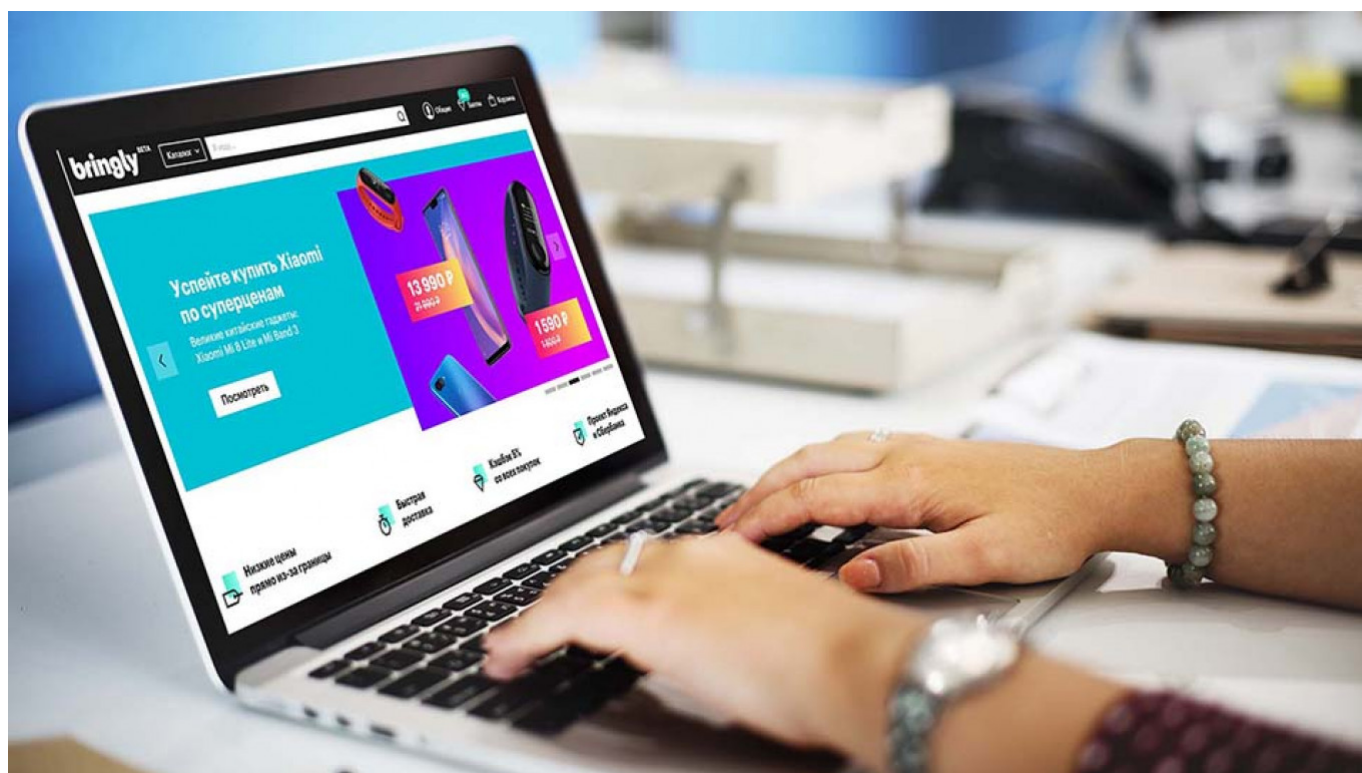


Why Success Is Not Guaranteed in Russia's Online Retail Race

The downfall of Bringly — an online marketplace supported by Yandex and Sberbank — shows how tough competition is in Russia's e-commerce sector.

By [Adrien Henni](#)

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Russia's online retail market is expanding fast. [geekplus.ru](#)

Earlier this month [Bringly](#), the cross-border e-commerce marketplace of the Yandex Market group of companies, stopped accepting orders — just one year after its beta [launch](#).

The group will now transfer its cross-border offers to Beru.Ru, another marketplace which was initially designed for domestic purchases.

Bringly had initially aimed to become “a truly global platform, including both cheap goods from China and alternative suppliers, notably from Turkey and Western countries.”

Despite Bringly's experienced staff, the deep [pockets](#) of shareholders Yandex and Sberbank, and a rapidly-expanding Russian e-commerce market, the group still couldn't make it work. At the same time, not only has rival Chinese platform AliExpress cemented its top position in the cross-border e-commerce scene, but it also secured a high-profile new [tie-up](#) with Russia's Mail.Ru — Yandex's arch rival.

Tough competition

An industry insider said three factors underpinned Bringly's failure. First, a lack of strategic focus from the shareholders, which continued developing a variety of other ventures. Second, a general slow-down in the cross-border e-commerce market, and concentration of that market through the AliExpress expansion. Third, weaker than anticipated appetite from Russian consumers for goods coming in from Western countries.

All three factors highlight the extremely competitive environment of Russia's e-commerce sector. Not only do Western players have to compete with huge and low-cost Chinese platforms, but they are also up against a new generation of Russian brands, selling through such platforms as Wildberries — Russia's largest online shop.

Just as Bringly announced the suspension of its service, Russian Post [launched](#) a new cross-border marketplace, exclusively focusing on bringing Japanese goods into the Russian market. Dubbed "KupiJapan," — which means "Buy Japan" in Russian — the site offers cosmetics, health, beauty and welfare items as well as kitchen and homeware products.

In addition, the Yandex-Sberbank-Mail.Ru aspect didn't create a favorable strategic context to support Bringly's development. As Sberbank has started to invest more than ever in technology ventures and initiatives, it has pivoted [away](#) from Yandex as its preferred partner and towards Mail.Ru. Sberbank gave up its golden share in Yandex last month as part of a [governance](#) overhaul at Yandex, while Sberbank [finalized](#) its potential 100 billion ruble (\$1.6 billion) deal with Mail.Ru for their ride-hailing (CitiMobil) and food-delivery (Delivery Club) joint venture.

Russia's E-Commerce Trends

Bringly's failure also goes against general market trends in Russia.

Over the past five years, foreign online stores have become hugely popular. As of September 2018, according to a survey by researchers GfK and Yandex, 76% of Russians who shop online have purchased items from abroad — almost as many as those who said they made purchases from Russian websites (88%).

The total market for cross-border sales — defined as foreign physical goods sold to Russian consumers — was estimated at between \$3-5 billion in 2018, with the number of orders growing by up to 30% annually. Russian Post said it processed 345 million overseas e-commerce shipments in 2018.

However, by international comparisons the online retail market in Russia is still small. Moreover, there is no guarantee such rapid growth will continue. Industry experts have previously warned that cross-border e-commerce flows might stall this year, while industry

analyst Alexey Petrovsky said Chinese platforms saw their traffic stagnate or decrease over the end of 2018 and beginning of 2019.

A version of this article, as well as an in-depth [report](#) into the Russian e-commerce market, was originally published on East-West Digital News.

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