

November, 2
Moscow

Russians To Spend RUB 600 bn on Internet purchases in 2010

Most of the spend will go to air and railway tickets, and communications services, says Citi-Google joint research.

On November 2, ZAO Citibank and Google Russia have announced the results of a joint study of the Russian Internet market, as well as the demographic portrait of Internet buyers.¹

In 2010, the overall Internet spend made with bankcards will amount to RUB 600 bn in Russia, say Citi analysts. The crisis did not affect the growth of online purchases. Rather, it boosted growth of the market through the increasing number of users and volume of transactions, emergence of new spend categories, growth of the number of online-stores, and development of acquiring services.

The volume of electronic payments and online purchases in Russia will exceed RUB 800 bn by 2012. This will be achieved due to broader access to Internet and wider use of bankcards in Russian regions, as well as higher average welfare level of Russians. The dynamics of growth of Internet spend volumes and number of online transactions are far ahead of those of traditional offline retail purchases. The average online transaction amounts to RUB 2,500.

Moscow and St. Petersburg account for the bulk of Internet purchases as well as Google search queries containing "buy". However, according to analysts' estimate, cities with the population exceeding one million people will demonstrate high growth rates in the coming years.

According to Google Commerce Barometer (<http://consumerbarometer.com/>)², 88% of Internet users choose products and services online, and buy them offline, while 36% do both online. Search engines serve as the major source of information for users.

The most active segment of Russian online buyers is represented by young, single, well-educated men, who are also advanced users of the banking products, as well as middle level managers and entrepreneurs. Men make online purchases on average twice more frequently than women. Frequent Internet buyers earn on average by 30% more than others, they spend by 65% more than offline customers.

Airline tickets account for one third of all purchases made online (34.8%). Railway tickets is a top-3 category of online purchases both by the spend volume and number of transactions. Online music stores demonstrate highest dynamics compared to other spend categories. Google data also show growing interest towards railway tickets, as well as stable demand for air tickets.

Fastest rising Google query containing "buy" is "buy a car", which is almost never followed by an online transaction, demonstrates users' tendency to do research on the Internet before purchasing offline. All in all, interest towards online shopping is growing – since 2009 query "buy" has grown twice, while "buy online" – three times. During the past 12 months, according to Google Commerce Barometer, the most popular product categories online were travel, gadgets, retail, and entertainment.

Telecommunication services are leading the list of most popular categories by the number of transactions. Internet telephone services (Skype) are second by the volume of purchases in communications services. Along with the three largest Russian mobile telecommunication providers, Skype forms the "big four" in this category. During the years 2008-2010 phrase 'How to pay for Skype' is leading in Google top rising searches with the word "pay".

"Our experience in developed markets shows that bankcards are a universal and most favorite tool used by consumers for online purchases, notes Michael Berner, ZAO Citibank's Consumer Lending Head. – With Internet's expansion into regions, wider use of bankcards and e-trade growth, online purchases will be gaining momentum as they substantially save consumers' time and money."

"Over 40 million Russians use the Internet now, and almost all of them search for goods and services online. At the same time e-commerce market is growing rapidly, says Konstantin Kuzmin, Google Russia's marketing director. – It is obvious that very soon the Internet will become not only a cross point for buyers and sellers, but also a major platform for purchasing products and paying for services. To be competitive tomorrow, companies must strengthen their online presence today."

Among the hot trends the analysts point out at significant growth of the online music stores category, emergence of

new spend categories (such as pharmacies), as well as changing geography of online purchases (for instance, they observe rapidly growing payment volumes with Ukraine).

Top 10 of most popular spend categories:

By volume of Internet spend

1. Airlines – 34.8%
2. Railways – 12.9%
3. Tourist Agencies – 7.2%
4. Communications Services – 6.3%
5. e-Commerce / Info Services – 3.3%
6. Clothing Stores – 2.7%
7. Computer Software/ Hardware – 2.4%
8. Financial Services – 2.1%
9. Hotels – 2.1%
10. Home Electronic Appliances – 1.1%

By the number of transactions

1. Communication Services – 28.9%
2. Railways – 14.2%
3. Music Stores – 10.4%
4. e-Commerce / Info Services – 6.4%
5. Airlines – 6.2%
6. Tourist Agencies – 2.7%
7. Audio- and Visual Entertainment – 2.2%
8. Television – 2.2%
9. Computer Software / Hardware – 2.0%
10. Financial Services – 1.6%

¹ The survey to assess purchase volume and dynamics by product categories and user demography was based on the statistics of bank card purchases collected by Citibank. The survey covered the actual generalized data from January 2008 through September of 2010. The selection was representative across the entire Citibank portfolio by residence, education, revenue, age and gender, involving 450,000 customers. The expert estimate of the market size and growth potential was based both on public sources and proprietary data of Citibank and its partners.

² A number of Google services was involved while preparing this survey. Using Google Search statistics, the popularity of different queries can be compared across a variety of periods, countries, regions or categories. Figures on the diagram represent the share of a given query rather than the total search count. Google Zeitgeist, translated from German as "spirit of the age", is a powerful tool to range the fastest growing queries over a period, based on the aggregate query statistics. Consumer Commerce Barometer is a reference tool representing user behavior by countries and product categories. The data is based on polls covering 2, 000 users from the surveyed countries. Unless otherwise specified, the data represent Google queries originating in Russia over the period from January 2008 to September 2010.

ZAO Citibank was one of the first banks with foreign capital that entered Russian market in 1993. Citibank has since grown to become one of the largest banks in the country. Citibank offers its corporate and individual clients a broad range of [products](#) and [services](#). At present, the Bank has over 3,000 employees; its distribution network includes over 350 [ATMs](#), [retail branches](#) across major cities in Russia, Kazakhstan, and Ukraine. For more information on Citibank in Russia, visit www.citibank.ru

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