E-Commerce diffusion accelerated by COVID-19 in developing regions

Thomas Reardon, Ben Belton, Saweda Liverpool-Tasie, Liang Lu, C.S.R. Nuthalapati, Curtis Slover, Oyinkan Tasie, David Zilberman

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1. Rapid diffusion of E-commerce pre-COVID

1.1. Take-off in 2000s and rapid diffusion in 2010s of e-commerce in developing regions

1.2. Drivers on demand side:

a) **Consumers, same as with supermarkets: increasing opportunity cost of time**
b) **Suppliers, drive to reduce transaction costs and expand market-shed**
c) **SARS in China: big factor in take-off of Alibaba retail e-commerce in 2003**

1.3. Drivers on supply side, rapid spread of:

a) **Software, computers, mobile phones, internet**

b) **e-platforms like Facebook for transactions**

c) **FDI and competition among big e-commerce firms (Amazon & Alibaba) and big & small firms domestic investments (e.g. Flipkart in India; Lazada in Singapore)**

d) **"BIG Bricks + BIG clicks": Supermarket chains & e-commerce: add division, or acquisitions JVs: Walmart & Flipkart in India**

e) SMALL bricks & BIG clicks (PRE COVID)

… India: Reliance, Jiomart with small shops (1st as mobile-pay & e-commerce FOR shops; 2nd using small shops as "PoS" (point of sale, pick-up) for Reliance's e-commerce!

f) Big suppliers (e.g. Godrej India) & SMEs sell via e-commerce

… to reduce transaction costs to increase market reach

g) Complementary services, co-evolution

g.1) “Delivery Intermediaries”

… App + delivery (e.g. Swiggy in India)

… delivery for supermarket’s & fast food’s e-commerce (e.g. Instacart, Deliveroo)

g.2) finance

… Alipay, Jiopay

2. Acceleration with COVID-19

2.1. Big jump for e-commerce supply

a) **big jump in FDI and sales by large e-commerce (huge jumps for Alibaba, Flipkart)**

b) **as we expected from 2003 SARS…**

c) **revival for slow growers (Jumia in Africa)**

d) **Constrained in early lockdown (before some relaxation) in some countries by mobility restrictions & labor for delivery**

e) **In most places adaptation with contactless delivery/pay**

2.2. Big jump in e-commerce demand

a) Lockdown → big jump in consumer use of e-commerce

… with "ratchet effect" of big increase in new cohorts (older consumers)

b) Mobility restrictions → big jump in SME suppliers using e-commerce & delivery intermediaries

c) Lockdown + mobility restrictions → jump in small shops using e-commerce (virtual storefront, Jiomart, India)

d) “Delivery intermediaries” – BIG jump, important

… uber-like firms into delivery firms with apps (SME Bykea in Pakistan)

… Swiggy in India: delivery + app → add loans + hygiene training + safety advertisement + cleaning materials

… fish delivery intermediary SME in Malaysia (SME fish firms to retailers as B2B)

e) Minor phenomena: mostly temporary

e.1) farmer groups selling directly to consumers & neighborhood associations (jump in “CSA”)

e.2) Wholesale markets using e-platforms

… Myanmar beans & pulse traders (facebook) (now they are abandoning it)

… China wholesale markets associations (extension of earlier network)

e.3) **Will not be major “new trends” except inter-wholesale market networks which already made economic sense**

3. Medium-term effect of COVID-19 shock

a) **Similar to SARS in 2003, this is overall "racheting-up" of the intercept term of the trend of spread**

b) **Ratcheting up on consumer side**

… new adopters (got used to it, learning by doing)

… new cohort (older learn to want & use it)

… PROBABLY consumers expect SARS3, SARS4…

c) Ratcheting up on use of e-commerce & "delivery intermediaries" by SME retailers & suppliers

… just like when Metro (cash & carry wholesaler/retailer for small retailers) started, helped small retailers, so slowed supermarket penetration for a while

d) Hypothesis: e-commerce (before & after COVID-19) no different effect from supermarkets on farmers as procurement system similar