handle customer payment. Besides credit cards, three possibilities exist for Ozon’s customers for settling the payment of orders within Russia: cash on delivery, wire transfers through Sberbank, and CyberPlat. Cash on delivery by far is the dominant method of customer payment within Russia. This important payment method will be discussed later within the context of delivery systems.

CONCLUSION

Perhaps the main conclusion one could draw from Ozon’s case is that attempts to directly replicate the model of an American e-commerce site are likely to be less than successful. Peculiarities of the Russian business environment need to be taken into account. Some variation of the tactics used by Ozon is likely to be important for B2C e-commerce sites. Providing payment alternatives to credit card would be vital to any B2C site that wishes to reach the broadest possible population. Accepting credit card payment, in fact, may not be very important for an e-commerce site to succeed domestically. One of the most successful Russian e-commerce sites, Bolero Shop (www.bolero.ru), accepts only cash on delivery to the Federal Post or to its own delivery person, or prepayment via money order. Providing the credit card payment option would be important, however, to the extent an e-tailer attempts to sell internationally.

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