

Russian luxury online sale: rise or fall?
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Российский онлайн-рынок предметов роскоши: рост или падение?
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Abstract: *the article is devoted to the electronic commerce in Russia and its impact on financial results of luxury retail dealers. The characteristic features of Russian customers and Russian luxury market are under discussion.*

Аннотация: *в данной статье рассмотрены проблемы развития электронной коммерции в России и ее влияние на финансовые результаты розничных торговцев предметами роскоши. Проанализированы характерные черты российских покупателей и российский рынок роскоши.*

Keywords: *electronic commerce, Russian luxury market, luxury items retailers.*

Ключевые слова: *электронная коммерция, российский рынок товаров роскоши, ритейлеры предметов роскоши.*

Russia's stagger into the recession due to various geopolitical and macroeconomic events of the last 2014-2015 years has caused the stagnation in demand for luxury products. Economic sanctions of the US and the EU and plunging oil prices negatively affected on an already collapsed ruble. Russian currency lost almost half of its value against the dollar. That has overturned Russians' spending power and made Russians tighten their belts.

Today Russian luxury marketplace is the eighth largest market in the world for high-end items, which has unfavorable forecasts for its further development. A conference of the Franco-Russian Chamber of Commerce and Industry "La Journée Luxe" it was predicted that the market would have fallen by 20% by the beginning of 2016 [1]. Its recovery is expected only in 2017. Obviously, this will affect finance of luxury items retail dealers.

Despite of the reduction of the whole Russian market of high-end products there is a new look for the luxury sector which seems to be controversial for fancy retailers – e-commerce. The present research is intended to release pros and cons of luxury digital trading and its impact on splendor retail dealers in the Russian Federation.

One of the weakest points of luxury online sale is that e-commerce growth in Russia was slower in last few years than it was expected having regard to the nation's economic development and technological sophistication. About 2% of Russian online retail transactions was occurred per year in comparison to 7% in the USA. Such lack of customers looking for fancy products online can be explained by Russian buyers' favour of the use of ready money in all purchases. In concordance with the state's top-level delivery service, SPSR express, Russian customers, even buying online, pay in cash circa 70% of the time. Cards are applied in advance online 10% of the time and 4% are the share of swiped ones via courier upon receipt of merchandise. As for European and American buyers, they have got used to prepayment and have not seen money down on delivery in well over 30 years. That is why, practically all cross-border luxury retailers that admit cross-border Russian clients do not consider this Russian physiological peculiarity. Plus, when shoppers buy online from one of those websites, they pay as a price includes taxes, shipping, duty fees, etc. That can also be a deterrent factor for buyers.

What another handicap to online sales do Western brands meet? The first major barrier is scarcity of Russian language websites. Today our country is only at the 39th place among 70 countries in the English proficiency ranking with the index EP EPI 51,59 [2]. Consequently, Russians experience a difficulty with an English-language site. According to the analysis of the Digital IQ Index practically half of brand webpages do not provide content in Russian, 20% bound translation to the homepage and merely 14% offer advanced translation [3]. That is why, it is necessary to create more Russian-language websites.

Taking into consideration the prevail number of international retailers selling goods online and its limited attractiveness to Russian clients – it comes as no surprise that heretofore online trading's rise in Russia has been rather slack. Nevertheless, its pace of growth has pointed encouraging signs of recovering recently. Russia currently rates fifth among other counties for electronic commerce increase and some analysts are prognosticating that the volume of the Russian marketplace will run up to \$38 billion a year by 2018 [4].

Since the first quarter of 2015 this segment has been drawing incremental attention as it began to recover. Therefore, some fancy bricks-and-mortar retailers are creating e-shops in the hope that they will be able not only to expand their business, but also modify the way Russian clients search for luxury goods on the Web. That may make the volume of luxury goods in electronic commerce market reach \$21 billion in 2020. In addition, e-trading of high-end goods has risen far more in comparison with many other sectors.

Nowadays, 12 million Russians purchase wares online. What this figure includes is both luxury and mass-market brands where about 10% account for the former.

The main part of online luxury retail dealers is focused on mega-cities like Moscow and Saint Petersburg where the majority of high-end products internet retailing sales is located. This confined focus provides them with an opportunity to operate their own distribution networks and deliver goods same or next day, but at the same time it limits the potential consumer base. Companies should invest in their own logistics and satellite centres in remote cities though.

To sum up, Russian luxury e-commerce market should be monitored. Our country possesses rather high growth of the Internet usage equal to 61,4%, which shows that the market is ideal for the expansion of digital trading. However, the nation's present recession halted the flow of spending on luxuries. High-end items retailing in Russia is experiencing a financial and amidst cutback trying making better use of information technology and investing more in new software systems. Probably, the key crucial factor for both luxury e-commerce and the whole luxury market in the Russian Federation can be its direct sanctions against any multinational fancy products players.

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