

# Virus lockdowns give major boost to e-commerce

August 30 2020, by Corentin Dautreppe

---



In the Covid economy, there are winners and losers—e-commerce giants such as Amazon, show rising profits and sales but traditional retail outlets have been shedding jobs by the thousand

While large traditional retailers announce big lay-offs because of the

pandemic, sometimes shedding thousands of staff, coronavirus lockdowns have in contrast given e-commerce a major boost.

Recent data shows a shift to shopping online—according to Kantar consulting group, international e-commerce grew 41 percent in only three months compared with 22 percent growth for 2020 as a whole to date, as the pandemic "transformed" retail habits.

The trend was brought into sharp relief on August 18, when British high street mainstay Marks & Spencer announced it was culling 7,000 staff.

Hours later, in contrast, online behemoth Amazon said it was hiring 3,500 in the United States.

The M&S slimdown is only one part of the picture in the UK, with 2,500 more job losses announced at department store Debenhams, which in April entered administration for the second time in a year. Hundreds more jobs are also to be lost at other well known British high street chains.

By contrast, Britain's largest supermarket chain Tesco placed a sizeable feather in its online cap by saying it was creating 16,000 permanent jobs to deal with strong growth in its online activities.

"It is very clear that the digitisation of commerce, (even) if in place for a long time, is accelerating enormously," said Herve Gilg, managing director and distribution specialist at Alvarez & Marsal corporate transformation services.

The benefits are being reaped by those companies which were already carrying out a sizeable chunk of their activities online.



Walmart saw e-sales put rockets behind its second-quarter results

That troupe is led by Amazon, which doubled its net profits in the second half of this virus-challenged year.

Following was Germany's fashion and lifestyle e-commerce heavyweight Zalando, which saw its active customer base rise 20 percent in first half 2020 to 34 million.

US giant Walmart, although not an online "pure player", has also shifted in that direction to benefit from the upswing in virtual commerce in the US and its second-quarter results soared past estimates on an e-sales jump of 97 percent.

**E-presence 'indispensable'**

In France, the United Kingdom, Spain and China, the average market share of [e-commerce](#) went from 8.8 percent of value (in 2019) to 12.4 percent in second quarter 2020, said Kantar.

It added that in China, online shopping already amounts to "a quarter of expenditure on mass consumer products."

The trend was already under way before Covid-19 began to batter the global economy.

But the brutal falloff in out-of-home spending has had "a major knock-on effect for non-food commerce dependent on physical sale points", Gilg said.

The unprecedented development has "made all retail actors understand or else confirm that it is indispensable to have an online presence and to be as competitive as possible there," says Stephane Charveriat, senior associate director with the Boston Consulting Group (BCG).



In a world of retail clicks and mortar—a physical presence still counts, not least for tourists wanting to show off their purchases in the real world

### **'Significant investments'**

That has meant evolution, which "requires significant means and investments," observes Charveriat. But that need comes at a time when company coffers are relatively bare and money placed aside for online purposes is cash which does not therefore flow to the physical business.

France's CDCF trade council asked the government in the summer for a "tax credit or accelerated super-amortisation mechanism to support digital investment."



Finance Minister Bruno Le Maire on Thursday responded that "several hundred million euros" would be made available in the form of subsidies and public investment bank support "to help firms digitise" in a bid to compete with the likes of Amazon.

"Clearly, it is a sizeable challenge to confront large platforms," says Charveriat. He says French firms must define an internet strategy, be it in the form of alliances with others, in order to compete in the digital marketplace with existing big hitters.

Still, Gilg says the existing physical presence of distribution brands can be a major asset in that regard, for example, catering to visiting international tourists who may want to experience what a brand has to offer on-site when post-Covid tourism does eventually take off again.

"Apple has shown very effectively how a shop can act as a stage" to show off its wares, Gilg said, adding that while commercial clicks have their value, retail mortar can provide physical brand "authenticity."

© 2020 AFP

Citation: Virus lockdowns give major boost to e-commerce (2020, August 30) retrieved 27 April 2024 from <https://techxplore.com/news/2020-08-virus-lockdowns-major-boost-e-commerce.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--