

## TRADE INNOVATIONS DURING COVID-19 PANDEMIC

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### ABSTRACT

*The Covid-19 pandemic is one of the most significant events in recent history which has affected people all across the globe, disrupted the economies and taken a toll on human lives. It has changed how the world works and shops, their individual preferences and consumption patterns. While it is still on-going with new strains popping up, this paper aims to summarise the changes brought about by the lockdown imposed and social distancing mandates which have forced the consumers to modify shopping behaviour and forced the corporates in organised retail to innovate and modify their business plans, especially in e-Commerce. This study aims to record and analyse such changes to provide an insight to the readers on the ongoing situation and its likely effects in the near future. More consumers are shifting to online channels than ever before while the overall digital usage has accelerated in the Covid-19 period. The suppliers and trade have also responded by creating better buying experience and introducing new systems and processes to cater to the changing customer behaviour. This paper discusses and explores how the trade coped with such changes and made innovations to serve the customers better.*

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**Keywords:** Covid-19, e-Commerce, Customer Behaviour, Trade Innovation, Digital Usage.

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### Introduction

The paper aims to study how the trade and companies have adapted to made improvisations as covid-19 pandemic disrupted the economy and consumers altered their consumption pattern and shopping behavior. While some businesses boomed, others had to take a back seat and wait for revival of demand. However, companies fulfilling the customer needs had to quickly adapt to stay ahead of competition or other emerging suppliers using technology and sometimes feet on the ground.

### Indian Retail Market –A Brief

Indian retail market is one of the fastest growing market in the world. It is estimated to be at Rs. 60 lakh Crores out of which organized retail accounted for 10% and e-Commerce for just 3.5% in pre-covid period. Its India's largest industry accounting for 10% of country's GDP and 8% of total employment. India is the 5<sup>th</sup> largest and preferred retail destination globally. Indian retail sector is experiencing exponential growth in major cities, especially in tier 2 and tier 3 cities. Healthy economic growth, increasing disposable income, urbanization, changing demographic profile, changing consumer taste and preference drive the organized retail market in India. The attractiveness of the sector and the pull of Indian consumer is evident from the fact that Foreign direct investment in this sector is increasing at a scorching pace every year. Government of India has also played a vital role in the growth of Indian Retail Sector by introducing reforms to attract FDI in retail industry. The Govt. has approved 51% FDI in multiple brand retail and 100% FDI in single brand retail. India's retail sector attracted almost \$1 billion from various private equity funds in 2019. The foreign players are creating complex structures to bypass strict government guidelines for investment in multi-brand retail. Amazon has so far invested about \$ 5 billion in last 5 years in India while Walmart completed acquisition of another large e-Commerce player Flipkart at a value of \$16 billion. Large Indian corporates like Reliance and Tata are betting big money on this sector. While Reliance announced a spate of acquisition with Future Group's retail arm, Urban Ladder, Medlife and Pharmeasy recently, Tatas are bidding for Big Basket. Along with Indian presence, global retailers like Walmart, Amazon, Ikea, GAP, etc. are increasing their sourcing from India.

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Govt. of India has formulated policies for faster digitalization of India and expanding affordable and quality broadband in tier 2 and tier 3 cities, enhancing financial inclusions, reducing bottlenecks of connectivity, trade, logistics etc. which have contributed to better environment for growth of e-Commerce.

### **Covid-19: The New Normal**

The Covid-19 pandemic, resulting lockdowns and norms of social distancing have modified consumer's shopping behavior and consumption pattern. A large population suffered reduction in income levels, thereby changing sentiments and lifestyle. The consumers are learning to adapt and learn new habits to overcome the constraints created by Covid-19 restrictions. A survey of 3000 households across income groups conducted in early days of Covid-19, between April and June 2020, revealed that about 13% respondents started buying online for the 1<sup>st</sup> time and about 40 % started buying more through online apps.

India's e-Commerce growth is providing convenient access of a wide assortments of products across all geographical and income segment of consumers and kirana, traders and home entrepreneurs are also getting easy access to large consumer base across the country & stores are open 24/7. E- retail has benefitted millions of customers across India by increasing their merchandise choice, price transparency & convenience of access. E- commerce transactions are shifted from luxury goods to everyday necessities.

### **Adapting New Normal**

In the initial phase of lockdown, people created panic by buying large quantities of consumable products for fear of disruption and shortages. As markets and malls were closed, there were long queues and waiting at neighbourhood stores which made them unattractive even to buy essential daily items. Mobile delivery apps and e-Commerce came to rescue after an initial period of struggle to maintain supply chain in the first few weeks. The customers had no better options but to depend on online platforms for necessary requirements for essential supplies. Apart for the regular online buyer, a new segment of buyers, FTU (First Time E-commerce Users) also emerged during this period. The properties of consumer behaviour are highlighted in the following Table 1.

**Table 1: Effects of Covid-19 on Consumer Behaviour**

Stockpiling	Keeping excess quantity of essential supplies at home is a common consumer reaction in times of constraints and possible shortages.
Adaption	Change in consumption and spending habits due to constraints in supply or change of household income
Adopting Digital Tech	Out of necessity, new ways found to purchase and consume. Several prominent changes which emerged are as below: Visits to stores or malls - replaced by ordering online. Visits to restaurants - replaced by ordering food online. Visits to movies – replaced by increase in subscriptions of streaming channels like Netflix, Prime Video, Hotstar etc. Tuitions and Education – higher conversion for online tutorials like Byjus. Banks – Higher online payments and usage of wallets like PayTM, PhonePe etc. Meetings and socialising – replaced by online meetings on Zoom and Microsoft Teams. Even weddings and funerals were attended on Zoom and broadcast on YouTube.
Rise of Hyper-Local Delivery	To cut down delivery times physically and online.
Work From Home	A new buzzword, WFH appeared. It resulted in blurring of work - life boundaries.
Re-learning	People discovered new skills and hobbies while being forced to stay indoors and at home.

Many major consumer studies indicate that consumers have switched from shops, super-markets and shopping malls to online portals for the purchase of products, ranging from basic commodities to branded goods. Covid-19 caused an inflexion in e-Commerce penetration driven by consumers' need for safety and convenience. Prior to Covid-19, e-Commerce in India was driven by consumer electronics and fashion apart from travel and online trading. Now, consumers are ready to shop online for groceries and essentials, and it is ready from a demand point of view. Outside of the large horizontal e-Commerce marketplaces like Flipkart and Amazon, there are other Direct to Consumer brands (D2C) which have created their own niche spaces in digital commerce and are only keen to

strengthen their presence. Companies like Nykaa (cosmetics), Licious and Organic India (Food products), Mama earth and Myglamm (Beauty and Personal care), Zivame and HRX (Fashion), Boat and Lifelong (electronics and appliances) have made inroads in crowded verticals thorough online presence. While typical offline brands take between 10-20 years to reach revenues of over Rs 100 crores per year, several online brands took just 2 – 4 years to reach this milestone riding on the faster digital adoption and backed by some PE investments.

A survey by Unicommerce in June 2020 showed 117% increase in e-Commerce volumes. The biggest gainers are electronics, appliances, health, pharma and FMCG. Flipkart reported 45% growth in Monthly Active Customers and 30% growth in transaction per customer in 2020. There was an unmissable growing trend in first time shoppers from tier II and III cities. An overall growth of 53% YOY (year-on-year) was reported in e-Commerce from tier III markets. The e-Commerce industry in India is projected to grow at 30 percent compounded annual growth rate (CAGR) over the next five years. It is expected to reach nearly 300 to 350 million shoppers over the next five years — propelling the online GMV to \$100 to \$120 billion by 2025.

### **Trade Improvisations**

- **Hyper Local Delivery Segment Flourished**

The pandemic has brought about faster evolution of new business models within the same verticals and adoption of innovative modifications in supply chain, warehousing, marketing and delivery by corporates helped by the internet ecosystem. Some of the big brands, many of whom so far had a reluctant online presence were forced to ramp up their online presence and tried to create a more omni channel approach. The need for on-demand and home delivery services led other delivery players to put extra efforts to streamline their hyper local models. Hyper-local delivery is a model of delivering goods and services from own warehouses, local stores, restaurants and others to the consumer's doorstep in a short time within a certain radius. The sector which benefits most from this is the perishable goods which cannot travel over long distances. Companies like Swiggy and Zomato revolutionized hyper local delivery services in past few years for food delivery from local restaurants. These companies now extended beyond food to other segments such as groceries and concierge services.

Online grocery companies like Big Basket and Grofers, Agri-products companies like Ninjacart expanded their presence in more cities and sharpened their last mile delivery capabilities by building a combination of owned warehouses and integrating local stores in their offering to build a robust supply chain. The local kirana stores also benefitted as delivery players raced to serve more areas and customers. Many local home delivery apps like Homejiny surfaced who used local stores as the new hubs and integrated their home delivery capability. Many Pharma delivery apps used the same model of using local chemist shops for home deliveries. From food to grocery to medicines, consumers are slowly getting dependent on hyperlocal deliveries. On one hand, it has helped do away with long queues; on the other, it has pushed the reluctant offline consumers to try online shopping from the convenience of their homes. Pure hyper-local delivery providers like Dunzo and Pidge enabled many small businesses to deliver their goods to end customers. This model helped them ship business goods as well at attractive prices. Dunzo reported a 4X increase in its average order value since April 2020. Uber and Ola also focused to grow their delivery business using same resources to cater to this market as cab ride volumes went down. Several companies like SmartE and Zypp introduced electric vehicles for delivery only segment aiming to bring down the cost per mile. These companies count many supermarkets like More, Reliance Fresh, Big Bazaar as their customers in addition to companies doing daily distribution of essential items like bread, milk, eggs etc.

As health and safety will remain a key concern of the population in near future, people will be less inclined to interact with the physical world beyond their homes by avoiding visits to malls and stores. With work from home becoming a part of life, more users will shift to the convenience of home delivery. It is now abundantly clear that hyper local delivery will become a routine way of life as more users will adopt online platforms to shop and consume. It is clear that covid-19 will lead a lasting opportunity for hyper local services players to grow their business. This event offers a conducive environment for all above businesses to develop a collaborative approach to expand their reach, use online technologies to improve customer experience and enhance their value. Supermarkets chains and online companies like Grofers have improved their delivery time from a couple of days in initial period of Covid to a couple of hours by this collaboration. As the covid period stretched, this sector also attracted more investments from VC players according to Tracxn data, several smaller and local players merged with larger ones to build a stronger network and value.

- **Restaurants Turned Cloud Kitchens**

Hospitality sector was the hardest hit at the start of the pandemic. While leisure and business travel is mostly still restricted, people started opening up to food delivery. In pre-covid era, cloud kitchen business model was focused to bring scale to low and mid value meals business without incurring costs of expensive lease and operating expenses in a mall or high street location. However, with lockdown easing up and as concerns of virus spreading through food were cleared, popular dine in restaurants and QSRs (quick service restaurants) launched home delivery and take away offers to cater to returning demand from their loyal customers. Most of these went online and launched social media promotions. They initially depended on Swiggy and Zomato for deliveries. Hyperlocal players but also started using Dunzo and Zipp for deliveries. We expect to see a rush of such popular restaurants launching their own cloud kitchens to increase their geographic range and expand to suburban areas.

According to a RedSeer Management Consulting report on cloud kitchens, it is projected to become a \$2 billion industry by 2024, up from \$400 million in 2019. In a survey carried out by the company, 21% of the respondents said they were more likely to increase their online ordering of takeaway food after the lockdown, while just 9% said they were more likely to visit the restaurant. The restaurant footfall was at an all-time low and sales were down by as much as 90%, according to a CRISIL Research. CRISIL has also estimated that the recovery of this \$20 billion sector will take at least a year after lockdown is lifted and takeaway / delivery will become a vital source of revenue for many restaurants. As restaurants turned towards new business models, it helped them minimize some costs, such as rent and salaries of the wait staff. Rebel Foods Pvt Ltd, world's largest cloud kitchen company has benefitted big way from Covid-19 pandemic and doubled its revenues in 2020 crossing Rs 500 crores. Other players like Box8, Inner Chef, Biryani by Kilo, Fresh Menu evinced investor interest during the period. Several niche players serving home cooked foods also emerged during this period.

- **Fintech Service Strengthened and Online Transactions Increased**

Several Indian fintech companies are among the world's most promising and large fintech companies. They played an extremely crucial role when more consumers went online to transact. This sector received their second boost in demand, the first being the demonetisation event in 2016. Almost every local business and store now accepts online payment. While Paytm is India's largest and most valuable payments company, other players like PhonePe, Razorpay and Pine Labs have been scaling up tremendously. There is no doubt that Covid-19 has turned even the most reluctant shoppers to also start using online payments.

- **Streaming Movies**

While visits to theatres stopped, The OTT (streaming over-the-top) channels in India witnessed a 30% rise in the number of paid subscribers, from 22.2 million to 29.0 million between March and July 2020. In 2020, Indian subscribers brought about the highest viewership of films on Netflix globally. It is prudent to mention that Netflix launched only in 2016 in India. Netflix reported 250% increase in viewing in 2020 over 2019. The hunger of Indian film buffs was satiated with growing subscription of Netflix, Prime Video and Disney Hotstar and scores of other online streaming apps. Smart TV manufacturers registered high sales as India lapped up the new content while spending the entire year indoors. In 2020, 80% of Netflix's members in India chose to watch a film every week, the platform has reported. Amazon's Prime Video also is a front runner with its low-cost offering resulting in high subscriptions. As the theatres remained shut even after the lockdown lifted, film studios started adding new releases to the OTT platforms. According to a report, the Indian OTT market is set to cross \$3.22 billion by 2025, from \$576 million in 2019. The same report projects 500+ million online video subscribers by 2023 and this number is likely to grow with increased smartphone and internet penetration. Going by the current trends, a diversified content portfolio and various pricing plans would help OTT players gain more paid subscribers.

### **Research Methodology**

Secondary data was collected from various published journals, reports, magazines, articles from peer reviewed journals, newspaper articles, press releases, company reports, conference proceedings and online articles published in 2020, which helped a lot to prepare this article

### **Conclusions**

It is clear that most of the people and the businesses were not anticipating such an event and such a long period of depression. As is usual, some businesses boomed while some others had a bad run during the pandemic and are still hanging on with uncertainty. It is also evident that technology has played a key role in success of all companies which came out on top and resilience in their supply chains were tested repeatedly. The future success would continue to be driven by better technology, growing usage of artificial intelligence, data management and speed of response to changing customer preferences.

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