



A Study on E-Commerce After Covid -19

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Abstract:

This brief discusses how the COVID-19 crisis is accelerating an expansion of e-commerce towards new firms, customers and types of products, likely involving a long-term shift of e-commerce transactions from luxury goods and services to everyday necessities. It also highlights how the pandemic has also helped refine which categories of goods consumers feel are essential, the study found the standardized lockdown rules across India and the growing hesitation among consumers to go outside and shop for essential goods have tilted the nation towards e-commerce.

Keywords: Covid-19, e-commerce, lockdown

1. Effect of Covid-19 on online shopping

COVID-19 has changed online shopping forever, survey shows;



1.1 The pandemic has accelerated the shift towards a more digital world and triggered changes in online shopping behaviours that are likely to have lasting effects

The COVID-19 pandemic has forever changed online shopping behaviours, according to a survey of about 3,700 consumers in nine emerging and developed economies.

The survey, entitled “COVID-19 and E-commerce”, examined how the pandemic has changed the way consumers use e-commerce and digital solutions. It covered Brazil, China, Germany, Italy, the Republic of Korea, Russian Federation, South Africa, Switzerland and Turkey.

Following the pandemic, more than half of the survey’s respondents now shop online more frequently and rely on the internet more for news, health-related information and digital entertainment. Consumers in emerging economies have made the greatest shift to online shopping, the survey shows.

“The COVID-19 pandemic has accelerated the shift towards a more digital world. The changes we make now will have lasting effects as the world economy begins to recover,” said UNCTAD Secretary-General Mukhisa Kituyi.

He said the acceleration of online shopping globally underscores the urgency of ensuring all countries can seize the opportunities offered by digitalization as the world moves from pandemic response to recovery.

1.2 Online purchases rise but consumer spending falls

The survey conducted by UNCTAD and Netcomm Suisse eCommerce Association, in collaboration with the Brazilian Network Information Center (NIC.br) and Inveon, shows that online purchases have increased by 6 to 10 percentage points across most product categories.

The biggest gainers are ICT/electronics, gardening/do-it-yourself, pharmaceuticals, education, furniture/household products and cosmetics/personal care categories (Figure 1).

Figure 1: Percentage of online shoppers making at least one online purchase every two months



Source: UNCTAD and NetComm Suisse eCommerce Association

However, average online monthly spending per shopper has dropped markedly (Figure 2). Consumers in both emerging and developed economies have postponed larger expenditures, with those in emerging economies focusing more on essential products.

Tourism and travel sectors have suffered the strongest decline, with average spending per online shopper dropping by 75%.

Figure 2: Fall of average online spending per month since COVID-19, per product category

Source: UNCTAD and NetComm Suisse eCommerce Association

“During the pandemic, online consumption habits in Brazil have changed significantly, with a greater proportion of internet users buying essential products, such as food and beverages, cosmetics and medicines,” said Alexandre Barbosa, manager of the Regional Center of Studies on the Development of Information Society (Cetic.br) at the Brazilian Network Information Center (NIC.br).

Increases in online shopping during COVID-19 differ between countries, with the strongest rise noted in China and Turkey and the weakest in Switzerland and Germany, where more people were already engaging in e-commerce.

The survey found that women and people with tertiary education increased their online purchases more than others. People aged 25 to 44 reported a stronger increase compared with younger ones. In the case of Brazil, the increase was highest among the most vulnerable population and women.

Also, according to survey responses, small merchants in China were most equipped to sell their products online and those in South Africa were least prepared.

“Companies that put e-commerce at the heart of their business strategies are prepared for the post-COVID-19 era,” said Yomi Kastro, founder and CEO of Inveon. “There is an enormous opportunity for industries that are still more used to physical shopping, such as fast-moving consumer goods and pharmaceuticals.”

“In the post-COVID-19 world, the unparalleled growth of e-commerce will disrupt national and international retail frameworks,” said Carlo Terreni, President, NetComm Suisse eCommerce Association. “This is why policymakers should adopt concrete measures to facilitate e-commerce adoption among small and medium enterprises, create specialized talent pools and attract international e-commerce investors.”

1.3 Digital giants grow stronger

According to the survey, the most used communication platforms are WhatsApp, Instagram and Facebook Messenger, all owned by Facebook. However, Zoom and Microsoft Teams have benefitted the most from increases in the use of video calling applications in workplaces.

In China, the top communication platforms are WeChat, DingTalk and Tencent Conference, the survey shows.

2. The Impact of COVID-19 on E-commerce in India

The worldwide spread of the COVID-19 pandemic has disrupted how people buy products and services and how they perceive e-commerce. The standardized lockdown rules across India and the growing hesitation among consumers to go outside and shop for essential goods have tilted the nation towards e-commerce.

Consumers have switched from shops, supermarkets, and shopping malls to online portals for the purchase of products, ranging from basic commodities to branded goods.

Since the norm of social distancing has been initiated for almost the entirety of 2020, the scope of online purchases and online businesses is expected to surge. Many people are embracing the concept of online retail and the surge in FTUs (First Time Users) on e-commerce sites is visible.

3. Analyzing the first impact on e-commerce

COVID-19 has been exceptionally different from what we have ever witnessed. As the world was forced into complete shutdown, it's safe to say that e-commerce was the saving grace, helping millions of people stay home and procure what they wanted at their doorstep.

“Customers want to avoid stepping out unless it's very critical. We are helping customers who are stuck in that situation, and we are able to play a small part in helping (cater) to their needs,” – Gopal Pillai, Vice President for Seller Services at Amazon India.

According to IBEF, the market opportunities for online commerce in India are expected to touch \$200 billion by 2026 from \$30 billion in 2017.

The report also states that the Indian e-commerce industry is expected to overtake its US counterpart to become the second-largest market for e-commerce in the world by 2034. Business data platform Statista stated that the consumer retail segment is expected to see an increase in losses ranging from 3-23%, depending on the market. The report even included that the average retail e-commerce revenue per user in the nation was \$50 as of 2018, and is expected to go up till \$75 by 2024.

In the downside of things, lack of productivity during the nationwide lockdown resulted in the loss of jobs, pay cuts, and finances. Shutting down of shops and family-based businesses has made many people sway towards online retail to meet their financial requirements.

4. Optimizing your e-commerce business for the ‘new normal’

E-commerce involves more than just having a brand name and selling products online. Finding the right target audience, product niche, and connecting with your customers is vital because it allows you to cut down unnecessary costs and provide products that are most suitable for your customer base.

The initial steps taken to develop and launch your store paves pay for the growth of your business. Since there is no face-to-face communication with the buyer, you have to compete with other online stores in terms of price, products, and offers to remain relevant. As the consumer behavior of people is changing due to the shift to digitization

5. Things to consider before setting up your e-commerce business:

- Since the pandemic has made online shopping prominent, you can have a distinct advantage over others by offering niche products that aren't available at other online stores. Having a niche product line limits the expenses incurred and gives you an edge over your generic competitors. Furthermore, by filtering out your market, you can find sections that haven't been tapped into by your competitors

- There has to be an established inventory blueprint to cope up with the sudden increase in the demand for products and services in the country. Having the right inventory blueprint makes it easier for you to store, organize, summarise, and track all your orders. There are e-commerce platforms with built-in features that allow you to manage inventory efficiently as well
- The risk of RTO (Return to Origin) orders and the cost incurred by it should be taken into serious consideration. Since the Indian economy is still a cash-oriented market, RTO costs can be high in cash-on-delivery orders and any mishandling regarding such orders becomes a burden on your business
- In a world where online shopping is slowly becoming the norm, you should make sure that your business has fully adapted to all online payment methods. Since the payments are done through the tap of a button, it breaks any geographical constraints regarding the order, induces trust in your business, and also helps in making any recurring payments more convenient as there is no involvement of large sums of hard cash
- According to certain insiders in the industry, more than 60% of e-commerce orders in India are processed through cash-on-delivery payments. So, the addition of a pre-pay cash-on-delivery option to reduce any impulse orders and to convert visitors to customers is highly recommended to mitigate your unnecessary costs, increase traffic, and monitor the expenses of your business.
- Since the e-commerce platform is filled with competitive businesses, it's very important to do a thorough analysis of your competitors to get a better understanding of the market realities. This also acts as a rectifying tool if you aren't as compatible as your competitors, and also helps you in formulating better strategies for your business

6. How Third watch powered e-commerce stores during COVID-19

The journey of Third watch during the course of COVID-19 has been nothing short of a rollercoaster ride. At the start of COVID-19 and for a few months afterwards, cash-on-delivery rates were negligible. However, post-June 2020, after the lockdown regulations were eased, e-commerce began to accelerate pick up quickly, too.

In fact, we at Razorpay Thirdwatch, observed that 60% of all orders placed in India are still placed via cash-on-delivery! So, how did Thirdwatch power e-commerce stores during COVID-19?

- **Reducing returns:** With the help of an AI engine, Thirdwatch enables e-commerce businesses to identify and profile risky orders with ease
- **Profiling fraudulent users:** Thirdwatch's advanced engine helps in recognizing fraudulent users across platforms. Thirdwatch uses ML and harnesses network effects to profile users across different websites
- **Increasing profitability:** During the lockdown, we saw a massive increase in impulse purchases and unexpectedly cancelled orders. With Thirdwatch, businesses can increase their profits by tracking down and curbing additional losses before shipping the order
- **Offering COD without consequences:** Cash-on-delivery has been a preferred mode of payment for customers, but that's not the case for online sellers. COD poses a variety of risks for the retailer and Thirdwatch helps in minimizing these with features like Order Confirmations and PrePay COD.

7. Conclusion

7.1 Shopping expenditure will undergo significant changes after the lockdown

Setting up a new e-commerce business is no easy task, but the prospect of having one is more attainable than ever. With so many businesses going online to satisfy their wants and needs during the year, the focus on digitalization and innovation has taken centre stage and is expected to do so for years to come.

The economic downturn that the pandemic has brought about will make most consumers wary about their shopping expenditures, particularly their 'discretionary' spends. We could expect consumers to be cautious while spending, and when they do purchase something, it will be a value-conscious decision if not a price-conscious one. There are few who will spend as much as, or more than, they did before.

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