

Recent E-Commerce Development Trends in Kazakhstan

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Introduction

The digitalization process today affects almost all countries of the world. At the same time, each country determines its own priorities for digital development. More than 15 countries of the world are currently implementing national digitalization programs. The leading top 5 countries in the digital competitiveness ranking 2020 are the US, Singapore, Denmark, Sweden, Hong Kong SAR¹.

In fact, the Government in Kazakhstan draws significant attention to the accelerated digitalization of the economy. Thus, the large-scale program “Digital Kazakhstan” has been launched since 2018 and would be completed by 2022. There are five main directions within the program focusing on the digitalization of economy: digitalization of industry and electric power industry, digitalization of transport and logistics, digitalization of agriculture, the development of electronic commerce, development of financial technologies and non-cash payments ².

One of the basic components of digitalization nowadays is e-commerce. Online shopping is one of the most popular online activities worldwide. Thus, according to global sources in 2020, retail e-commerce sales worldwide amounted to 4.28 trillion US dollars³. The leaders in the volume of commerce are China and the USA. Kazakhstan is also expanding the scale of e-commerce in recent years. Online shops first emerged in Kazakhstan in the year 2000. During the pandemic, the speed of development of online trading volumes increased significantly in Kazakhstan. In this article, we would consider how the digitalization of Kazakhstan’s economy accelerated in the last few years. In the study we used data of the World Bank, the Bureau of National statistics Agency for Strategic planning and reforms of the Republic of Kazakhstan, Ministry of Digital Development, Innovation and Aerospace Industry of Kazakhstan.

¹ Digital competitiveness ranking 2020. IMD World Competitiveness Center. p.21

² <https://digitalkz.kz/en/digitalization-of-economics/>. Digital Kazakhstan.

³ <https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/#:~:text=In%202020%2C%20retail%20e%2Dcommerce,m%20popular%20online%20activities%20worldwide.> Global retail e-commerce sales 2014-2024

The Factors of E-Commerce Development in Kazakhstan

The results of the digitalization reforms could be assessed mostly positive comparing to previous period. In the field of electronic commerce, development of financial technologies we see the significant changes.

The high speed of e-commerce development in Kazakhstan is affected by several factors.

Firstly, the pandemic restrictions in the form of the state of emergency introduced in March 2020 till May the same year led to the sharp increase of online purchases and the number of transactions. As survey results showed (PwC, 2020) due to quarantine measures the population of the country used frequently goods online. In fact, 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.

Secondly, Internet use has grown quickly over the last years, from 61,9 % in 2012 to 82% of the population in 2019. This provides good opportunities for growth in e-commerce.

As we can see from the table 1 the share of organizations participating in online trading increases annually (in the statical data Government organizations are not included).

Table 1. Indicators of the use of information and communication technologies in organizations registered on the territory of Kazakhstan (Government organizations are not included) in percentage

	2018	2019	2020
Share of organizations using computers	77,7	83,0	83,9
Share of organizations with Internet access	75,1	80,4	81,6
Share of organizations receiving orders for goods and services via the Internet	1,6	5,4	7,4
Share of organizations ordering goods and services via the Internet	4,9	8,2	7,9

Note: compiled on the basis of the data <https://stat.gov.kz/official/industry/29/statistic/7>

Thirdly, the active use of smartphones in online orders in Kazakhstan. The proportion of customers who place orders using smartphones worldwide is 54%, in Kazakhstan this indicator is close to 65% in 2020⁴. The level of digital literacy of the population is growing. As the data from the table 2 shows the population is obtaining more skills in the field of using the digital devices and services via Internet.

⁴ Source: <https://www.primeminister.kz/en/news/v-2019-godu-obem-pokupok-v-kazahstanskih-internet-magazinah-sostavil-422-mlrd-tenge>

Table 2. The level of digital literacy of the population of the Republic of Kazakhstan at the age of 6-74 years (in percentage)

	The share of population with skills			
	2017	2018	2019	2020
Using a personal computer, smartphone, tablet, laptop	74,9	73,6	76,1	77,6
Using of standard programs (text and table editors), receiving services via the Internet), the use of any digital devices (digital cameras, digital camcorders, webcams, digital television, DVD players, projectors while using a personal computer, smartphone, tablet, laptop	60,8	68,1	70,4	73,7

Note: compiled on the basis of the data <https://stat.gov.kz/official/industry/29/statistic/7>

Fourthly, the growth of internal market of online shops. This fact positively affects the increase of online orders on the local internet platforms comparing to the number of orders on the international platforms. We can judge from the table 3 the volume of online trading. So, the volume of wholesale, retail trade and trade in services grew sharply during 2017-2020.

Table 3. The scale of online trade in Kazakhstan (internal market)

	2017	2018	2019	2020
The volume of retail trade via the Internet, million KZT	106 918,1	144 606,0	206 253,9	476 651,5
The share of e-commerce in the total volume of retail trade, %	1,2	1,4	1,8	4,1
Wholesale trade volume via the Internet, million KZT	87 248,8	114 856,8	108 603,2	275 105,4
Share of e-commerce in the total volume of wholesale, %	0,4	0,5	0,4	1,1
The volume of sales of services via the Internet, million KZT	70 356,2	136 123,0	121 153,7	209 164,7

Note: compiled on the basis of the data <https://stat.gov.kz/official/industry/29/statistic/7>

The volume of international online trading is much lower in Kazakhstan than internal e-commerce, as we see from the data of the table 4.

Table 4. The number and volume of transactions carried out outside Kazakhstan via the Internet using payment cards of Kazakhstani issuers (international e-commerce)

	2017	2018	2019	2020
Quantity, million units	9,5	10,4	16,3	32,4
Sum of money paid for international e-commerce in goods and services, million KZT	109 675,8	127 758,1	175 964,9	247 968,7

Note: compiled by author on the basis of the data of the National Bank using the source : compiled on the basis of the data <https://stat.gov.kz/official/industry/29/statistic/7>

Fifthly, the development of the infrastructure of trading POS-terminals, the entry of Apple Pay and Samsung Pay to the markets of Kazakhstan, use of bonuses and cashback.

The Kazakh National Bank in cooperation with 13 banks is developing instant payments to support the e-commerce. More banks are connected to a mobile phone payment system. The National Bank of Kazakhstan has introduced a project that allows using a mobile phone as a means of payment for the development of instant payments. It is planned that more than 13 banks would be connected **to the mobile phone system (mobile banking)**.

The role of fulfillment centers is important. Currently three fulfillment centers have been established in the cities of Nur-Sultan, Almaty and Aktobe, which process more than 350 thousand postal items daily. By 2025, their number will be increased to 19. This will increase the volume of postal items to 82.8 million pieces and provide services to more than 1,000 online stores ⁵.

Sixthly, the development of e-commerce is supported by Government as a priority direction. In 2019, a Roadmap for the development of electronic commerce for 2019-2025 was developed and adopted. The Government's strategy to intensify the process of digitalization is being implemented .

The Challenges to the E-Commerce Development in Kazakhstan

According to the Committee on Statistics of the Republic of Kazakhstan, the share of e-commerce in the total volume of retail trade is 4.1% according to 2020 data which is still low comparing to leading countries.

Still, there is a large difference between indicators of number of individuals using the Internet in Kazakhstan and other countries, particularly in the remote areas.

We see insufficient promotion of e-commerce in the business environment. The e-commerce is not advertised in the country, which slows down the attraction of new players and consumers. The small and medium business sector urgently requires support in training and starting the online trading.

⁵ <https://primeminister.kz/ru/news/v-2019-godu-obem-pokupok-v-kazahstanskih-internet-magazinah-sostavil-422-mlrd-tenge>

E-commerce participants have frequent technical failures in accessing IT systems.

Another barrier is a shortage of specialists for the development of e-commerce (marketers, IT specialists, content specialists). The shipment and delivery of goods is complicated by the underdeveloped transport and logistics infrastructure which sometimes leads to delay in delivery. The Kazakhstani companies need the legislative basis with simplified procedure and incentives to join and actively participate in international e-commerce with their goods.

The network of online shops in the regions is still insufficient and literacy of population is low in comparing to large cities as Nur-Sultan and Almaty.

Future Expectations and Implications

Experts expect e-commerce to grow rapidly in 2021, both due to the arrival of new players and due to the expansion of existing large sites and their range. As for buyers, Kazakhstani consumers will increasingly order online services and necessities. The end of the pandemic is undetermined, currently the new rules on visiting trading centers are introduced, so the new wave of growth of online purchases could be forecasted.

The Government's program "Digital Kazakhstan" is aimed at improving the standard of living of every citizen of the country through the use of digital technologies. One of the main goals of the program is to create conditions for the economy's transition to a fundamentally new trajectory, the digital economy of the future. The implementation of the state program will be carried out in the period 2018-2022 in five main directions.

The Government's plans show that by 2025 it is planned to create over 300 thousand new jobs and specialties in the e-commerce sector, taking into account related industries. In this regard, the Prime Minister of the country instructed the Ministry of Trade, together with the Ministry of Labor, to launch the specialized program to train entrepreneurs in the effective organization and conduct of e-commerce.

The Internet Exporter School program was launched. The institution provided direct support for promotion on Internet platforms for beginners and experienced entrepreneurs. Overall, 50 companies were selected to provide access to the global Alibaba platform.

Today, there are about 13 developing Kazakhstani trading platforms operating on the market, and they have about 20 categories of goods and services.

In Kazakhstan E-commerce centers were established. In these centers, representatives of small and medium business are trained to obtain the skills of creating online stores, selling and promoting goods on the domestic market.

The local authorities plan to improve the e-commerce infrastructure and develop online sales overseas of goods produced by Kazakhstani manufacturers. The number of fulfillment centers

would increase by 2025. Overall, these measures would promote Kazakhstani goods and services locally and internationally.

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