

How online businesses are more resilient to the pandemic

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Most economies in the world have been predicted to shrink due to the Coronavirus. The United States of America GDP fell by 4.8% this quarter vs a predicted 3.5%. This points to that all is not well economically for everyone else as the US economy normally has a knock-on effect on what is happening to other economies. A jarring contradiction to the troubled economy, however, is that Jeff Bezos, the founder of online shopping giant Amazon has managed to accelerate forward the time expected for him to reach trillionaire status to 2026- a first in the world. Is the digital economy the new way of doing things?

The Coronavirus no doubt has changed the way the world goes about in its interactions. Just a few months ago a handshake was seen as an acceptable way to greet and a way of signalling agreeance but now it's a different story altogether. Most measures aimed at curbing the coronavirus has devastated most brick and mortar businesses as revenue have almost dropped to zero overnight. This is because most of the population has had to stay home due to government restrictions meaning that most foot traffic is restricted to only essential workers, especially in central business districts. By rough estimates, most businesses are not making enough to cover their fixed costs.

Companies that have online shopping sections have been a bit more resilient to the effects of the Coronavirus. You have a population of bored individuals who have nothing better to do that to scroll through online catalogues and with luck, place an order here and there before the next person buys the item and it sells out. A study done by consulting firm Bain and Company found that before lockdown only 2-3% of grocery shopping in the United States was done online pre- Coronavirus. That figure has almost trebled to between 10 -15% and that figure translated to currency will be high given that America has 300 million-strong population.

Other data also indicates that UK online retail sales rose by 22% in the first week of April compared to the same time last year whilst those in Canada marked a 56% increase year on year.

Online shopping has no doubt received a boost from the pandemic. To the consumer especially the younger generations online shopping is seen to have notable advantages. The one that sticks most and is relevant to the current situation is that of it is, for the most part, contactless. A lot of reputable health organizations are forecasting that the virus will still be around for the foreseeable future meaning 'normal' is a long way off from returning. Other advantages to the consumer and the business are that there is no restriction on shopping hours and there is less probability of a lost sale due to a stock out in one location.

The downside of online shopping for businesses however is that it comes with added logistical nightmares. As customers look for ways to avoid stores, demand has spiked, reducing the availability of delivery pickup slots. Some grocers have struggled to keep up with competing priorities: Cleaning

stores, stocking shelves and fulfilling online orders — all while trying to keep workers socially distanced.

Most businesses are going to have to add an element of online operations to just survive the economic effects of the virus. However, it is acknowledged that infrastructure also plays an important part in the success of such ventures. Africa, excluding semi-advanced countries such as South Africa, has almost no visible activity in the digital economy relative to GDP.

In closing, there is a Chinese saying that goes the best time to plant a tree was 20 years ago the second-best time is now. Businesses must examine if there is scope for online operations as the traditional brick and mortar model is going to be challenging in these unprecedented times.

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