How e-commerce and e-logistics platforms can sustain the digital transformation fueled by COVID-19

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According to IBM's US retail Index, COVID-19 is estimated to have accelerated the shift from physical stores to digital platforms by about five years in the United States. In Kenya, according to the COVID-19 CEMEA Impact Tracker, 39% of consumers surveyed indicated that COVID-19 led to their first online grocery purchase. The initial surge in online shopping witnessed at the onset of the COVID-19 pandemic in April has dissipated as measures put in place to curb the spread of the disease were eased. The easing of restrictions has coincided with an increase in infections in Kenya as well as other countries such as the UK and France, which have announced a second round of national lockdowns. An increase in infection rates strongly signals an imminent second wave of infections which is likely to result in more growth for online commerce. This may necessitate the upscaling of digital channels and the necessary infrastructure required to support a second spike in e-commerce.

COVID-19 led to a decline in in-store visits and increased online shopping.

At the onset of the pandemic, Gobeba and Glovo recorded an increase in grocery orders of 200% and 25-30%, respectively. Glovo also saw a 25% growth in sales of cleaning agents and hygiene products such as disinfectants, sanitisers and antiseptic cream. There has been a significant reduction in non-essential purchases online as consumers prioritise more essential goods and services. SkyGarden reported growth in popularity of FMCG, productivity tools (computing products and accessories) and entertainment electronics (TVs and home theatres) during COVID-19 as people spent more time indoors. Educational material and toy sales also increased with students staying at home due to school closures.

Strategic partnerships between brick-and-mortar businesses and e-commerce platforms have fueled growth.

As e-commerce activity grew, demand for last-mile delivery services to fulfil consumer orders also grew. Strategic partnerships between e-commerce platforms, brick and mortar retailers and logistics companies were formed to meet consumer needs. Bolt, a taxi-hailing service, and Sendy, a logistics platform, took advantage of this trend to launch a food delivery service and a household supplies home delivery service respectively. Carrefour partnered with Jumia while Tuskys partnered with Sendy to enable online shopping fulfilment. Ride-hailing firm, Uber, also pivoted towards package delivery. Capacity constraints in consumer order fulfilment as a result of reduced operating hours initially reported by e-commerce platforms such as Jumia have eased with the gradual reduction of curfew hours. However, social distancing measures continue to limit order processing operations. To grow revenue, Jumia opened up its logistics to 3rd parties to offer B2B and B2C deliveries. Still cautious about health risks, consumers continue to prefer safe delivery measures such as the use of PPE, contactless payment and contactless delivery.

What can the e-commerce industry do to increase and retain its consumers?

Understand and leverage changing consumer trends to offer convenience and increase consumer loyalty. Post-pandemic, e-commerce purchases from new or low-frequency users are expected to increase by 169% globally. 15% of interviewed Kenyans intend to shop for packaged food online post-COVID-19, compared to 10% during the pandemic and 5% before the onset of the pandemic. With consumers getting used to the convenience of online shopping, coupled with the increased risk of a COVID-19 resurgence in the mid-term, e-commerce platforms can improve consumer retention by aligning their offering to recent changes in consumer preference. Further, e-commerce platforms need to build up their distribution and logistics capacities to maintain timely order fulfilment and reduced stock-outs, especially during the second wave of the pandemic.

Optimise pricing strategies to capture demand from financially constrained consumers. Due to increased financial constraints resulting from the effects of COVID-19, online shoppers are more discerning, comparing the pricing of alternatives online. E-commerce platforms can source for products more aligned to the consumers' reduced spending ability, and use strategies such as loyalty programs and promotions for consumer retention. E-commerce platforms can also carry out price sensitivity tests across their sales channels to monitor price trends and determine competitive price points that stimulate demand.

Enhance consumer experience to boost stickiness. E-commerce platforms should proactively offer a frictionless consumer experience to help improve sales and build consumer loyalty. This includes ease of selecting products, convenient payment options, transparent order tracking, convenient delivery experience, easy product return process and direct consumer feedback channels. Consumer preferences should guide e-logistics platforms in developing their service offering, such as the need for safe and fast deliveries. Services offered by e-logistics platforms to enhance consumer experience can include increased adoption of contactless payment and deliveries, offering click-and-collect as well as expedited delivery. Good communication with consumers can also help alleviate consumer frustration stemming from factors outside of digital platforms' control.

Continue to explore strategic partnerships to strengthen supply chains and logistics. Integration with tech-enabled logistics companies that offer last-mile delivery services can give e-commerce platforms higher quality order fulfilment mechanisms, allowing them to focus on their core business. 3rd party logistics service providers leverage technology to minimise disruptions, improve delivery timelines and minimise delivery costs. E-logistics platforms can grow the number of assets on their platforms by seeking partnerships with logistics partners across the country to expand their geographical reach and delivery capacity. Assets, in this case, include motorbikes, vans, pick-ups, trucks and pick-up stations which facilitate last-mile penetration. Logistics service providers can also partner with technology providers to broaden their last-mile service offering to include integrated services such as payment, real-time tracking and communication solutions.

Diversify product offering and consumer base. With consumer preference shifting to online channels, e-commerce platforms can diversify their products to grow consumer basket sizes and serve a broader range of consumers. For example, as consumers place more importance on their health and wellbeing, e-commerce platforms can list products to appeal to this consumer persona. E-logistics platforms can target to acquire consumers from different sectors to mitigate concentration risk. These platforms can prioritise industries that have proven to be resilient during the pandemic such as food delivery, pharmaceuticals and essential goods manufacturers.

As convenience has always been one of the key drivers of e-commerce, it is expected that some users will keep shopping online, opting to avoid regular visits to stores. E-commerce platforms need to prioritise offering convenience and seamless consumer experiences that will drive repeat purchases and ultimately, loyalty. Demand for e-logistics services will continue to increase, supported by growth in e-commerce. To sustain growth, e-logistics platforms need to provide innovative solutions that improve efficiency, offer transparency and facilitate last-mile delivery.

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About Mercy Corps Youth Impact Labs
Catalyzed by funding from Google.org, Mercy Corps' Youth Impact Labs (YIL) identifies and tests creative, technology-enabled solutions to tackle global youth unemployment, accelerating job creation, so every young person has the opportunity for dignified, purposeful work. In Kenya, YIL focuses on digital marketplaces and platforms that offer services to micro and small businesses, agricultural supply chain management, and digital work.

The program supports these enterprises through financial and technical services, issued in the form of milestone-based grants. On-boarded business partners also get access to advisory services to support the development of technology solutions and tailored business support to expand.

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