

Wachstumspotenziale Osteuropa

**Chancen, Risiken und Potenziale des Markteintritts in
der Ukraine**

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- **Distance trade market, main actors**
- **Our services, knowledge and experience for the success of your business in Ukraine**

Ukraine: Geography



Ukraine in figures (1)

Nominal GDP in 2006 – 535,86 bln. UAH. (77,6 bln. EUR)
Real increase compared to 2005 – 7,1%
Estimated GDP increase in 2007 – 8,6%

Income of the population:

- Nominal increase in 2006 - 26,6%,
- Real income increased on 16,1%
- Average salary 250 EUR/month

Inflation rate in 2006 constituted 11,6% (in 2005 – 10,3%)
In January-February 2007 – 1,1%

Population: 46,646 mln. people
In comparison with 2006 it has decreased on 0,61%

Ukraine in figures (2)

**Advertising market volume in 2006 – 1005,46 mln. EUR
(increase to 2005 - 64,5%). Estimate increase in 2007 is 26,5%**

Internet users:

March 2006 – 2,913 mln. people – 6,22%

March 2007 – 4,792 mln. people – 10,27%

Post operator UGPPS Ukrposhta:

Average correspondence and payments transit time is 4 days (85%)

Volume of letters sent in 2006 – 358 mln.

around 250 mln. pcs thereof correspondence sent by legal entities

53 mln. – registered correspondence

Parcels – 12,5 mln. packages

9 mln. pieces thereof – cash on delivery (total of 10 mln. packages)

State Post Operator «Ukrpochta»

The Ukrainian state post operator «Ukrpochta» (USEPC «Ukrpochta») is the monopolist and national operator of a mail service according to the resolution of the Cabinet of Ministers of Ukraine of January, 10th, 2002.

Its activity is regulated by the Law of Ukraine «On mail service», other laws of Ukraine, and statutory acts of the World Post Union.

Ukrpochta has been the member of this Union since 1947.

Since 1991 the Administration of Communications of Ukraine has been a member of European Association of State Post Operators «PostEurope».

National post operator «Ukrpochta» consists of 31 subsidiaries:

- 27 regional administrations, including two city administrations – Kiev and Sevastopol;
- administration of post processing and post transportation;
- administration "Avtotranspochta";
- administration of "Publishing house "Stamp of Ukraine";
- administration of the Main training centre "Zelenaya Bucha".

Network of mail service covers all regions of Ukraine:

- 24 central post-offices;
- 297 departments of mail services;
- 62 centers of mail services;
- 3567 urban, 9833 rural, 116 mobile, 22 seasonal departments of mail services;
- 1729 post-offices.

National post operator «Ukrpochta» has functioned as an independent economic unit since 1994 when the post branch and telecommunication brand were divided in the result of reforming.

Two associations were formed, including the Ukrainian association of mail service «Ukrpochta» that was reorganized to the current state post operator «Ukrpochta» in July, 1998 according to the Program of re-structuring approved by the resolution of the Cabinet of Ministers of Ukraine.

Ukrainian post provides:

- direct post exchange with 58 countries of the world;
- two-way exchange of postal (money) orders with 17 countries;
- one-way exchange – with 5 countries;
- two-way exchange of electronic money transfers between Ukraine and Moscow;
- exchange of mail with payment on delivery – with 10 countries.

Delivery of mail in Ukraine is provided by own transport.

There are 33 main automobile routes with length of over 29 thousand km for mail and printed editions' transportation. Fleet of vehicles involved in transportation composes 4.3 thousand automobiles.

Profitability of activity of Ukrpochta made up:

2002 – 2,0%;
2003 – 1,8%;
2004 – 3,3%;
2005 – 2,4%.

Consignment agreements with Slovak, German and Finnish Posts

Distance trade market

2006 volumes: 150 mln. EUR (increase compared to 2005 – appr. 36%)

Thereof:

- Catalogue sales constituted 74 mln. EUR (64% increase)
- Cost of goods sold via Internet (approx. 60%)
- TV-shops 18 mln. EUR (35% increase)

“Ukraine: ...Looking to the future the sheer size of the Ukrainian market makes this a country worth watching.”

W.Hitziger et al. “EASTERN EUROPE IN FOCUS. Facts and Figures about Direct Marketing and Mail Order”
Post.Edition 2006

Legal base

Regulated by “standard” norms:

- no law specifically protecting (or addressing) MO companies and their customers
- no data protection law (vetoed by the President)

Instead:

- Constitution of Ukraine, law on Information – contains provisions on impossibility of personal data use without permission of person in question
- Customer protection Law – regulates responsibility of the distance sellers
- Law on Advertising – regulates communications in “complicated” branches (e.g. medicine, pharmacology, finances)

3 x 2 Strategies of MO Market Entry

A.

- 1. Consignment (with or without permanent establishment)**
 - 2. Direct import**
-

B.

- 1. Strictly Mail Order**
 - 2. Combined with other means of sale (mostly Retail)**
-

C.

- 1. First offer goal – sale (e.g. catalogue inserts or image ads with product order coupon)**
- 2. First offer goal – address' gathering and communication**

MO Market in Ukraine – market of big opportunities

- 1. Average income – 250 EUR per month, average order – approx. the same as in Western Europe**
- 2. Our Consumers haven't yet been “spoiled”. They have rather high income level, though these Consumers are still not indulged with attention and services**
- 3. The market hasn't been developed yet. New player can relatively easy occupy one niche there**

Results in terms of sales volumes and orders quantity exceeded our clients' expectations (1,5-2 times higher than estimated)

Main Players

Entry of large international operators to the market of Ukraine promotes rapid growth of Ukrainian distance trade market.

Reader's Digest, Neckermann, Yves Rocher, International Masters Publishers, Mir Knigi successfully work in Ukraine.

Bertelsmann is as well represented (in 2004 they acquired) the leader of Ukrainian book trade market – Family Leisure Club Company.

Window of opportunity

Great potential

- *many niches not taken*
- *good consumption ability*
- *average order comparable to that in Western Europe*
- *clients ready to buy from new players*

Services OS-Direct for New Mail Order Business

OS-Direct has a great experience on realization of catalogues projects. At the stage of launching business and in regular work we are ready to provide the services:

- Marketing and other researches, calculations for making investment decisions.
- Obtaining permits and other documents necessary for the sales of goods on territory of Ukraine
- Import and customs clearance of goods and/or advertising materials
- Organization of contractual relations with the State Post Operator «Ukrpochta» and other counterparts.
- Function of the official authorized representative of the customer on the territory of Ukraine with the functions of a paying agent
- If there is a necessity of creating a legal entity in Ukraine we can provide accounting services.
- Carrying out of test purchases for checking the mechanism of cash on delivery, consignment mechanism, and financial interaction with counterparts
- Adaptation of advertising layouts of the Customer for the purpose of their use on the territory of Ukraine. Translation into the Ukrainian language. Check of layouts of catalogues (spelling, correctness of layout setting)
- Marketing: media planning, analysis of efficiency of using various editions (responds), selection of a DB for dispatches, selection of cross-partners, etc.
- Training, selection and renting the staff
- Getting permissions, certificates and other documentation in order to get goods/materials necessary to import and/or realize
- Import/export and customs clearance

ДНІ ДИРЕКТ МАРКЕТИНГА В УКРАЇНІ



Фото: © "Кошарки Агр"

Організатори: **OSDirect** OFFICE • SERVICE • DIRECT **EURO** **ufi**

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Direct Marketing
DAYS IN UKRAINE



Фотос: Ю. Сергійчук, Губішчанин

Організатори: **OSDirect**  

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Thank you for your attention

We will gladly assist you at any stage of market entry or active business in Ukraine

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S. Makarenkov 2005

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