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## **IMPACT OF COVID- 19 PANDEMIC ON E-COMMERCE INDUSTRY- GROWTH OF BIG BASKET AND GROFERS IN INDIA**

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B2B and B2C online sales of physical goods have recently experienced a surge of demand in certain products due to the COVID-19 pandemic. Initially, many businesses and consumers responded by stocking up. Medical supplies, including hand sanitizers, disinfectants and surgical facemasks, as well as household essentials such as toilet paper and non-perishable foodstuffs were stockpiled. Businesses were faced with teleworking, and homebound consumers had to communicate and entertain themselves remotely. Many governments have enforced social distancing measures, instituted lockdowns and/or temporarily closed "non-essential" businesses.

The result has been a spike in online purchases of some products, as well as an increased demand for a wide range of digital services, as many consumers resorted to online shopping – either internet- enabled or by telephone. Several brick-and-mortar businesses have therefore shifted resources to e-commerce. The increase in the number of consumers flocking to digital services has spurred both suppliers of these services and telecommunications operators to enhance their network capacity and to offer advantageously priced or free data and service packages.

Given the way in which commercial activities are intertwined and supply chains operate, the relative shift to online B2B and B2C sales by means of retail and wholesale distribution services is dependent on manufacturing activity and on the availability of services. However, these were also disrupted by the measures instituted by governments to contain the spread of the virus. First, manufacturing in many economies came to a halt as a result of the lockdowns, thereby resulting in a decrease in production and labour shortages in many countries. Second, online purchasing of goods has been subject to the same supply chain bottlenecks as physical purchases. International transport and logistics services have been affected by the introduction of new health regulations, as these have severely disrupted most international means of transport – land, sea and air cargo.

In order to implement effectively the social distancing measures aimed at containing the further spread of COVID-19, several governments around the world have encouraged online purchasing as an alternative to physical shopping, and consumers have adapted their shopping patterns and behaviours to minimize risks of getting infected. In some developed countries, distribution service platforms have managed to address problems without government intervention. In developing countries, some governments have been more proactive than others, and in particular in countries where face-to-face transactions had, until now, remained the norm.

For example, in some African countries, to facilitate online purchases of essential food items, local governments have compiled and circulated, via social media and other means, the telephone contacts of coordinators of different food products in various markets to enable consumers to call and order groceries. Consumers then pay with mobile money (i.e. by means of their mobile phones) and have their purchases delivered by bicycle and motorcycle taxis known as *tuku-tukus*<sup>3</sup> operated, for example, by Uber, SafeBoda, or other similar options. This expansion of delivery services has had positive knock-on effects for increased employment, even if these may be temporary.

In addition, several telecommunications providers have made available data services for minimal or no costs. Central banks have temporarily permitted companies and banks to lower or scrap transaction costs and fees on digital payments and mobile money transfers in order to encourage the use of mobile money in preference to cash.<sup>4,5</sup> Other authorities, including in the United Arab Emirates and the Russian Federation, have encouraged the use of mobile payments but are yet to formally unveil specific regulations.

These are some of the innovative measures/actions which have been employed to encourage regions in which, hitherto, populations did not fully trust online purchases, with a view to ensuring a continued flow of food supplies and essential household goods. Despite persistent challenges, in light of the pandemic, online purchases and e-commerce have become *de facto* fall-back solutions. Going forward, the questions arise of whether the experiences from the COVID-19 pandemic will propel more consumers to change their shopping behaviours and patterns and increasingly resort to online purchases, and whether governments in these regions will prioritize and invest more in e-commerce and online-facilitating infrastructure and policies.

The COVID-19 pandemic has tested wholesale and logistics services and other features of supply chains like no other event in recent history. Due to the lockdowns instituted to contain the further spread of the virus, e-commerce in goods has faced supply chain disruptions. Many firms have continued to experience supply challenges as a result of the suspension of manufacturing activity, decreased production and labour shortages. Those with warehousing facilities in impacted areas have faced difficult decisions about how or whether to keep manufacturing their products. The pandemic has therefore brought to the fore the vulnerabilities of supply chains and tested the ability of businesses to adjust swiftly.

The international transport and logistics services on which all e-commerce and more traditional trade transactions rely have also been severely affected by the introduction of new health regulations that have disrupted land, sea and air cargo transportation. The cancellation of more than a million passenger flights,<sup>6</sup> which were typically used to transport postal shipments and other small consignments, has significantly reduced transport capacity and increased shipping prices for cross-border B2C and B2B transactions. According to the International Air Transport Association (IATA) and the Universal Postal Union (UPU), problems were aggravated by administrative and regulatory bottlenecks, as well as crew quarantine conditions, which prevented cargo flights from keeping pace with demand.<sup>7</sup> Commercial B2B e-commerce relying on large-scale imports via maritime transport has also been affected. Customers have therefore been faced with delays or cancellations of their orders, even on the day of delivery.

One of the most significant segments of online purchasing by value,<sup>8</sup> tourism and travel has plummeted as a result of the COVID-19 pandemic for obvious reasons.<sup>9</sup> In March, for example, 30 per cent of US consumers reported delaying vacations and 25 per cent delaying flights.<sup>10</sup> In this environment, e-commerce by tourism-related purchasing platforms has likewise fallen. For example, the holiday accommodation rental platform AirBNB has experienced a dramatic reduction in customer traffic.<sup>11</sup>

However, spurred by social distancing and stay-at-home requirements, e-commerce in services that can be delivered electronically has flourished, with demand rising sharply. While it may be a short-term phenomenon that might not last beyond the current crisis, as with online shopping, longer-term shifts in customer habits could potentially make

businesses and consumers more accustomed to consuming online services in both work and personal settings.

One example is media services. Facebook reports that its online messaging, voice and video call services are up by more than 50 per cent, with Italy showing a 70 per cent surge overall, and a 1,000 per cent increase in group calls. Spain's Telefonica has seen an increase in IP (i.e. internet protocol) and mobile data traffic of 40 per cent and 50 per cent, respectively. Thailand reported an 828 per cent rise in data traffic from Zoom Video Communications and a 215 per cent spike on Skype video conferencing.

Both companies and governments are moving to address capacity constraints and facilitate consumer access. Some publishers have, for example, made COVID-19-related content freely available online.<sup>12</sup> In addition, social distancing measures have dramatically boosted the demand for audiovisual content; and, as consumers cannot attend cultural events physically, content is being brought online. For example, a number of opera and concert houses have chosen to offer free online streaming of their repertoire.<sup>13</sup>

The considerable increase in demand for these digital services, as illustrated above, has led to an equivalent increase in data volumes which, in some cases, has strained the telecommunications infrastructure. In order to ensure continuity of service, Netflix and YouTube have reduced video quality to alleviate network congestion. In India, this move by Netflix has reduced its network traffic by 25 per cent.<sup>14</sup>

In the financial sector, some mobile phone companies have moved independently to reduce their fees on mobile payments, and these moves have been complemented by governments in an effect to discourage the use of cash. Many central banks have lifted some of the restrictions and requirements applied to e-payment systems, particularly in Africa, where mobile payments are common. Ghana, for example, agreed to alter policies for mobile money transactions for a period of three months; smaller withdrawals will not carry a charge, and transaction limits and balance levels have been increased. Rwanda has removed fees on all mobile money transactions, with increased daily and monthly limits depending on the type of user. Following discussions with Uganda's central bank, mobile providers of payment services announced temporary measures that included removing fees for lower-value transactions, and certain providers will make mobile wallet-to-bank transactions cost-free. Kenya introduced similar temporary measures, such as increasing

daily transaction limits and suspending fees for transferring funds between mobile services and banks. Egypt has raised contactless payment limits and reduced costs of mobile cash transfers.

Once the crisis necessitated the closure of businesses and schools, demand for online collaboration tools and learning platforms grew dramatically. Platforms such as Amazon have chipped in, offering the public sector free access to its remote education, remote working and research tools, and Cisco has made its Webex video conferencing tool free of charge.<sup>15</sup> Looking forward, the current crisis is likely to have a significant and lasting impact on the demand for e-working facilities and online education traded across borders.

The COVID-19 crisis has stimulated a surge in the use of telemedicine services, as the spread of the virus has spurred calls for more extensive use of telemedicine. In China, for example, the growth of online medical platforms has substantially accelerated. Between December 2019 and January 2020, some platforms showed three-digit growth, with one even showing growth of 900 per cent. Some providers are expanding their activities to enable patients to benefit from services sourced abroad, and some jurisdictions are reviewing laws and regulations to facilitate telemedicine services, mainly on a provisional basis.

Online consumer protection is one of the challenges that the COVID-19 pandemic has highlighted. There have been reports of fraudulent and deceptive practices, with some online sellers offering fake or unsafe hand sanitizers, surgical face masks or disinfectants for sale, and of price-gouging practices by certain manufacturers and retailers seeking to cash in and profit from the surge in demand.

The Covid-19 pandemic has led the world into an unforeseen health and economic crisis, altering lifestyles, preferences and habits of consumers and also the way organisations will operate. Consumers now more than ever would prefer shopping in a manner that is convenient, safe and hygienic and the e-commerce space meets these requirements. As the e-commerce space continues to grow globally, it is also solidifying its foothold in the Indian marketplace. Today lockdown restrictions have driven technology-averse consumers towards using technology for delivery of food and online shopping of essential products. It is likely that this will result in more consumers transitioning to online shopping

for essential and non-essential products in the long run due to convenience, ease of use, benefits of hygiene and change of habits. This in a way could further propel the growth in the e-commerce space.

The rapid growth of the e-commerce sector has also inadvertently led to a rise in frauds. The number of online shopping frauds registered with the National Consumer Helpline has jumped nearly six times from 977 cases in FY17 to 5,620 cases in FY20 till November 2019, taking the total count of cases since FY17 to 13,993.

Indian grocery startup **BigBasket** has raised \$60 million as it scales its business in the country to meet growing demand from customers stuck at home.

Alibaba and other existing investors including Mirae Asset and **CDC Group** participated in the bridge-round, Vipul Parekh, co-founder of BigBasket, told TechCrunch in an interview. Parekh said the startup intends to close a larger financing round in the next six to nine months.

The eight-year-old startup, which attained the **unicorn status last year**, has raised about \$720 million in venture capital and debt financing to date, according to CB Insights. Indian news outlet Entrackr first **signaled** the bridge round.

Parekh said the startup is aggressively trying to hire more delivery staff to service the ever growing demand from customers. New Delhi ordered a nation-wide lockdown last month that has severely disrupted countless businesses.

The volume of orders on BigBasket has surged by up to five times in recent weeks, said Parekh. But the startup is struggling to find enough people to deliver items to customers as many workers have moved to their hometowns or are cautious about working in the current environment, he said.

In the last one week, BigBasket has **partnered with Uber and two-wheeler mobility firm Rapido** to deliver groceries in select parts of India. The startup, like several others, faced severe challenges last month after the 21-day lockdown was enforced as it worked with local state authorities to continue its delivery operations. At one time, it had over 400,000 inventories sitting at its warehouses that it needed to ship but could not.

BigBasket operates in more than two dozen cities in India and offers tens of thousands of grocery products to customers. As far as securing inventories is concerned, Parekh said the startup is currently not seeing any issues.

BigBasket's rival, **SoftBank** -backed **Grofers** has also seen a surge in volume of orders. The startup said this week that it delivered to 1 million homes in three weeks.

But despite the growth, Grofers co-founder and chief executive AlbinderDhindsa said online grocery still accounts for only 0.2% of the overall retail market. "I think at the end of this crisis we will probably reach 0.5%, but that is still an insignificant share," he said.

Several startups in India have expanded to grocery category in recent weeks to serve more customers and compensate for the hit their core businesses have taken due to the coronavirus outbreak.

**BENGALURU:** Consumers in smaller cities and towns are increasingly using online grocery delivery services and are shopping for higher-value basket sizes compared to the top seven cities, at least six companies in the sector to. A fear of the Covid-19 pandemic as well as closure of many physical stores, coupled with non-availability of items in corner stores, is leading to the shift in consumer buying patterns, they said. Cities such as Jaipur, Ahmedabad, Indore, Trichy, Salem among others

Rival Grofers, too, said it was able to retain 62% of users who came on board in March after the nationwide lockdown, adding it expects to retain around 50% of new users in the long term. "Today, the adoption of online grocery is happening via environmental forces, and we believe that this trend is going to stay as a large number of consumers who shopped during the lockdown have already transitioned towards online grocery shopping," said AlbinderDhindsa, cofounder of Grofers.

Times have changed – and how! Gone are the days when going to the market to get groceries was a mundane, everyday thing. Now it's about going as less as possible, giving a wide berth to anyone without a mask and ticking items off your list and coming home as soon as possible. Amidst this surreal situation, some brands have really gone all out to make life easier for us – Grofers and BigBasket are two players which have, against all odds been making efforts to deliver groceries and continue business as usual at this time.



Let's take a closer look at what the internet is saying about these two. Talkwalker, a social media analytics company, based in Luxembourg, takes a closer look at the buzz, using their platform. Talkwalker Analytics analyses the performance of mentions all over the internet and provides key metrics such as engagement, related themes, demographic data, geographic data and influencer data. Mentions: Grofers in purple and BigBasket in green both have a similar trend since the beginning of the year – they have a huge peak in mid March – which corresponds to the beginning of the lockdown in India. While most other businesses are slowing down, Grofers and BigBasket have been the talk of the town last month since they provide services that are absolutely essential right now. The peak for both brands correspond to March 23rd, when both companies stated that they had trouble keeping up delivery services since their agents had been stopped by police while on their delivery runs. This situation was rectified on March 25th when they were gradually allowed to resume services. A second peak in early April is with regard to the fact that both services are running with limited staff and is an appeal to people to order smart and be patient in the face of logistical hurdles. Demographics: We had a look at the buzz, now let's look at who is causing the buzz. Both brands have a similar profile in terms of demographics. For Grofers, 80.1% of the buzz comes from males and the rest from females and for BigBasket, it's 76.2% from males and the rest from females. Both brands also have a very similar profile for age groups with the millennials leading the conversation, followed by Gen Z. Both brands also have almost the same percentage of chatter from the 35-44 age group.

