



# E-Commerce in Russia

Why Russia is one of the hottest spots  
on the global IT map and how entrepreneurs and funds  
can seize opportunities

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E-Commerce in Russia

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# PART 8

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HR:  
THE MOST  
PAINFUL ISSUE?

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## 8.1. FEW SKILLED PEOPLE, HIGH SALARIES

### 8.1.1. HR SHORTAGES AFFECT ALL KEY POSITIONS

The managers of the e-commerce and Internet sites interviewed in this research are unanimous: the industry continues to experience a strong lack of qualified human resources, generating one of the most painful issues they are facing.

"Some understand the Internet market in general terms. But perhaps just a hundred people on the market have a thorough understanding of e-commerce processes. This is extremely few," Svyaznoy.ru Head of e-commerce Oleg Ryazhenov-Siems told us. "Most applicants are people with limited skills who write nice resumes and demand crazy salaries," another executive complained.

All key positions are affected to a certain extent, as shown by the tables on the next page.

While facing the challenges of a fast growing market, companies are sometimes obliged to rely on underqualified people. "Where can an e-commerce company go when the assistant to its marketing director doesn't even know the terms of CPC and CPO?" a Western Internet entrepreneur living in Moscow asks.

In 2011, Moscow headhunters spent six months in vain searching for a marketing director for a major e-commerce site. The position was finally filled by an applicant with just three years of experience in the e-commerce industry – including one as a translator at another major site.

*“ Some understand the Internet market in general terms. But perhaps just a hundred people on the market have a thorough understanding of e-commerce processes. This is extremely few. ”*

Svyaznoy.ru Head of e-commerce Oleg Ryazhenov-Siems

Maximilien Jacquet of Dimeres: "Many of those occupying senior positions in Russian e-commerce would just be considered junior employees in France. Regarding technical directors in the full sense of the term – which includes a business and marketing vision – I have never met any here, in spite of the technical excellence of many Russian engineers."<sup>1</sup>

### 8.1.2. SALARIES IN MOSCOW ARE HIGHER THAN IN MOST WESTERN CITIES

High salaries are an inevitable consequence of insufficient supply and high demand, favored by the massive flows of money that irrigate the sector.

The situation is especially acute in Moscow, the capital, where the cost of living is higher than in most other European cities. But labor costs are significantly lower in the regions.

<sup>1</sup> HR shortages seriously hamper the development of e-commerce as well as of other innovative industries, notes Prof. Alexey Yurassov, Deputy head of the e-commerce chair of the Volga Region University of Telecommunications and Informatics. "Electronic analysis and forecasting technologies, marketing and advertisement, business processes management and planning, etc., are insufficiently used by some enterprises. This tends to raise product and service costs, which in turn leads to deteriorating competitive capacities. When asked what factors prevented business growth, franchisees of the ERP company 1C reported their main problem was a shortage of qualified specialists."



TABLE 8-1

**Key positions affected by HR shortages as experienced by Moscow e-commerce companies**

|                  |   |
|------------------|---|
| Marketing        | Acute shortage  |
| IT               | More or less acute shortage, depending on specialties |
| Sales            | Available but mainly from offline                     |
| Logistics        | Available but mainly from offline                     |
| Project managers | Acute shortage  |
| General managers | Acute shortage  |

Source: EWDN interviews, 2011

TABLE 8-2

**Applications / Vacancies ratio for e-commerce and Internet related positions (2011)**

| Position                    | Number of applicants per vacancy |  |
|-----------------------------|----------------------------------|--|
| Director of e-commerce site | 6                                |  |
| Content manager             | 7                                |  |
| SEO expert                  | 3                                |  |
| Online marketing expert     | 3,5                              |  |
| PHP developer               | 1,2                              |  |
| Web designer                | 3,8                              |  |
| Java developer              | 0,6                              |  |
| Flash developer             | 1,8                              |  |
| CRM manager                 | 18                               |  |
| Technical writer            | 3,3                              |  |
| Internet project director   | 6,3                              |  |
| System administrator        | 16                               |  |

Source: Superjob.ru

TABLE 8-3

**Monthly salaries for key positions in Moscow e-commerce and Internet companies**

| Position                                       | Average monthly salary range |
|--|------------------------------|
| No previous experience                         | From \$1,000 to \$1,300      |
| Sales manager                                  | Up to \$5,000                |
| Programmer and other IT specialist             | From \$3,000 to \$4,000      |
| Online marketing director                      | From \$5,000 to \$15,000     |
| Site general manager, E-commerce dpt. director | From \$10,000 to \$20,000    |

Sources: Odgers Berndtson data and EWDN interviews, 2011



HipClub CEO Mikhail Reider: "For workers with limited qualifications, average Russian salaries are rather weak, around \$1,000 per month. But as soon as they get trained and become specialists, even in a narrow field, the salary must be raised significantly. Fast growing and well financed startups, from Wikimart to Groupon – not to mention Mail.ru Group, Yandex or Utinet.ru, following their IPO – can afford to offer very high salaries, setting up a crazy trend in the market."

Vladimir Kholyaznikov, CEO of KupiVip E-Commerce Services: "Some worked just six months at KupiVip.ru and demand 400,000 rubles."

### 8.1.3. THE CAUSES ARE MULTIPLE AND UNLIKELY TO DISAPPEAR SOON

The situation follows the same general path as the entire IT / high tech market in Russia: the demand for innovative technologies causes rapidly growing demand for skilled employees; meanwhile, the shortage of skilled employees on the market drives rapidly growing salaries and increased competition between employers for available employees; in turn, this attracts many less qualified candidates who may overly promote their limited skills.

#### ■ A demand exploding from all sides

HR shortages are all the more acute because e-commerce sites must compete with employers in other categories for qualified resources. Online marketing professionals, for example, are no less in demand by Internet players not related to e-commerce<sup>2</sup>, as well as from offline companies investing more and more in online promotion<sup>3</sup>, not to mention advertising and marketing agencies.

HR demand from e-commerce sites specifically began relatively recently. With big sites like Ozon.ru, Utkonos.ru and Wildberries.ru being the exception rather than the rule, the Russian e-commerce landscape was dominated just four or five years ago – and still is to some extent – by a plethora of amateur or semi professional websites, ones not in need of strong professionals.

A new wave of strong e-commerce sites has come recently, as exemplified by footwear sites Sapato.ru and Lamoda.ru, launched in 2010 and 2011 respectively, in a market segment where barely any professional websites existed before.

Some of these new players have received considerable investment from foreign and Russian venture funds: among the most notable deals have been KupiVip.ru, which raised a total of nearly \$90 million since 2008 and now employs 800 people; Wikimart, with \$10 million raised in 2010, \$7 million in 2011 and \$30 million in early 2012, which currently has 400 employees; travel sites Oktogo.ru and Ostrovok.ru, each of which attracted around \$15 million in several rounds of financing since 2010; and Ozon.ru, with its a record \$100 million round of financing in September, 2011, and its 1,500 current employees.

<sup>2</sup> These naturally include Internet giants Mail.ru Group and Yandex, which began trading on Western stock exchanges in 2010 and 2011, and employed 3,500 and 1,850 people, respectively, as of early 2012, according to a Forbes.ru survey. <http://www.forbes.ru/tehnologiya/rating-slideshow/79474-30>

<sup>3</sup> Online advertising spending grew by 56% in 2011, outpacing print for the first time in Russia (see Part 6). <http://www.ewdn.com/2012/02/23/online-outtran-print-on-advertising-revenues-up-56-in-2011/>



Large offline players have also been fueling the labor market demand. "Practically every major player in the fields of media, retail, FMCG and others has launched online activities over the last years, or is considering doing so in the short or middle term," says Roman Tyshkovsky of the recruitment agency Odgers Berndtson.<sup>4</sup>

TABLE 8-4 **Number of employees in some leading Russian pure e-commerce companies**

| Site             | Year of foundation | Number of employees |
|------------------|--------------------|---------------------|
| Utkonos.ru       | 2000               | 3,500               |
| Wildberries.ru   | 2004               | 2,000               |
| Ozon.ru          | 1998               | 1,500               |
| Biglion.ru       | 2010               | 1,200               |
| KupiVip.ru       | 2008               | 800                 |
| Kholodilnik.ru   | 2003               | 700                 |
| Utinet.ru        | 2004               | 500                 |
| Kupikupon.ru     | 2010               | 450                 |
| Wikimart.ru      | 2008               | 400                 |
| Vigoda.ru        | 2010               | 250                 |
| Boutique.ru      | 2006               | 200                 |
| Intouch.ru       | 2008               | 172                 |
| Anywayanyday.com | 2008               | 100                 |
| Sapato.ru        | 2010               | 100                 |
| OneTwoTrip.ru    | 2011               | 15                  |

Source: Forbes.ru, Feb. 2012

Zina.ru CEO Leonid Gluzman: "From the HR point of view, the e-commerce market has some similarity with investment banking in the months and years preceding the 2008 crisis. Some projects, initially employing teams of less than ten employees, suddenly inflated to divisions or departments hiring 200 people or more."

Another challenge for finding people is that Internet and e-commerce ventures are very entrepreneurial in spirit. "Many of those best suited for Internet company management roles, people with innovative mindsets and high flexibility, create their own startups, becoming owners of small or medium sized businesses," says Anna Terletskaaya, co-owner of the recruitment agency NESS Group and a recruitment veteran in the Russian Internet industry.

### ■ Insufficient supply

In this small ecosystem, few professionals are available for hire. Significant quantities of qualified workers can be attracted neither from other e-commerce sites nor from Internet or online marketing agencies, which themselves lack resources in quantity or quality (see Part 6).

<sup>4</sup> To name just a few examples in 2011 alone, the major mobile retailer Svyaznoy, is launching a home appliance site, Enter.ru, in addition to its flourishing online store Svyaznoy.ru. Russia's famous children's goods retailer Detskiy Mir resumed its e-commerce activities after years of interruption. Benetton discreetly went online under the Thestore.ru domain name, apparently the clothing brand's first e-commerce site, and the French mall chain Auchan continued making small steps towards developing online sales. A leading distance-selling player, the Otto Group, launched the footwear and accessory site Promenad.ru in the beginning of 2011 – coming in addition to successful Bonprix.ru and the less successful Shopdeluxe.ru.



While careers in fast growing online ventures appeal to those seeking faster career advancement, higher salaries, and exciting challenges, not all of those coming from large corporations are psychologically prepared to work in startups. "Some have been spoiled by their previous jobs. They got used to big salaries, big offices, and assistants," says HipClub.ru CEO Mikhail Reider.

"Applicants from big corporations are often considered not independent enough, not ready to make fast decisions in a changing environment. Permanent challenges and risks are too stressful to them, or they may lack flexibility, creativity and speed," adds NESS Group partner Anna Terletskaya.

Nor is much hope provided by the Russian educational system, especially for marketing specialists and managers.

"Good specialists from the Russian educational system? Are you kidding? Next question," 's head of e-commerce Oleg Ryazhenov-Siems responded with irony. "Naturally, there's no relevant education in this field in Russia," HipClub's Reider agreed. "In these fields, we definitely don't rely on Russian universities. We seek applicants with experience in foreign companies, or major Russian ones," said the general manager of another e-commerce company.

The reality is probably more nuanced. Some universities are trying to fill the gap. In Moscow, e-business and Internet management courses are offered, in particular, by the Higher School of Business Informatics<sup>5</sup> and the Faculty of Business Informatics<sup>6</sup>, both being parts of the Higher School of Economics. Similar courses are also offered by the State University of Management.<sup>7</sup> The Sociology department of Moscow State University<sup>8</sup> provides courses in Internet technologies and advertising, Tyshkovsky indicates.

In Samara, the Volga Region University of Telecommunications and Informatics<sup>9</sup> was the first Russian university to establish an e-commerce chair<sup>10</sup>, as early as 2004.

Among the latest positive initiatives are the short educational programs offered by Digital October, a major tech event and trainingcenter recently established in the capital, which often attracts leading experts from abroad.

Moreover, in 2012, in association with MIT, Skolkovo will launch a Science and Technology Institute, designed as an innovative university. These developments provide hope to the idea of raising a new generation of tech specialists, including e-commerce professionals, Terletskaya believes.

These initiatives, however, remain insufficiently known about or appreciated by market players. Most of the e-commerce executives we interviewed in Moscow seemed to ignore them. No one received any resumes from Samara university, or even mentioned it.

<sup>5</sup> Высшая школа Бизнес-информатики <http://hsbi.hse.ru/>

<sup>6</sup> Факультет Бизнес-информатики <http://bi.hse.ru/en/>

<sup>7</sup> Государственный университет управления <http://www.guu.ru/info.php?id=554>

<sup>8</sup> Социологический факультет МГУ имени М.В.Ломоносова <http://www.socio.msu.ru/>

<sup>9</sup> Поволжский государственный университет Телекоммуникаций и информатики <http://www.psuti.ru/>

<sup>10</sup> The curriculum in the university's e-commerce department includes an overview of e-commerce, electronic payment systems, Internet marketing, Internet sales, stock market tools, CRM, automated systems for financial analysis, information systems for investment and business planning, information systems for business process modeling, ERP and corporate IT, corporate portals, OLAP technologies, electronic document exchange systems, as well as advanced e-commerce security.



This failure of the educational system, which affects e-commerce as well as a range of other new industries, can be explained by several factors. "The Internet sphere is still too young to attract serious attention from most universities; and those trying to update their programs and approach may experience difficulty in sticking to rapidly evolving issues and trends. In addition, academic careers lack appeal: with professor salaries sometimes not even reaching \$1,000 per month, competent teaching staff is easily lured away to the corporate sector," explains Prof. Alexey Yurassov, Deputy head of the e-commerce chair of the Volga Region University of Telecommunications and Informatics.

Regarding engineers and programmers, Russian universities do produce them, though in insufficient quantities, and lacking practical training. "For IT positions, experience may be even more important than education. Many in our IT staff have incomplete academic backgrounds but are excellent due to strong practical experience," says KupiVip's Kholyaznikov.



None of the issues generating this acute HR imbalance seems likely to be solved in the foreseeable future. The demand for qualified resources from e-commerce sites as well as from other categories of Internet sites, fueled by massive investment, is likely to continue growing in the coming years at the same high speed as the growth of the Internet and e-commerce markets themselves.

Not only is the go-online movement of offline retailers bound to continue, it may accelerate, considering that so far only a fraction of them has developed online activities.

On the supply side, it will take a long time for the Russian educational system to solve its problems, most of which are chronic, in order to provide the e-commerce industry with a new generation of adequately trained professionals.

## 8.2 RECRUITMENT ALTERNATIVES

### ■ If you can't find them, train them

Some companies have dropped the idea of finding people with experience concluding it is too difficult and too expensive.

Vladimir Kholyaznikov of KupiVip.ru: "It's been a long time since we stopped trying to recruit people with strong experience. We simply take applicants from other industries with some similarities to what we do, then we train them. This usually takes 6 months."

HipClub CEO Mikhail Reider: "None of those who came to us had any experience, they learned everything in our company."

### ■ Search in the regions

Broadening employment searches beyond Moscow to include regional recruiting (Saint-Petersburg, Ekaterinburg, Tomsk, Novosibirsk and others) can be another solution, especially to recruit technical staff.

Labor costs there are significantly lower than in the capital. In Tomsk, Siberia – where every fourth inhabitant is either a student, a researcher, a university teacher or an employee of the





Travelmenu.ru co-founder  
Katrin Buckenmaier (Germany):

**“Foreign specialists must adapt their skills to the Russian environment”**

““ *Having lived in many different countries and experienced many different cultures, I have found that there are many more things which unite us than that drive us apart – and I am not just saying this to be politically correct.*

*Of course there are some cultural differences, but Russian culture is not as different from European culture as let's say Japanese or Chinese culture, and it has been easy for me to feel at home in Moscow.*

*While as of now I continue to be the only foreigner at Travelmenu, the team and I communicate in English – and my Russian is continuously improving, despite it taking longer than I would like and me still being quite shy about speaking.*

*Foreign specialists can be helpful if they have the relevant work experience and an open mind about adapting their skills to the Russian environment. Given the nascent nature of the Russian online market, of course there are many lessons to be learnt from success stories (as well as failures) of online start-ups in other countries. However, I believe that often 'what got you here, doesn't get you there' and hence what is more important than strict adherence to what has been learned from previous experiences is the mental flexibility to adapt to a constantly changing market environment while selectively applying the lessons learned in the past.*

*The Russian online and technology landscape is filled with talented and highly skilled young people and hence intercultural differences are not as pronounced as they might be in other industries, such as oil & gas or banking. I, for one, have not encountered many situations of intercultural misunderstanding, which could not have been avoided if not for the language barrier.*

*In terms of how Travelmenu is run, I do not see how it is any different from how it would be run in Europe or the US. It is a workplace filled with exactly those highly-skilled, entrepreneurial, and ambitious people, which makes Russia such an exciting market to be working in today.*

”



Russian Academy of Sciences – a modest \$2,500 per month, or even less, can prove enough to attract the cream of the crop among local engineers. Top level e-marketers or e-commerce project managers, however, are not likely to be found easily in such areas.

**■ Recruit foreigners**

The recruitment of experienced foreign professionals is seen as a natural solution for many Russian e-commerce sites which were founded or co-founded by foreign businessmen. Among them are CollectionPrivee.ru, KupiVip.ru, LaModa.ru, Mebelrama.ru, Sapato.ru, Travelmenu.ru, as well as the web properties of the Otto group, La Redoute, Auchan and Yves Rocher.

Some purely Russian e-commerce players, too, have recruited foreigners: in the managing team of Syaznoy.ru, they are the rule rather than the exception.

But other Russian sites see no advantages to recruiting foreign professionals (HipClub.ru), or have simply never tried (Anywayanyday.ru).

Although its team is predominantly Russian, La Redoute Rus, the Russian subsidiary of the French distance selling giant, is renowned as a successful example of an international HR blend. "A good mix is essential," Managing Director José Metz believes. "Westerners can bring their knowledge and experience of the newest marketing techniques, from both technological and marketing points of view – the need for technical coordination with other entities of the group being not the least benefit. But a French person will never understand in details how things function in Russia. They can understand Yandex, but a Russian will understand it in a more refined way."

TABLE 8-5

**Pros and cons of recruiting foreigners**

| PROS  | CONS  |
|---|---|
| <ul style="list-style-type: none"> <li>■ Stronger education</li> <li>■ More likely to introduce professional standards and cutting edge technologies</li> <li>■ Broader vision due to international experience</li> <li>■ Potentially more loyal to the employer (less turnover)</li> </ul> | <ul style="list-style-type: none"> <li>■ High expatriation costs</li> <li>■ Not always easy to attract to Russia</li> <li>■ Language barriers potentially making foreigners less receptive toward local specificities</li> <li>■ Possible cultural issues with Russian teams</li> <li>■ Visa and work permit requirements (recently eased)</li> </ul> |

"In technical terms, Russians are often very strong. In 2010, we were the first subsidiary in the whole group to offer a virtual dressing room, very well designed and developed by a local agency," Metz adds.

Travelmenu.ru co-founder Nina Pogossova: "My business partner and co-founder is German. We studied together at Harvard Business School and she came with me to Russia. In general, foreigners definitely have advantages. They are better versed in the issues; they better formulate strategic targets. On the other hand, people I try to attract to Russia face a long time to



adapt to the language and beyond. For them, it is an extra reason not to come here.”

Roman Tyshkovsky of Odgers Berndtson: “Since they come from more advanced markets, foreigners often carry with them invaluable knowledge and vision. They are more likely to introduce proper standards and cutting edge technologies, be it in operational management, logistics or marketing. However, when it comes to operational roles, there are not many success stories, with cultural barriers often preventing effective communication between Western managers and Russian teams.”

Dimeres CEO Maximilien Jacquet: “It may take a foreigner some time to understand local specificities, but it will be take even more time for a Russian to reach a satisfactory level in online marketing.”

### 8.3. EMPLOYEE MOTIVATION AND LOYALTY

As a consequence of insufficient supply and high demand, many e-commerce and Internet companies face high turnover. While executives tend to migrate from one company to the next – sometimes combining their job with their own e-businesses – turnover may also affect lower level positions.

Mikhail Mykalo of Wildberries.ru sees this as one of his company's major challenges, whereas Kholyaznikov admits that up to six employees quit KupiVip.ru's call center each month.

Employees are motivated by their remuneration, including performance-based bonuses, which should be defined on an individual basis, but not only by that.

Stock option programs are the exception rather than the rule in Russian companies, but have been in adopted some startups. “When we offered shares, even in relatively small amounts, to our employees, following Western practices, their motivation became significantly higher,” Babyboom.ru co-founder Sergey Kopylov recalls.

On the non financial side, employees appreciate clear career prospects as well as sharing a good working atmosphere with other team members. “Software developers easily share experiences, complement and help each other to improve their skills”, says an employee of AnyWayAnyDay.com.

The more interesting a project is, the more chance that they will get involved. “The projects themselves are the most effective motivation for programmers. They may provide a real opportunity to realize yourself and grow professionally,” adds the Anywayanyday.com employee. Rabota.ru CEO Evgeniya Shatilova notices a new trend among the youngest employees: “This generation is especially fond of flexible schedules and sofas in the office with darts and cookies. Interesting challenges may motivate them far more than high wages.”

TABLE 8-6 **Most appreciated perks**

|                          |     |  |
|--------------------------|-----|--|
| Free training programs   | 54% |  |
| Health insurance program | 41% |  |
| Paid lunch               | 39% |  |

Source: Superjob.ru online survey, 2011



This pre-release version is a part of an in-depth research study on Russian e-commerce.

The full version (10 chapters, 150 pages) will be available in April 2012, based mainly on 2011 data. For a free download of key insights, please click here:

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