

Payments and E-commerce Report

Eastern Europe and the CIS



Gain expertise and get granular insights on e-commerce in Eastern Europe and the CIS: consumer demographics, payment preferences, cross-border shopping stats and more.

Eastern Europe and the Commonwealth of Independent States

In the markets covered by this report – in Eastern Europe and the Commonwealth of Independent States – the value of e-commerce is growing at a rate of 14%¹. This is all the more eye-opening, given that recent months have been challenging for most of the countries involved.

In October, the World Bank revised its forecast for the Russian economy, predicting it would grow by just 1% rather than 1.2% as previously forecast. The bank cites the effects of US sanctions, economic turmoil in emerging markets and the continued low price of oil as key factors which are preventing the Russian economy from performing at its peak².

However, there are signs that things could be picking up. In the third quarter of 2019, year-on-year growth rebounded to 1.7%³. The statistics service Rosstat explained the uptick as the result of improved productivity in the second half of the year, with mining output up 2.9% and agricultural output up 5.1%³. At least some of this is almost certainly down to the US China trade dispute, with Chinese buyers turning to Russian farmers to replace American suppliers^{4,5}.

The Ukrainian economy is expected to grow by around 3% in 2019, down from 3.3% in 2018⁶. This is still an improvement on the performance of a few years ago, when the economy was depressed by war against separatists in the country's eastern provinces and by factors such as the continued uncertainty over Ukraine's future as a gas-transit country once the Russo-German Nordstream-2 pipeline is completed^{7,8}. In the first half of 2019, grain exports

increased by 42% (highly significant, given that agriculture accounts for around 12% of economic output) and consumer demand started to rise again⁹.

In 2018, the economies of all three Baltic states – Lithuania, Latvia and Estonia – grew by close to or more than 4%¹⁰. In 2019, analysts expect Lithuania to grow by 3.7%¹¹ and both Latvia and Estonia by 3.2%^{12,13}. By the end of 2019, consumer confidence in Latvia and Lithuania was in positive figures (indicating relatively high confidence)^{14,15}. In Estonia, confidence was negative but rising rapidly¹⁶.

In Romania, the economy grew by 4.1% in 2018¹⁷ and was expected to grow by 4% in 2019¹⁸. Respectable as a 4% growth rate is, it's significantly down on the incredible 7% growth rate Romania posted in 2017¹⁷. S&P attributes the slow down to global headwinds and rising pension costs making it harder for the state to spend in other areas¹⁹.

In Central Asia, Kazakhstan's GDP grew by 4.1% in 2018²⁰ and experts expect it to grow by 3.4% in 2020²¹. This is strong by global standards but other countries in the region are growing faster (Tajikistan by 7% and Turkmenistan by 6%, for instance²¹). Much of the slow down is due to the relatively low price of oil (45% of the country's exports²²) and the slackening of demand for industrial commodities (the country is a major exporter of copper and uranium²²). In Uzbekistan the economy grew by 5.1% in 2018²³. The Asian Development Bank expected the Uzbek GDP to expand by almost 6% in 2019²⁴.

The region covered by this report – from the Bug river on the Polish-Ukrainian border to the plains of Central Asia – is large and diverse. But in all the countries covered, despite global headwinds, economies and e-commerce markets are showing strong growth.

THE EASTERN EUROPEAN E-COMMERCE MARKET

To understand what was happening in e-commerce in Eastern Europe and the Commonwealth of Independent states, PPRO researched eleven of the region's most promising markets. These markets were Bulgaria, Estonia, Latvia, Lithuania, Romania, Russia, Ukraine, Kazakhstan and Uzbekistan.

E-commerce in these markets is growing at an average rate of 14%. 5% of all retail sales are made online. The average online consumer spends \$702 a year¹. The growth in e-commerce is driven by the same factors as in other markets – the increasing ubiquity of high-speed Internet, consumer price sensitivity and the improvement in delivery networks.

There are, however, some factors specific to the region – or at least to countries within the region. In Russia, for instance, a hunger for consumer goods in remote regions is being met by a wave of new Chinese cross-border e-commerce stores. In 2018, 56% of Russian e-commerce users had shopped abroad at least once and 28% of

Russian online sales were from non-Russian sites¹. For the region as a whole, 21% of all online sales were cross-border. Though this excludes the Central Asian states, for which this data is not yet available.

THE LOCAL PAYMENT CULTURE

The most common payment method across the region is credit or debit card – used in 34% of all online transactions¹. However, this average figure hides wide regional discrepancies. In Kazakstan, for instance, consumers pay for 60% of online transactions with cash and only 20% using a card¹. In Latvia, these figures are almost completely reversed, with consumers using cards in 49% of e-commerce purchases and cash in just 12.5%¹. Even when a large percentage of transactions are paid for by card, the cards used may be local, rather than the big international brands. In Russia, for instance, 20% of the card market has been captured by local schemes¹.

ENABLING AND LIMITING FACTORS

67% of Eastern Europeans have a bank account and 18% have a credit card¹. As the data from the payment market demonstrates, to maximise acceptance and conversion, you will need to understand the preferred payment methods in each market.

69% of Eastern Europeans have an Internet connection and 57% have an Internet-enabled smartphone¹. According to the International Telecoms Union (ITU), on average 18% of households in the countries studied had a fixed-line broadband connection²⁵.

Fixed-line penetration ranges from 12% in Ukraine to 33% in Estonia. The number of mobile-phone subscriptions per 100 inhabitants, however, ranges from 76 in Uzbekistan to 164 in Lithuania²⁶. Any e-commerce platform and e-commerce strategy for this region must be cross-channel but mobile-first.

CONCLUSION

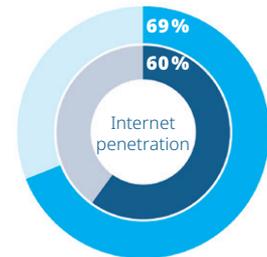
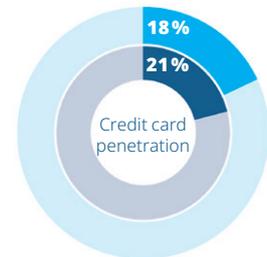
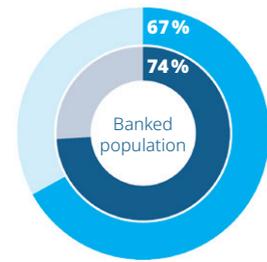
Eastern Europe and CIS are highly diverse regions, economically, culturally and in almost every other way. Their growing e-commerce markets are ripe for investment, with consumers hungry for products and for leading brands. But any successful strategy must be built on a detailed knowledge of the local and regional markets and must factor in a high degree of localisation.

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 2. The World Bank in Russia, 29 October 2019, The World Bank
 3. UPDATE 1-Russia's economic growth picks up in Q3 to 1.7%, 13 November 2019, Reuters
 4. A Surprise Winner From the U.S.-China Trade Spat: Russian Soybean Farmers, 21 February 2019, Thomas Grove and Anatoly Kurmanaev, The Wall Street Journal
 5. China approves wheat, soy imports from Russia, 26 July 2019, Reuters
 6. Ukraine PM targets economic growth of 5% next year, 2 September 2019, Reuters
 7. When javelins aren't enough, 3 April 2019, Diane Francis, Atlantic Council
 8. What Nord Stream 2 means for Europe, 5 November 2019, Maik Günther, Atlantic Council
 9. Ukraine's Economy Enjoys a Hopeful Moment, 15 August 2019, Leonid Bershidsky, Bloomberg
 10. GDP growth (annual %) – Latvia, Estonia, Lithuania, The World Bank
 11. Analysts: Lithuania is expected to post strongest GDP growth in Baltics, 7 November 2019, Delfi
 12. Finance Ministry cuts Latvia's economic growth forecast for 2020, 21 August 2019, The Baltic Course
 13. IMF raises Estonia's 2019 economic growth forecast to 3.2 percent
 14. Lithuania – Consumer Confidence, Moody's Analytics
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 16. Estonia – Consumer Confidence, Moody's Analytics
 17. GDP growth (annual %) – Romania, The World Bank
 18. IMF raises Romania's 2019 GDP growth forecast to 4%, 15 October 2019, Nicoleta Banila, SeeNews
 19. Standard & Poor's: Romania's economic growth will slow down starting 2020-2021, 2 September 2019, Aurel Dragan, BR Review
 20. GDP growth (annual %) – Kazakhstan, The World Bank
 21. Kazakhstan: Economy, Asian Development Bank
 22. Kazakhstan, Observatory of Economic Complexity
 23. GDP growth (annual %) – Uzbekistan
 24. Uzbekistan: Economy, Asian Development Bank
 25. Fixed-broadband subscriptions per 100 inhabitants, International Telecoms Union
 26. Mobile-cellular telephone subscriptions per 100 inhabitants, International Telecoms Union

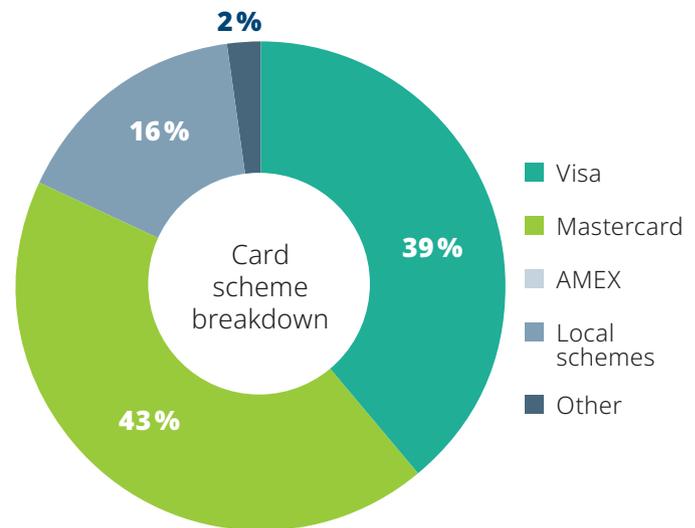
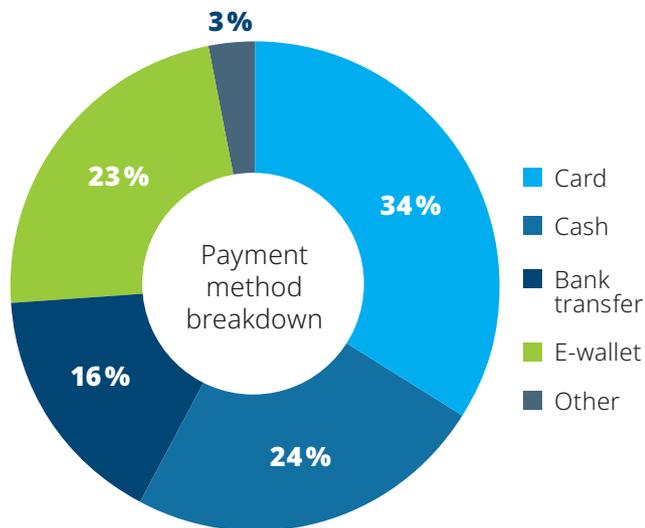
Regional Payment Trends

	Region	World
Population	272.9 m	7.6 bn
Population (15+)	220.7 m	5.6 bn
GDP	2.4 tr	85.8 tr
GDP per capita	10,967	11,299
B2C e-commerce	45.8 bn	3.4 tr
B2C e-commerce growth	14%	18%
Online population	188.3 m	4.5 bn
Smartphone penetration	57%	58%
Mobile e-commerce	27%	50%
Average online spend	702	2,594
E-commerce % of total retail	5%	16%

Currencies in this report are always depicted in \$USD



Region World



Bulgaria	.....	8
Estonia	.....	10
Kazakhstan	.....	12
Latvia	.....	14
Lithuania	.....	16
Romania	.....	18
Russia	.....	20
Ukraine	.....	22

Bulgaria

17%
e-commerce growth

	Bulgaria	Region	World
Population	7 m	272.9 m	7.6 bn
Population (15+)	6 m	220.7 m	5.6 bn
GDP	65.1 bn	2.4 tr	85.8 tr
GDP per capita	9,273	10,967	11,299
Online population	4.5 m	188.3 m	4.5 bn
Smartphone penetration	56%	57%	58%
Average online spend	334	702	2,594
E-commerce % of total retail	2%	5%	16%

TOP E-COMM SEGMENTS



Airlines & Hotels



Clothing & Footwear



Electrical goods

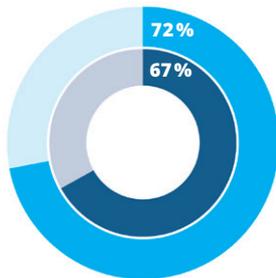


Media & Entertainment

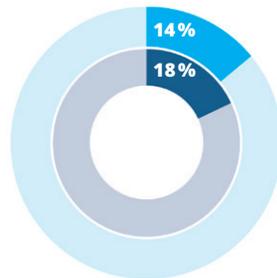


Food & Drink

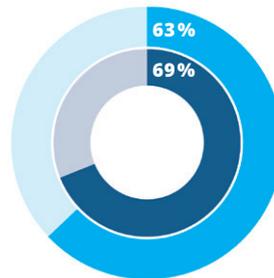
Banked population



Credit card penetration



Internet penetration



■ Bulgaria ■ Region



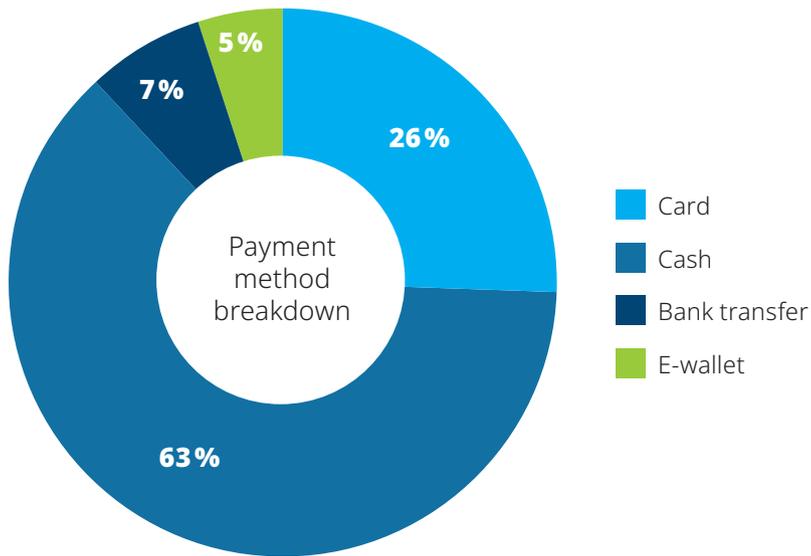
B2C e-comm.
0.7 bn



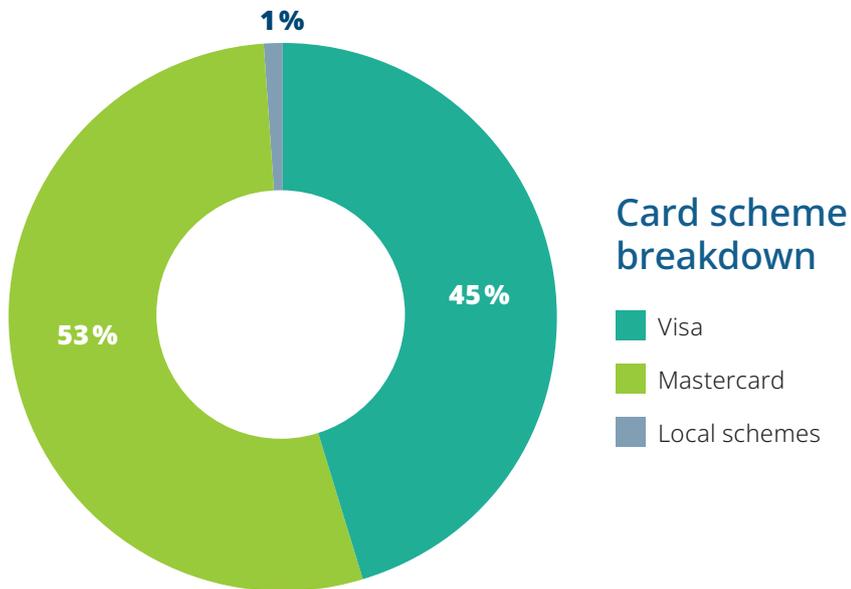
Mobile e-comm.
12% of total



Cross-border e-comm.
17% of total



26% Card total
 26% ICS
 0.4% BORICA



0.1 bn
 Cross-border e-commerce value

35% shop cross-border

- Germany
- China
- Russia

Estonia

20%
e-commerce growth

	Estonia	Region	World
Population	1.3 m	272.9 m	7.6 bn
Population (15+)	1.1 m	220.7 m	5.6 bn
GDP	30.3 bn	2.4 tr	85.8 tr
GDP per capita	22,928	10,967	11,299
Online population	1.2 m	188.3 m	4.5 bn
Smartphone penetration	65%	57%	58%
Average online spend	415	702	2,594
E-commerce % of total retail	7%	5%	16%

TOP E-COMM SEGMENTS



Airlines & Hotels



Clothing & Footwear



Electrical goods

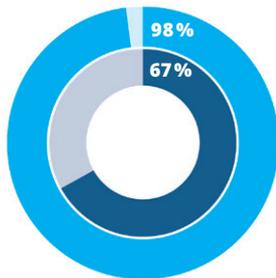


Homeware & Furniture

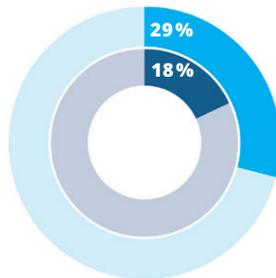


Food & Drink

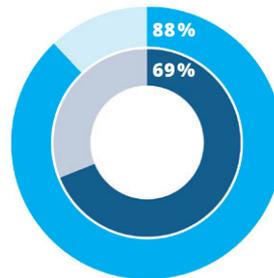
Banked population



Credit card penetration



Internet penetration



■ Estonia ■ Region



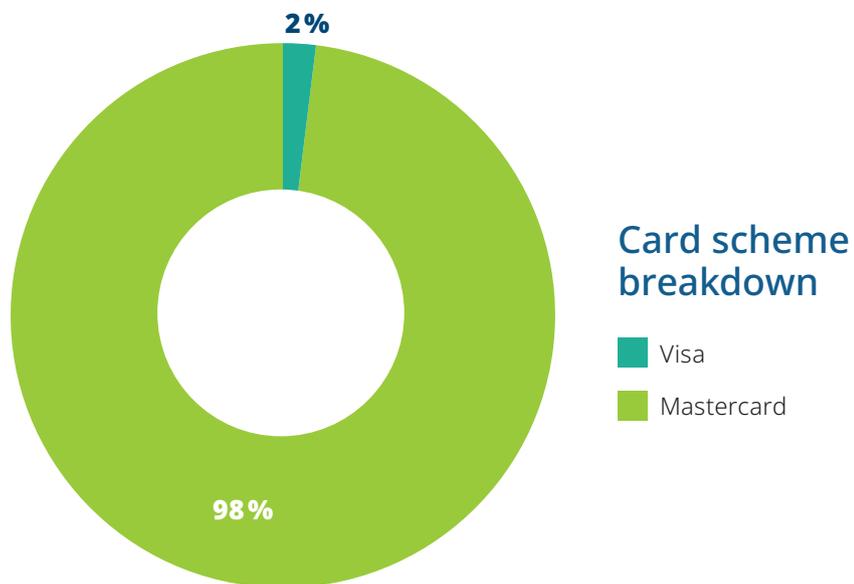
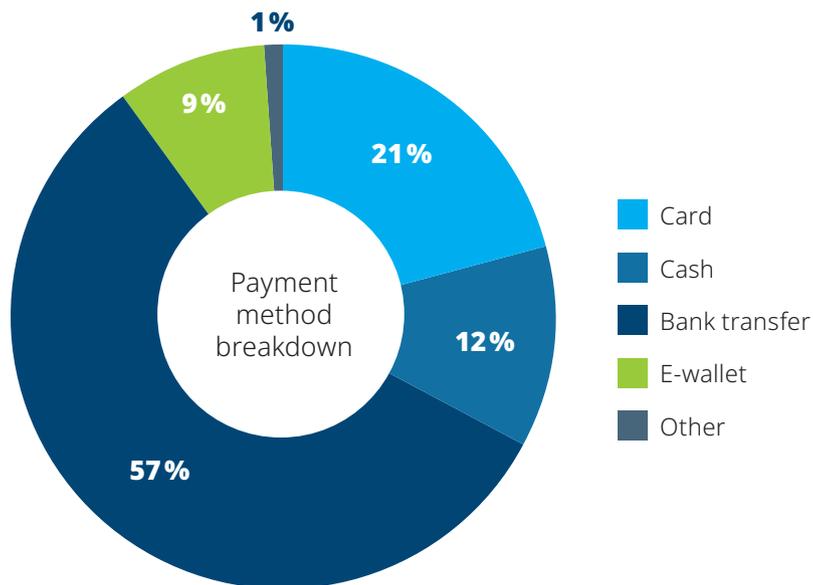
B2C e-comm.
0.3 bn



Mobile e-comm.
9% of total



Cross-border e-comm.
29% of total



0.1 bn
Cross-border e-commerce value

61% shop cross-border

-  Russia
-  Germany
-  Finland

Kazakhstan

34%
e-commerce growth

	Kazakhstan	Region	World
Population	18.3 m	272.9 m	7.6 bn
Population (15+)	13.1 m	220.7 m	5.6 bn
GDP	170.5 bn	2.4 tr	85.8 tr
GDP per capita	9,331	10,967	11,299
Online population	14 m	188.3 m	4.5 bn
Smartphone penetration	65%	57%	58%
Average online spend	89	702	2,594
E-commerce % of total retail	7%	5%	16%

TOP E-COMM SEGMENTS



Airlines & Hotels



Electrical goods



Clothing & Footwear

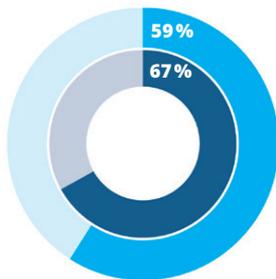


Media & Entertainment

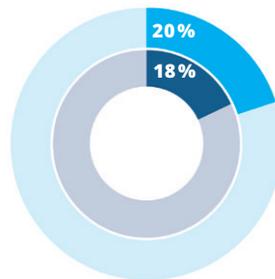


Homeware & Furniture

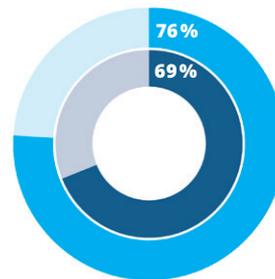
Banked population



Credit card penetration



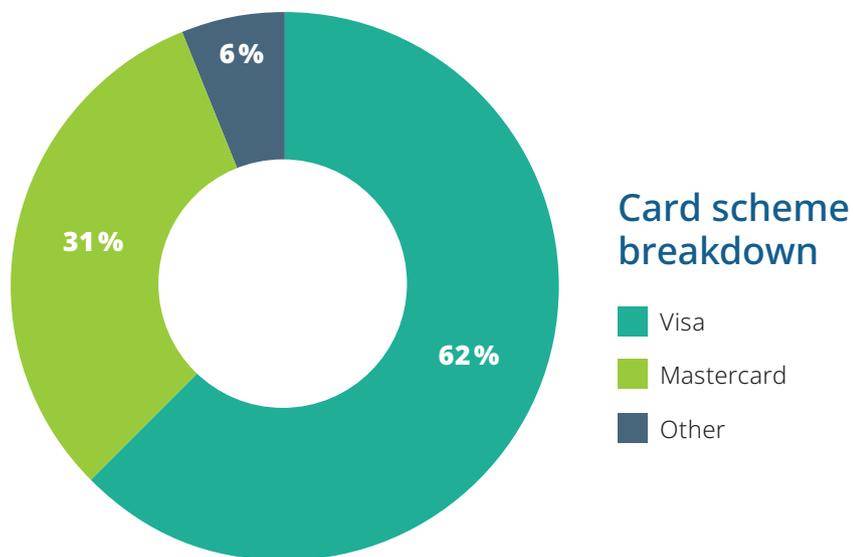
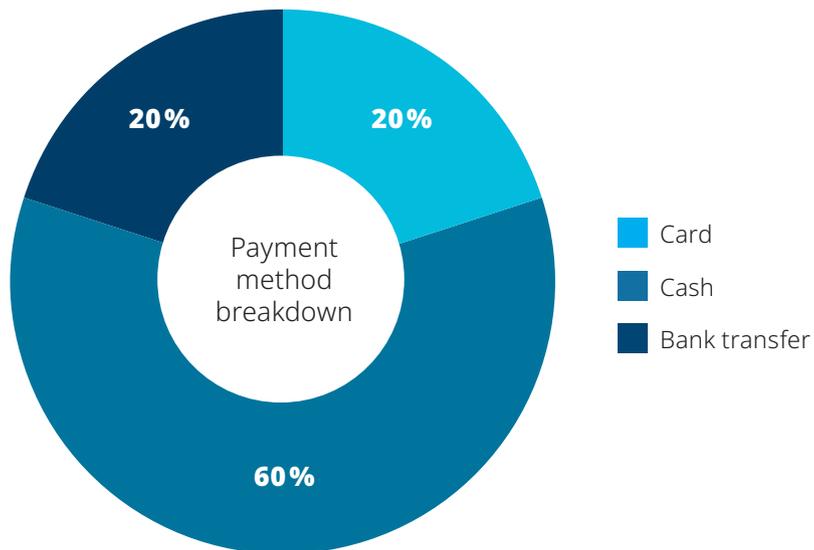
Internet penetration



■ Kazakhstan ■ Region



B2C e-comm.
1.1 bn



Top cross-border markets

50% shop cross-border

-  Russia
-  China
-  Germany

Latvia

8%
e-commerce growth

	Latvia	Region	World
Population	1.9 m	272.9 m	7.6 bn
Population (15+)	1.6 m	220.7 m	5.6 bn
GDP	34.8 bn	2.4 tr	85.8 tr
GDP per capita	18,089	10,967	11,299
Online population	1.6 m	188.3 m	4.5 bn
Smartphone penetration	49%	57%	58%
Average online spend	433	702	2,594
E-commerce % of total retail	4%	5%	16%

TOP E-COMM SEGMENTS



Airlines & Hotels



Electrical goods



Media & Entertainment

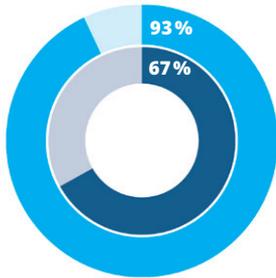


Clothing & Footwear

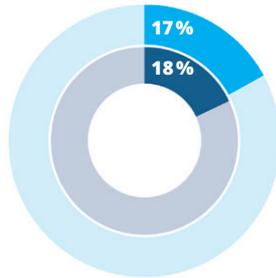


Homeware & Furniture

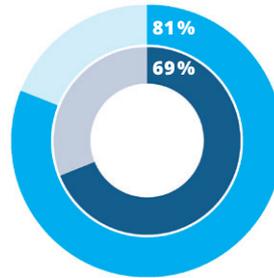
Banked population



Credit card penetration



Internet penetration



■ Latvia ■ Region



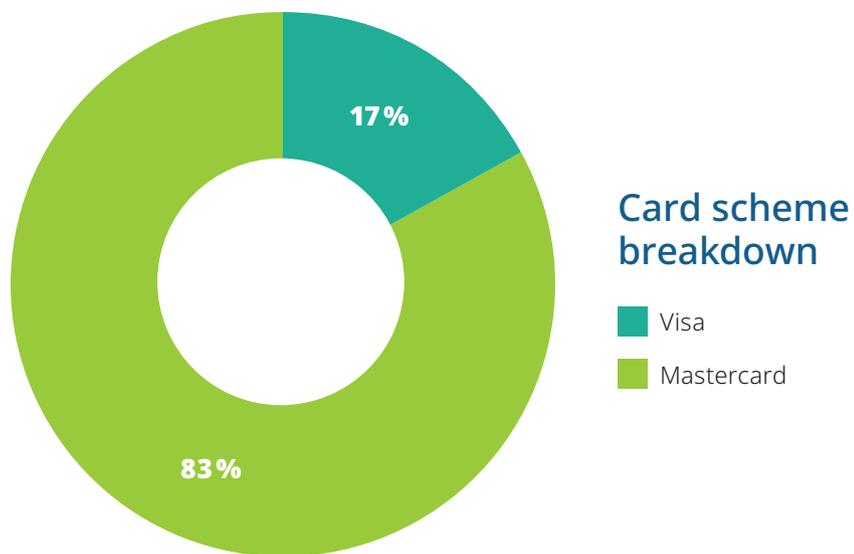
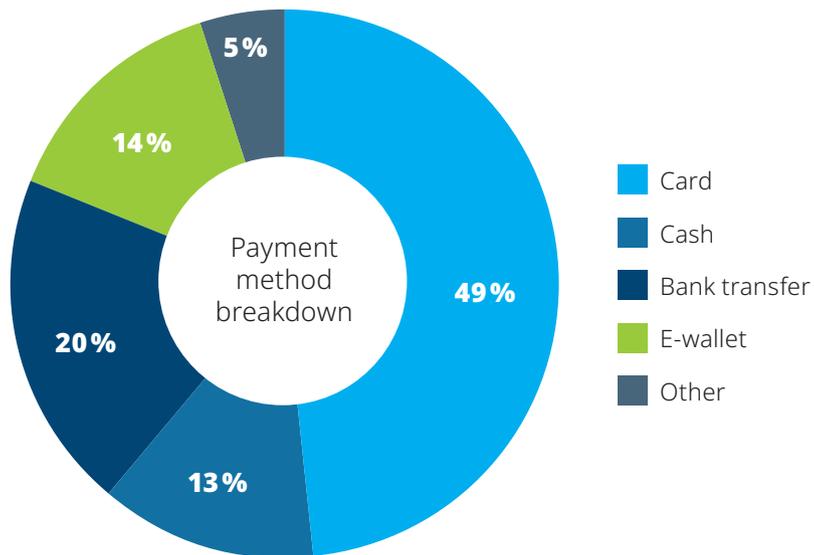
B2C e-comm.
0.3 bn



Mobile e-comm.
8% of total



Cross-border e-comm.
28% of total



0.1 bn
Cross-border e-commerce value

45% shop cross-border

-  **China: 56%**
-  **UK: 11%**
-  **Germany: 9%**

Lithuania

10%
e-commerce growth

	Lithuania	Region	World
Population	2.8 m	272.9 m	7.6 bn
Population (15+)	2.4 m	220.7 m	5.6 bn
GDP	53.3 bn	2.4 tr	85.8 tr
GDP per capita	19,090	10,967	11,299
Online population	2.2 m	188.3 m	4.5 bn
Smartphone penetration	57%	57%	58%
Average online spend	549	702	2,594
E-commerce % of total retail	5%	5%	16%

TOP E-COMM SEGMENTS



Airlines & Hotels



Electrical goods



Media & Entertainment

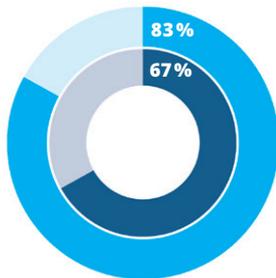


Clothing & Footwear

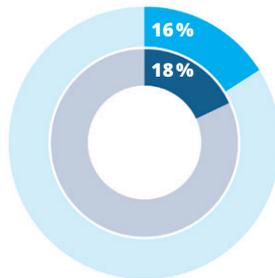


Homeware & Furniture

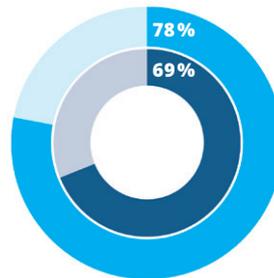
Banked population



Credit card penetration



Internet penetration



■ Lithuania ■ Region



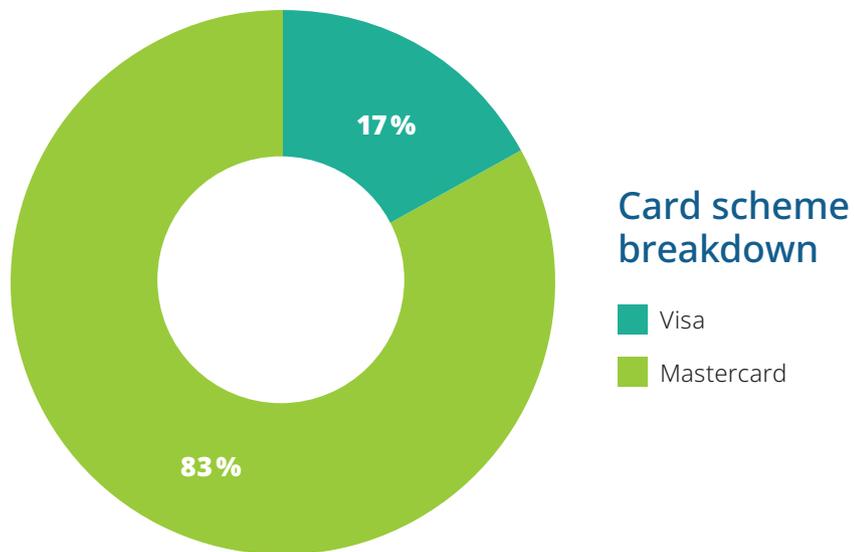
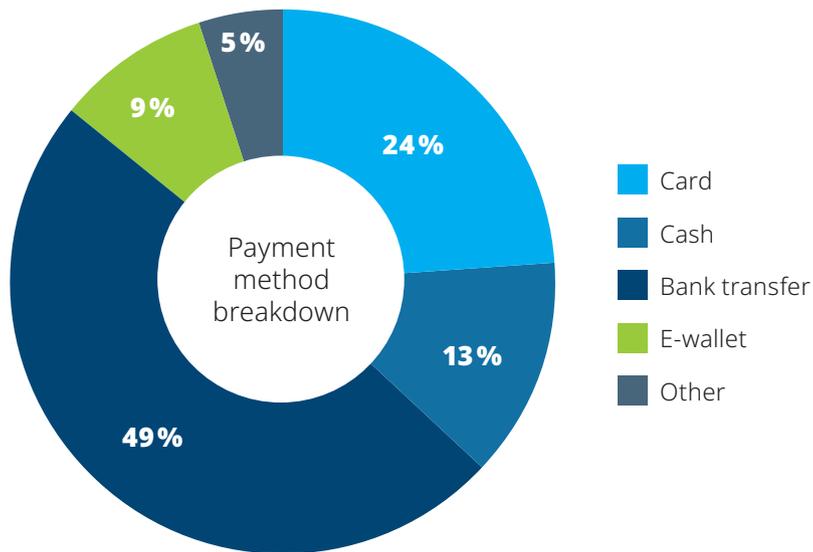
B2C e-comm.
0.7 bn



Mobile e-comm.
11% of total



Cross-border e-comm.
20% of total



0.2 bn
Cross-border e-commerce value

43% shop cross-border

-  Germany
-  Poland
-  Russia



Romania

30%
e-commerce growth

	Romania	Region	World
Population	19.5 m	272.9 m	7.6 bn
Population (15+)	16.5 m	220.7 m	5.6 bn
GDP	239.6 bn	2.4 tr	85.8 tr
GDP per capita	12,301	10,967	11,299
Online population	12.4 m	188.3 m	4.5 bn
Smartphone penetration	60%	57%	58%
Average online spend	804	702	2,594
E-commerce % of total retail	7%	5%	16%

TOP E-COMM SEGMENTS



Airlines & Hotels



Electrical goods



Media & Entertainment

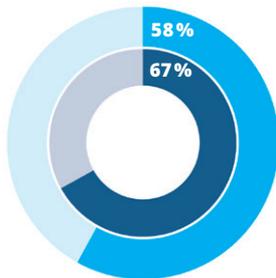


Clothing & Footwear

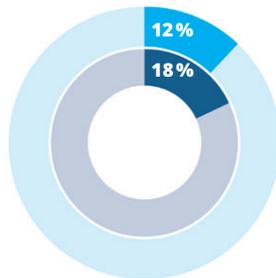


Homeware & Furniture

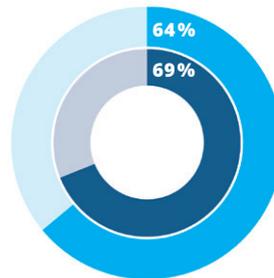
Banked population



Credit card penetration



Internet penetration



■ Romania ■ Region



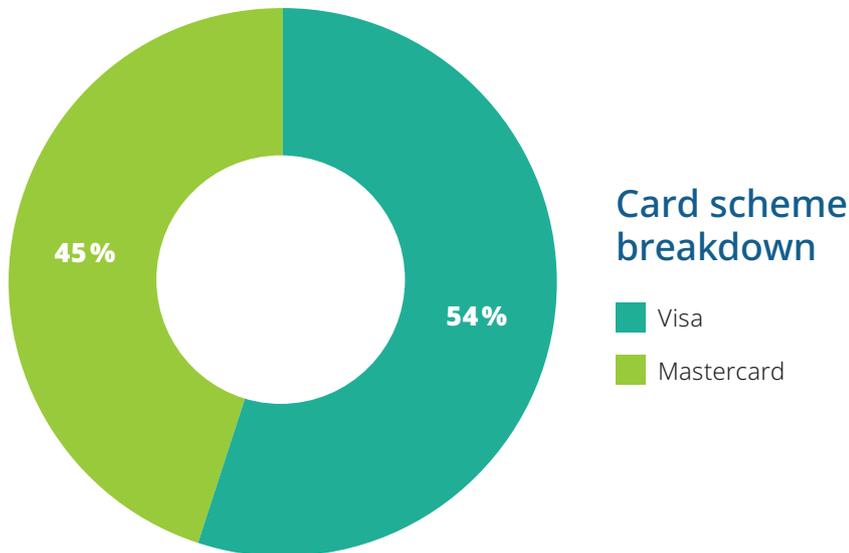
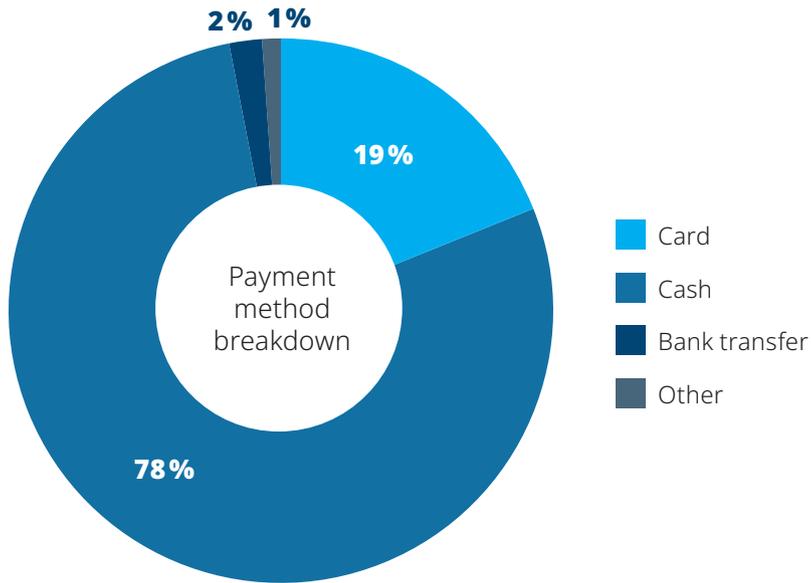
B2C e-comm.
3.1 bn



Mobile e-comm.
42% of total



Cross-border e-comm.
13% of total



0.4 bn
Cross-border e-commerce value

20% shop cross-border

-  Germany
-  Italy
-  Hungary

Russia

11%
e-commerce growth

	Russia	Region	World
Population	144.5 m	272.9 m	7.6 bn
Population (15+)	118.7 m	220.7 m	5.6 bn
GDP	1.7 tr	2.4 tr	85.8 tr
GDP per capita	11,289	10,967	11,299
Online population	109.8 m	188.3 m	4.5 bn
Smartphone penetration	64%	57%	58%
Average online spend	781	702	2,594
E-commerce % of total retail	5%	5%	16%

TOP E-COMM SEGMENTS



Airlines & Hotels: **18%**



Clothing & Footwear: **18%**



Homeware & Furniture: **11%**

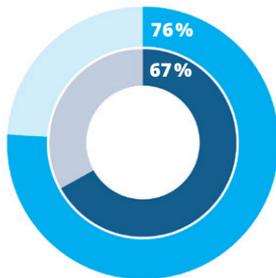


Electrical goods: **10%**

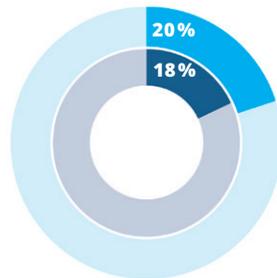


Food & Drink: **9%**

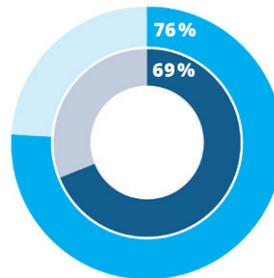
Banked population



Credit card penetration



Internet penetration



■ Russia ■ Region



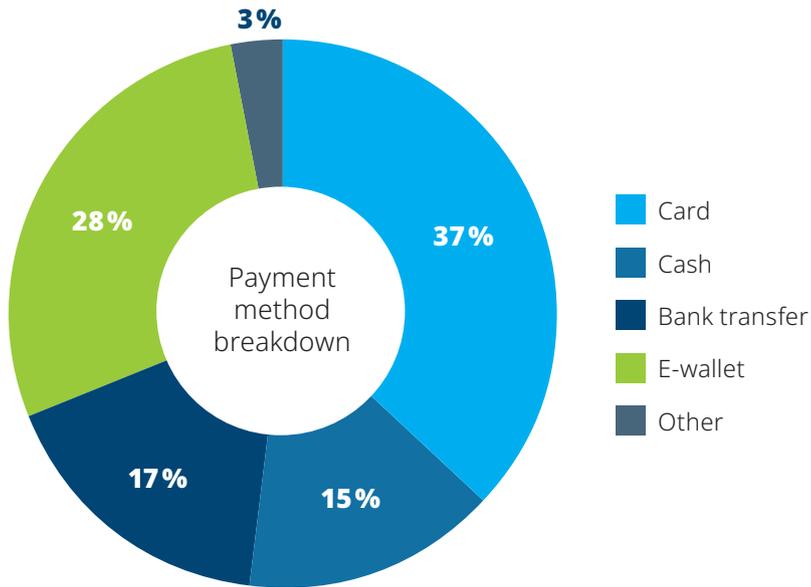
B2C e-comm.
36.1 bn



Mobile e-comm.
29% of total

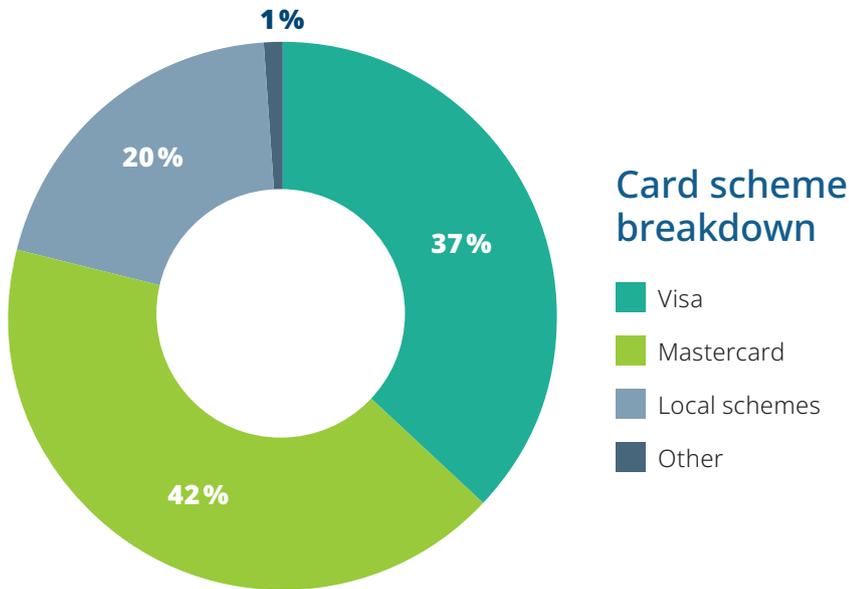


Cross-border e-comm.
28% of total



37% Card total
 30% ICS
 7% MIR

28% E-wallet total
 8% PayPal
 8% WebMoney
 6% Yandex.Money
 4% QIWI Wallet
 2% Other



10.1 bn
 Cross-border e-commerce value

56% shop cross-border

- China: 83%**
- USA: 5%**
- Germany: 2%**

Ukraine

26%
e-commerce growth

	Ukraine	Region	World
Population	44.6 m	272.9 m	7.6 bn
Population (15+)	37.6 m	220.7 m	5.6 bn
GDP	130.8 bn	2.4 tr	85.8 tr
GDP per capita	3,095	10,967	11,299
Online population	25.5 m	188.3 m	4.5 bn
Smartphone penetration	48%	57%	58%
Average online spend	149	702	2,594
E-commerce % of total retail	4%	5%	16%

TOP E-COMM SEGMENTS



Airlines & Hotels



Clothing & Footwear



Electrical goods

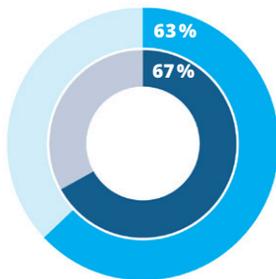


Media & Entertainment

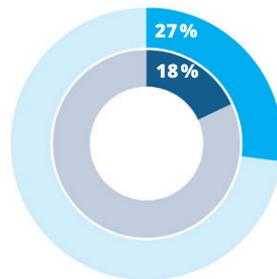


Homeware & Furniture

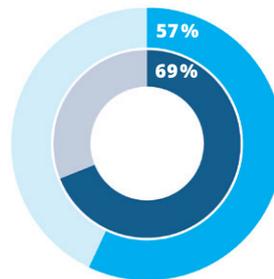
Banked population



Credit card penetration



Internet penetration



■ Ukraine ■ Region



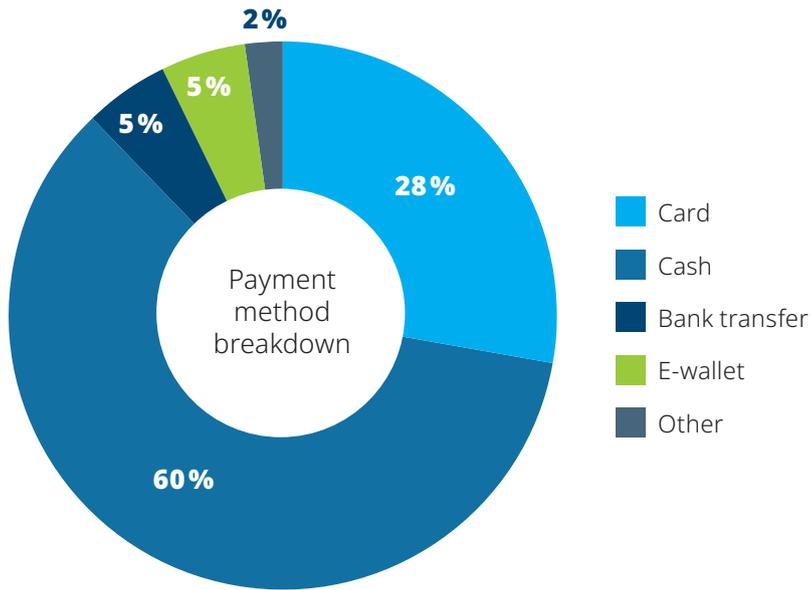
B2C e-comm.
2.9 bn



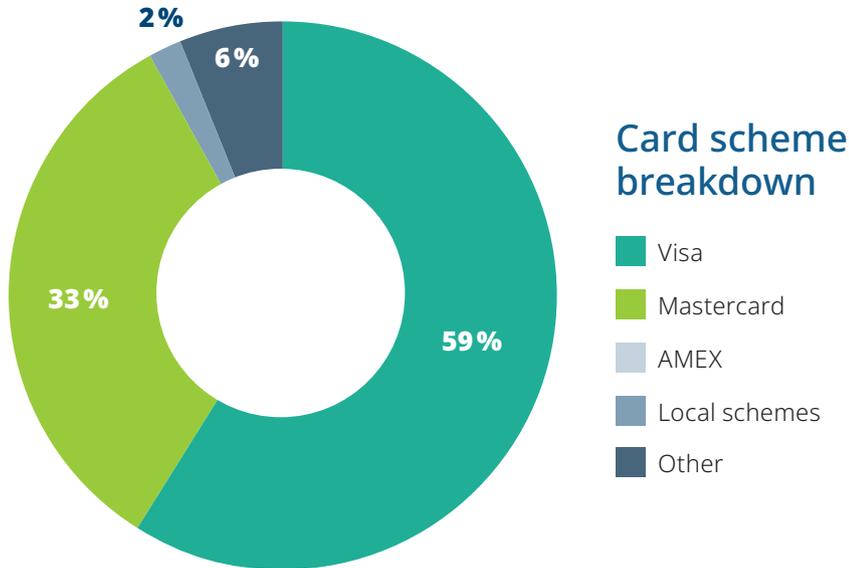
Mobile e-comm.
10% of total



Cross-border e-comm.
12% of total



28% Card total
 27% ICS
 1% PROSTIR



0.4 bn
 Cross-border e-commerce value

26% shop cross-border

- Russia
- Germany
- Poland

As one of the very first payment service providers, Computop offers its customers around the world local and innovative omnichannel solutions for payment processing and fraud prevention. The internally developed Computop Paygate payment platform enables seamless integrated payment processes for e-commerce, at POS and on mobile devices. Retailers and service providers have the flexibility and freedom to choose from over 350 payment methods enabling them to specifically tailor their payment options per country. Technologies such as biometric authentication and self-learning algorithms improve security and convenience for retailers and consumers alike.

Computop, a global player with its head office in Germany and locations in China, England and the USA, has been servicing large international companies in the service, retail, mobility, gaming and travel industries for more than 20 years. These companies include global brands such as Amway, C&A, Fossil, the entire Otto Group, Sixt, Swarovski and Wargaming. Computop also provides its payment system to banks and financial service providers as a white-label solution. In total, Computop processes commercial payment transactions with a combined value of USD 36 billion annually in 127 currencies. With its individual and secure solutions, Computop makes a major contribution to the future of international payment processing.

Sources: PPRO and Edgar, Dunn & Company

Computop has been partnering with PPRO for a number of years and many of the alternative payment methods mentioned in this guide are provided through this partnership. PPRO provides Computop with the ability to accept locally preferred payment methods like e-wallets, bank transfers, cash, and local cards in more than 175 countries across the globe. Through one contract and one API.

<https://www.ppro.com/almanac>

For questions and inquiries about Computop's solutions, contact a payment specialist in your area or visit www.computop.com.

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