



## Socio-Economic Research and Applications (SERAP)

### A Knowledge Digest on E-Commerce and Trade

**This Knowledge Digest intends to highlight the evolution of E-commerce in recent years, exacerbated by the pandemic. Considering the structural shift in the global economy, understanding E-commerce marks the first step in reconciling modern restrictions with the waning of the pandemic. The Digest aims to understand the dynamic changes that will drive future policies and contribute towards strengthening E-commerce.**

Over the past years, the E-commerce sector has experienced rapid growth. Regarding the containment and restriction measures mandated by the pandemic, E-commerce has burgeoned into a powerful and necessary front that has changed the relationship between consumers and producers. The E-commerce industry in the U.S. grew by 44% in 2020 represented more than 21% of total retail sales. The development of digital technologies, infrastructure, and increasing internet access has helped sustain E-commerce's expansion. Moreover, projections of E-commerce sales are optimistic and are likely to reach 5.4 trillion by 2022, according to Statista.

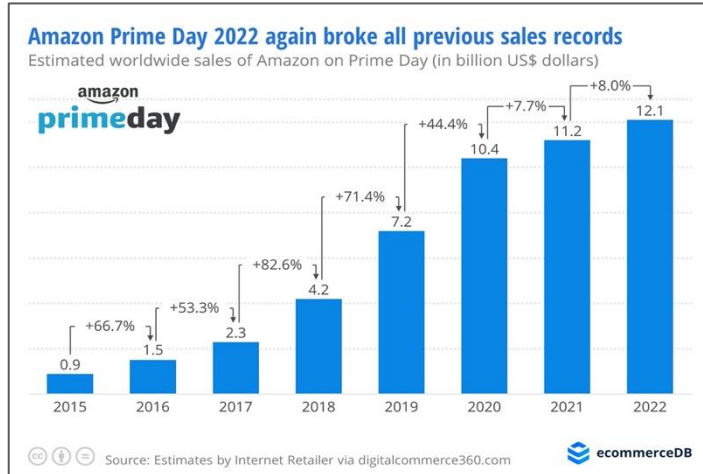
In a world dominated by E-commerce, personalized purchase experiences are receding, yet, according to an Accenture report, 91% of customers prefer personalized experiences with brands. Tapping into the stream of personalization has helped Amazon reach sales amounting to 12.1 billion USD on Amazon Prime Day alone. Nuanced changes within this sector allow company sales to grow from one year to the next. Compared to 2019, Amazon's sales rose by 44% in 2020. The pandemic has essentially altered purchasing dynamics and established a new norm where social distance and convenience are prioritized. There is now a rise in online pharmacies fueled by the pandemic to meet the growing demand for medicines and hygiene products. Furthermore, changing consumer preferences are becoming apparent, as 51% of women in Sweden prefer to buy pharmaceutical products online, while it remains low in other countries: 17% in the U.S. and 13% in France.

The global economy is transitioning towards digitalization, and countries must adapt accordingly. Many countries are therefore investing in E-commerce start-ups to take advantage of the flourishing sector. In Latin America, E-commerce start-ups closed 14% of investment deals, receiving 21% of total capital in 2021. 2021 was a profitable year of venture capital investments, according to TechCrunch, with the technology sector accounting for the most significant share of capital recipients. For countries to benefit from the E-commerce boom, they must act and invest accordingly.

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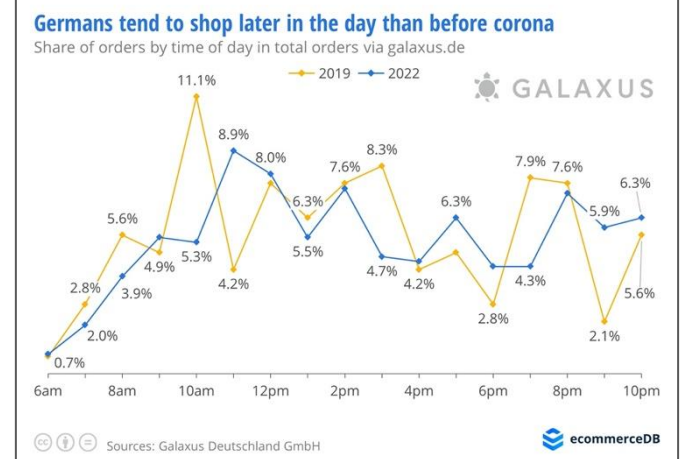
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## Statistics and Graphs



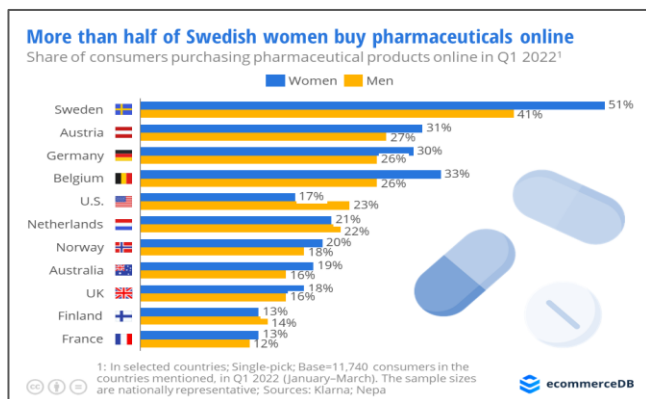
Source: *ecommerceDB*

Between 2015 and 2020, Prime memberships increased globally at a CAGR of 34%, from 46 million to 200 million. Amazon Prime Day started as a U.S.-only promotional event in 2015 to celebrate the company's 20th anniversary.



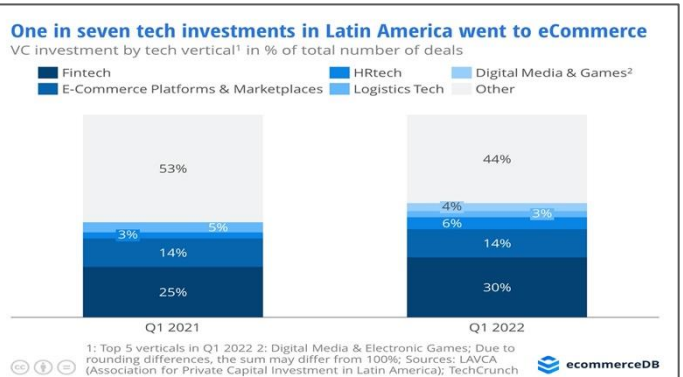
Source: *ecommerceDB*

An analysis of all purchases via galaxus.de from January to May of 2019, 2020, 2021, and 2022 shows that since the pandemic, Germans tend to shop later in the day. While the peak of purchases in 2019 was at around 10 in the morning, the hour showed comparably low purchasing activity in all three subsequent years.



Source: *ecommerceDB*

In a survey among more than 11,000 consumers in 11 countries conducted between January and March 2022, Klarna found that, on average, pharmaceutical products are still among the categories that are primarily bought offline: 56% of consumers still buy pharmaceutical



Source: *ecommerceDB*

As a region with a lot of potential yet to be explored in the banking sector, it does not come as a surprise that FinTechs in Latin America currently receive the most significant share of investments in the tech field, both by the number of deals and the total amount of investment. Shares in the number of investment deals

products in stationery stores – only 23% turn to online sources.

that start-ups from the FinTech sector were able to close rose from 25% in Q1 2021 to 30% in Q1 2022.

## Takeaways

- **Countries ought to invest in the formal infrastructure required to sustain operations and ensure the smooth functioning of online resources, allowing businesses to reach their full potential.**
- **Companies must orient themselves to assure customers of their reliability, so they are less wary of various potential scams experienced in online shopping.**
- **Standard shopping ethics must be introduced in countries where E-commerce is a relatively new phenomenon. This includes expectations from companies and customers, who must register various logistics to avoid unforeseen or unpleasant circumstances.**

## Recent Articles on E-Commerce

### **An Overview of Electronic Commerce (E-commerce):**

Globalization and information technology (I.T.) have changed organizations' business methods. The utilization of E-commerce (E.C.) as a way to execute transactions related to business is an increasing concern. It has been a priority for many companies. With EC, businesses will link "Just in Time production" and "Just in Time" to their trading partners, who boost their strategic abilities worldwide. E.C.'s description is not widely agreed upon. From the communications point of view, E.C. may represent information, services, products, or online payments.

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### **How COVID-19 Unlocked the Adoption of E-Commerce in the MENA Region:**

This paper closely examines how the pandemic impacted the growth and resilience of the E-commerce space in three markets: UAE, KSA, and the Arab Republic of Egypt. The Legatum Center for Development and Entrepreneurship at MIT and Wamda conducted interviews and conversations with over 40 industry players, resulting in several key insights and recommendations regarding how E-commerce might continue to advance in the current and future landscape.

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### **Unpacking E-Commerce Business Models, Trends, and Policies:**

As digital transformation has accelerated, the E-commerce landscape has become increasingly dynamic. New players have emerged while established actors have taken on new roles; some barriers to E-commerce at the firm, individual, and country levels have been overcome, while new obstacles have emerged. New business models have transformed buyer-seller relationships and pushed out the frontier of what it is possible to buy and sell online. Above all, new opportunities have arisen to unlock the potential of E-commerce to boost growth and well-being.

### **E-Commerce During Covid: Stylized Facts from 47 Economies:**

This study is on E-commerce across 47 economies and 26 industries during the COVID-19 pandemic using aggregated and anonymized transaction-level data from Mastercard, scaled to represent total consumer spending. The share of online transactions in total consumption increased more in economies with higher pre-pandemic E-commerce shares, exacerbating the digital divide across economies. Overall, the latest data suggest that these spikes in online spending shares are dissipating at the aggregate level, though there is variation across industries. In particular, the percentage of

<p><a href="#">Read More...</a></p>	<p>online spending on professional services and recreation has fallen below its pre-pandemic trend. Still, we observe a longer-lasting shift to digital in retail and restaurants. <a href="#">Read More...</a></p>
<p><b>E-Commerce in Africa: Issues and Challenges:</b> The rapid growth of internet penetration and the use of mobile telephones, along with the adoption of mobile innovations that have significantly boosted financial inclusion and encouraged reliance on electronic payment, have established a solid basis for E-commerce development on the continent. On the other hand, still-low banking rates, fragile laws and regulations governing the sector, and a lack of cross-country harmonization of these rules constrain African E-commerce. Reducing cybercrime, increasing participation in the financial industry, and strengthening the legal framework are vital steps to promoting E-commerce activities. Africa continues to account for a small share of global E-commerce. The limited development of E-commerce despite improvements in supporting technology and infrastructure underlines the importance of identifying the constraints on E-commerce in Africa; this chapter provides some insight into this issue.</p> <p><a href="#">Read More...</a></p>	<p><b>Development of An E-Commerce Platform (D2C) For Small and Medium-Sized Farmers and Returned Migrants Agri-Entrepreneurs:</b> The digitalization of national economies is perceived by more and more governments in developed countries as a solution to increase labor productivity, which, in the context of growing labor costs, can ensure the maintenance of international economic competitiveness. Despite some progress, the level of digitalization in the Republic of Moldova is relatively low (UNDP Moldova, 2021). Without accelerating the pace of digitalization, the Moldovan economy risks remaining in a state of low labor productivity and low income, predisposing the economically active population to seek better opportunities abroad. The COVID-19 pandemic further exposed the vulnerabilities of the national economy. In particular, the imposed quarantine conditions reduced smallholder farmers' access to markets, virtually leaving them without sources of income. <a href="#">Read More...</a></p>
<p><b>Adoption of E-Commerce Strategies for Agribusiness Firms:</b> This paper analyzes the factors guiding Internet and E-commerce implementation by agribusiness firms. A supply-chain management framework examines the relationship between Internet/E-commerce strategies and manager perceptions of the barriers and factors to E-commerce adoption. Using factor analysis and an ordered Probit model, results indicate that implementing an Internet/E-commerce strategy is more likely to be adopted in larger firms with a global scope. Also, manager perceptions regarding supply-chain functions influencing transaction costs are more strongly associated with Internet/ E-commerce adoption than other functions affecting production costs. <a href="#">Read More...</a></p>	<p><b>Zalando Registers Highest Growth Since 2018:</b> German online fashion retailer Zalando has recently announced important news for their customers. The company has introduced minimum orders for free shipping in all occupied countries. With its decision to charge shipping fees for small orders, Zalando is not alone. In light of high inflation and rising resource prices, many online retailers have drawn their consequences – and raising shipping prices is a popular measure. But the decision for a minimum order is reportedly not only a reaction to rising prices. It is also planned to accelerate the development of Zalando's premium membership program Zalando Plus, which has recently been performing more than well. Zalando Plus members doubled between 2020 and 2021, according to Zalando, and the membership program is planned to be rolled out in another four countries by 2023.</p> <p><a href="#">Read More...</a></p>

**How E-commerce Supports African Business Growth:** Africa has one of the most digitally connected populations on the planet, with 400 million internet users, the second-largest internet-user population, just after China. And yet the distribution of goods and services is challenging. And it's notorious that in Africa, for consumers, it's more difficult to find goods, and it's harder to shop. Because of mobile and the Internet, consumers now have a way to access goods and services more efficiently. One of the barriers of E-commerce is logistics because products must be moved from the merchants selling the products to the consumer ordering the product. And logistics is a big challenge in Africa, as most cities have no address system. For someone to find a consumer, they need to have a local partner who knows where the consumer is, based on very subjective information. And for example, if you say in a city in Africa, "I live on the third street by the church with the blue door," that's the address. [Read More...](#)

**E-Commerce Development: Experience from China:**

Online purchases have become part of daily life for many Chinese households. The Ministry of Commerce reports that China had 772 million Internet users in 2017, 533 million (69 percent) of whom made purchases online. The pace of E-commerce growth has been particularly notable. E-commerce trade volume increased at a compound annual growth rate of 26 percent between 2008 and 2018, and online retail sales grew even faster at a compound annual rate of 53 percent. According to the State Post Bureau of China, 51 billion parcels were delivered in 2018, a large share of which were related to E-commerce. Over one-quarter of households made online purchases in 12 months in 2015–2016; the share of their online consumption among those households increased by two percentage points from 6 percent in 2013 to 8 percent in 2015. [Read More...](#)

**COVID-19 and e-Commerce: Finding from a Survey of Online Consumers in 9 Countries:** This survey examines the effects of COVID-19 on consumer behavior for using digital technologies and E-commerce in 9 countries representing both emerging and developed economies. In the years before COVID-19, developed countries usually have shown a higher share of active online shoppers as internet access is available broadly. The survey allows for a direct comparison of online consumer behavior in both types of countries and in how far digital technologies can support economic growth in emerging economies. This cross-country survey represents the first of its kind. Participants across all countries indicated to have lowered their average expenditures per online purchase for most of the categories. Food & beverage, books & media, tools, gardening, and DIY represent the only categories with an increase. The decline was the most pronounced for travel & tourism, consumer electronics & ICT products, and fashion & accessories.

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**Covid-19 And E-Commerce: Impact on Businesses and Policy Responses:**

This paper is based on a survey that investigates the impact of COVID-19 on E-commerce businesses from early March to the end of July 2020. It focuses on 23 countries, mainly LDCs, in Africa and Asia-Pacific. The countries have benefitted from UNCTAD's E-commerce capacity-building programs, either through an E-Trade Readiness Assessment (eT Ready) or a national E-commerce strategy. Two hundred fifty-seven representatives of E-Commerce businesses, out of 699 invited, responded to the survey and shared their experience following the outbreak of the COVID-19 pandemic. Businesses have been divided into two groups: companies selling at least parts of their goods or services online and third-party online marketplaces.

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**Rise of E-commerce in Africa:** African nations collectively are still behind global consumer banking habit averages, with almost half of the adults not possessing any formal bank account and preferring to pay in cash. Debit card payment methods make for a 10% penetration of the population, while credit card ownership rates are low, with an average of 2% for the entire continent. Therefore, online payments remain a perennial challenge for businesses wishing to target E-commerce consumers in the African Markets. Kenya leads the African continent, with 88% of its population having bank accounts, followed by South Africa at 82%, Nigeria at 51%, Morocco at 42%, and Egypt at 38% of its population engaged with banking products. [Read More...](#)

**SHEIN plays in the highest league of global E-commerce:** It seems that Chinese fashion giant SHEIN has revolutionized the global E-commerce reality – further developing fast fashion into ultra-fast fashion in an – at least seemingly – ever more environmentally and socially aware world. Despite heavy and ongoing criticism accusing SHEIN of exploitative working conditions, greenwashing, counterfeiting, product piracy, and other unethical business practices, the Chinese low-budget fashion e-retailer has overtaken most of its fashion E-commerce competitors on a global scale. SHEIN's business strategy offers a vast and rapidly changing selection of very low-priced fashion items, focusing on exports. While the brand is relatively unknown in China, it is currently exporting to more than 150 countries worldwide. [Read More...](#)

**U.K. Millennials Most Active Online Grocery Shoppers:** Food and beverages are a product category with many E-commerce potentials to be exploited. On a worldwide average, only around 3% of total revenue from Food sales was generated through online sources in 2021, according to the Statista Digital Market Outlook. Yet, E-commerce adoption in the category is on a steep rise globally, not least triggered by the corona pandemic. And there are significant differences between countries. While the U.S., for example, was only slightly above the global average with an online share of 4.6% in the Food category in 2021, The U.K. registered an E-commerce share of 7.1% in the category, which is more than twice as high as the global average. [Read More...](#)

**E-Commerce Shares in Top Product Categories:** The corona effect helped specific product categories gain traction in online trade, which was not able to fully set foot in E-commerce before, while others had already been selling outstandingly well over the Internet for years. It is primarily the groceries sector that experienced unprecedented online demand during lockdowns and generally uncertain pandemic times. The completely disrupted economic and social conditions resulted in fundamental changes in consumer behavior, different online grocery business models had their golden hours, and investments in online grocery delivery surged. But was the corona boost big enough to help the food and beverages categories catch up with other product categories in terms of E-commerce shares? [Read More...](#)

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