ABOUT THIS STUDY

This short, ad-funded version contains excerpts from a comprehensive research study offered by the Ukrainian Direct Marketing Association, the main platform for communication in the field of mail ordering and e-commerce in Ukraine.

The research was conducted in partnership with leading consultancies and universities, and based on interviews with over 50 industry players and experts.

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PUBLISHER

This research was conducted by the Ukrainian Direct Marketing Association (UDMA), specialized association in the sphere of distance selling, e-commerce, and their infrastructure (logistics, payment systems, fulfillment & letter shops, contact centers, etc.). The Association has extensive experience in conducting qualitative research in Ukraine, including: research of direct marketing and distance selling market, postal logistics and contact centers.

PARTNERS

Ukraine Digital News is the first international information company dedicated to Ukrainian digital industries. It provides news, business analysis and industry reports pertaining to the Internet, e-commerce, mobile, software and hardware innovation, as well as IT services. Ukraine Digital News is part of the EWDN network, which offers international coverage of Eastern Europe’s digital scene.

The research was conducted with the assistance of one of the largest venture capital funds in Ukraine - AVentures Capital, which invests in companies at the growth and early stages of development. The main focus of the fund is digital economy. Its projects include: B2C (including e-commerce) and online Internet services, enterprise and consumer software, mobile technology, payment systems, and projects related to social media and IT.
For the first time, this study sheds full light on the Ukrainian online retail market – one of the least known and understood on the planet. Both local and international business circles will enjoy reliable data and forecasts on this market. What’s more, with a nearly comprehensive review of key operational issues – from deliveries, to payments, to marketing – this report comes as an invaluable tool to acknowledge and prepare for present and future business opportunities.

There is no doubt that, as soon as the political situation in Ukraine stabilizes, strong growth will resume on the local e-commerce scene. This market – which has not exceeded a modest $2 billion per year so far – could become one of the largest and dynamic ones in the CEE regions.

Credit for this study is due to the Ukrainian Direct Marketing Association, who dedicated a large part of their team to complete this report – and to the sponsors and advertisers, who provided the means necessary for a pioneering investigation. It has been a great honor for us to associate ourselves with this effort.

We wish you every success in your e-commerce projects.

Sincerely,

Adrien Henni
Chief Editor
East-West Digital News

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2.8 million people online consumers

Retail trade market volume amounted to $110.6 billion

Including $2.2 billion (2%) Distance trade market volume

E-commerce market volume $2 billion
Catalogue sales volume $200 million

The market grew by 25% compared with 2012
Key trends:

Before 2014, e-commerce grew by at least 25% annually, and some online stores showed a doubling or even tripling of sales.

Traditional offline retail is going online, applying a variety of hybrid models. Market places are becoming more and more popular.

There are new categories online: users often buy goods, previously looked for offline, on the Internet (for example, building materials, food, etc.). Ukraine e-commerce market is growing in account of that.

E-commerce has developed in a greater degree in Kyiv and big cities, but the main part of forecast market growth will take place at the expense of the regions. To this effect, delivery service needs to be improved.

Before users buy a product, they first look for information about it on the Internet. Reviews, comments and Q&As remain the most popular user-generated content.

Credit cards and other electronic payment systems are used increasingly frequently. However, cash remains the most popular payment method. Further development of electronic payments are being hindered by underdeveloped payment infrastructure.

E-commerce companies’ most sensitive issues have proven to be: customer service, logistics and price policy. In particular, even big players underestimate the importance of loyalty programs, the introduction of new standards of service, and the expansion of payment methods.
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49,000

OUTGOING CALLS PER DAY
42,000

12,877 COMPLETED PROJECTS
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312 OPERATORS
2,225 WORK PLACES
2 WORKING PLATFORMS

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In 2014, Ukraine’s online retail market amounted to $1.6 billion.

Positive trends in 2014

- E-commerce market lost ground in dollar terms, but some segments witnessed growth (e.g. fashion incl. footwear - in the first half of 2014 increased by about 10% in hryvnia terms.)
- Some Ukrainian e-commerce projects received important investment. Among them was Zakaz.ua, which raised $ 2.5 million.
- Some new players entered the market (e.g. British clothing store Next).
- The legal framework for regulation of e-commerce was improved.
- The general trend of transition companies from offline to online.
- Alternative methods of delivery are developing (e.g. delivery by bicycle, self pickup points in the offices of Privat bank).

Negative trends in 2014

- E-commerce sites lost about 17% of their traffic due to the annexation of the Crimea and military operations in eastern Ukraine.
- The cost of the goods increased, essentially due to the fall of the national currency.
- The purchasing power of the population fell sharply: the population's nominal income remained at pre-crisis level, or increased insufficiently to compensate for the fall of the hryvnya and inflation.
- Delivery has been made impossible in the war-torn areas in the East (approximately 15% of the entire territory of Ukraine).

In 2014, political turmoil and economic crisis, as well as an international conflict and a civil war in the East of the country, led to a significant drop in the national currency and a decrease in its purchasing power. These woes were not fatal to e-commerce: sales volumes increased by 19% in hryvnias – but decreased by about 20% in dollar terms, due essentially to the hryvnya’s fall.
BUSINESS IN TROUBLED TIMES – YEAR 2014

The dramatic developments in 2014 led to the total destabilization of the national economy and a currency crisis in Ukraine. In addition to falling purchasing power in the Ukrainian market, representatives of online retail were faced with delivery complications in 2014, costs increased due to rising petrol prices, and efforts were suspended in the war zone. Experts predict that, in the future, e-commerce will remain the main driver for logistics sector companies in Ukraine.

The electronics segment continues to lead best-selling products online. According to the UADM, by the results of 2014 the volume of this segment was $750 mln. The fall of this category in 2014 was 25% in dollars relative to 2013 (thus, growth in hryvnya was 11.3%). According to the market experts, conversion of visits in purchases for this segment has decreased on average by 30% in 2014 relative to 2013. Average order value has grown by 80% in hryvnya.

The fashion segment (clothes and shoes) is on second place in monetary terms. According to the UADM, the volume of the segment in 2014 was $131 mln. The fall of segment in 2014 was 13% in dollars relative to 2013 (thus, growth in hryvnya was about 10%).

In 2014 the volume of online sales of kids goods grew by 48% in hryvnya relative to 2013. According to the UADM, the volume of the segment in dollars is on the same level – $10 mln. Despite the fact that in 2014 purchasing power of population has decreased significantly, the category “Kids goods” remains the segment for which customers will save their money the last.

During the first half of 2014 at the marketplace Prom.ua three times more online orders were placed than in the same period of 2013. There has been a rapid growth in products that belong to the category "Safety and security" (personal protection equipment, security systems and alarm systems, etc.). According to Allbiz there is increased interest in the product categories providing heating premises (potbelly stove), weapons (hunting guns, pistols), uniforms (camouflage, body armor).

Among the major trends in the development of delivery may be noted:

1. Domestic reform and the further development of private operators (shipment service providers); market liberalization.
2. The market will enlarge – in the battle for survival, weaker players will be eliminated. These are private operators who cannot withstand the competition, will be absorbed / bought by larger players, or will leave the market in general.
3. Optimizing their expenditure, many operators will begin using outsourcing services for "last mile delivery" from local players.
4. Transferring warehouse logistics operations to outsourcing will stimulate the development of market fulfillment in Ukraine, leading to the emergence of new players, increasing competition and the quality of service.
5. Compared with the rest of Ukraine, in large and economically active cities, such as Kyiv, there will be more customer demand for delivery and for predicting the exact time of this delivery.
MKT E-VOLU 2013-14

**MARKET SIZE IN 2013 AND 2014**

**CHARTS 1A AND 1B. TOTAL E-COMMERCE MARKET SIZE IN 2013 AND 2014**

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2bn</td>
<td>$1.6bn</td>
</tr>
</tbody>
</table>

2014/13 in USD | 2014/13 in hryvnias
-20% | +19%

**CHART 2. E-COMMERCE VOLUMES IN 2013 AND 2014 BY SECTOR (in million USD)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronics &amp; household appliances</td>
<td>1000</td>
<td>750</td>
</tr>
<tr>
<td>Food, Homeware, Furniture**</td>
<td>497</td>
<td>437</td>
</tr>
<tr>
<td>Air tickets***</td>
<td>262</td>
<td>197</td>
</tr>
<tr>
<td>Clothing &amp; Shoes</td>
<td>150</td>
<td>131</td>
</tr>
<tr>
<td>Automotive goods**</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>Kids goods*</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Beauty &amp; Cosmetics &amp; Perfumes</td>
<td>25</td>
<td>27</td>
</tr>
<tr>
<td>Events</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Books</td>
<td>10</td>
<td>9</td>
</tr>
</tbody>
</table>

**EVOLUTION 2014 / 2013**

* including online stores’ volumes and the marketplace rozetka.com.ua. It excludes all other marketplaces
** Including online stores and the marketplaces
*** Including air tickets, which were sold via internet in 2014
The following trends may be noticed in 2015:

- Development of mobile versions of e-commerce sites; growth of sales via mobile apps
- Development of fast and reliable mobile payments systems
- Continued development of multichannel marketing
- Growth of marketplaces
- Automation of marketing processes (automated analysis, testing pages, posting, etc.)
- Development of content marketing (articles, posts in blogs)
- More personalization in customer relationship
- Interface personalization by the use of Big Data
- Improved usability
- Improvements in logistics
- Emergence of showrooms
- More product reviews in video format
For so long as the war continues, the market is unlikely to grow significantly:

- Taking into account that the military actions affect approximately 15% of the territory, if it continues, we will expect the stagnation of economy in general and e-commerce market in particular.
- The hryvnia's fall and low income will lead to increase in demand for second-hand goods.
- When military activity ends, the economy will stabilize in the coming years, the market will return to the previous pre-crisis levels and will continue its rapid growth.

When peace is restored, the e-commerce market will grow dramatically as normal business life resumes:

- The local e-commerce market is only at an early stage, but with a growing number of Internet users making purchases online – and more and more offline players moving online.
- When the political and economic situation stabilizes, Ukraine is likely to follow the path of such countries as Poland, Latvia or Russia, where e-commerce has witnessed dramatic growth over the past years.
- The fraction of online in total retail could grow from the current 2% to some 10%, comparable to in advanced countries.
All is possible to send
E-commerce has become the most popular e-commerce in large cities: Kyiv, Kharkiv, Dnipropetrovsk, etc. However, due to the latest political developments and the war in the Luhansk and Donetsk districts, an important fraction of the local population has been moved from the East to Central and Western Ukraine, so the target audience of online stores in these regions has significantly increased.

According to Prom.ua analytics most small and medium-sized businesses which deal in e-commerce are concentrated in Kyiv, Kharkov and Dnepropetrovsk regions.

Future e-commerce growth in the country will be driven, first of all, by users from the regions where penetration is lower and market niches are still unoccupied.
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- 1,300,000 monthly companies’ contacts views

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Use promo code, when signing up
uadm
and get 100 UAH for your online store improvement!

While selling on Prom.ua, I’m getting new clients every day!
Barriers to online purchases:

- Fear of fakes, lack of trust in online stores;
- Lack of necessity to buy online;
- Need to see the product personally.

However, according to surveys, a significant fraction of consumers do trust quality and merchant guarantees. Very few say that they will definitely never buy online.

What stimulates Ukrainians to buy online:

- Lower prices;
- Positive comments about the store or advice of friends;
- Opportunity to evaluate the product before purchasing;
- Fast or free shipping.

The proportion of those attracted by bonuses / discounts, and of those interested in the possibility of evaluating the goods online before purchase, is constantly growing.
Payments:

In spite of legislative weaknesses and ineffective regulatory policy, the Ukrainian online payments market is an emerging market, and it will continue to grow. Even today, it continues to show positive growth dynamics in the order of 30-40% per year.

On the other hand, the growth of the e-payments market will also contribute to the overall trend, according to which electronic payments will occupy an increasing share of the settlement system, and Ukraine will be no exception to this global trend.

The number of users who use credit cards to pay for goods on the Internet is increasing. However, Ukrainians find it hard to give up on cash. In payment for online purchases, cash is still dominant as far as physical goods are concerned (over 70%) with bank cards amounting to 20% at most.

Logistics:

The leader in the postal logistics market is Ukrposhta, the national postal operator, with its share of 42% in sector revenues in 2013.

Private carrier "Nova Poshta“ has seen its activity grow significantly in recent years, which in 2013 received 20% of the revenues across the sector.

The growth of other private companies are small but steady. For example, the company "Meest Express", which specializes in express delivery, closes the top three with a market share of 7% and shows about 1% annual growth.

<table>
<thead>
<tr>
<th>CHART 5. POSTAL LOGISTICS MARKET VOLUME 2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Totally, UAH mln</strong></td>
</tr>
<tr>
<td><strong>2012</strong></td>
</tr>
<tr>
<td>Postal items around Ukraine</td>
</tr>
<tr>
<td>International postal items</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

* Taking into account Ukrposhta
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APPENDICES
According to Gemius, in June 2014 there were nearly 18.8 million people in Ukraine aged 14 years who at least once a month go online. Interestingly, almost 90% of users surf the Internet daily. Number of internet users in Ukraine increased by almost 14% from June 2013 to June 2014, which is more than 2 million people.

However, Internet penetration is still rather low – just over half of the population is 15+. Typically, the level of penetration depends on the size of inhabited locality: in big cities, more than half of the adult population is connected, in small towns - about half, while in rural areas - about one third.

Inverse dependence between age and use of the Internet remain in Ukraine: the younger internet users - the higher Internet penetration *.

According to sales.admixer.net, in cities with a population of 50,000 people more than 77% of households have a computer (14.6 million people) and 70% are connected to the Internet (13.4 million people). Thus, the level of internet penetration among those who have a computer is 91%.

The lowest level of internet penetration (- only 34%) is among age group 55+, who share 29% of the total population in Ukraine. That is a significant influence on average figures over the country. In large cities with a population of 50 thousand people, the situation is better – here, the 55+ group has undergone an “internetization”, with already 45% of this age having access to the Internet. Nevertheless, it is almost two times lower than among the group 15-44 (83%).

---

**CHART 6. LEVEL OF INTERNET PENETRATION, 2013**

<table>
<thead>
<tr>
<th></th>
<th>Ukraine</th>
<th>Russia</th>
<th>Europe</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>56% *</td>
<td>58%</td>
<td>77%</td>
<td>85%</td>
</tr>
</tbody>
</table>

* Survey conducted by the Kyiv International Institute of Sociology (KIIS)
APPENDIX: THE UKRAINIAN INTERNET MARKET

Chart 7. Age structure of Ukrainian internet users (in percentage, Dec. 2013)

- 25–34: 28.1%
- 35–44: 20.3%
- 45–54: 13.3%
- 55+: 8.9%
- 14–24: 29.4%

Chart 8. Regional structure of Ukrainian internet users (in percentage, Dec. 2013)

- Kyiv, Kyiv region: 26.4%
- South: 18.2%
- East: 16.7%
- West: 21.9%
- Center: 10.3%
- North: 6.5%
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   - Tickets sale on any website or social network
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   - Export all data for further analysis

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APPENDIX: SELECT ARTICLES ON UKRAINIAN E-COMMERCE

E-commerce site Zakaz.ua secures $2.5 million from giant investment firm CIG

By Adrien Henni, Ukraine Digital News, Sept. 24, 2014

Last week Zakaz.ua, a major Ukrainian e-commerce site, secured $2.5 million from Chernovetskyi Investment Group (CIG), an investment company backed by businessman and former Kiyv (Kiev) mayor Leonid Chernovetskyi.

A groceries delivery company serving the inhabitants of Kyiv (Kiev), Zakaz.ua was launched in 2010 by Yegor Anchishkin – whose first startup, Viewdle, was acquired by Google in 2012.

Since its inception, Zakaz.ua had already raised “less than $1 million” in total, reports the Ukrainian edition of Forbes magazine.

Valentin Kalashnik, president of the Ukrainian Direct Marketing Association (UADM), describes Zakaz.ua as “a profitable and autonomous project” and “an example of a scalable business model that can adapt to virtually any market.”

Strengthened by “sound management principles, this project has a great chance to become a big international success,” the expert told Ukraine Digital News.

Anchishkin had originally planned on entering the Russian market. However, in connection with the recent events, he decided to change his focus and concentrate on other foreign markets. “All the advantages of Russia have been eroded because I can be stopped at the border at any point, while directors of grocery chains could refuse to cooperate with me due to ‘patriotic’ reasons,” Ukrainian tech blog AIN.UA quoted Anchishkin as saying.

“The Ukrainian e-commerce market remains fundamentally attractive for investors, even though many deals have been delayed due to the current geopolitical crisis. Now that there is a light at the end of the tunnel, investment activities are resuming,” AVentures Capital’s Yevgen Sysoyev, a prominent figure on the Ukrainian venture scene, told Ukraine Digital News.

A giant fund with a secret portfolio

CIG was founded in 2012. Its available capital, which exceeds $750 million, is the personal funds of Leonid Chernovetskyi.

In 2008, the controversial businessman sold his bank, Pravex, which stood as one of the country’s leading banks, to the Italian financial group Intesa Sanpaolo.

CIG, which focuses on “IT and Internet projects that are scalable internationally,” does not only consider Ukrainian startups. “We may invest in foreign companies as well. The key geographical destinations are South-East Asia, India, China, and Brazil,” CIG’s press service explained to Ukraine Digital News.

The company declined to disclose information about its existing portfolio.
UK fashion retailer Next launches localized cross-border sales to Ukraine

By Pavel Marceux, Ukraine Digital News, Nov. 20, 2014

Next, one of the UK’s largest and most successful fashion retailers, has partially localized its global cross-border e-commerce platform (NextDirect.com) to the Ukrainian market. The site now lists prices in hryvnias and most content is available in Russian. Ukrainian language is unavailable at present.

The online retailer offers direct and free delivery to the country on orders over 250 hryvnias (approximately $16) through its DHL courier service, with delivery taking 5-7 days on average. No localized payment options are offered.

In their October report, the UK online retail association IMRG and Internet analytics company comScore named Next the largest online player in the segment of fashion retail (clothing, footwear and accessories) in the UK.

The merchant delivers to over 70 countries around the world and has 500 offline stores in the UK and Ireland as well as around 200 franchise stores in over 40 countries globally.

The UK retailer was likely attracted to Ukraine following its successful cross-border sales operation in Russia, where cross-border sales accounted for approximately $3 billion last year, according to EWDN’s reports on Russian e-commerce. Having optimized the appeal of UK fashions and affordable delivery conditions, Next was delivering up to 4,000 parcels daily to Russia as of mid-2014.

The Ukrainian cross-border market is growing rapidly. According to GfK Ukraine, around 25% of local Internet users made online purchases abroad last year.

The country’s top five cross-border online retailers include eBay.com and Amazon.com, as well as AliExpress.com and TaoBao.com of China’s e-commerce giant Alibaba Group. The Chinese holding is currently considering the possibility of localizing its websites to the Ukrainian market as well.

Source: Capital
APPENDIX: SELECT ARTICLES ON UKRAINIAN E-COMMERCE

Andrzej Malinowski, GM of Lamoda.ua: “In spite of the tragic events in Ukraine, the market is still quite attractive”


In 2014 — three years after successful launch on the Russian market — footwear and clothing online retailer Lamoda entered the Ukrainian market. In spite of the political and economic turmoil, the Rocket Internet creature has asserted itself as one of the country’s main e-commerce companies. Its general manager, Poland’s Andrzej Malinowski, unveiled his strategy in an interview with Ukrainian online publication iGate in Russian language. Here are the main translated excerpts.

How is your business developing now in quantitative terms?
Based on end-2014 results, we ranked fourth in terms of web traffic, trailing only Rozetka.ua, Eldorado.ua and Bonprix.ua. In November, the site was visited by more than 1.3 million people. In recent years, the average check increased by about 15%. This year, we expect that growth will be less. It is determined by the appreciation of the dollar and an increase in the number of items in the order. Meanwhile, we’re preparing new projects — one or two will be unveiled later this year.

How have developments in the country affected your business?
The year of our market entry coincided with the tragic events in the country. Now the economic situation is far from ideal. But, as surprising as it might be, we do not notice many negatives. Despite the fact that eastern Ukraine, where purchasing power was at the level of Kiev, has lost its position, and orders from the Crimea were lost only three months after our launch, the entire Ukrainian market is still quite attractive. In any case, it will develop. Now is just a period that we must survive through, carefully look at costs and expect that next year the economy will improve.

Which categories of goods are most in demand in Ukraine?
When you come to Ukraine, it becomes very evident that people here place great value on appearance. Despite the situation in the country, you can see a lot of beautifully dressed people in the country’s cities – particularly women, who account for 80% of our audience. The most popular categories are dresses, outerwear, boots, sweaters and cardigans, and sports shoes.

Are there any specificities in Lamoda’s offer in Ukraine, compared to other markets across the CEE region?
There are some differences. For example, in Ukraine the premium clothing segment is not really well represented, unlike Lamoda in Kazakhstan. The reason is because we are importing products from Europe. On the basis of international treaties there is a limit value of a per-unit commodity imported to Ukraine – it should not exceed 150 euros. Enjoying a “Generous May Offer,” Lamoda’s Ukrainian clients benefit from a 350-hryvnia (around $15) discount on sports shoes.

How is business different in Ukraine compared to Europe?
I have been in Ukraine for nearly five years. The most negative thing I saw during this time is the legislative framework, the behavior of government agencies and their interaction with the business, the instability of the economic situation and the opacity of where we’re going. I can compare the current situation in Ukraine with what was happening in Poland in the 1990s. There, the social order changed and the people decided they were part of Europe. Links with the post-Soviet space are in some way artificial. The approach to life and business has become more liberal, which has led to the development of small and medium-sized businesses that are now the foundation of Poland’s economy. Polish businessmen understand that they are under the rule of law and the not the officials. Ukraine does not have this.

Read the full version on UADN.NET: http://uadn.net/2015/05/05/rocket-internet-lamoda-in-ukraine/
Horizon Capital invests in leading Ukrainian e-commerce site Rozetka

Ukraine Digital News, July 15, 2015

Yesterday the Emerging Europe Growth Fund II (EEGF II), a mid-cap private equity fund managed by Kyiv (Kiev)-based Horizon Capital, announced the acquisition of a stake in Rozetka, a leading Ukrainian e-commerce company.

The financial details of the deal were not disclosed, but speculations appeared in the media that Rozetka’s valuation could amount to anything between $200 and $700 million, and that the fund may have acquired an up to 15% stake.

Rozetka is No. 207 in the Internet Retailer Europe 500, with 2014 online sales of 85.0 million euros, down 1.13% from the prior year, according to Internet Retailer estimates.

The Ukrainian online retail market reached some $1.6 billion last year – loosing ground in US dollars but up 10% in one year in local currency, according to a recent report by industry association UADM in partnership with Ukraine Digital News.

“This market still retains significant upside potential as Internet and e-commerce penetration rates remain substantially lower than regional peer levels,” Horizon Capital notes.

“Led by visionary entrepreneurs, Vladyslav and Iryna Chechotkin, Rozetka has superior brand recognition, top quality service and high customer satisfaction levels. It is is the most popular Ukrainian e-commerce site,” the fund stated, citing GfK Ukraine data.

Rozetka allows online shoppers from all over Ukraine to purchase a variety of goods and services, from laptops and smartphones, to toys and fishing rods, to train and airline tickets.

The site had never raised venture money so far, Horizon Capital’s press service told Ukraine Digital News.

Good news for the industry – and for the country?

Very few significant venture deals took place in the e-commerce segment over the past year. In September 2014, giant investment firm CIG injected $2.5 million in groceries delivery company Zakaz.ua.

Horizon Capital’s move could mark the start of a more favorable period, believes Dmitry Lisitsky, the CEO of online marketplace All.biz.

“This [deal] is important, [because] Horizon is a big investor – they've been on the Ukrainian market for many years and they understand what’s going on here,” Lisitsky told the Kyiv Post.

“Apparently, this fund has high expectations about the macroeconomic indicators of the country – Rozetka can't be successful if the entire country is in crisis.”

“All Ukrainian e-commerce projects have seen their valuation jump [with this deal],” Lisitsky added.

The deal with Rozetka is the first investment of Horizon Capital in the e-commerce segment, the fund’s press service told Ukraine Digital News.

Horizon Capital is a private equity fund manager that originates and manages investments in mid-cap companies in Ukraine and the region. Currently, Horizon Capital manages three funds, Emerging Europe Growth Fund II (EEGF II), Emerging Europe Growth Fund (EEGF) and Western NIS Enterprise Fund (WNISEF), with over $600 million under management.
New law aims to regulate e-commerce and protect consumer rights

By Jane Kuhuk, Ukraine Digital News, Sept. 12, 2015

Last week the Ukrainian parliament adopted a long-awaited law to regulate electronic transactions in the countries. The law will essentially guarantee equal legal status and guarantees for electronic and traditional transactions.

The new law provides a legal definition to such terms as “electronic transaction,” “electronic message,” and “Internet store,” the latter being described as “a method of selling an item by way of electronic transaction.”

Any electronic transaction must be supported by an electronic confirmation in the form of electronic receipts. Thus electronic deals will be regarded as valid by courts, tax offices and other governmental bodies, and the rights of online buyers will be secured by the law on the protection of consumers’ rights.

Each electronic transaction must include the usage of a “one-time identifier,” which is a digital code sent to the buyer via email or phone. This code may be used to verify the transaction.

Industry representatives and lawmakers had discussed law projects for several years. The current law, which passed its first reading in June 2014, was authored by Olha Belkova, a member of Petro Poroshenko’s Bloc and the former managing partner of the East Labs business accelerator.

The law will enter into force after being signed by President Petro Poroshenko.

According to the Ukrainian Association of Direct Marketing (UADM), Ukraine’s online retail market reached some $2 billion in 2013, up 25% from the previous year, which corresponded to approximately 2% of the total retail market. Market growth stopped in 2014 as the country entered a serious political and economic crisis, with market volume falling by some 20% in dollar terms due to the hryvnia’s fall.

Some positive trends are being witnessed in 2015, such as the development of mobile versions and mobile payment methods, improvement in marketing, usability and logistics, and the growth of several sites and marketplaces.

The UADM experts expect strong growth to resume when peace is restored. “Ukraine is likely to follow the path of such countries as Poland, Latvia or Russia, where e-commerce has witnessed dramatic growth over the past years,” the association wrote in a recent report.

Sources: AIN.UA, Kyiv Post, Solydamist.
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