



Qualitative Analysis on Impact of COVID 19 Pandemic on E-Commerce.

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ABSTRACT

The coronavirus pandemic has played the most dominant role in transforming the recent global trends in the way businesses are carrying themselves. There is no denial that the pandemic has hit every industry, but one peculiar industry that has shown a major shift has been E-commerce. In this study, I have tried to qualitatively analyze the E-commerce trends in coronavirus predicament as well as how imminent progress in e-commerce might affect consumer behavior in future. Coronavirus has affected E-commerce at a very massive scale. In this study, we are focussing on the qualitative aspects like the shift in consumer behavior and the changes in the way businesses are sustaining and expanding their operations to acquire different market segments and how COVID has transformed the very nature of the retail industry as a whole.

Keywords: COVID 19, E-commerce.

Introduction

Coronavirus is a group of viruses that is mainly airborne and is transmissible. The fast transmissibility of this pathogen forced the industries and governments around the world to rethink their structures and change their ways of operations. Since, it transmits from person to person, many countries decided to enforce the lockdowns on their citizens and this largely affected the markets, especially the retail markets, since the very growth of the retail industry lies in the interaction between the consumer and the seller. E-commerce sector largely refers to the supply and delivery of goods via online platforms. With the advancement in technologies in the 21st century, the online platforms have become prominent and this in turn gave rise to the E-commerce as a sector. The demand-supply void created by the pandemic gave rise to a whole new opportunity for the E-commerce sector to penetrate the market. Since, the consumers can no-longer go to the sellers to purchase goods, E-commerce has become a substitute source and considered top in this condition, and e-retailers provide goods that usually consumers bought in superstore traditionally. Coronavirus have had a both, good as well as adverse impact on whole e-commerce.

Coronavirus impacts the E-commerce industry as a whole; it has changed the nature of business. The current health situation is challenging situation for e-commerce businesses across the globe[1]. On one hand, COVID has disrupted the supply chain across the globe and this has hit on one of the most prominent features of E-commerce - interoperability across geography. As the supply chain is disrupted because of the impact on transportation by the COVID, carrying and delivering goods across nations have become challenging for E-commerce companies. Even giants like Amazon had to think upon an innovative approach to handle this problem. On the other hand, there is also a silver lining for the E-commerce business in this pandemic. As the pandemic promoted a large use of digital payment modes like UPI, cash inflow has become easy for E-commerce companies and people are also preferring online payment more than cash on delivery to avoid contact. This has brought an added convenience for the E-commerce sector in managing their finances.

The COVID impacted all the major industries across the globe and in context of a developing nation like India, looking into it becomes even more important, because the consumer behaviors are rapidly changing in India and as a result, the businesses have started to pivot in this pandemic, and E-commerce sector is no different from this. Also, COVID has impacted the interoperability among businesses and this has done a major operational shift towards the digital world. In this paper, I have tried to critically analyze the impacts COVID is putting on all the different sections of the businesses, and how this is likely to impact the E-commerce ecosystem in the coming times.

Methodology

In the study, I have collected various official data stats to understand the both supply and demand side market in the E-commerce industry in the pandemic. Table 1 shows the quantitative comparison of the revenue by top 5 largest E-commerce platforms across the globe and the trends clearly shows that the pandemic hit revenues were very high for all the E-commerce players in the market

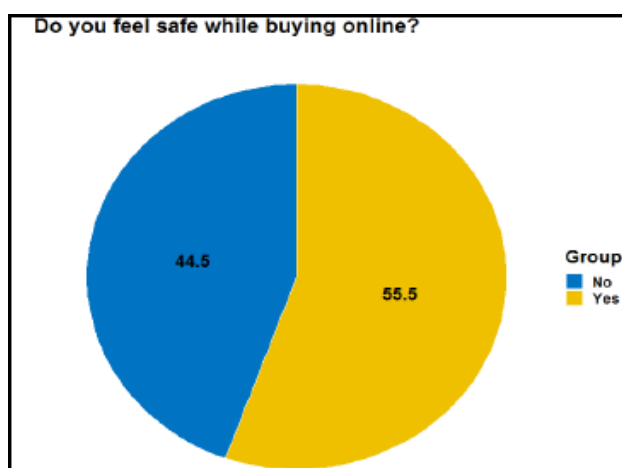
Table 1: Revenues for Top 5 E-commerce companies for FY-2019 and FY-2020.

S. No.	E-Commerce Company	Revenue (2019)	Revenue (2020)
1.	Amazon	\$280,522 mn.	\$386,064 mn.
2.	JD.com	\$82,990 mn.	\$114,400 mn.
3.	Rakuten	\$10,440 mn.	\$14,662 mn.
4.	Walmart	\$48,242 mn.	\$52,397 mn.
5.	AliExpress.com	\$247,615 mn.	\$332,752 mn.

The YoY growth for Amazon and AliExpress.com is 37% and 35% respectively. Amazon operates largely in the US and Asia-Pacific region whereas AliExpress operates in China mainly. This clearly shows that regardless of the geopolitical boundaries, the E-commerce industries have registered a higher growth and operating income.

The prominent rise of the E-commerce industry has also given rise to some of the concerns for the consumers and sellers at the same time. As the digital payment mechanism and the rise of the E-commerce sector is positively correlated with each other. The rise of one sector will lead to imminent rise to the other, but the concern with the digital payment platforms is the security and I have collected a sample data to show the consumer orientation towards safety of using the digital payment services.[4]. The Chart 1 shows the result of the study.

Chart 1: Consumer orientation towards security of digital payments.



Although the chart shows that there is a majority of the population that feels safe to do digital payment for their online orders on E-commerce, it also indicates one concerning issue. Almost equal proportion of consumers are still unsure about the digital payment modes, and this is one thing that is taking a hit on the growth of the E-commerce sector, because the success largely depends on the adaptability of the digital payments among the consumers.

The Indian E-commerce space also becomes important to analyze as India has the largest consumer base today in the world, and as more and more technology innovations are going around, the consumers perspective and consumer behavior is also seeing a massive shift. As part of this study, the Indian E-commerce industry was analyzed through various sources. Across the country, around 40% of the consumers rely on the UPI and payment wallets for online transactions on the e-commerce platforms, around 30% rely on credit card and debit card for their banking needs. This clearly shows how financial advancements and the technological advancements have impacted the online retail industry on such a large scale[6]. Although, COVID pandemic helped the E-commerce industry in the country, the trend was a bit different from other countries. The Indian E-commerce market grew at a good pace in the first wave of COVID pandemic but the second wave caused a steep decline in the industry's growth, and the supply-chain crunch and lack of digital education among the local and small merchants were the prime reasons behind this. The fashion and the accessories market of the country were the worst hits and the sales were down 22% in the period of the second COVID wave that went on for 5 months typically. Another major reason behind this was the planned restrictions in the country.

Analysis

Trends in E-commerce

COVID has seen an increasing trend to order and receive contactless delivery of products at home. According to research 52% of consumers avoid brick and mortar shopping and crowded areas. Furthermore, 36% avoid brick and mortar shopping until they get a coronavirus vaccine[2]. Coronavirus effects

different on different nature of products, meaning the impact of COVID-19 on several products is very high and on some products less impact. Overall sales of e-commerce increases because of this virus, people avoiding going out, keeping social distance and buying from home, working from home such as Walmart grocery e-commerce increases 74%. Moreover, the media usage also increased in this time and Facebook, google update their features to connect more people in single time. Facebook, for instance, has integrated a direct solution to order via mobile application. Google has introduced a new feature to directly order the products from search results. All these efforts are made to create a mature ecosystem around the E-commerce industry. COVID pandemic brought with it many disruptions across the industry. As the global supply chain was affected, there were increased opportunities for local players to enter into the E-commerce space and increase their reach to a wider audience. As a result, the local E-commerce retail ecosystem is also thriving. There have been a rise of many businesses that are solely focussed on bringing local distributors and sellers to masses. Meesho is one such E-commerce platform that has risen to a significant scale due to COVID pandemic because it has been successful in effectively channeling the local distributors to the concerned consumers and thus providing a very mature platform for both the retailers and buyers. In terms of sector, the food and personal care sector has seen the maximum shift of perspective among the consumers, as around 26% of consumers of this sector have shifted to online sales channels. Moreover, the large E-commerce companies like Reliance retail, Amazon have come up with ways to diversify their sales channels. All this has largely benefited the customer as now he has a wider variety of choices and thus the quality and quantity of a product has increased. The whole channel from E-commerce to final customer have provided numerous business opportunities to many players in the market, and one specific business model that has thrived in the E-commerce customer interaction is the digital payment business. Many companies like Juspay which provide payment platforms for the E-commerce businesses have thrived in the pandemic era and they have devised ways for faster, more secure payments. One more business vertical that has been a major area of focus has been the grocery delivery business. As pandemic caused people to find it difficult to grab their basic needs during the lockdown, businesses saw this as an opportunity. Grofers and blinkit are examples of such startups whose focus has been on faster delivery of groceries to customer's doorstep. But it's not all win for the E-commerce business, as every business wants to cash in on the opportunities brought by the pandemic, there has been fierce competition in this area. Customer loyalty is one aspect that is worrying the E-commerce businesses. As now customers have a wider range of platforms to choose from, they quickly switch between platforms as soon as they see that they have been incentivised more on any particular platform. This has significantly reduced the margin for various E-commerce businesses. The major growth in e-commerce is seen in the developing and underdeveloped markets of Malaysia, Philippines, Pakistan[3], India and countries of Africa. Many retail consumers in these countries have gained a wide access to the internet and as a result, they were the keen target audience for the E-commerce platforms.

Consumer Behavior In E-commerce

The consumer of any E-commerce business can be either a consumer directly(B2C) or another business(B2B). There has been a major shift in the consumer behavioral patterns in the E-commerce industry. The companies in this domain have also vastly shifted their focus towards consumer orientations. Amazon, for instance, one of the most prominent players in the sector, has optimized its complete supply-chain to adopt lean practices and due to these it has been able to achieve more than 4000 customer orders from SMBs alone. The cost benefit is one thing that is driving consumers from offline retail stores to online E-commerce platforms. As the same product is available on different platforms and the customer is just a click away from getting the best for himself, the customers are now thriving and have an upper hand in the supply-demand chain, which is not usually the case with the offline retail industry. In a way, the consumer goods market has shifted from Oligopoly to a Perfect Competition with customers sitting at the top. Accessibility and convenience is another aspect that is largely driving the consumers towards the E-commerce sector. As the availability of goods has become faster and reliable, consumers are preferring to leverage this benefit. The third most important factor impacting the consumer behavior is the availability of wider choice. The pandemic brought with it many restrictions in the market and this largely impacted the quality and the variety of goods available to the consumers in the offline retail economy, but now that have shifted because despite of restrictions in going outside, consumers are able to access wider variety of quality goods and this has contributed to the prominent rise of the E-commerce platforms.

In terms of the products that have seen a shift are - health and sanitation products, groceries and daily needs and digital equipment on the upward trend whereas luxury goods, lifestyle goods on the negative trend[5]. The reason behind this is largely due to the nature of this pandemic and the ways economies across the globe are treating this. As the disease is spreading through human contact, it has become very important to constantly concern about hygiene and hence health and sanitation products have seen a steep rise in their use. Also, consumers are more concerned about acquiring the essentials for difficult lockdown times, and thus the grocery products are seeing a sharp rise. On the other hand, luxury goods have become low on priority as people are not interacting much with each other and as a result, they are not that much concerned about lifestyle goods.

Impact On the Businesses

There have been both positive and negative impacts on the E-commerce businesses in the pandemic time. If we specifically pick up the example of the Indian E-commerce space, there have been many companies that have risen to prominence, examples are Meesho, Quince, Decathlon etc. The reason behind this is that as the E-commerce space becomes more mature, the business focus has shifted from more broad markets, which are currently captured by giants like Amazon and Flipkart, to a more niche market segments like Ajio, Meesho for clothing, Nykaa for personal care, Decathlon for Sports and fitness. Thus businesses has seen a shift in identifying the STP(Segmentation, Targeting and Positioning) of goods in the market, and also businesses are now able to better analyze the Frame of Reference in the market, as more consumers are now shifting towards E-commerce which has given businesses a better understanding on how E-commerce economy is working. Another positive impact that businesses are seeing is lower costs. As pandemic has led to increase in order volumes, and thus larger orders are now being placed and so Economies of Scale comes into play here and as a result, the goods are transported at a relatively lower cost.

On the other hand, there are some major challenges that have posed up in the pandemic era for all the E-commerce platforms. One such challenge is the fierce competition as more and more players are entering into the market. Another challenge involves the supply-side issues and the logistics issue. As

transportation is one sector that has seen the adverse hit in the pandemic, this has affected the logistics for the businesses. Also, in the developing and underdeveloped nations, the retail suppliers are largely in the unorganized sector. For instance, in India, about 15% retail suppliers in the country belong to the unorganized sectors. This has posed a problem for the E-commerce companies to onboard these suppliers on their platform, which in turn is affecting their penetration and their horizontal scaling in the market, since most of the towns and villages are still connected with unorganized sector suppliers. One more challenge that is currently being faced by the budding e-commerce platforms is the adaptation of various technologies. Consumers are now available with a wider range of options, in terms of delivery and payment platforms. It sometimes become a distinguishing factor for the consumer if one E-commerce platform is offering payment through his/her preferred payment gateway whereas the other one is not able to offer the same, and hence it has become crucial for the e-commerce providers to adapt to all this wider array of payment platforms, and this, in turn have affected the operational costs of the e-commerce companies. Trust issues among the consumers, especially in countries like India have become an area of focus for the companies. In India, most of the consumers prefer pay on delivery payment mode, and it sometimes becomes difficult for companies to adopt this payment method, as it increases their operational risks and cash inflows, and sometimes this reluctance to adopt the pay on delivery method costs the companies a large consumer base.

One major impact pandemic has had on the businesses is in their strategies. Businesses are now branding and positioning themselves in a different manner. In the marketing and the advertising strategies that the businesses are using, they are clearly depicting their grave concern towards the hygiene of their delivery personnels. Companies like Amazon and flipkart, show the vaccination status of their employees in their app. They even ensure that the delivery is no-contact via the use of various technologies like UPI. This clearly shows the perspective shift in the businesses which the pandemic has brought along with it.

Businesses are also shifting their focus now on having an established inventory blueprint. As the COVID has put on a sudden surge on the E-commerce business, both, in terms of quality and quantity. Due to the shift in consumer behavior, the consumers are now selecting from a wider range of products, and also selecting the goods that are consumed in larger quantities. All this has led to an imminent burden on the business inventory and this challenge can only be handled by having an efficient inventory blueprint, which means that the inventory should be managed in such a way that it becomes easier for businesses to store, organize, summarize and track their orders. Many businesses are already looking forward to optimizing their inventory management systems. Amazon, for instance, has introduced a whole new technology that is based on the RFID hardware technology and this, in turn, is helping them in automating the inventory stores.

Conclusion

In this paper, I have tried to analyze the impact of the COVID pandemic on each and every aspect of the E-commerce space. The paper clearly depicts that pandemic has contributed vastly towards the growth of the E-commerce industry but at the same time it also poses a challenge that is yet to be addressed by the companies in this domain.

E-commerce is providing a very efficient solution to the consumers as well as small and medium businesses to grow despite the pandemic. It is also attracting different business opportunities to be explored and different innovations that can be implemented for the sustainable growth of the whole industry. The reach among the underdeveloped and developing countries is still one area of focus for various businesses. The pandemic has surely brought a tectonic shift in the way businesses are done and especially in terms of consumer-business interaction.

The future of E-commerce in the post-pandemic world mainly relies on how efficiently and effectively trust can be established among the consumers and how effectively offline retail sectors and the online E-commerce platforms can go hand in hand.

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