Developing the Exports of Russian Goods and Services through Online Stores

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Abstract: The development of international trade is followed by deepening of the intercompany market competition and implementation of new competition formats. The e-commerce channels that have been used over the recent 20 years and involve processing and sending commercial data and contracts to the partners via PCs and telecommunication channels, mainly the Internet, have made this competition particularly specific. At the same time, in recent years, the expansion of sales of goods and services through online stores to individuals in other countries has been one of the types of commercial activity on global markets. Such commercial operations are called cross-border trade or “retail exports”. The sales nomenclature includes software and material goods. The development of the Internet serves as a technical basis for making global contacts between individuals and businesses, and is a new direction of globalization. A high correlation between the number of Internet users and the growth of online stores has been already proved. A close relationship between the development of the Internet and the growth of Russian exports of goods by e-commerce channels has been calculated. A clear growth trend in the e-commerce for cross-border supply in general in all countries has been identified.

Index Terms: Internet, cross-border supply of goods, online stores, websites, retail exports, growth of export of software and material goods through online stores.

I. INTRODUCTION

In the 1990s, under the influence of scientific and technological progress in digital data transmissions, a new business line emerged in the global economy, i.e. sales of goods through telecommunications networks. Certain business structures appeared. They began to develop techniques and organizational and economic principles for implementing such commercial transactions both inside countries and internationally. The volume of this trade started growing rapidly. According to the eMarketer consulting firm, in 2021 the volume of retail sales through e-commerce channels in all countries will amount to USD 4.1 trillion against USD 1.5 trillion in 2015 [1]. Similar forecasts aroused the interest of businesses to a new channel of the foreign economic expansion. While initially many companies treated this type of trade pretty condescendingly, nowadays an increasing number of them are joining these potentially profitable commercial transactions. The study of opportunities for generating income through the participation of Russia in the international e-commerce emphasizes the relevance of studying this theme.

II. THEME COVERAGE

In practice, in the global economy, the e-commerce applied the principles used to some extent in the 1930s, i.e. telesales (mail order). The opportunities of using e-commerce (initially in the domestic market) became the subject of economists’ studies from the end of the 20th century, as soon as the technical feasibility of organizing sales of goods and services to individuals through telecommunication channels had been proved. Among the most fundamental publications it is necessary to single out the study of such American economists as K.C. Laudon and C.G. Traver [2]. They emphasize three driving forces behind the expanding area of e-commerce: changing information processing technologies, developing business activity, and ability to solve many socio-economic problems.

The conceptual structure of the e-commerce mechanism is considered in the practical examples related to the practice of many modern companies, such as Uber, Airbnb, Instacart, etc. Specific difficulties in using common business patterns are identified. Their analysis and decision-making serve as an excellent fundamental approach to studying real modern business scenarios.

The monograph by A. Harris [3] is devoted to increasing ROI in the development of e-commerce. The work gives a detailed description of how to make a business website more successful, how to increase the income that can be earned by using a website or online store. It specifies efficient steps to increase the retention and to create a list of loyal customers. The book contains about 300 business cases aimed at making serve as an excellent fundamental approach to studying real modern business scenarios.

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Therefore, the author focused his attention on the need to improve the commercial knowledge of American businessmen, and considerable attention was paid to the analysis of e-commerce terminology and a new direction of entrepreneurship — e-commerce franchising agreements.

At the end of the 20th century and the beginning of the 21st century in the periodicals and in the book market, a large number of monographs on e-commerce appeared. They aimed at explaining the possibilities of using its instruments. At the same time, the term “e-commerce” meant commercial transactions carried out via the Internet both for production purposes and for individuals. Taking into account the rapid growth of e-commerce, the emphasis was on marketing and advertising, i.e. on the methods of expanding sales to end customers, and articles started giving much attention to the prospects for sales growth through e-commerce channels [6 – 9].

In Russia, the economists’ interest in e-commerce was generally developed in the early 2000s, when two laws were developed in the country: “On Electronic Digital Signature” and “On E-commerce”. However, the first law was adopted, while the second one was postponed for the further revision. As a result, the improved Federal Law “On Electronic Digital Signature” (No. 63-FZ) was adopted in 2011. Since the practice requested clarification of many provisions, several publishers offered readers a number of monographs on this subject, for example, the book E-commerce [10] issued by a team of authors who were teachers at the Moscow State University of Commerce. It gave recommendations of many international organizations on how to use e-commerce instruments. The authors focused their attention on analyzing the technical base of such commerce, peculiarities of introducing it in Russia, efficiency of applying it for the business development, and the specifics of applying regulatory documents governing e-commerce in the country. However, no attention was paid to the international aspects of e-commerce companies. Later on, the Russian authors studied the organization of logistics, advertising and marketing quite deeply [11 – 17]. In 2015 – 2017, some monographs were published. They aimed at an in-depth analysis of technical aspects of e-commerce taking into account the scientific and technical achievements in this area over the recent 10 – 15 years [18, 19]. These books made a rather detailed study of the principles and instruments of e-commerce in Russia. However, there was not even a hint on analyzing the Russia’s participation in international e-commerce.

At the same time, as the activities of foreign online stores developed, import and then export operations of Russian businesses via the Internet started developing, too. It turned out that the access to foreign markets and efforts on expanding sales of Russian online stores were associated with overcoming certain economic and organizational, rather than technical difficulties. The conquest of foreign markets on the Internet is not fast. The companies that have started a commercial exploration of the Internet face language and cultural barriers that may condemn their efforts to failure. Therefore, the tasks of further research were also revealed: to determine the e-commerce market growth trends and to define the possibilities of export development.

International sales for an online store appeared to be a good way to expand the audience of their customers and earn profit. It is quite realistic if the Russian company offers 1) top quality or exclusive goods. International sales will be particularly beneficial if the exporting company produces the goods itself. It is ready to be responsible for the quality and can offer customers something original, or at least it is possible to sell goods bought up from a local manufacturer and even from a foreign partner (in particular from China). 2) The price of the offered goods is lower than foreign analogues of the same quality. The sales will be better if the seller sets a price that is lower than the competitors’ one. This is important, because a foreign buyer will have to spend money for the delivery from Russia. Besides, the order delivery time will always be longer than when buying in the same country. Most likely, due to the ruble exchange rate, the cost price of the goods offered will still be lower than that of the western sellers. That is why the Russian exporter can easily set lower prices.

III. METHODS

The organization of exports through online stores like any kind of new business must be carefully studied. Among the possible research methods, it is necessary to note, first of all, analytical and statistical analysis. The analytical analysis aims at studying the problems of entering the market in cases where it is not reflected by the existing official statistics or estimates of consulting firms. Statistical data can be processed on the basis of well-known methods of correlations and regressions.

The analytical method is quite acceptable, e.g., when assessing possible exports through e-commerce channels. The most important economic difficulty is the assessment of various restrictions on the nomenclature of exports and imports in different countries.

There may be certain restrictions to exports of some goods. Before starting international sales, it is necessary to learn about all restrictions related to the range of goods supposed to be exported. For example, for the retail trade of clothing, footwear or accessories there are no special restrictions. However, if drugs, electronics, food, or other goods that may be limited by foreign customs are planned for sale, it is necessary to study the statutory restrictions applied for the imports of certain goods in the relevant country. In this regard, eBay delivery documents can help. This is a global marketplace. That is why its list of prohibited goods and a specific list of customs that are often referred to as the “International Trade Rules” in the cross-border e-commerce will help to determine whether it is worth selling the exporter’s products abroad. Usually, if the trade is carried out at retail and the product is not included in the list of the prohibited ones, no problems arise. Foreign taxes and fees are not applied in relation to the Russian seller if it does not go about the exports of large quantities. In commercial transactions between firms, depending on using the basic terms and conditions of the delivery in the B2B format, it is sometimes necessary to pay customs duties and include them in the delivery cost [20].
Goods are sold through online stores to individuals in another country. In the economic literature, this trade format is called “cross-border trade” or “retail” exports.

Retail Exports Model
In the Internet domestic trade, the model of selling goods to individuals in their own country had long been known. Over the recent years, the sale of goods through online stores to other countries has been intensively developed. Both Russian-made goods and goods manufactured in other countries can be sold through online stores. However, the organized sale of products to other countries involves some steps which are referred to traditional offline trade, i.e. it is important to estimate the current import needs of the market and calculate the prospects for sales in order to determine the necessary investments. To do this, it is necessary to carry out a regular marketing research. There is no official export statistics on the activities of online stores. That is why structural shifts in sales and market prospects can be estimated only based on analytical estimates and calculations.

The exports of goods through online stores are increasing rapidly. In terms of growth rates, it overtakes the relevant offline foreign trade. International e-commerce has no borders. A few years ago, the international trade was exclusively wholesale, but today global changes are taking place. In different countries, the share of retail trade is constantly growing. Some calculations suggest that at the beginning of the next decade, the share of retail, i.e. cross-border e-commerce will amount to 25 % of the whole world trade [21]. In addition to China, which is the undisputed leader in this area, Spain, Brazil and Mexico are also active exporters. The experts of the American company Cisco (the leading manufacturer of the Internet data transmission equipment) published a predictive study “Global E-commerce Gold Rush: How Retailers Can Find Riches Overseas”. The growth rate of e-commerce in these countries is expected to be considerably ahead the US economic growth over the next four years [22].

In the USA, the e-commerce lost the high development rates that had been observed in the late 20th and early 21st centuries, when sales of many goods in this sector had grown by 30 % per year or more, simply because more and more consumers got high-speed Internet and discovered the convenience of making online purchases. However, the use of the Internet in other countries is growing rapidly. That is why in the future it is possible to expect high e-commerce development rates, including those for exports. In addition, a new federal support for small businesses that intend to start exporting had been adopted in the USA.

Officially, government entities do not register any cross-border trade volumes. It is not possible to find real data on exports or imports within such trade, because they are not taken separately by the customs, and the forwarded parcels are not always determined as foreign trade deliveries. This is the business of certain consulting firms. According to their data, the global sales volume of cross-border e-commerce is currently about USD 1 – 1.5 trillion, and they continue to grow by about 20 % annually. Most of the global e-commerce market is formed by North America (33.5 %) and the Asia-Pacific region (30.5 %). The top five countries in terms of Internet sales are the USA, China, the UK, Japan and Germany. In 2015 the volume of export sales of “retail” e-commerce amounted to (USD billion): 672 for China, 341 for the USA, 99 for the Great Britain, 90 for Japan, 62 for Germany, 43 for France, 39 for the Republic of South Korea, 27 for Canada, and 19 for Brazil and Australia [23]. One of the most important factors in the development of e-commerce through online stores is the development of the Internet access. The population of the world that has access to the Internet and the dynamics of sales of online stores (USD billion) are shown below (Fig. 1).

![Online stores global sales, billion USD](image)

*the above abscissa shows the number of Internet users, while the ordinate represents the sales through online stores.

**Compiled by using [24 – 26].

**Fig. 1. Global Sales Through Online Stores Against the Internet Access Coverage in the World Economy**

At the same time, any insufficient data processing technology hinders using the Internet intensively for commercial transactions. One study showed that in such countries as Germany, Canada, Brazil and South Africa more than 90 % of the companies have their own websites, but only 20 % of small and medium-sized companies use them to sell goods because of payment acceptance difficulties [26].

Available methods of processing statistical information to determine market trends. Taking into account the lack of data, the published analysis and forecasts for the development of retail exports can be quite reliable provided there is some proper confirmation or irrefutability of the analytical methods used. For example, one of the OECD studies gives a reasonable statement that the development of international “retail” is directly related to the increasing level of the Internet use (i.e. the number of Internet users in the world) to establish contacts and issue orders to online stores. This is confirmed by the following: for the period from 2010 to 2017 the global Internet access coverage had increased from 26 up to 48 %, and in 2018, according to the authors’ estimates, it reached 51%. In the past two years, the global number of online shoppers has increased from 600 up to 850 million, or by 40 %. At the same time, there has been a considerable increase in the cross-border sales of online stores (see Fig. 2).
Moreover, it was revealed that the share of exports had increased from 4.2% in 2010 up to 7.2% in 2015 and up to 8.3% in 2018. According to the experts from Accenture and AliResearch companies, in 2014 – 2016 this volume had increased from USD 236 up to 401 million, and by 2020 it will have reached about USD 1 billion.

The Accenture forecasts are used for 2019 and 2020. The data are compiled by using [26, 30 – 32].

Fig. 2. Dynamics of Global Cross-Border Sales through Online Stores by Major Regions (USD Million)

- The top line refers to the exports of digital goods and services, and the bottom line — to material goods
- **Compiled by using [27].

Fig. 3. Global Growth of Cross-Border Sales, USD billion

*The above A – B line shows the share of cross-border online shoppers and the C line represents the share of cross-border transactions in the total sales of online stores.
- **Compiled by using [28 – 29].

IV. RESULTS

In order to define the linear correlation, it was decided to process the obtained statistical data by using Excel tools. Fig. 1 shows a clear trend of dependence of global sales on the Internet access coverage. It also shows the regression equation and the coefficient of determination, which is calculated to assess the quality of the selection of the regression equation. For acceptable models it is assumed that the determination coefficient must be at least 50%. The models that have the determination coefficient of above 80% are considered to be quite good. In this case, the determination coefficient is 97.99%. The R value does not say anything about cause-effect relationships. These issues can only be solved by a thorough task analysis. In this case, it is desirable not to pay attention to the seeming connections of the phenomena, between which there are no real cause-effect relationships. The classic example is the false correlation given at the beginning of the 20th century by A.A. Chuprov, a well-known Russian statistician: if we take the number of fire brigades in a city as an independent variable, and the sum of fire losses for a year as a dependent variable, there is a direct correlation between them, i.e. the more the fire brigades are, the greater the amount of damages is [33]. In fact, there is only a consequence of the general reason — the city area. The result shown in the Figure, in particular the determination coefficient, is consistent with the set hypothesis: it is natural to assume that if the number of potential buyers increases, even without taking into account the purchasing power, it is logical to assume a possible increase in the sales of online stores, primarily due to essential goods. Figure 3 connects two graphs, i.e. the increase in the share of buyers purchasing goods through online stores and the increase in the share of global cross-border sales in the total sales of online stores. In fact, there is a historical trend that is proper at the initial stages of developing the international commerce of online stores and the growth in the share of cross-border sales in the total sales of such online stores is in accordance with the general theory of the international life cycle of a product (innovation) developed by R.
Vernon, the American economist [34 – 35].

Figure 4 shows the results of the analysis made to determine the growth and structure of the Russian cross-border exports through national and foreign trading platforms. The results of the calculations comply with the real trends in the development of exports, in particular, the outpacing rates of the global growth in exports of services. The exports of software and services for its efficient use are growing at a high rate in the global economy as a whole, and the trend revealed in relation to the Russian sales confirms this trend.

V. DISCUSSION

It is possible to give the following comments to the results:

1. Under the impact of scientific and technical progress, the Internet access is growing in all countries and continents. According to the calculated data, more than half of the world’s population have such potential possibility. This process stimulates the e-commerce, in particular, in the format of sales of goods to individuals (B2C). The population of many countries buys more and more goods abroad through online stores. This contributes to the growth of the universalization of needs, the improvement of the population’s well-being, as well as the solution of many social and cultural problems.

2. The expansion of online stores has created opportunities for the development of cross-border exports, i.e. the supply of goods for individuals from other countries. This trend gives a reason to talk about the emergence and rapid development of a new direction of globalization, which actually contributes to the convergence of tastes and needs of the peoples from many countries. The volume of cross-border sales in value is now approaching 20%.

3. The development of the Internet in many countries and providing the population with the most favorable access to the network have a positive effect on many aspects of social and economic life. In particular, one of the ways to change a lifestyle is to facilitate access to the Internet for private purchases and trade opportunities for businesses. A high positive correlation relationship between the growth of sales of goods through online stores and the Internet access coverage has been revealed. The coefficient of determination on the correlation of digital series was more than 0.9.

4. Over the recent years, Russian companies have begun to actively develop the exports of goods and services by using electronic platforms (online stores), both their own and partners’ ones. There are no accurate statistics data on this activity. Many nonmaterial goods are sometimes sent across the border bypassing the customs. Therefore, it is possible to rely only on the estimates published by various consulting firms and evaluations of government agencies. One of the latest and quite detailed studies was carried out jointly by eBay and DataInsight, a Russian consulting firm. According to these data, in 2016 the volume of exports of material goods from Russia amounted to USD 490 million [36] against USD 430 million in the previous year, i.e. increasing by 14 % [37]. This includes USD 211 million from online stores registered in Russia and USD 279 million from foreign online stores. The most popular goods for export are clothing, shoes and accessories (40 %), household goods and interior (27 %), electronics (9 %), books and games (8 %), collectible items (7 %), auto parts (3 %) and cosmetics (2 %). Two thirds (68 %) of all goods exported through Internet channels from Russia are supplied to Europe (Germany, France) and other countries, including the United States. The CIS countries account for 32 % of the parcels. Moscow and the Central Federal Region (46 %) are the leading sales regions, followed by the North-West (18 %) and Volga (8 %) Regions. According to the Head of eBay Representative Office in Russia, potentially Russian exports could grow 20 – 30 times. This requires the efforts of all industry players. In Europe, 8 % of small and medium businesses are engaged in exports, in Eastern Europe — 2 %, and in Russia — only 0.3 % [38]. Thus, Russia has the opportunity to considerably increase its exports 25 times.

5. In general, it is absolutely clear that the capacity of the foreign markets is considerably higher than the domestic Russian one. This encourages Russian companies to more actively use the Internet possibilities for their exports. However, it is necessary to note that the limiting factors of the Russian exports are poor knowledge of the language of importing countries and local procedures for importing goods. This somehow hinders the expansion of Internet exports and the activity of businesses from other countries. In the survey of online shoppers conducted in 2011, the European Commission found that 88 % preferred to use the websites on their native language, and 44 % said they regretted that they could not use the interesting information contained on a foreign website whose language they did not know [39]. This is mainly related to the export deliveries in the form of parcels.

6. The export of digital goods and services is growing at a fast pace. The value of their sales by Russian companies now stands at about USD 10 billion. However, some substantial reservation should be made. Software is sold to foreign customers both from Russia and through subsidiaries of Russian companies located abroad. Therefore, a certain part of the proceeds (30 – 40 % according to various estimates) remains abroad to finance the development of the distribution network and cover the costs of customer service.

VI. CONCLUSION

No information on the methods of accounting for foreign sales through a commercial presence abroad has been published. Therefore, it is possible to only assume that these methods are fundamentally different. According to the authors, since there is no relevant government statistics, it is advisable to use the data of consulting firms. Firstly, the co-author of the survey, the American company eBay, used the imports data. Secondly, the analysis performed by the American company PayPal a year before showed approximately the same data, i.e. both companies came to approximately equal export figures, taking into account the annual growth. Thirdly, according to the RusSoft Russian Association, in 2016 the export of information technologies from Russia amounted to USD 8.6 billion, including USD 4.8 billion from Russia, and the rest from foreign subsidiaries of Russian firms.
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Summing up, the authors note the problem of accounting for export shipments. However, the lack of accurate information does not prevent government agencies from taking measures to support the national exports of goods sold through online stores, as well as to develop documents aimed at supporting this new direction of Russian exporters’ business.

FOOTNOTES

1. Goods are imported and undergo customs clearance. If it is done by an online store, it must comply with the Russian trade legislation, in particular, related to distance trade, customer rights protection, taxation and national legislation related to customs clearance and technical regulation at the Russian border according to the rules of customs clearance.

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