

# Kazakhstan retail e-commerce market analysis

Expert survey results  
December 2020

*Review performed during a 9 month period: January - September 2019 vs January - September 2020*





# Important note

PwC Kazakhstan together with the Digital Kazakhstan Association (DKA) presents the results of the survey “The Kazakhstani retail e-commerce market analysis\*” for the period of 9 months, covering January - September 2019 and January - September 2020, respectively. The leading representatives of the e-commerce market in Kazakhstan took part in the survey: Mechta.kz, Sulpak, Kaspi.kz, AliExpress Russia, Kazpost and others, who wished to remain confidential.

The survey results reflect:

- The size of the retail e-commerce market in Kazakhstan (9M2019 and 9M2020)
- Growth of the retail e-commerce in Kazakhstan (9M2019 vs. 9M2020)
- Average spend and changes in the average spend in retail e-commerce (9M2019 and 9M2020)

\*The definition of retail e-commerce includes business activities associated only with the online sale of goods to individuals with delivery or pick-up from stores and pickup points. The following categories are excluded from the calculations: sale of railway and air tickets, food delivery, ad sites, coupon services, utilities and other payments, as well as other categories not related to the sale of goods to individuals.





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Partner,  
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# Introduction

Today we live in a rapidly changing world: what we have become accustomed to for generations is changing due to new realities. A pandemic is not just a temporary test. This is an opportunity for all of us to reconsider the business model (from offline we went online, from office work we moved to work from home) and our established culture of consumption.

Nowadays, people prefer to do everything online, as it is safer and more convenient to choose products from your mobile rather than having to go to a store. This behavior has greatly influenced the growth of e-commerce globally and in Kazakhstan in particular.

Lockdowns and social distancing have given an incredible boost to e-commerce growth. This is no longer a secondary and optional sales channel, it became a key channel for the success and development of the business. And those countries where the level of digitalization is high will outperform the others.

As part of our survey it was important to provide a complete picture of the size of the retail e-commerce market in Kazakhstan and its growth (2019 versus 2020). In addition, we also wanted to share the results of the analysis on changes in consumer behavior driven by the COVID-19 pandemic.

All data received from market players is presented in an aggregated, depersonalized form, without disclosing the name of the respondent and comparing participants. Comments received during interviews were pre-agreed with participants prior to publication of the survey.

We sincerely thank all participants of the survey. We would like to point out that although we did not obtain permission from all of the responding companies to disclose their names, our survey included data that in our view represents 75% of the retail e-commerce market in Kazakhstan.





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# Survey methodology (1/2)

## *Objectives of the survey*

Representatives of retail e-commerce in Kazakhstan participated in the survey. Some participants of the survey provided us with detailed comments that were included in the survey report.

In order to obtain the most complete and balanced picture, the largest market players from the retail sector were involved. Our respondents include: Mechta.kz, Sulpak, Kaspi.kz, AliExpress Russia, Kazpost and other respondents who wished to remain confidential.

The survey analyzed data for 9 months of 2019 and 2020. The experts were invited to answer questions regarding total revenues and online sales.

In addition, the respondents were asked to share their views on the development of the retail e-commerce market in 2021 and on changes in consumer behavior.

The retail e-commerce market has gained particular importance in the light of the COVID-19 pandemic.

The introduction of quarantine measures, such as the ban on free movement during the lockdown, social distancing, restrictions on shopping, and the closure of shopping and entertainment centers on weekends, forced the population to look for alternative ways to buy essential goods.

The number of external parcels in 9M2020 decreased by 37% (orders from outside to Kazakhstan), according to Kazpost, while the number of internal parcels increased by 37% (orders within the country) compared to the same period last year.

This change, driven by the need to tackle the pandemic, could have a significant impact on habits, and then on consumer culture.

We hope this retail e-commerce analysis will be useful to all readers and interested parties.

The survey was conducted at the end of November 2020.







# Survey methodology (2/2)

## Approach to the analysis of survey results

The market size is calculated based on data provided by major e-commerce players and DKA (Digital Kazakhstan Association).

The definition of e-commerce includes business activities associated only with the online sale of goods to individuals with delivery or pick-up from stores and pick-up points. The following categories are excluded from the calculations: sale of railway and air tickets, food delivery, ad sites, coupon services, utilities and other payments, as well as other consumer spending categories not related to the sale of goods to individuals.

DKA provided estimated data in terms of sales of the largest e-commerce retail players.

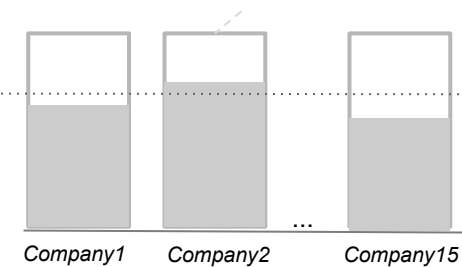
Several major players in the e-commerce retail sector: Mechta.kz, Sulpak, Kaspi.kz, AliExpress Russia, Kazpost and other respondents who wished to remain confidential provided real data on revenue and the number of transactions that were used by our team to cross-check the data.

Then the ratios of real company income vs the respective estimated data from DKA were determined.

The average ratio was then used to extrapolate the data for each of the retail e-commerce players.



Real sales provided by companies



Calculation of the average ratio to determine the proportion between the actual data vs the estimate data

Extrapolation for the remaining participants in the retail e-commerce sector

Market size determination



Estimated sales volumes of market players

## Key findings

Retail e-commerce market 9M2020/9M2019

**93%**

*increase in sales in KZT*

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Retail e-commerce market during lockdown 2Q2020/1Q2020

**4%**

*decrease in the average spend in USD*

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Retail e-commerce market during lockdown 2Q2020/2Q2019

**16%**

*increase in the number of online purchases (transactions)*

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Post-lockdown retail e-commerce market 3Q2020/2Q2020

**65%**

*increase in the amount of sales in KZT*

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# 01

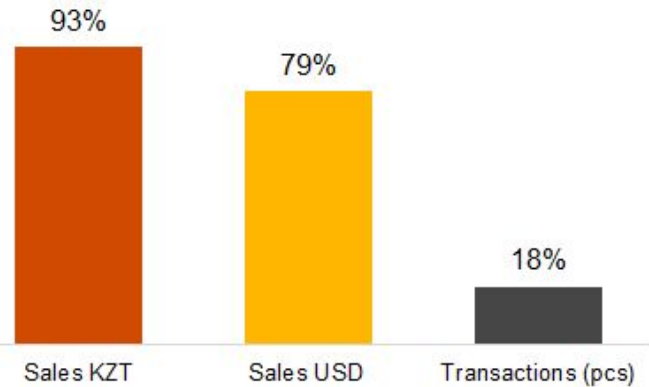
## Retail e-commerce market 9M2020/9M2019



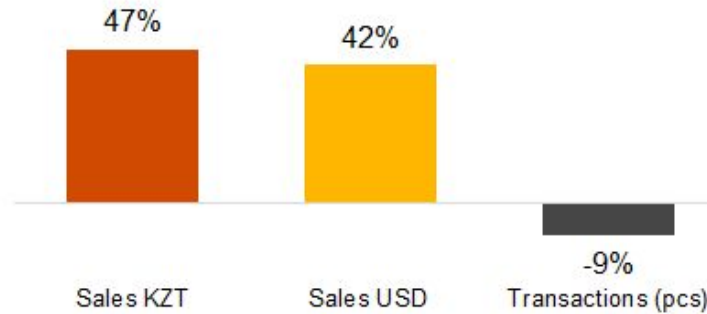


**Retail e-commerce market 9M2020/9M2019**

*Change in the e-commerce market for the period 9M2020/9M2019*



*Change in the e-commerce market for the period 1Q2020/1Q2019*



Source: Analysis of the e-commerce market in the Republic of Kazakhstan

The volume of the retail e-commerce market in the first 9 months of 2020 grew up by 93% compared to the same period in 2019, from KZT198 bln to KZT 382 bln. We also observe an increase in the number of transactions (online orders) and the average spend in KZT by 18% and 63%, respectively.

Moreover, the market volume in USD also increased, but slightly less than in KZT: by 79% in the amount of sales and by 52% in the average spend.

It is undeniable that the 2020 retail e-commerce market was impacted by the pandemic and quarantine. Quarantine was announced only towards the end of 1Q2020, and therefore it can be assumed that changes in 1Q2020 compared to 1Q2019 would reflect the usual trend of changes in market volumes.

In 1Q2020 compared to 1Q2019, sales increased by 47% in KZT and by 42% in USD, but nevertheless the number of transactions decreased by 9%, which means a significant increase in the average spend (62% in KZT and 57% in USD).



**AliExpress Russia is developing the market within Russia and the CIS. This is a priority for the company. However, cross-border trade remains an important business segment. We have grown a lot in Russia in terms of the local market. In six months, the number of Russian sellers has almost doubled, to 22 thousand. In Kazakhstan, AliExpress Russia does not yet have a physical presence. This market is quite interesting despite its small population. Kazakhstan is the 3rd market for us. Now the main issue is the optimization of routes from China to Kazakhstan, the use of the capacities of Kazpost, the development of infrastructure and logistics. A breakthrough in this matter would be the possibility of using the bonded warehouse model for the market of Kazakhstan and other EAEU countries.**

**AliExpress Russia**

In the first quarter of 2020, the world was faced with the spread of a new virus and the start of the COVID-19 pandemic. Due to the restrictive measures taken to combat the spread of infection, many countries around the world are faced with a sharp decline in GDP and economies.

### Structural shifts due to COVID-19 pandemic in retail E-commerce sector

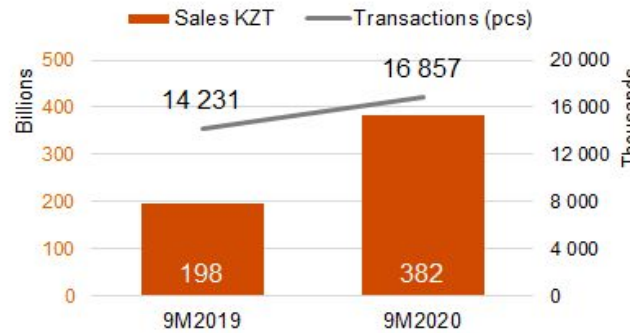
According to the Organization for Economic Cooperation and Development (OECD), the COVID-19 crisis is accelerating the spread of e-commerce towards new businesses, customers and product types. A long-term shift in e-commerce transactions from luxury goods and services to basic necessities is expected.

Some sources link the digital transformation of Chinese retail to the outbreak of severe acute respiratory syndrome (SARS) in 2002-2003. An example of this transformation is JD.com, now one of the largest online retailers in the world, which, due to COVID-19, shifted to the e-commerce sector, as did Taobao, which launched in 2003.

**382**  
bn tenge

was the size of the retail e-commerce market in Kazakhstan for 9M2020

### Sales and number of transactions for 9M2019 and 9M2020



Source: Analysis of the e-commerce market in the Republic of Kazakhstan

almost  
**2**  
times

e-commerce market increased in 9M2020 compared to the same period in 2019

According to market players, in the difficult period of the pandemic, everyone got a lot of experience, both buyers and sellers.

E-commerce will develop rapidly in 2021, as a result of both the entrance of new players and an expansion of the existing large players.



*The e-commerce market in 2020 began to develop much faster due to a number of restrictions. In this regard, online platform (websites and mobile application) have become the only source of communication between buyer and seller. During this period, many companies began to pay great attention to e-commerce. If the development plan was scheduled for a year, then in 2020 it was completed in one or two months.*

**Mechta.kz**



# 02

## Retail e-commerce market during the lockdown 2Q2020/1Q2020



### Retail e-commerce market during the lockdown 2Q2020/1Q2020

# 34%

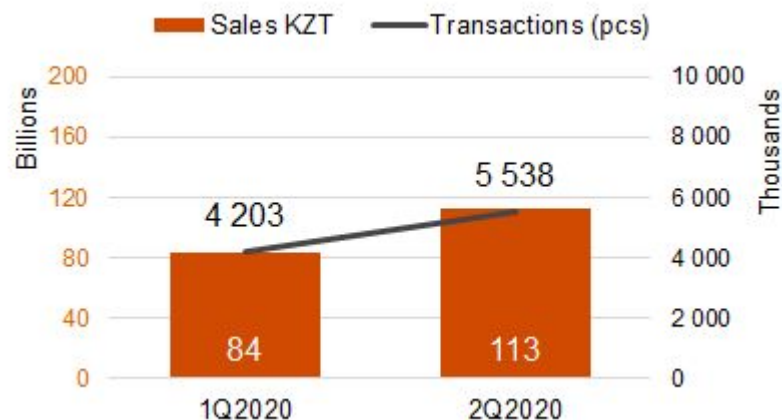
increase in sales in KZT in 2Q2020 compared to 1Q2020

# 4%

decrease in the average spend in USD in 2Q2020 compared to 1Q2020

Change in the e-commerce market for the period 2Q2020/1Q2020

Sales and number of transactions for the period 1Q2020 and 2Q2020



Source: Analysis of the e-commerce market in the Republic of Kazakhstan



*The pandemic has accelerated the process of changing customer behavior and the penetration of online shopping into new segments:*

- *the share of buyers over 50 years old increased significantly*
- *people began to buy online: food, household goods and other things they used to buy in supermarkets*
- *we also see an increase in purchases from the remote regions of the country.*

Kaspi.kz





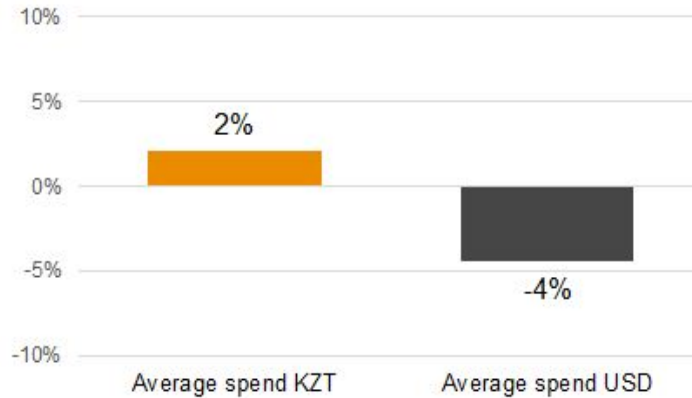
### Retail e-commerce market size by sales channel 2Q2020 vs 1Q2020

The volume of the retail e-commerce market and the number of transactions in 2Q2020 compared to 1Q2020 grew almost the same by 34% and 32%, respectively.

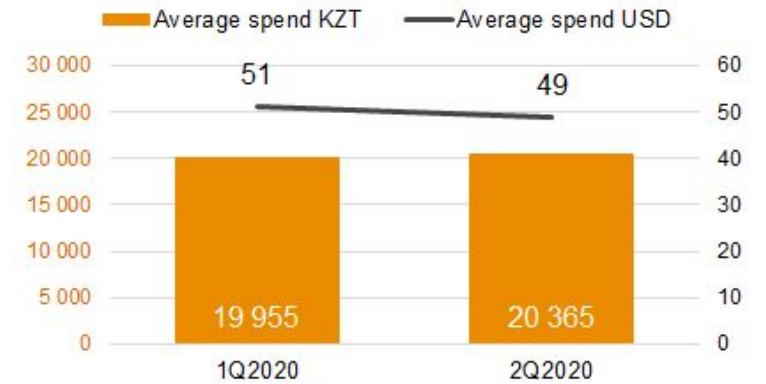
It can be assumed that the number of consumers in this sector increased during the quarantine. However, the average amount of purchases did not change, and in US dollars it decreased altogether (from \$51 to \$49). The reason for this may be that more consumers have switched to online shopping from offline. This could be explained by jobs loss, decrease in purchasing power, changes in preferences (in the price segment, in the order of necessity) and other reasons contributed to a slight increase in the average spend in KZT and a decrease in the average spend in USD.

The state of emergency due to the coronavirus in Kazakhstan remained from 16 March 2020 to 11 May 2020.

Change in average spend in KZT and USD for the period 2Q2020/1Q2020



Average spend in KZT and USD for the period 1Q2020 and 2Q2020



Source: Analysis of the e-commerce market in the Republic of Kazakhstan

# 03

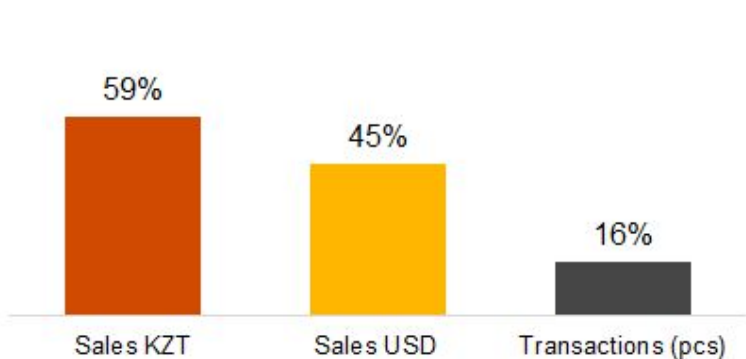
## Retail e-commerce market during the lockdown 2Q2020/2Q2019



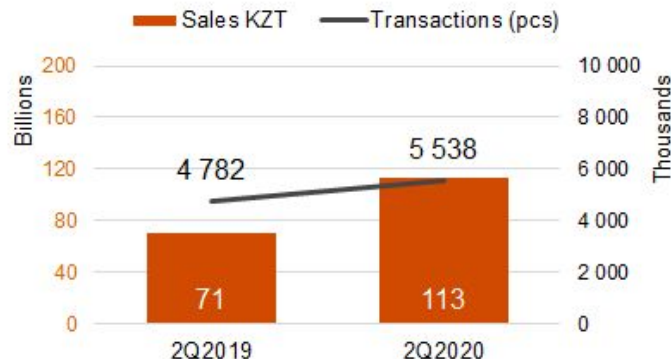


### Retail e-commerce market during the lockdown 2Q2020/2Q2019

Change in the e-commerce market for the period 2Q2020/2Q2019



Sales and number of transactions for the period 2Q2019 and 2Q2020



Source: Analysis of the e-commerce market in the Republic of Kazakhstan



***In 2021, the growth rate of online shopping will be lower than in 2020, since some consumers will prefer to shop in traditional stores that have reopened. Still, in 2021, the growth rate of online trade will be significantly higher than that of traditional offline retail.***

**Kaspi.kz**

**59%**

increase in sales in 2Q2020 compared to 2Q2019

**16%**

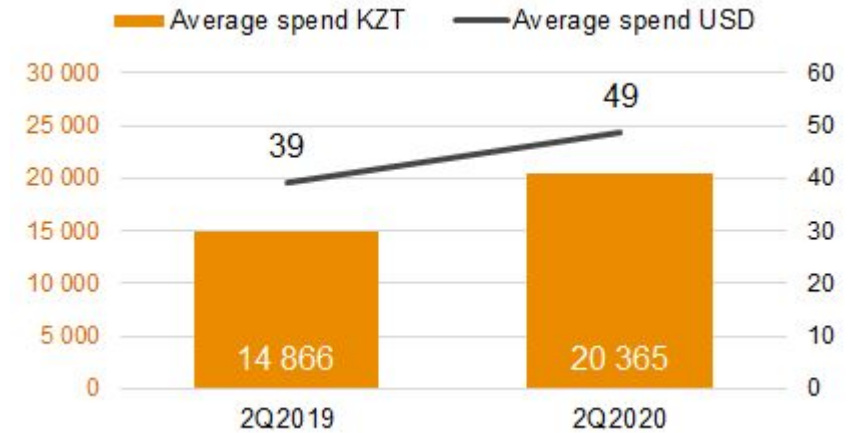
increase in the number of transactions in 2Q2020 compared to 2Q2019

**Retail e-commerce market during the lockdown 2Q2020/2Q2019**

*Change in average spend in KZT and USD for the period 2Q2020/2Q2019*



*Average spend in KZT and USD for the period 2Q2019 and 2Q2020*



Source: Analysis of the e-commerce market in the Republic of Kazakhstan

In 2Q2019, total sales in the e-commerce market in Kazakhstan amounted to KZT 113 bn, compared to the same period in 2020, sales increased by 59%. The lockdown introduced in Kazakhstan in the spring of 2020 had a significant impact on the growth. This period had an unprecedented effect on the entire retail industry. Small and medium-sized businesses that have not previously considered moving into the e-commerce sector have come under pressure from the COVID-19 pandemic and have lost access to customers. Many key players in the e-commerce sector have strengthened their positions in the market due to a streamlined online system and an increase in transactions by 16%. The increase in the average spend in KZT is 37%, while in USD there is an increase of 25%.

The respondents note that the pandemic did not so much bring something new to the e-commerce market, but simply strengthened the trends that were outlined in 2019 and accelerated their growth. Also, the respondents observe the development of new categories, such as everyday goods and food.



*During the pandemic, we saw that people became more responsible when shopping. They stopped ordering accessories - strings, headphones. We noted an increase in the weight of the parcels. This indicates that consumers have begun to order what they really need. Nevertheless, in the post-Soviet states, the price remains the determining factor.*

**AliExpress Russia**



# 04

## Post-lockdown retail e-commerce market (3Q2020/ 2Q2020)



**Post-lockdown retail e-commerce market (3Q2020/2Q2020)**

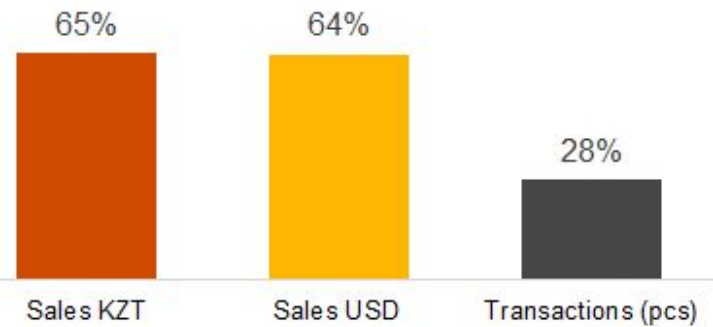
**65%**

increase in sales in KZT and USD in 3Q2020 during the post-lockdown period

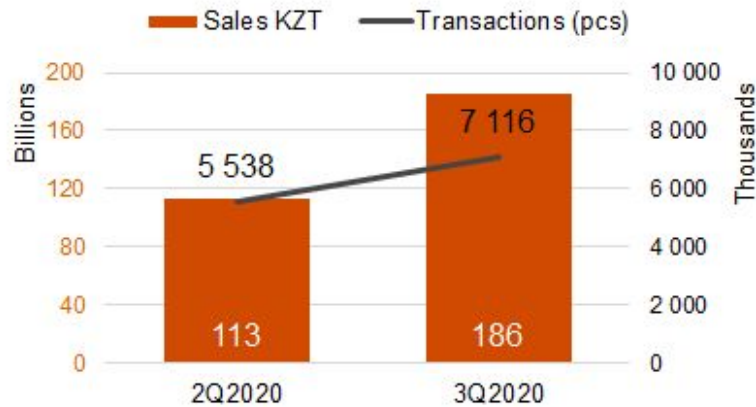
**186** bln KZT

was the e-commerce market in 3Q2020

**Change in the e-commerce market for the period 3Q2020/2Q2020**



**Sales volume and number of transactions in 2Q2020 and 3Q2020**



Source: Analysis of the e-commerce market in the Republic of Kazakhstan



*Shopping became reactive immediately after the quarantine and lockdown. Of course, some of the buyers switched to online, but we still see the main sales in offline. People are used to going to offline stores, so to speak to "see and touch" the goods. There were questions about online purchases – like delivery, trust in banks. But accepting the new realities of the life, the buyer adapted and tuned to a new wave. We cannot say how long the pandemic will last and whether a new quarantine will be introduced, but we know that we are now ready for similar situations.*

**Sulpak**



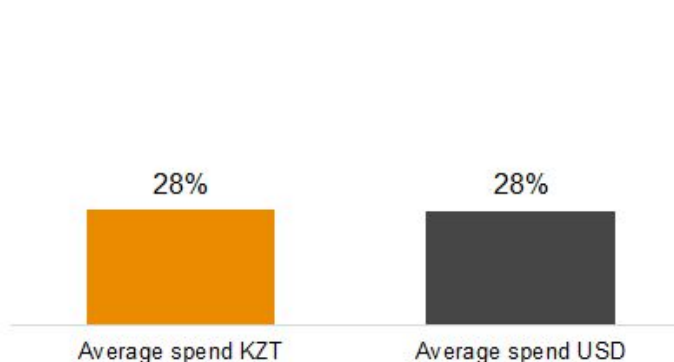


**The 2020 trend will continue. In 2021, without such sharp leaps, the planned growth will be up to 15%. Our market needs to work on the customer service, especially in the area of delivery, then online purchases can prevail. The banking system meets the basic expectations of customers, confidence is growing, almost all banks offer full-fledged online lending.**

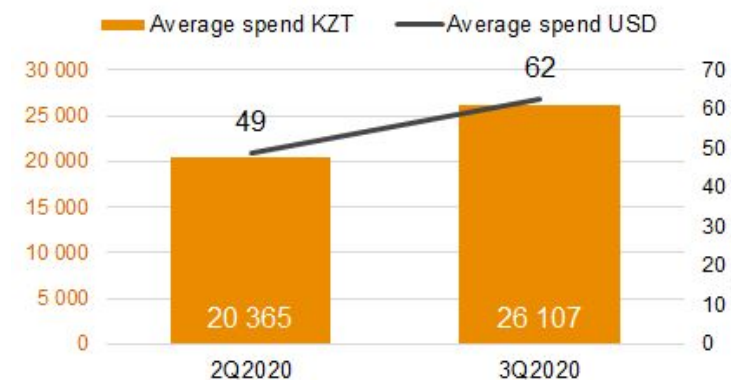
**Sulpak**

### Post-lockdown retail e-commerce market (3Q2020/2Q2020)

Change in average spend in KZT and USD for the period 3Q2020/2Q2020



Average spend in KZT and USD for 2Q2020 and 3Q2020



Source: Analysis of the e-commerce market in the Republic of Kazakhstan

The volume of the retail e-commerce market in 3Q2020 increased by 65% to KZT 186 bn, the number of transactions increased by 28% compared to 2Q2020.

In 3Q2020, the state of emergency in Kazakhstan was already lifted\* and despite the fact that consumers could return to the “usual” channel of shopping in offline stores, the number of transactions and the average spend, both in KZT and the USD equivalent, continued to grow. The number of transactions increased from KZT 5.5 bln in 2Q2020 to 7.1 billion transactions in 3Q2020, the average spend in local currency increased to KZT 26 thousand or in foreign currency to USD 62.

Such a trend of transition to online retail is associated, on the one hand, with the needs of consumers: fear of being in crowded places, the need for social distancing and other quarantine measures. On the other hand, the quickly reacting e-commerce market expanded the range of services and goods, improved the quality of service, made it possible to provide various payment and delivery options, which helped it retain consumers even after the lockdown was lifted.

According to the players of the e-commerce market in Kazakhstan, the level of e-commerce penetration is still quite low, therefore the growth potential is high. The pandemic and city closure have increased the penetration of e-commerce among the elderly, and there has also been an increase in online consumption from outlying cities.

\*The state of emergency in Kazakhstan was suspended on 11 May 2020.

*Currently, the EAEU is discussing a reduction in the threshold for duty-free import of goods purchased in foreign online stores, which is now 200 euros per parcel. Kazakhstan is opposed to it, whereas Belarus and Russia insist that duty-free thresholds be gradually reduced to zero. Lowering the thresholds for duty-free import will lead to a steep fall in the number of orders, which may lead to a lack of imported goods and a monopoly of domestic retailers.*

### **AliExpress Russia**

*The online trading market will continue to grow rapidly in 2021. In Kazakhstan, the level of penetration of e-commerce is still quite low.*

### **Kaspi.kz**

*We are not planning to reduce offline points of sale, on the contrary - we want to increase stores and the number of pick-up points, and to design new offline stores in such a way so that customers who place an order through the site can quickly pick it up.*

### **Mechta.kz**

*No closure of offline points is planned. On the contrary, we will open new stores, and work is underway to rebrand some of them. In 2021, we are planning to open 12 new stores with a total area of 20 thousand sq. m.*

### **Sulpak**



# Thank you!

We would like to express gratitude to each participant in our survey for their time, opinion and invaluable help in shaping the results.

We hope that the result of our joint efforts will contribute to a deeper understanding of the current processes in the development of e-commerce and in changing consumer behavior taking place in Kazakhstan.



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# Notes:

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