



7. Impact of Covid 19 on E-Commerce

Roy Anitakumari Paramannand

*Assistant Professor (Guest), Dept. of Commerce, Marwari College,
Darbhanga, Bihar.*

ABSTRACT

COVID-19 has affected nearly every aspect of society—our lives, jobs and enterprises. In the past, COVID-19 created surpluses of goods, increased demand for previously unnecessary products and interrupted supply chains, as well as dominant consumer and purchasing decisions. Such changes in consumer behaviour, economic uncertainty and a demand for new COVID 19 products create an environment ideal both for authorised and unauthorised opportunistic distributors who divert real goods via unauthorised distribution channels.

KEYWORDS

Covid-19, E-commerce.

Introduction:

The continuing increase in e-commerce means that both grey and black markets (i.e. counterfeit goods) will have an increased opportunity to enter the commercial stream. A survey conducted by KPMG alone in 2009 estimated that grey market owners cost United States sales of up to \$63 billion (or 4.5 percent of total sales). In 2011, it was estimated that grey market goods cost \$1.4 billion annually to individual high-tech companies such as Samsung and Hewlett Packard. In 2016, 20% of the worldwide luxury reload market accounted for grey sales. And in 2020, while the impact on sales in the United States and worldwide on the grey market is still unknown, it becomes clear that the worldwide pandemic has dramatically changed the e-commerce landscape creating the conditions for exponential growth in grey market activities.

E-commerce includes the purchase and sale, through an electronic media (internet) by the consumer, retailer and business of raw materials, products, services and any type of goods or service. While e-commerce retail is the online retailer and consumer exchange of goods and services (generally end-users). E-commercial transactions may include Business or B2B (Cisco, Alibaba), Consumer or B2C (Amazon, Walmart), Consumer or Consumer transactions (C2C) of various kinds (eBay). [1, 2]

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The driving forces behind the growth of the market of e-commerce before the COVID-19 pandemic include the continued growth of internet users, increasing awareness of online shopping, increased online product launches, low pricing due to bulk acquisitions, etc. Additionally, the growth of the global e-Commerce market further contributes to the increase in the number of products on the market or the lower prices of goods due to the direct distribution channel and economies of scale.

Moreover, social distancing and staying home will continue to push consumers to online shopping following the COVID-19 pandemic. However, the e-commerce industry may experience uncertain consumer demand and supply chain issues. The COVID-19 pandemic problem may also affect major retailers, for example Walmart, which suffer from a drop in casual shopping, disruption to the supply chain, or an increase in essential products, foodstuffs and toilet purchases.

The global e-commerce industry report contains segmented products such as electronics, beauty of health and personal care, etc. Due to the uncertainty within suppliers and demand worldwide, the outbreak of COVID-19 had an effect on these sections. The e-commerce provider chains in the United States, China and other countries are primarily strained by COVID-19 and factory shuts. The segment most affected because of the COVID-19 outbreak are electronic products, as most of the COVID-19 products are in China and the country is the world largest producer of the electronics and its parts according to the International Trade Union Federation (ITUF). A large amount of the Chinese imports are made up of electronic components which are then assembled or exported into finished products, such as consumer electronic products or computers. Due to the factory shut down supply chain of electronic products, however, the electronics e-commerce industry will now have more impact.

The new COVID-19 pandemic has impacted e-commerce in various regions, including North America, Europe, Asia-Pacific and the rest of the world. In Europe and China in the Asia Pacific, the countries where most cases were reported are Italy, Spain, France and France. China's major e-commerce supplier, Alibaba, struggled with the uncertainty of the coronavirus spread in an economic slowdown of its domestic market to sustain growth rates. Alibaba Group Holdings Ltd., Amazon.com, Inc., Qoo10 Pte. Ltd., JD.com, Walmart Inc., Shopify, Rakuten Group, and eBay Inc., among others, were among the key companies that became involved in the market. For example, Amazon invested heavily in one day shipping which has still not compensated for it. Its net revenues decreased by 26% in 2019 and shipping costs increased by 46%. Amazon's profits during the first half of 2020 are affected by the coronavirus pandemic.[3]

Review of Literature:

Khosla and Kumar(2017) stated in their analysis that some of the trends in e-commerce expected to occur in the near future can be growth in all-channel business, niche businesses, mergers and acquisitions, more rural markets, increased internet marketing, services, increased digital modes of payments, improved infrastructure or supply-chain management[4]

In his paper Mahipal, D., (2018) mentions the various phases of the internet from 1995 to the present time. The study also concludes that tremendous growth is going to take place in the coming years, as long as legal security or e-commerce are provided to enable domestic and international trade to expand. [5]

Shahjee, R., (2016) states that e-commerce has provided companies with a platform to showcase their different products and facilitate the quick finding for consumers of products of their interests, which traditionally have been quite difficult for their marketing. However, e-commerce, in contrast, is facing many problems in relation to the capacity of its consumers, in particular rural consumers, with the lack of computer and Internet knowledge. [6]

The report of Kumar, N. (2018) states that huge growth in the area of e-commerce is projected in comparison with 2015 to grow 4 times by the year 2021. Smartphones and Internet use will be the major players in this growth, increasing public awareness, improving Internet services, digitalization the majority of the initiatives with government support, the entry of foreign investors and business players, advanced payment options available to the consumer, but the government must take steps in order to promote this growth. [7]

Retail Trends Show Massive Online Growth, Positive Signs for In-Person Sales:

Clearly, e-commerce remained here long prior to our collective vocabulary being adopted by COVID-19. In 2019, 16 percent of total retail sales were online sales, up from 7.6 percent in 2013. Statistics show that e-commerce's share of retail sales increased relatively steadily from 2013 to 2019.

This trend has been overdriven by the pandemic. In the second quarter of the year, electronic trade sales amounted to \$211.5 billion, up 32 percent over the first quarter and up 44.5 percent over the year. Although e-commerce sales for Q3 fell slightly from Q2, they stood at around \$210 billion, up 37% from the third quarter of 2013. These numbers do not include online transactions – like a customer looking for a product online and buying it at a shop.

But retail selling growth did not fully come at the expense of brick and mortar retailers. Actually, the entire retail business reached a quarterly top of \$1,259 trillion in the Q3 2020, rebuilding 14.5% after a shaky Q2. The immediacy and experience of physical retail stores are still desirable for customers. They want, however, to work in a different way with these shops and that involves a mixed approach that combines aspects of retail and online. [8, 9]

The COVID-19 crisis is likely to have long-lasting effects on e-commerce:

In a large number of OECD countries, the COVID-19 crisis has led people to limit physical interaction significantly. Auto imposed social distancing, along with the stringent containment measures in many OECD countries, has almost, at least temporarily put a large proportion of traditional brick and mortar retail stores in custody (OECD, 2020[1]). Retail and food service sales in the United States decreased by 7.7% between February and April 2020, compared to that of 2019. Sales increased by 16 % and 14.8 % for grocery stores and

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other retailers (mainly e-commerce providers). In April 2020, EU-27, 2 retail sales through email or the Internet increased by 30 percent in relation to April 2019, and total retail sales fell by 17.9 % in comparison with April 2019. (Figure 1). There are likely significant changes in the country from brick-and-mortar shops to E-Commerce. For example, while in the United states, e-commerce shares in total retail only increased slowly in the First Quarter of 2018 to the First quarter of 2020 (from 9.6% to 11.8%), the figure increased to 16.1% in the first and second quarter of 2020. The UK has similar developments where e-commerce shares in retail have increased significantly, from 17.3% to 20.3%, from Q1 2018 to the first quarter of 2020 to 31.3% between the first and second quarters of 2020. The United Kingdom is also experiencing similar developments. Same change is also noted for other regions, including the People's Republic of China (hereafter China), which saw a rise of 24.6 % from 19.4 % in August 2019 to 17.3 percent in August 2018 in total retail sales between January and August 2020.

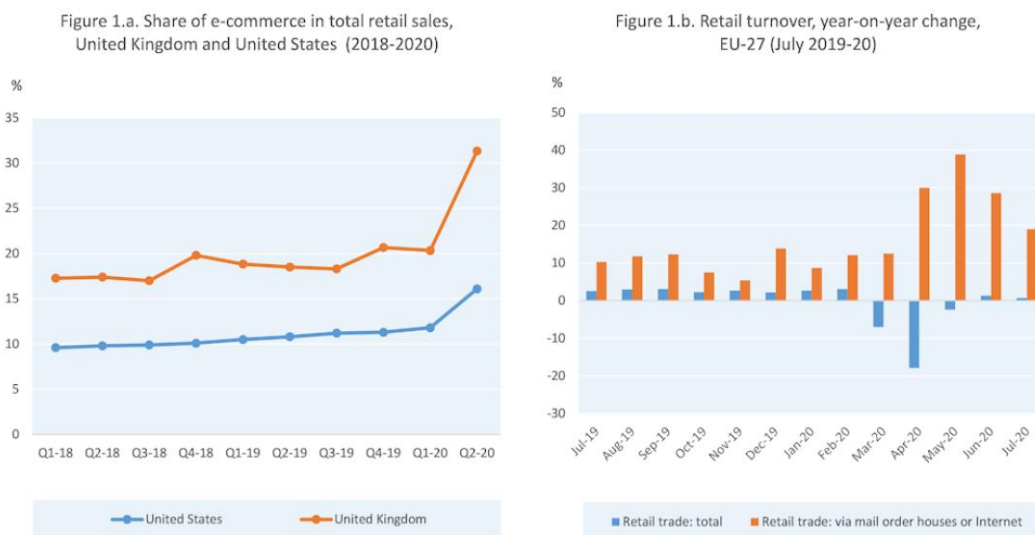


Figure 1: The crisis of COVID-19 increased the share in total retail e-commerce.

Source: OECD processing based on data from the United Kingdom Census Bureau, the United Kingdom Office of National Statistics and Eurostat.

Although official statistics are not available in most other countries, online ordering estimates indicate that several areas, including Europe, North America and Asia-Pacific, were up for the first half of 2020. (OECD, 2020[2]).

Long-Term Changes in E-Commerce:

For example, in the current crisis, old consumers who began to engage in e-commerce as a means of increasing physical separation may partially follow their newly acquired routines. Credit card usage of some ten million credit card holders in Japan indicates an increase for users in their 60's (from 15.4% in January to 21.9% in March 2020) and 70% in their online purchase share in credit card transactions (from 10.9% to 16.4%). A global consumer

survey measuring digital and low-touch activities during the COVID-19 crisis by McKinsey also shows that more than 50% of the increase in online shopping (Brazil and South Africa) and pickup from restaurants (France, Germany, Italy, South Africa, United Kingdom and the United Kingdom) were driven by the new users (e.g. users who had never previously engaged with such activities) (Italy, South Africa, United Kingdom, United States). In the US, 21% of adults report that a direct response to COVID-19 is to order groceries online or via an application from the local store. The percentage of elderly people remains almost as high (19%) (age 65+). Approximately 54% of Internet users in Brazil purchased food and food products over the Internet by 2020, up substantially from just 22% in 2018. Significant increases in cosmetics, toiletries and medicines were also observed. Since convenience has always been one of the main drivers for e-commerce participation, many new users will likely continue to order products online, at least in the future (OECD, 2019[4]). Others may continue to order online, because they fear the pandemic blowback or because merchants are successful in retaining them via loyalty programmes or subscription models.

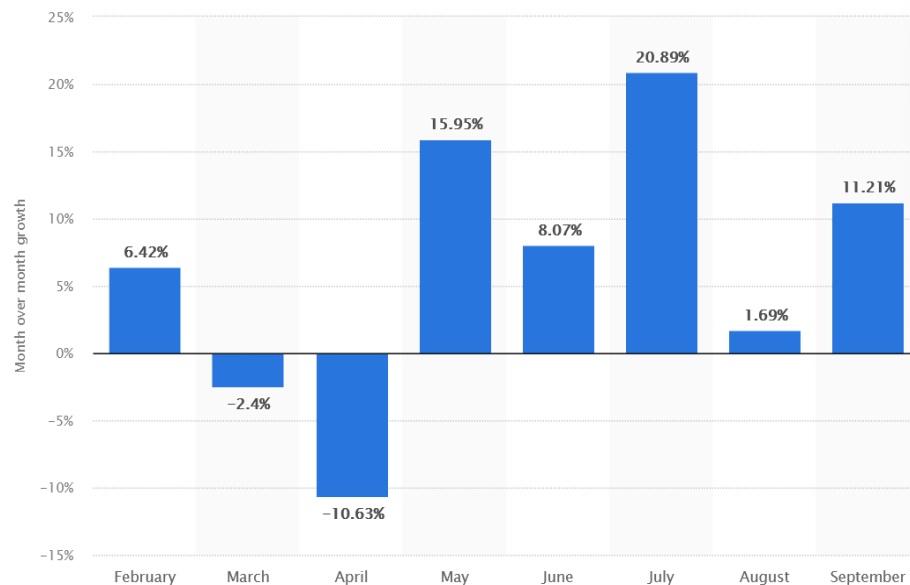


Figure 2: Impact of COVID-19 on e-commerce orders placed in India between February and September 2020

Key Considerations for Retail in the COVID-19 Era:

The trend in retail is still evolving, but the nation's e-commerce approach appears permanent. Retailers must therefore prepare themselves both now and in the aftermath of a pandemic to meet customer demand. Some items to take into account:

Create value for the experience in the store. Customers will not give up retail in person, but stores must offer incentives for shopping. Please be aware of the convenience of customer values today.

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Marketing on the Omni-channel is here to stay. Search for ways of marrying offers online and in-store. For instance, the above-mentioned BOPIS model combines e-commerce convenience and in-store shopping immediately.

Be careful with the arrangements for lease. Maintenance of BOPIS rights, rent considerations (i.e. thresholds for automatic rental reductions/lease falls?) or taxes in particular is a matter of particular consideration.

In an effort to reduce the cost of occupancy for bricks and mortar shops (e.g., ad valorem taxes). The good news for distributors is that we are in the commercial real estate buyer's market. Businesses should work with their landlords to reduce the firm's fixed costs.

Conclusion:

Establishing a new e-commerce business is not a simple task, but it is easier than ever for you to have one. With so many enterprises online to meet their needs and wishes over the year, digitization and innovation have become the focus of attention and this will be anticipated for years to come.

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