

The Corona Crisis Changes Online Retailing for Good

The now more than one-year-long permanent lockdown in Germany has pushed many retailers and online stores to the brink of insolvency. Even artists and restaurateurs are still suffering significantly from the Corona crisis. The virus and its mutants brought a year-long economic standstill, but also significant digital progress. This, in turn, has had a positive impact in many areas - especially in Germany, where digitization tends to fall behind. The corona pandemic is also having an impact on online retail - in two ways. The big players in the industry - such as Amazon, Ebay and marketplaces - will emerge as winners, while the smaller operators of online stores will suffer because their sales will decline despite everything. In a study from December 2020, the Nuremberg-based GfK SE (Slogan: *Growth from Knowledge*, = german Wachstum aus Wissen') identified an increased level of propensity to buy and an increase in optimism. In addition, there was hope that short-time work would come to an end. Due to the occupational situation of the affected employees - above all, this includes students and those who only have a mini-job - is meanwhile impacting on consumer sentiment. At least this is the opinion of the experts from consumer research, who have also noted a growing "income pessimism". Income pessimism is leading to a reduced propensity to buy, as many of the employees concerned assume that an economic recession is still imminent.

Consumer sentiment is changing.

Various trends exist in e-commerce, on which the Corona crisis has a major impact. Various studies of Internet purchasing behavior conducted internationally have determined that shopping via the Internet increased by around 22 percent during the pandemic, particularly in rural areas. In the long term, this means that consumers in the crisis will be forced to examine their actions more closely and possibly reorient them. However, it is not clear at this stage how consumers will react and what effects will be caused by this action. The picture of e-commerce, which represents the impact of the corona pandemic on companies, must be seen as ambivalent. Large, multinational corporations will stand as winners, while small online stores will suffer. E-commerce is a normal sales process in 2020, which is why consumer sentiment among shoppers during crises such as the current corona crisis also affects online retail. So, to say that e-commerce will emerge as the winner of this Covid 19 pandemic across the board is fundamentally flawed. However, the opportunities offered by e-commerce are being re-experienced by customers. But since February 2021, demand from customers has been showing signs of picking up again, so brick-and-mortar retail should also be gradually revived. Here in particular, the contactless handover of purchased products via "Click & Collect" should be made possible in order to revive the city centers and increase business - and thus sales - again. The order is placed by telephone, and the goods are collected directly from the retailer ordered. Nevertheless, the use of online stores remains at least a complementary function. Nevertheless, consumers should be aware that they may be able to help save a retail store from insolvency.

Even online trade suffers

The corona pandemic is affecting all areas of life. Digital companies that can offer their goods online are suffering, in some cases massively. Companies in the clothing, footwear, electrical goods, books and computer sectors are particularly affected by the crisis. Only everyday products such as food, drugstore items or medicines were not affected. The slump in sales in these areas is shocking, with a 35 percent drop in the clothing sector. For computers, for example, the figure is still 20 percent. In addition to products that can be purchased over the Internet, the Corona crisis has resulted in a much greater drop in sales of services. Here, the focus is on travel and cultural events, as these also saw significant declines in sales. The reason for this is primarily due to two factors, as travel is still seen as a potential additional source of danger. Secondly, it is still not clear when and if there will be a complete normalization of the travel market.

Potential and trends in e-commerce

In the midst of the corona crisis, the end of which will probably not come until the double vaccination, the atmosphere on the market is characterized by difficult forecasts for further development. However, experts believe that sooner or later growth rates should stabilize back to their traditional levels. Thus, stores that operate both an online store and stores in city centers can make up for the lost sales from brick-and-mortar stores through marketing campaigns and discounts that could be redeemed through the online store. How quickly the experience in normalizing access always depends on the industry itself. It is not possible to say clearly which industries will recover first. The length of time it takes for the market to stabilize always depends on two important factors. One of them is the value of goods in relation to household income, as well as the acute need. Covid-19 may also ultimately cause the online market on the Internet to split into large and small. While Amazon and Ebay, as web giants, will benefit from the global corona pandemic and expand their market power even further, small online retailers and brick-and-mortar stores in city centers will have to reckon with a decline in sales. This also applies to the marketplace models through which consumers can make regular purchases. Small businesses should therefore take a close look at where they offer their goods.

A reorientation of international trade in goods

Such crises also have a significant impact on the international movement of goods. The German core markets have been severely affected by Corona, which may also lead to an internationalization of digital business activities. As a result, Eastern Europe will increasingly come into focus and online retailers will spread to the markets of various - for a long time, entering foreign markets was a step that many retailers preferred to keep out, which could now change due to the Corona crisis. In the countries of the East, where in addition to the major action nations of Russia and China, Poland and Romania may also be interesting, as a large number of consumers are located here and therefore offer high potential for online retail. The cross-border lockdowns have also led to negative consequences in various markets, as the raw materials used to create garments, for example, could no longer be imported smoothly. This caused disruptions in global supply chains.

The online trade is reorganizing

The online market will be strictly divided. Although it has become clear that online retailers are also suffering as a result of the Corona crisis and are making reduced sales, the platforms with the largest reach, such as Amazon or Ebay, are recording increasing sales and may even expand their market power. However, the landscape of the European marketplace is incredibly large and fragmented. For smaller companies, cooperation models regarding sales on the platform play select to enter into cooperations with online platforms so that sales can be carried out more easily. In other cases, the small online retailers concerned also join forces to build a sales platform on the Internet. This includes, for example, the Retail platform from Germany, so that companies that are not presented on the Internet can also offer their products via the Internet. It can be assumed that new marketplace operators and online retailers from abroad will enter the German market in the coming months. Due to the increased work in the home office, purchasing behavior will also change over time, as DIY and garden products are currently in high demand.

Central supply option at Corona

But how does an online retailer need to respond to be successful in the Covid-driven market? Most of all, it's about flexibility and a high level of responsiveness to circumstances like Corona that are continually changing. In order for companies to succeed in e-commerce, about 40 percent have expanded their own offerings, while 27 percent have changed them. In addition, the proportion of older people over the age of 60 increased significantly during the Corona crisis. Another option is the so-called "multichannel" strategies, which offers the available range of products on marketplaces and price comparison portals and attracts new customers. At 80 percent, there is understanding for delays in online retailing by Corona. If there is no chance of increasing the assortment, trust and transparency should expand the sales opportunities.