strategy&
Part of the PwC network

Retail e-commerce Market in the Republic of Kazakhstan

Report for the 12 months of 2023

Context of the study

Strategy&, part of the PwC network, jointly with the Digital Kazakhstan Association (DKA) presents the results of the study "Analysis of the retail e-commerce market* in the Republic of Kazakhstan" for 12 months of 2023.

The data analysis was conducted by the Data & Analytics team, which includes data analysts, data engineers, and consultants with industry expertise.

The largest representatives of the e-commerce market in the Republic of Kazakhstan participated in the study: Kaspi.kz, Halyk Market, Forte Market, and other respondents who wished to maintain confidentiality.

The results of the study include:

- Overview of the e-commerce market in Kazakhstan
- E-commerce Volume and Share compared to the volume of all commerce in the Republic of Kazakhstan
- Number of transactions and average check
- Share of marketplaces in e-commerce

Data collection was conducted in Q1 2024.

* The definition of retail e-commerce includes business activities related only to the online sale of goods to individuals with delivery or pickup from shops and pick-up points.

Excluded from the analysis are the following categories:
railway and air tickets, cars, apartments, fitness memberships, educational courses and trainings, food delivery, classified websites, vouchers and betting services, utilities and other payments, as well as other categories not related to the sale of goods to individuals.

Introductory remarks

Natalya Lim

Strategy& Partner and
Advisory Practice Leader
of Eurasia Region

In 2023, the retail e-commerce market overcame most of the predicaments caused by the turbulent events of 2022 and showed rapid growth. Total revenue in the sector reached 2.4 trillion tenge (+ 79% YoY), while e-commerce penetration amounted to 12.6% (8.2% in 2022). Thus, Kazakhstan has every chance to enter the TOP-10 countries in terms of e-commerce penetration globally, overtaking Canada at 11.7%*.

The development of retail e-commerce was positively influenced by several factors: the digitalization of the financial sector, an increase in the share of Internet users and the number of consumers with experience of purchasing goods and services online, the inflow of investment into the country, and the high rate of GDP growth for the second year in a row.

Influence of deterrents such as complications with logistics in the context of geopolitical instability, on the contrary, has weakened, as the market has had time to adapt to the new conditions.

Competition in the e-commerce market in Kazakhstan is on the rise. Local leader and international marketplaces are actively expanding the market. In the meantime, the e-commerce sector in Kazakhstan still holds significant potential for further growth, with conditions for the development of the sector being rather favorable. Local businesses seeking to optimize costs and gain access to a wide audience are increasingly opting to promote their products through marketplaces. Consumers, in turn, also benefit from the development of marketplaces, as increased competition for buyers encourages sellers to reduce prices or provide installment plans.

We sincerely thank all the participants of the study and, although we did not receive permission from all the respondent companies to disclose their names, our research included data that covers 85% of the retail e-commerce market in Kazakhstan.

*Source: eMarketer Worldwide Retail Ecommerce Forecast 2024 Report

Study Overview

- Our analysis of the retail e-commerce market in the Republic of Kazakhstan comes out 2 times a year. We analyze data by six months, which gives our readers the opportunity to get acquainted with the dynamics of the presented indicators in more detail.

- In 2023, the largest players in the retail e-commerce sector and second-tier banks were involved in the study.

- Our respondents include Kaspi.kz, Halyk Market, Forte Market, and other respondents who wished to maintain their privacy.

- Experts were asked to answer questions about the total volume and number of online sales, as well as to comment on the observed trends and prospects development of the e-commerce industry in the Republic of Kazakhstan.

In addition, we have developed a tool in the format of an online dashboard (Retail Ecommerce Dashboard), which allows you to see data in additional splits. The tool also makes it possible to compare data interactively, over different periods, and using filters based on aggregated data from current analysis, data from other public PwC analyses, and publicly available information.

All data received from market players is presented in an aggregated, depersonalized form, without disclosing the respondent's name and comparison of participants.

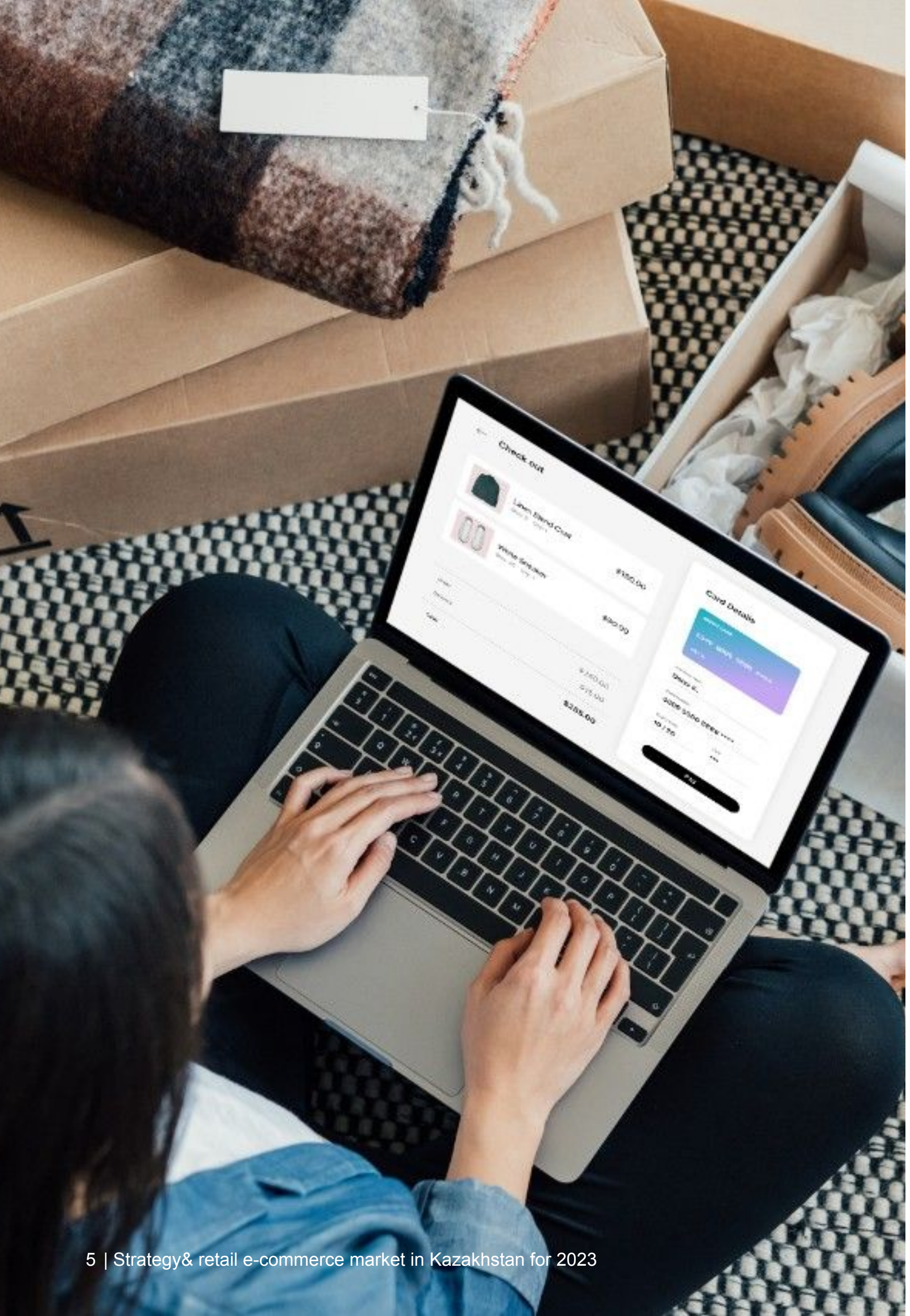
If you are interested in accessing the Retail Ecommerce Dashboard,
Please contact Aruzhan Baltaeva (aruzhan.baltayeva@pwc.com)
or Viktoriya Gorlanova (viktoriya.gorlanova@pwc.com).

Our Team also releases the following regular Reports:

Macroeconomic Review of Kazakhstan

Analysis of the payment market in Kazakhstan

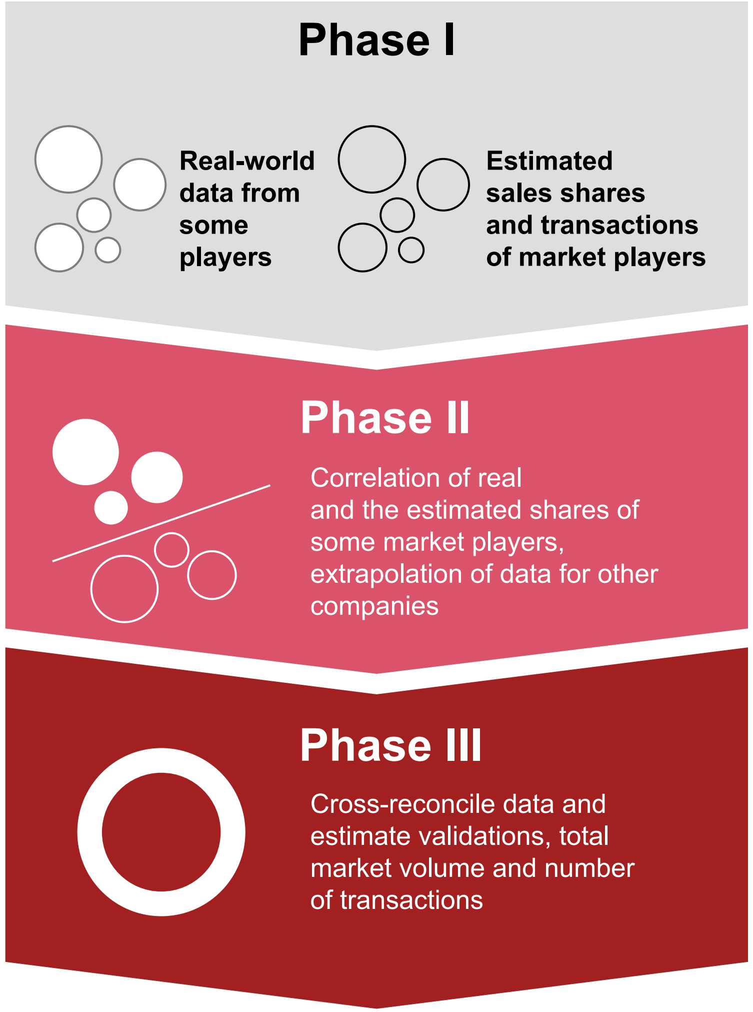
Analysis of price changes in Kazakhstan



Contents

Research Methodology

- The volume of the e-commerce market was calculated based on the data provided by the main industry players, the Digital Kazakhstan Association, as well as some second-tier banks (STBs) of the Republic of Kazakhstan.
- The DKA provided estimated data on the sales of the largest players in the retail e-commerce. Several major players in the e-commerce sector provided real data on sales volume and the number of transactions.
- Averaged shares of the ratio of real data of companies to the assumed data of the DKA were used to extrapolate sales volumes and the number of transactions for each of the players in the retail e-commerce sector.
- Cross-validation was carried out on the basis of aggregated data from some second-tier banks participating in the study.
- In case of discrepancies, additional validation and adjustment of proportions were made, on the basis of which the total volume of the retail e-commerce market was calculated.
- In addition, respondents were asked to share their views on the development of the retail e-commerce market in 2023, trends, barriers, and changes in consumer behavior that affect business development.
- All data received from market players is presented in an aggregated, depersonalized form, without disclosure of the respondent's name and comparison of participants.
- To accurately determine the average monthly exchange rate of the dollar against the tenge, the data of the National Bank of the Republic of Kazakhstan were used. Data on the growth and value of inflation are taken from the National Bureau of Statistics of the Republic of Kazakhstan.



Key Figures

		2019	2020	2021	2022	**2023**	
01	Retail e-commerce market size	- 327 billion tenge	+82% 596 billion tenge	+74% 1,040 billion tenge	+30% 1,349 billion tenge	**+79%** **2,418 billion tenge**	▲
02	Number of retail e-commerce transactions	- 21.1 million	+20% 25.4 million	+45% 36.9 million	+33% 49.0 million	**+84%** **90.2 million**	▲
03	Average spend	- 15.5 thousand tenge	+52% 23.5 thousand tenge	+20% 28.2 thousand tenge	-3% 27.5 thousand tenge	**-3%** **26.8 thousand tenge**	▼
04	% of sales via marketplaces from the total retail e-commerce	-	-	- 82%	+1 p.p. 83%*	**+6 p.p.** **89%**	▲

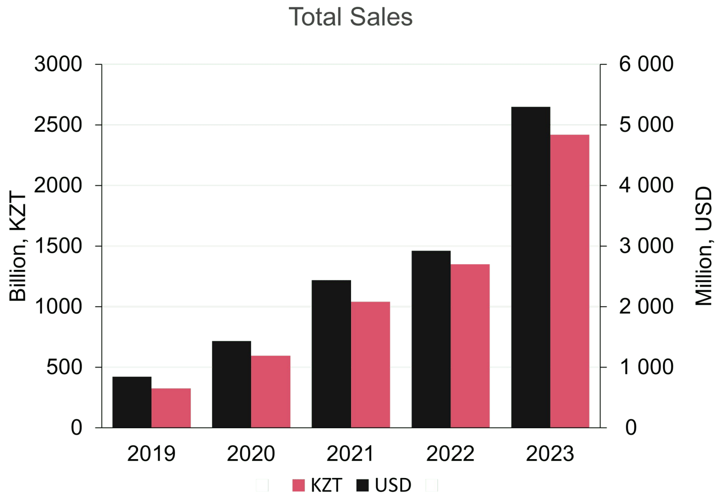
* Clarified based on new inputs from vendors

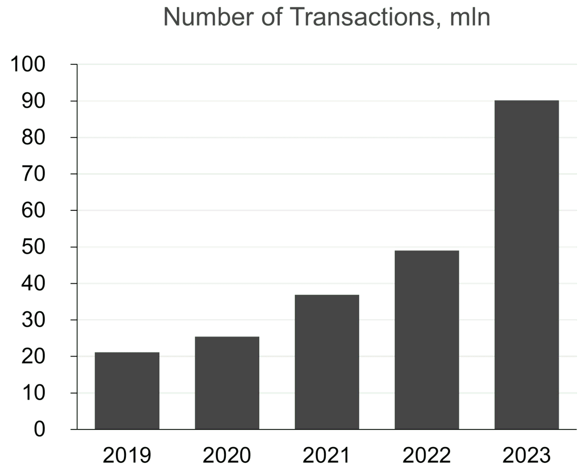
01

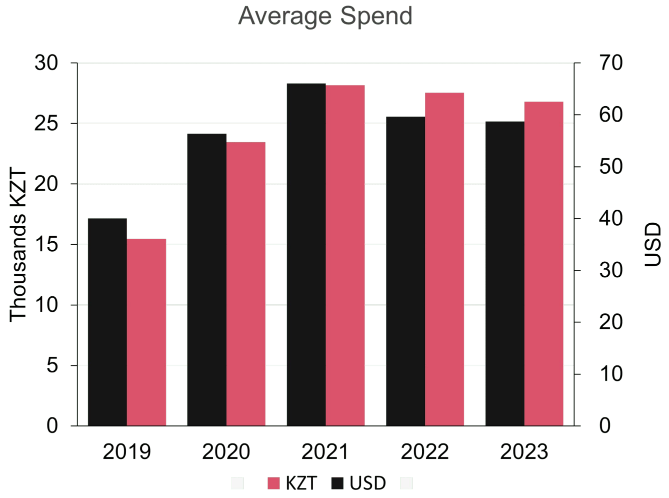
Retail E-Commerce
Market Overview 2023

Retail e-commerce is gaining momentum

The volume of e-commerce in monetary terms and the number of transactions are growing, but the average check is decreasing







The retail e-commerce market showed strong growth both in monetary terms and in the number of purchases made.

Thus, the volume of sales in 2023 amounted to 2,418 billion tenge (+79% YoY), which is almost equal to 5.3 billion US dollars. The number of transactions amounted to 90.2 million (+84% YoY), and the average spend decreased to 26.8 thousand tenge (-2.6% YoY), or 58.8 US dollars (-1.5% YoY).

The drop in the average spend reflects a change in the balance of power between local and international market players, as well as a change in the ratio between marketplaces and online retail stores.

12.6% was the share of retail e-commerce in the total volume of retail trade in Kazakhstan

How has consumer demand and customer behavior changed in 2023 compared to 2022?

The e-commerce market is still closely related to lending. Customers are used to making purchases on credit or in installments. This forces large online platforms to launch partnerships with banks to lend to customers' purchases. In addition, there is an increase in customer requirements for delivery times - buyers get used to the ability to receive express delivery orders within 1-2 hours - the same day at worst - for deliveries within the city.
We offer such delivery options to our customers thanks to the work of our logistics partners – Yandex Delivery and DHL.

Forte Market

Shoppers continued to rapidly engage in online shopping of everyday goods. Every year the number of purchases from the Kaspi Store increases by more than 2 times. For millions of Kazakhstanis, online shopping has become an integral part of their lives. This was facilitated by the network of our Kaspi Postomat devices. This method of receiving goods has become the most popular among our customers.
At the moment, about 6,000 devices are installed across the country.

Kaspi.kz

Key indicators of the e-commerce market

Indicator	2022	2023	Δ
Total Sales, trln KZT	1.3	2.4	+79%
Total Sales, bln USD	2.9	5.3	+79%
Total number of transactions, mln	49.0	90.2	+84%
Average spend, tsnd KZT	27.5	26.8	-2.6%
Average spend, USD	59.7	58.8	-1.7%
E-commerce penetration	8.2%	12.6%	+4.3 п.п.

In addition to the general modernization and digitalization of the country, the development of IT infrastructure and the growth of penetration of digital means of payment, the development of e-commerce in Kazakhstan in 2023 was also facilitated by the spread of services that provide installments, microcredit, and attractive grace period conditions.

All of the above, as well as a significant influx of investments in warehouse and transport logistics*, served as the basis for the rapid development of local and international marketplaces.

Last year, the largest of these marketplaces set a course to increase their presence, open fulfillment centers, establish supply chains and expand the network of pick-up points and parcel lockers.

Source: Official Information Source of the Prime Minister of the Republic of Kazakhstan

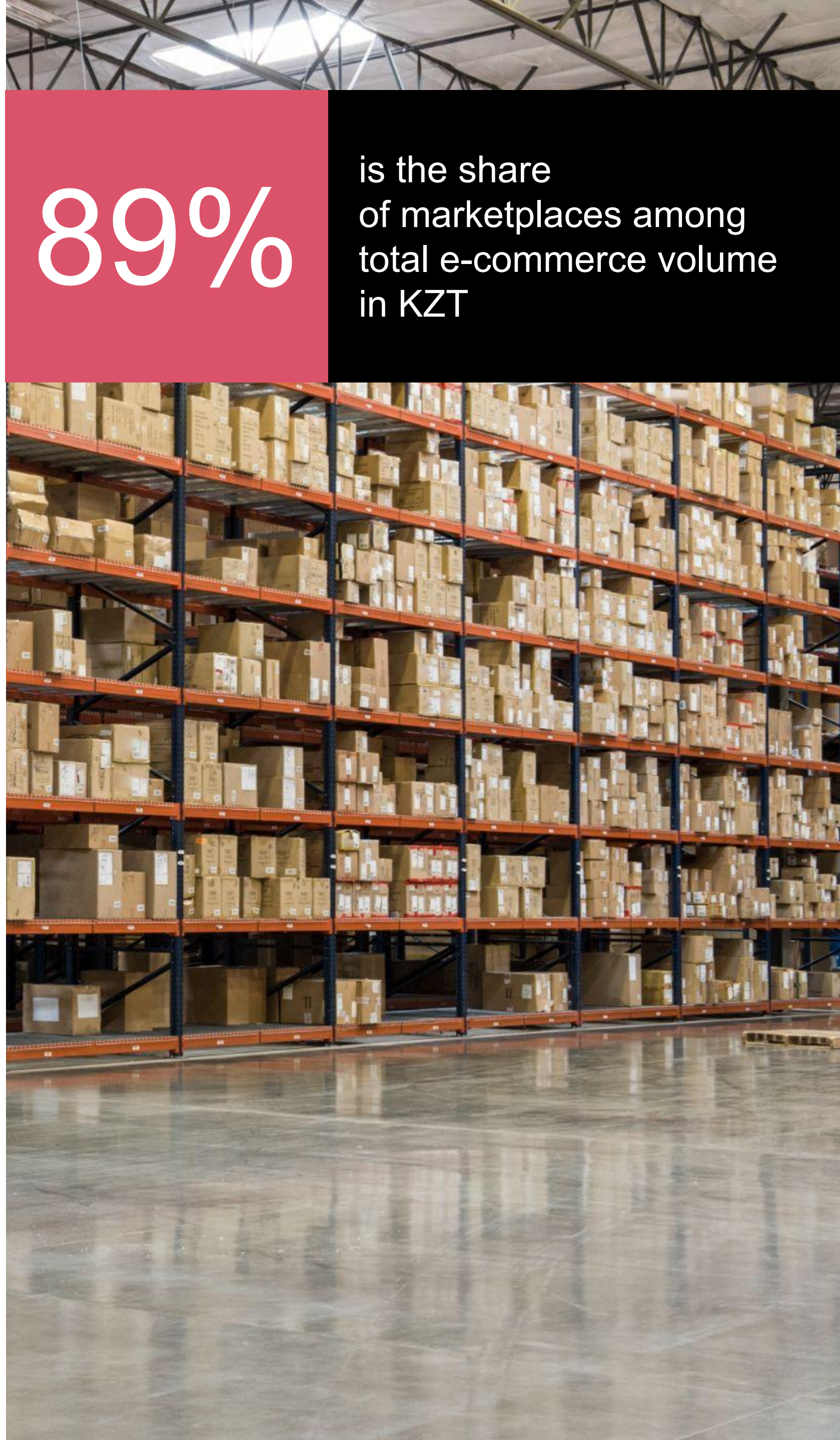
What impact does the current economic situation have on the development of the retail e-commerce market in Kazakhstan and on your business?

The e-commerce market continues to grow rapidly, partnerships with banks and financial organizations are increasing, and the quality of logistics services is growing.

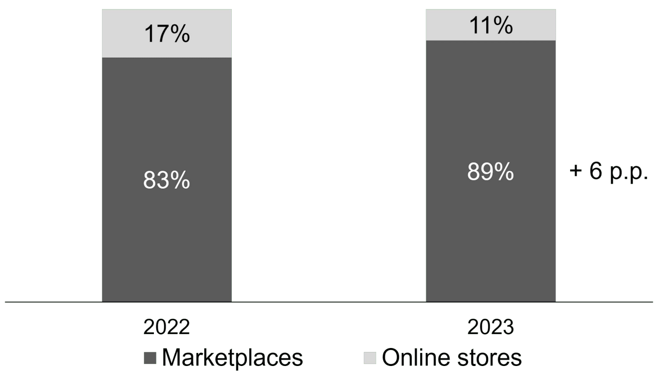
Ecosystems of service companies are built around marketplaces to help sellers trade. The market has great potential for further growth.

Forte Market

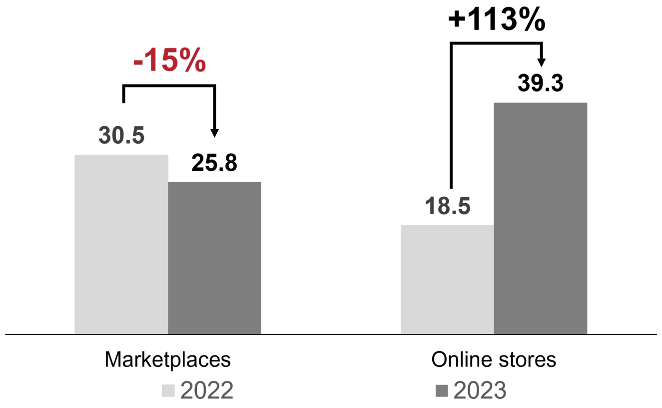
Marketplaces are growing



Share of marketplaces is 89% of the total e-commerce volume



The average spend (in thous. KZT) is gradually decreasing for marketplaces and growing for online stores

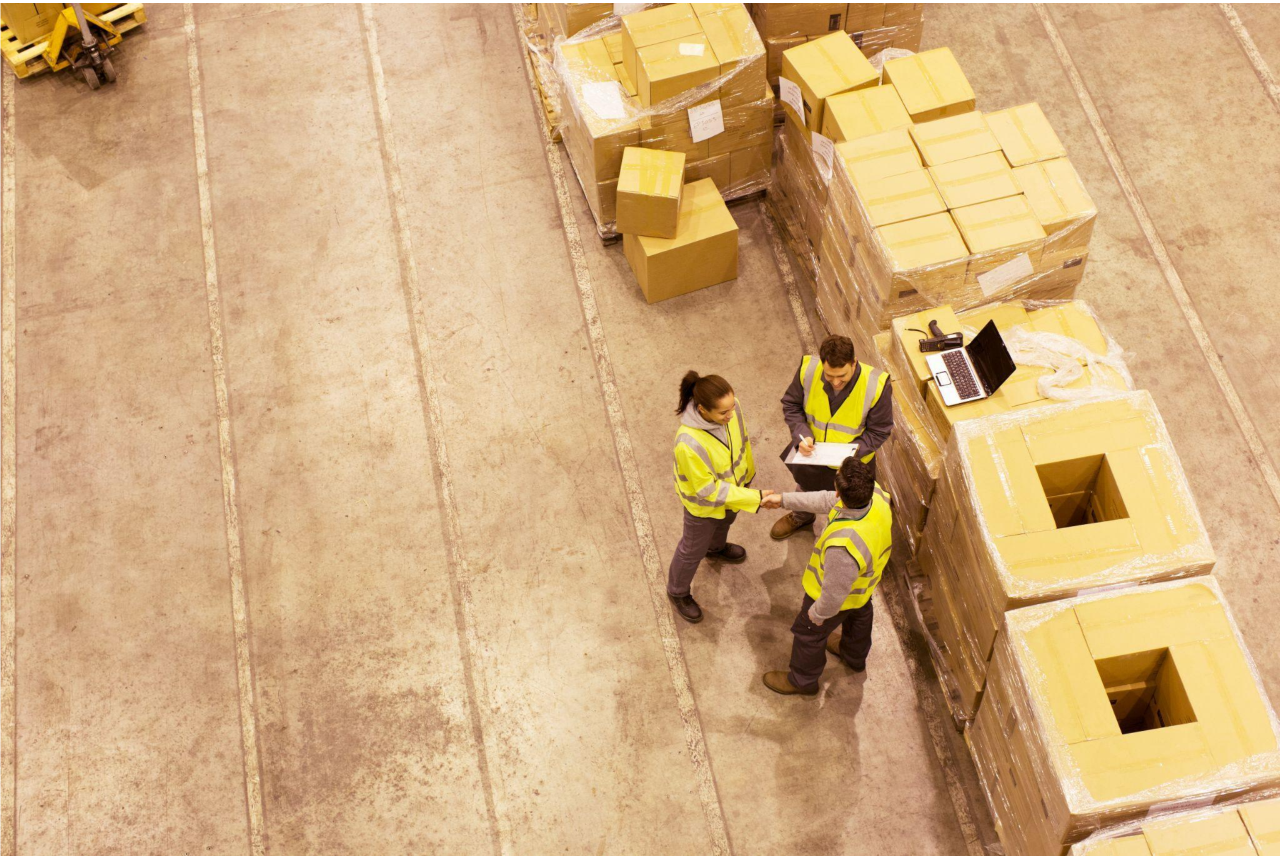


At the end of 2023, the volume of sales through marketplaces increased to 89% of the total volume of retail e-commerce (+6 p.p. YoY, expressed in KZT), whereas the share of transactions - to 93% of all e-purchases (+17 p.p.). In absolute terms, the volume of sales through marketplaces almost doubled (+92% YoY), and the number of purchases through aggregators increased by 126% YoY.

Online retailers reported a significantly more modest absolute sales growth of only 15% YoY, while their number of transactions decreased by 46% compared to 2022. Thus, the average spend of marketplaces decreased by 15%, while the average spend of online stores increased by 113%.

The main drivers of growth were international (which showed an increase of 3.7 times) and, to a lesser extent, local (which showed an increase of 1.7 times in KZT, YoY) marketplaces.

What are the barriers to the development of retail e-commerce in Kazakhstan in 2023?



The e-commerce market in Kazakhstan continues to develop actively, which indicates the absence of barriers. Improving the quality of roads can significantly improve the ability to deliver orders within cities and across the country.

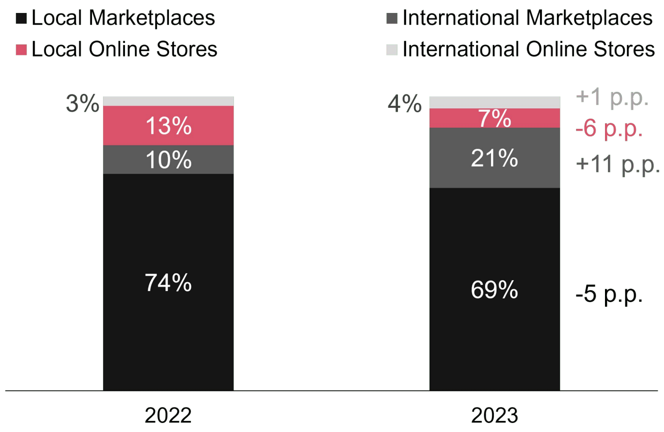
Kaspi.kz

In general, the market is becoming very competitive due to the active development of giant marketplaces in the market. This is not a barrier, but rather a source of increased competition and a driver for the development of the market as a whole.

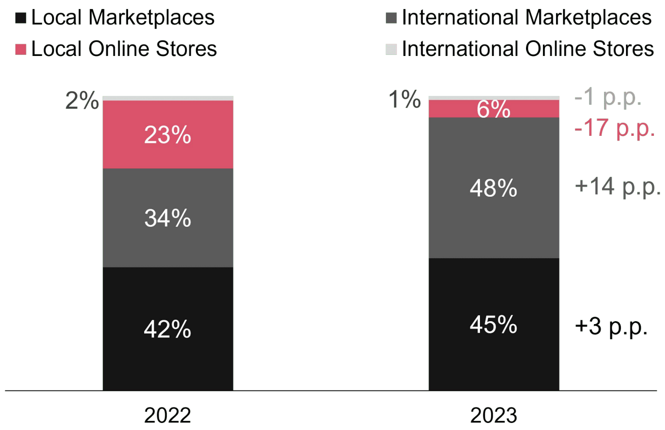
Forte Market

Sales of local online stores are declining

% of sales of the local online stores in KZT has halved in a year



% of transactions of the local online stores has decreased by four times



In 2023, the revenue of both local and international market players has grown, while the ratio between shares of marketplaces and online stores has been transformed.

Local and international market players

The sales of local players in KZT increased by 55% compared to 2022, and the number of transactions increased by 44%. Meanwhile, the international players showed an increase of 3.4 times in monetary terms and 2.6 times in the number of orders. The average spend for the local market participants increased slightly (+8% YoY), while that of the international platforms increased by 32%.

Online Retail Stores

Sales volumes of local online retail stores decreased by 12% over the year, while the number of sales fell by 53% YoY. International online retailers, on the other hand, showed solid growth in revenue (+130% in KZT, YoY) and in the number of transactions compared to 2022 (+62%, YoY).

Marketplaces

Local and foreign marketplaces showed steady growth. Sales of local marketplaces increased 1.7 times in monetary terms and 2 times in the number of transactions. Foreign marketplaces have demonstrated 3.7-fold increase in sales volumes at KZT and a 2.6-fold increase in the number of orders.

Local sellers of mid-range goods are increasingly giving preference to promotion through marketplaces, instead of investing in the development and maintenance of their own online stores. Entering marketplaces provides them with such advantages as a quick start, access to a wide audience of buyers, and the ability to use the logistics resources of the sites, saving on delivery. More expensive and niche products continue to be sold by local players through online stores, which leads to an increase in their average spend by 44% compared to 2022.

Are you seeing an increase in overseas retail e-commerce players in the Kazakhstan market? If so, how does it affect your business?

Yes, we are seeing large investments from foreign marketplaces directly in the Kazakhstan market, primarily from Russian marketplaces, and logistics processes for the delivery of goods from abroad from foreign marketplaces are also improving. All this increases competition in the market.

Forte Market

The level of e-commerce penetration in Kazakhstan is 2-3 times lower compared to developed markets. This suggests a great growth potential for every player in the market.

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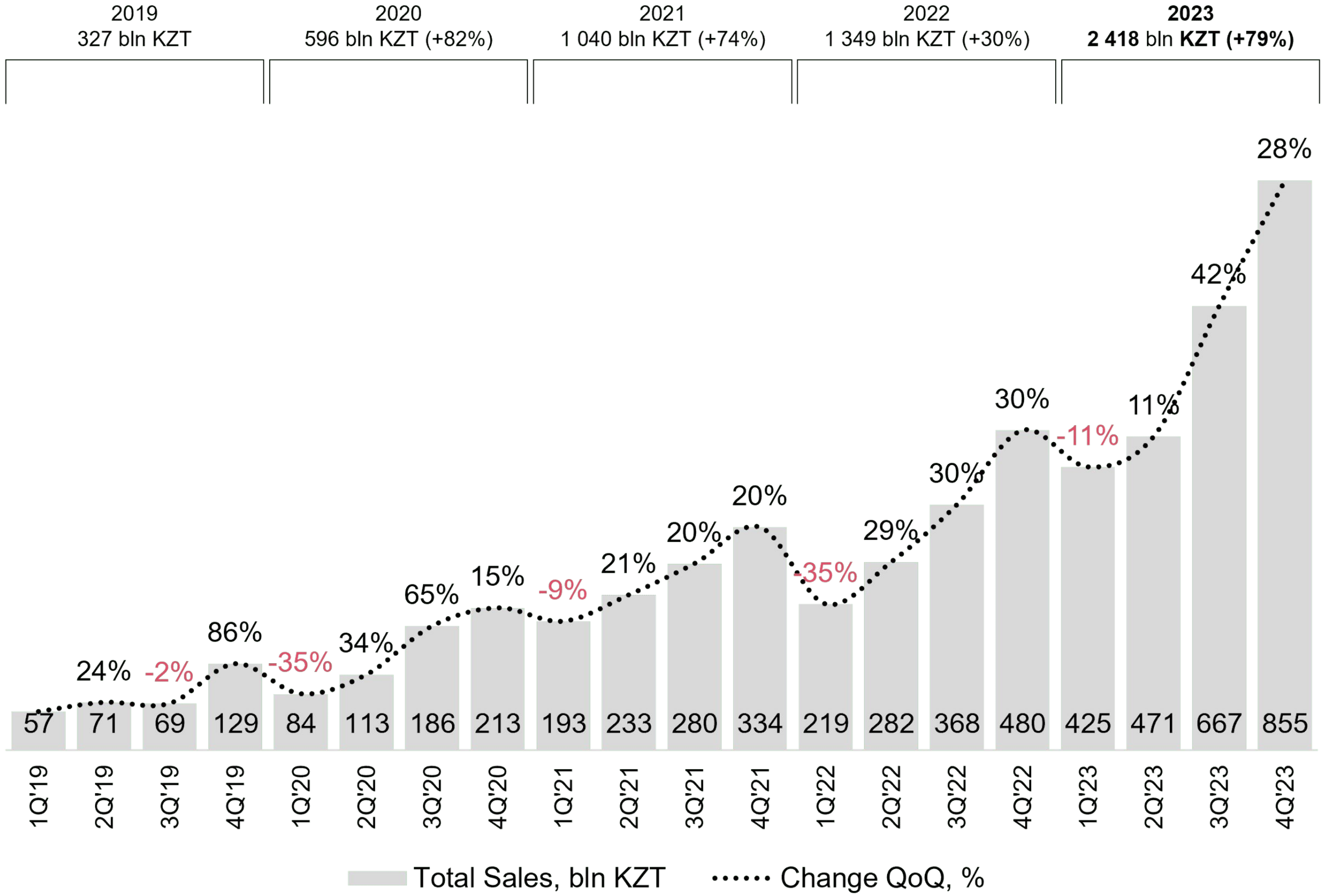
02

E-Commerce Revenue
And Its Dynamics

Exponential growth and seasonal dynamics

Sales in the e-commerce segment exceeded 2.4 trillion KZT



The sales volume trend in retail e-commerce is a combination of exponential growth and a pronounced seasonal component.

In 2023, similar to last year, about 37% of sales came in the first half of the year, and 63% in the second.

The sales volumes in Q1 and Q2 are again below the peak levels of the previous year that root from the increased demand during the holidays and the eve. The overall upward trend is still not compensating this seasonal drop in demand, which leads to a decrease in revenue at the beginning of the year.

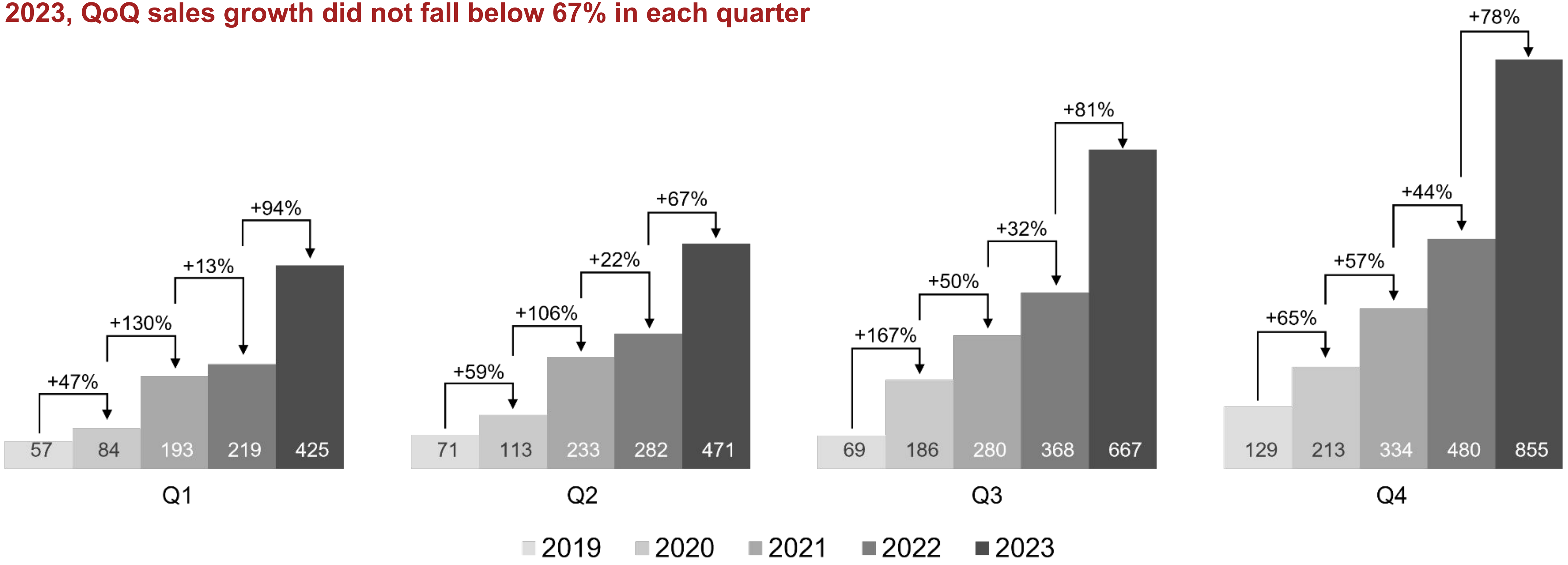
79% was an increase in sales volume in KZT compared to 2022

Catching up after a forced pause

The e-commerce market showed high growth rates in each quarter, which can be largely explained by overcoming challenges that the industry faced last year. In place of the supply chains disrupted in result of the events of 2022, new ones are gradually being built, free of sanctions risks. As early as in the 1Q'2023, the market showed almost a doubling compared to 1Q'2022, and then the growth rate did not go down below +67%. For comparison, the highest growth rates in 2022 were +44% (in 4Q'2022).

These growth rates were high even by the standards of 2021, the first half of which was significantly affected by the COVID-19 pandemic.

In 2023, QoQ sales growth did not fall below 67% in each quarter

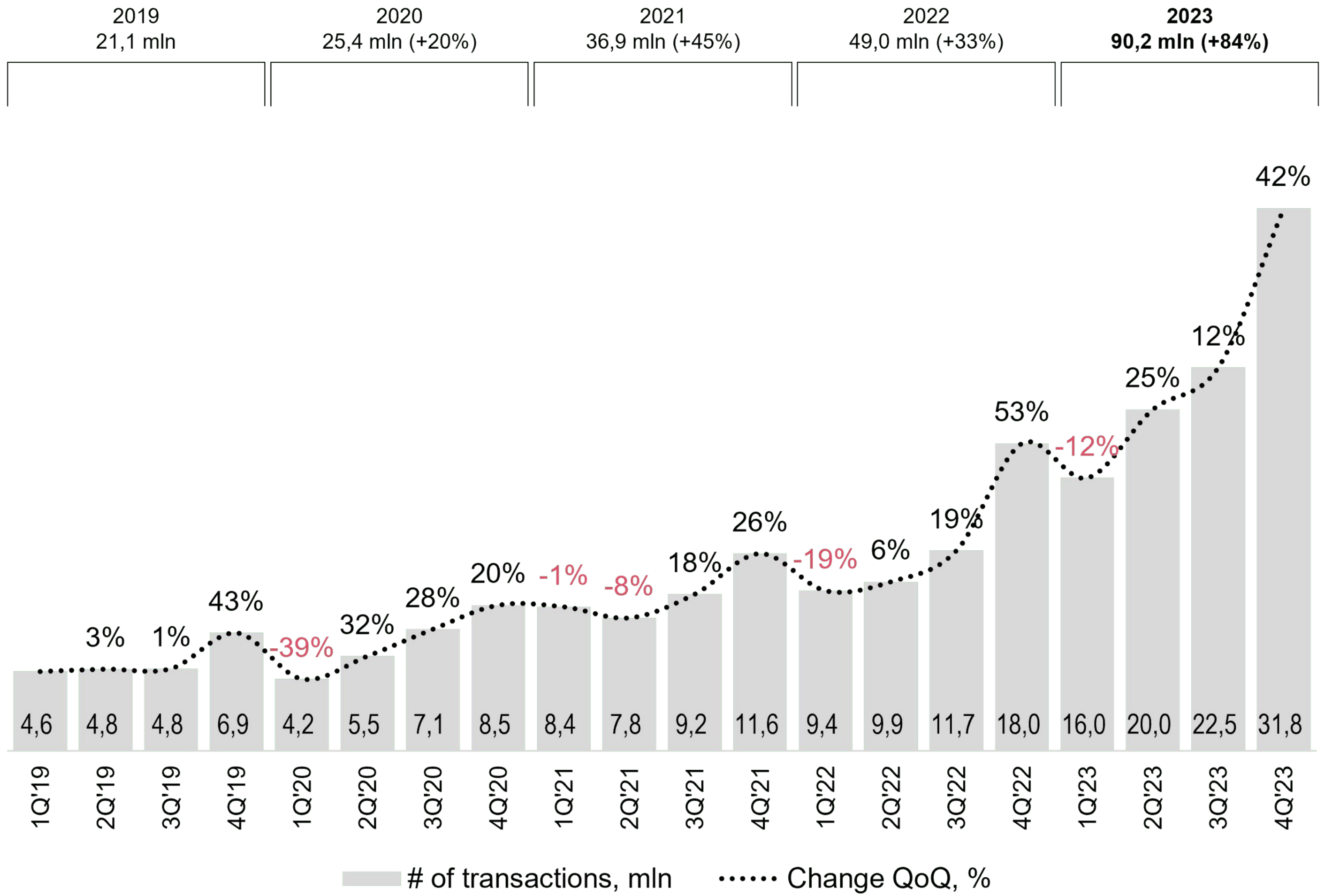


03

Number Of E-commerce Transactions And Its Dynamics

In 4 years, the number of online purchases has grown 4.3 times

The number of transactions in the e-commerce segment exceeded 90 million



Kazakhstan's e-commerce market is just at the beginning of its journey, as evidenced by the ever-increasing growth rate in the number of orders made online.

Over the past 4 years, the number of orders has increased by 4.3 times, and in the last year alone, the increase in the number of orders amounted to +84%. Likewise in the last year, almost 40% of transactions took place in the first half of the year, and the number of purchases increases towards the end of the year.

However, the decline after the holiday season was not that significant to completely compensate the main uptrend, and 2Q'2023 by the number of transactions has already surpassed 4Q'2022.

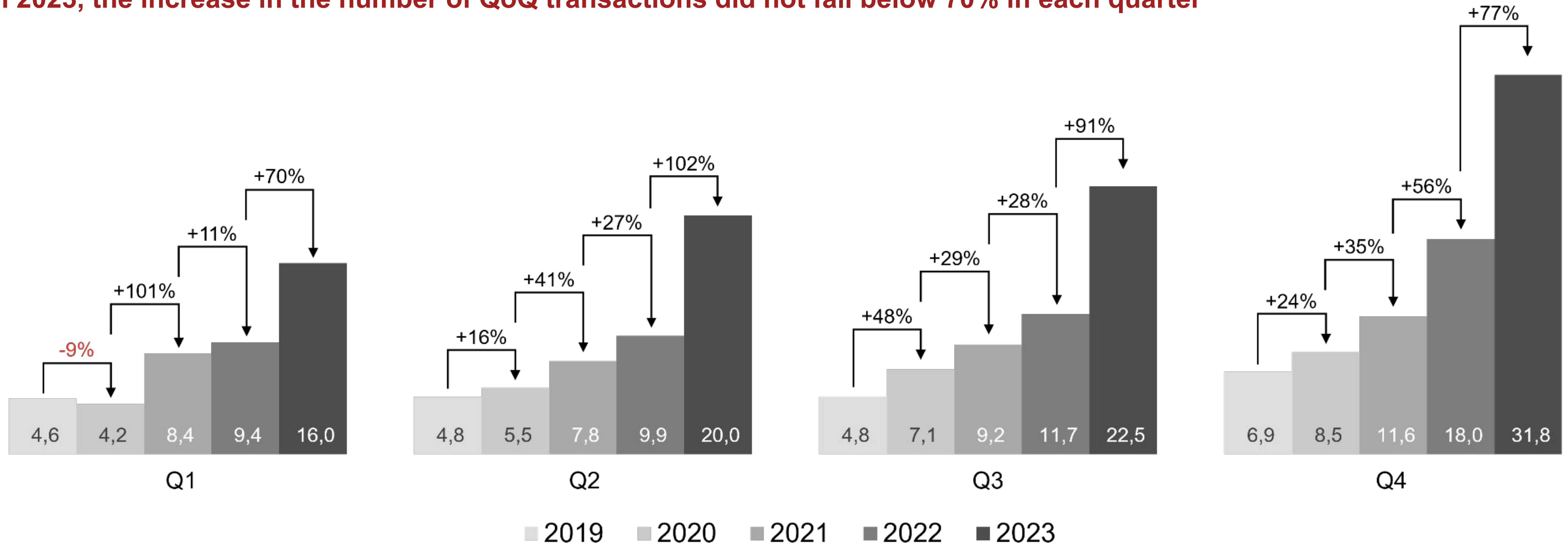
84% was an increase in number of transactions compared to 2022

Twofold increase in the number of transactions in Q2'23 and Q3'23

2023 was indicative both in terms of sales volumes growth and in transaction growth. For instance, in 2Q'2023 and 3Q'2023, the number of transactions approximately doubled compared to the same quarters of the previous year, and in general, the growth dynamics during the year did not fall below +70%, while in 2022 the maximum quarterly increase was only +56% (4Q'2022).

The number of transactions began to grow at a higher rate than the volume of the industry in monetary terms, starting from 2Q'2023. This is probably explained by the beginning of an active market expansion by marketplaces, which traditionally show a higher number of transactions and a low average spend.

In 2023, the increase in the number of QoQ transactions did not fall below 70% in each quarter

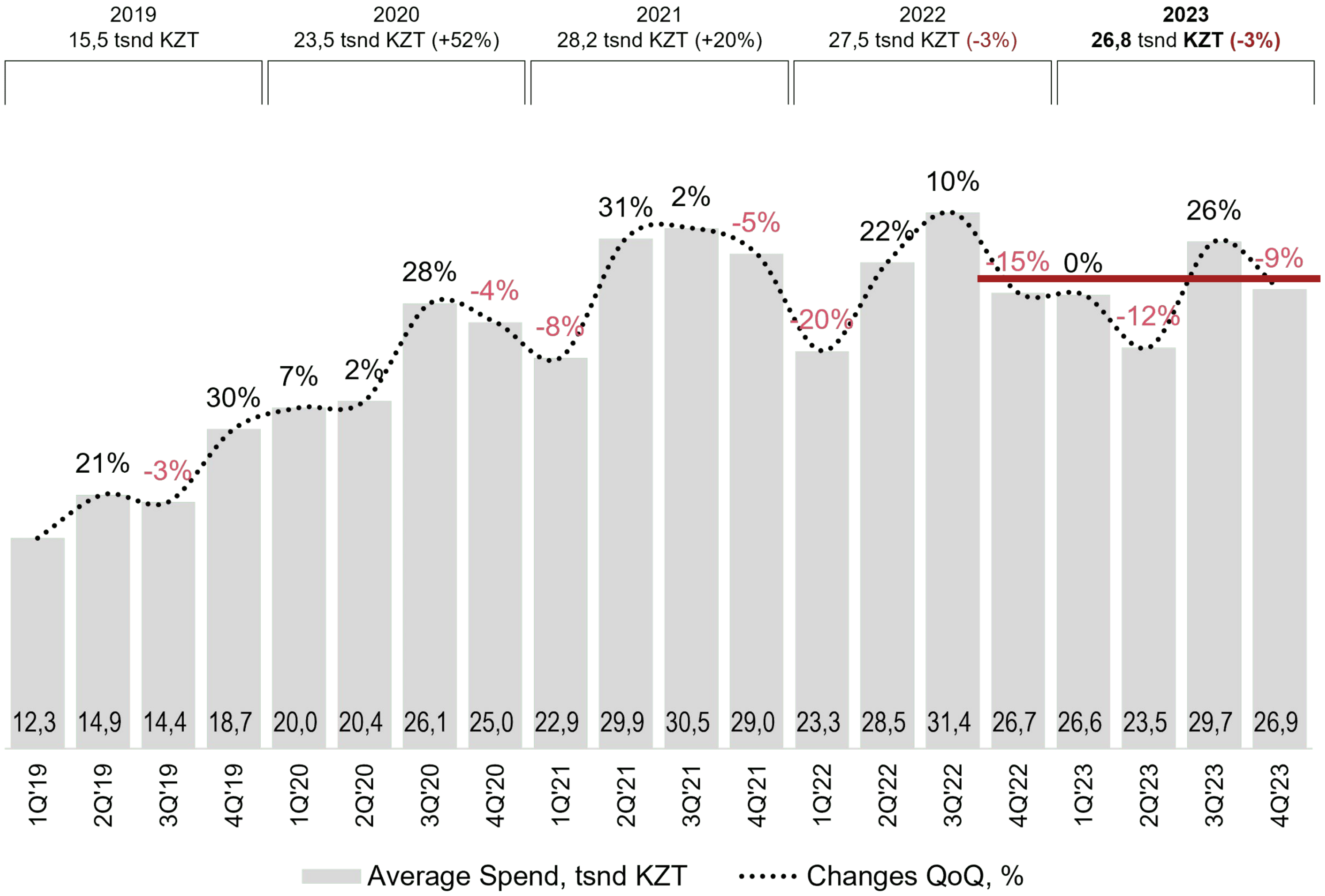


04

Average Spend In E-Commerce And Its Dynamics

The average spend has been declining for the second year in a row

In the average spend, the seasonal component of demand has ceased to be observed



At the end of 2023, the average spend was 26.8 thousand tenge, which is the most modest result over the past 3 years.

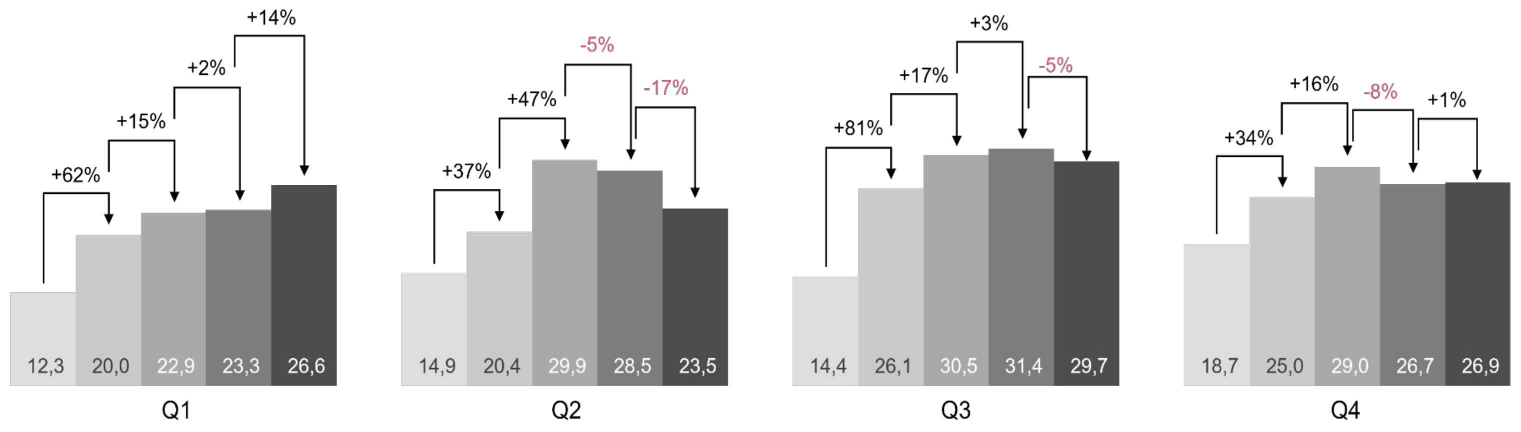
The size and the dynamics of the average spend is now influenced by the fundamental changes in the ratio between the popularity of marketplaces and that of online stores, as well as in the ratio between the local and international players.

Seasonal dynamics, pronounced in 2019-2020, ceased to play a decisive role in the formation of this indicator, making quarterly fluctuations of the average spend to be within +/- 15% of the average annual values.

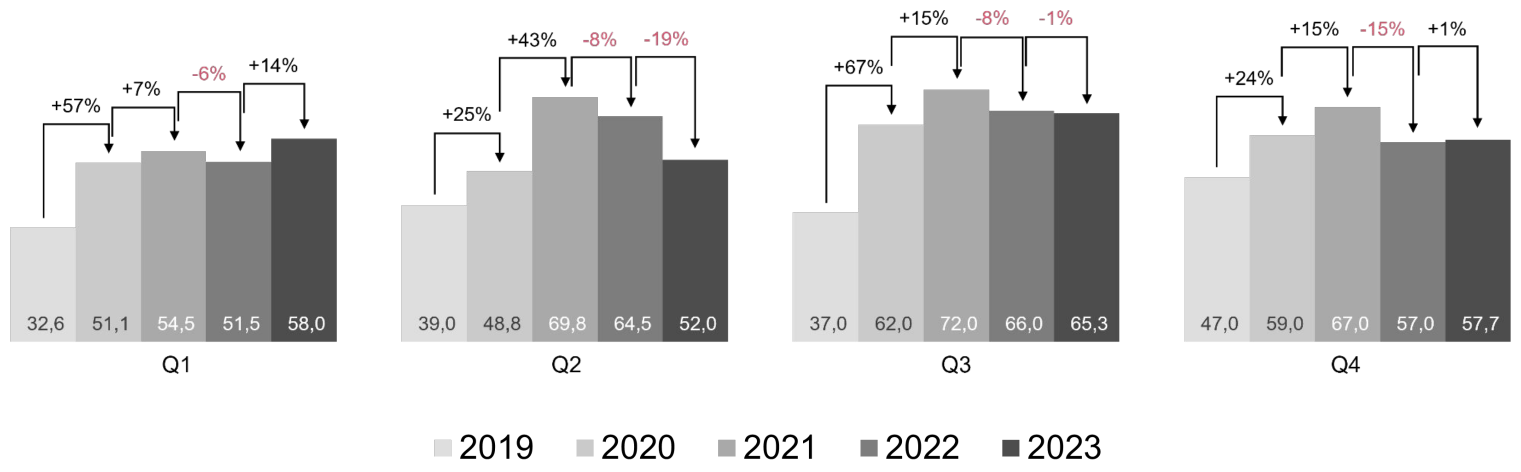
-3% was a decrease in the average spend compared to 2022

The average spend decreases by the end of the year

Average spend, thousand KZT, and its quarterly dynamics, %



Average spend, USD, and its quarterly dynamics, %



Mixed trends were observed in relation to the average spend.

1Q'2023, for example, was characterized by an increase in the average spend by 14% (both in tenge and in US dollars). However, starting from 2Q'2023, there was a gradual decrease in the average spend both in national currency and in dollar terms. The average spend for 4Q'2023 is almost the same as it was late in 2022.

The sharpest decrease in the average spend fell on 2Q'2023 and amounted to 17% in tenge and 19% in USD.

The dynamics of the average check indirectly reflects the fundamental changes in consumer behavior seeking reasonable savings. Customers are increasingly seeking to make purchases from aggregators that provide a wide assortment, favorable prices and comfort of choice without leaving home. Marketplaces provide a storefront for a wide range of sellers, thereby stimulating competition and having a negative impact on the sum of the average spend.

Thank You To Participants

We are deeply grateful to everyone participated in our study for their time, opinion, and invaluable assistance in interpreting 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 in Kazakhstan.

PwC Team

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