

Being Real About Risk

Sandra Quinn, MD of Quinnity Limited interviews Maelle Gavet, CEO of OZON Holdings, Russia's leading online retailer. Sandra is a former UK regulator and risk director who now works with growing and start up businesses to help them establish risk, controls and compliance that work in innovative environments. Following her recent work with Groupon in the UK, GRU asked Sandra to speak with the French Chief Executive about risk in a growing e-commerce business.

The first thing you notice interviewing Maelle is her refreshing approach to being a leader of a business. Albeit she is CEO of Russia's equivalent to Amazon and far from being an Amazon copycat, she makes it clear she isn't disappearing into target numbers. She keeps it real and wants OZON to be its own company.

OZON was Russia's first online shop, established in 1998. Maelle joined OZON after six years at Boston Consulting Group, first as its head of marketing and customer relations, and then becoming CEO in 2010.

Maelle, what's the number one thing you uniquely bring as a CEO?

This is the question she is most uncomfortable with. She often sees a cult of leaders with which she is uncomfortable. 'Nobody can work without a team around him or her' and she points to great work she and the OZON team have done on acquisitions and establishing a new warehouse, changing the company approach and setting up an in-house call centre. 'I find it hard to say it's all me'. Contrasting this with internet start ups she highlights that in a lot of young businesses 'a lot depends on the guy who creates the business'. Having got past the start up stage, OZON at fifteen years old doesn't need to depend on one person, albeit there is a lot of respect for its founders. 'The

role of the CEO is direction but a single person doesn't make or break a company; but a single team can make or break a company.'

If 'walking the floor' is a key thing for traditional offline business leaders to get to know their company, what's your e-commerce equivalent?

Maelle has three equivalents of this, starting with the OZON call centre. 'Especially in the first year I sat in the call centre every single week, now I do it once a quarter and that's all I can manage'. The second is the warehouse where she goes to pick and pack orders. 'Last year it was the nightshift where I spent 24 hours to pick and pack the orders'. The third is the delivery system where once a year she works at the pick up points and drives with the couriers.

Who have you learned most from?

Too many to name. Maybe twenty 'So many mentors, that I can

feel really lucky'. She cites 'incredible Russian people' who showed her how to build a business.

Colleagues and clients at BCG showed her how to be a good consultant. When she moved to OZON she learned a lot by looking at Bernard Lukey, the former CEO.

So what is her ambition for OZON?

'Ambitions are big'. They continue to expand market share and their goal is to build a general B2C e-commerce platform with one of the biggest online travel businesses in Russia, having bought Sapato selling shoes and shortly moving into clothes. They have developed B2B capability to undertake delivery, and created E-Solutions which provide an online solution for offline companies. OZON plans to provide a 'total e-commerce experience' either through its own platform or through others.



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So what is her approach to risk?

Maelle’s approach is intensely practical. She describes risk management as a discipline as in its infancy in the online business in Russia but notes that people are learning through experience, often through having problems. *‘In our industry in Russia it is not always considered a top priority for many e-commerce firms, the priority risk management will be IT risk management. How do you make sure your website is not down?’*

‘infrastructure.’ And they make it not just risk management but also a competitive advantage. ‘We are the biggest delivery system for e-commerce in this country.’

How does fraud feature in her approach to risk?

In a more cash based consumer market, OZON’s business is 80% cash on delivery with pick up points of goods for customers numbering over 2000 across the country. *‘Our market situation is very different so this is one problem*

The offline experience is critical to online success

To Maelle, focusing on the offline experience is crucial to the success of the online. *‘If you make the offline experience right, then you make the online shopping right.’*

Partly this is driven by a customer demographic which is getting used to the online experience in Russia. But it represents practical management of the risk that most online retailers have faced – focusing on the web experience and seeing the customer experience as a function of their online quality.

Maelle continues: *‘They want to talk to a human being and have someone who can answer. They want to go to a pick up point and open the goods before they purchase it to make sure it’s what they bought’.*

So OZON will continue to focus on getting its website right but Maelle contrasts this approach with firms whose principal worry is about the conversion rates on their website and the colour and position of a button on the website.

‘We’ve tested that like any online retail and it is important. But at the end of the day it doesn’t mean that the customer is going to return to make their next purchase. It doesn’t depend on the size or colour of the button you put on the checkout page. It’s going to depend on whether their overall experience is good. And that means was the price right, was I delivered on time and if I had a problem was there someone I could talk to sort it out.’

Maelle is self-critical of her approach to risk. But my impression is that it’s an intensely practical approach which others in her industry could learn from. And one that her customers should feel good about.



How do you make sure you can resist attack? How can you make sure that your database doesn't leak? Do you have enough servers to power your website?’

OZON has extended its risk view to payments and delivery which they treat as key risks. Maelle and OZON focus on them explicitly. Russia remains a cash based economy so cash payment is part of the Russian culture. *‘Delivery is at the core of our business because in Russia it is hard to rely on existing*

we don't have. So we have others’. This makes cash management a bigger risk issue than card payments which is the challenge for other e-commerce companies. Cash payment *‘is part of the Russian culture and part of the customer expectation and a lot of people have debit cards so they can withdraw money twice a month’.* But clearly this is something OZON is working with, recognizing as a Russian company that this is the market standard.

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