

# Update III

## Der E-Commerce Market After Corona



### Shutdown continues and numerous industries are under massive pressure – For how much longer saving lives outweighs costs?

On April 15th it was decided by the German government to continue with social distancing, prohibitions on individual contacts and curfews. A gradual start-up of the economy is planned, but only under the strictest conditions.

Many economists in Germany agree that the measures taken so far, have been timid from a business (also jobs) point of view. Many people are facing very difficult times indeed, domestic violence is increasing, and the long-term consequences are difficult to predict. In politics, economic stimulus programs, tax cuts, cutting red tape and - once again - the promotion of digitalization are being discussed. However, it takes months, if not years, to reach pre Corona's economic strength just by responding to an economic collapse and the rapid rise in unemployment.

**It is a taboo subject for many people, but every economist knows from their undergraduate studies how much human life is valued by the economy.** So it is no surprise that given the current developments and the continuing uncertainty [which affects sectors such as brick-and-mortar retail, gastronomy and tourism] that some political but uneasy decisions need to be made to save the economy.

*"Governments and parliamentarians cannot avoid the question of what price this country is willing to pay for which and how many lives. You will have to ask yourself this question too. Not to conduct this debate, or to shy away from the uncomfortable open discourse, is not confidence-building - and could turn out to be counterproductive in the end." Sebastian Huld, n-tv*

**And the discussion in the German Ethics Council goes in a similar direction:**

*"The basic ethical conflict requires weighing up the hoped-for benefits of a strategy [...] with the feared or immediate damage [...]. The necessary protection of human life does not apply absolutely. All other rights of freedom and participation, as well as economic, social and cultural rights may not be subordinated or subordinated to it unconditionally. A general risk of life is to be accepted by everyone." Ethikrat.org*

Are current measures efficient? What impact do they have on the overall economy, retail and especially on the e-commerce business? - We make a preliminary summary

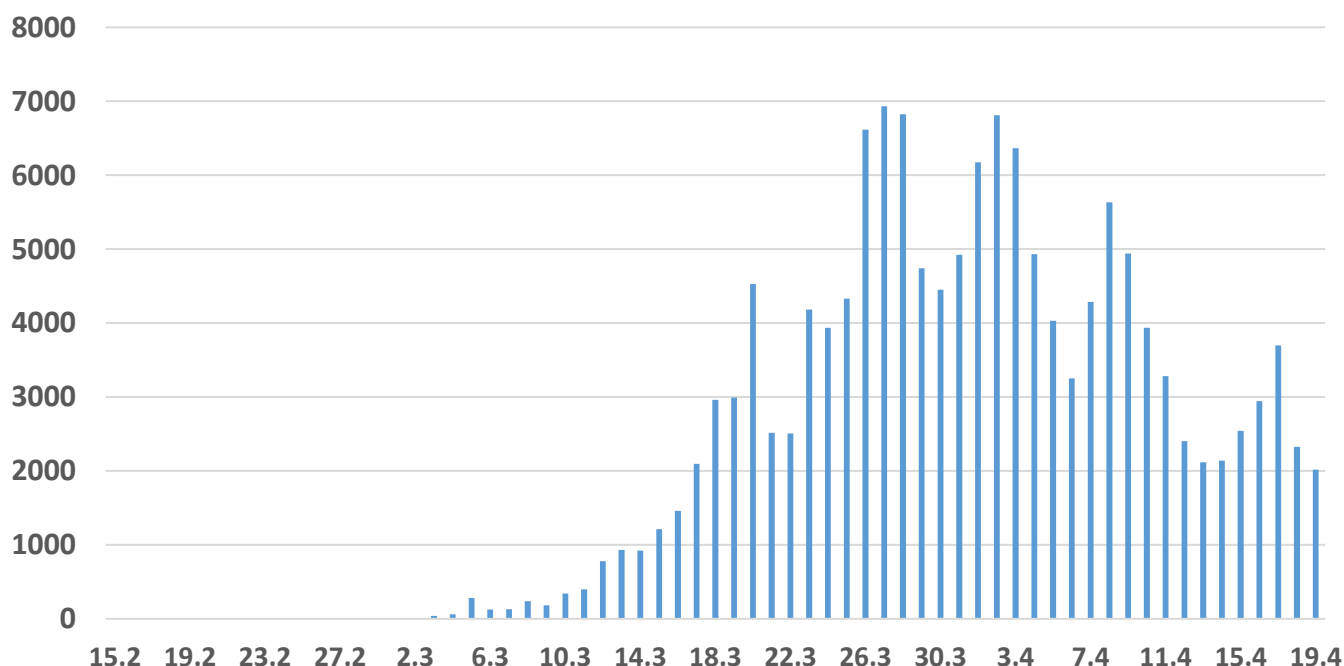
# 1

## Status Quo: Current situation and measures taken

Proposed measures by the federal government on April 15, 2020, which are now being implemented in different ways depending on the state:

- **Extension of the ban** on contacts and curfews until at least May 3, 2020
- **School operations** are scheduled to resume gradually from May 4th
- It is advisable to wear a **mask in public**
- **Shops up to** a sales area of **800 square meters** can open on April 20<sup>th</sup>, but only in compliance with hygiene requirements and access restrictions
- Regardless of the sales area, **car dealers, bicycle dealers and bookstores** should also be allowed to reopen, as well as **libraries, zoos and botanical gardens**.
- **Hairdressers** are allowed to continue their business but must use protective equipment
- As before, **restaurants, bars and pubs** should remain closed
- **Large events** are prohibited until August 31, 2020

Number of new daily infections in Germany



# 2

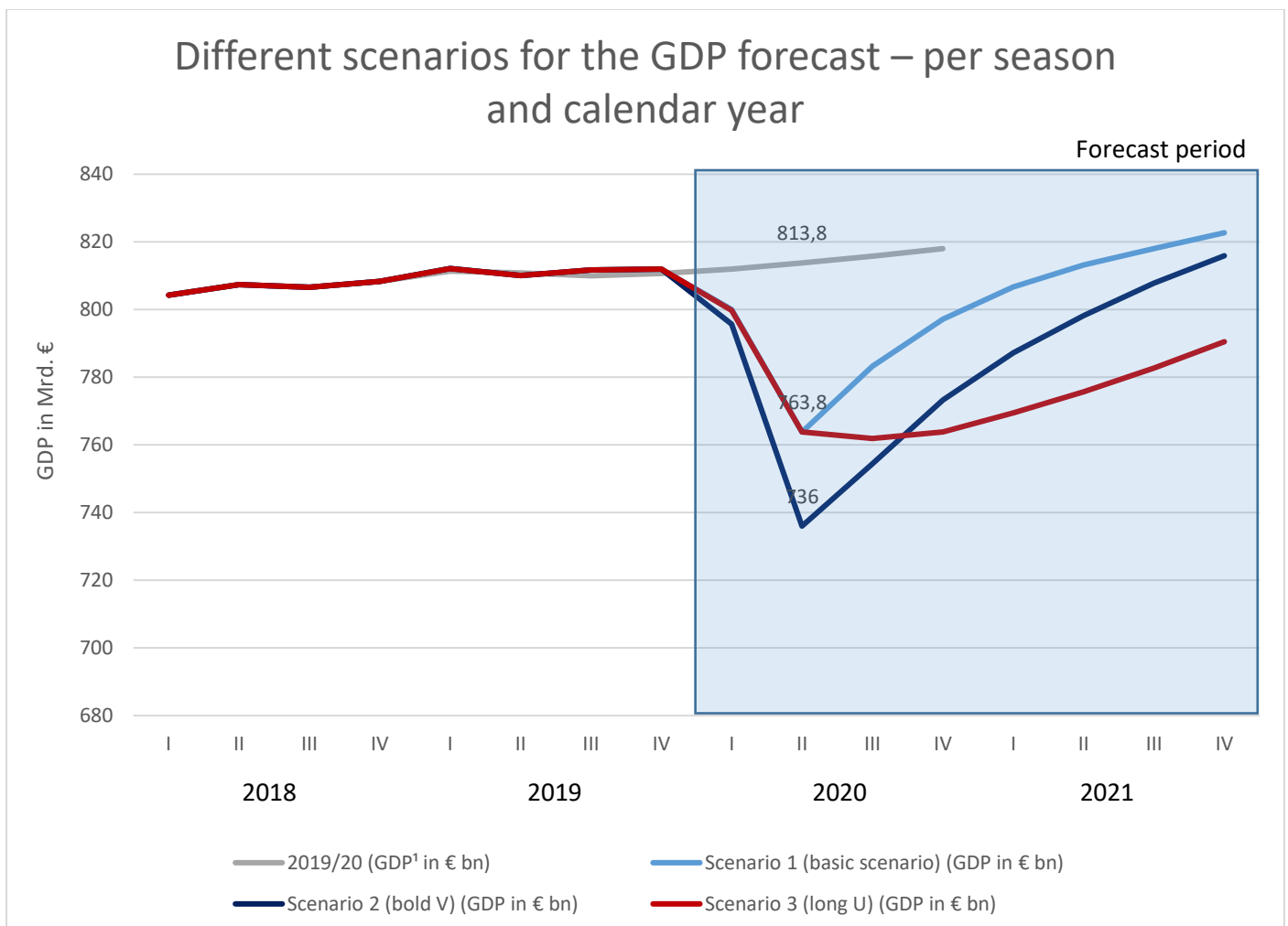
## What are the consequences?

### The overall economic situation: from the desired V scenario to the risk scenario with a bold V?

**So far**, we have followed the baseline scenario of economic practices that a rapid stabilization of the market is already realistic in the summer, but the prerequisite for this was the lifting of the health policy measures on April 20, 2020.

**At the moment** we can see that some measures are being relaxed, but it is a very slow start-up of the economy by taking small steps. Consequence: Many companies will not be able to keep going for the next 3 weeks and will have to go bankrupt; the overall economic damage increases, the recovery phase lasts longer. The situation remains very uncertain, especially for the catering, retail and tourism industries.

**Consequently, a deep, longer V-shaped curve of economic development can be assumed.** This is also the most realistic scenario for the Council of Experts in Germany at the moment, which is associated with a 5-6% decline in GDP in 2020. If we compare these figures with the forecasts of the economic institutes, then we are now at a level of decline by 4.2% to 6%. Domino effects will come into force at the beginning of 2021. Reminder: the normal V trend would have meant an economic decline of 2.8%. The advantage of the V course is that the economy would experience a strong upward trend again from summer. However, the prerequisite is that the pandemic can be contained within the next 6-8 weeks and the lockdowns to be largely eliminated.



Source: Council of Experts in Germany, Special Report on the Corona Crisis 2020

# 3

## What are the consequences?

### The situation in the retail business – regulations are confusing and perceived as unfair

Retail shops with up to 800 square meters of shop space have been allowed to open again for 2 days, yet under strict health protection measures. Some multichannel retailers can finally breathe a sigh of relief, because although online sales in many sectors – e.g. of the fashion industry – have recovered to some extent (although still far from their original level), store closure has inevitably led to a situation that threatens the existence of many suppliers.

Which, however, rightfully causes criticism: The distortion of competition threatened by the 800 sqm limit, as well as the different regulations across federal states, which makes it difficult for retail chains with branch networks throughout Germany to react quickly and consistently.

From 20.04 DIY stores in Bavaria were the first to be allowed to reopen.

From 20.04 big shops in 6 federal states are allowed to reopen, if they limit their sales area.

In Berlin and Brandenburg shops open only from today.

Mandatory masks in Saxony in buses, trains and shops.

**The question is:** will customers return to the stores? We experience in different areas that online sales are significantly higher than usual, even though the stores were open all the time: so customers WANT to shop contactless. Do we have to doubt that retail stores will recover quickly as long as there are curfews and thus, uncertainty and caution among end customers?

Presumably and only when a customer subjectively has a feeling that the risk has significantly decreased to go shopping – they will do so. On the other hand, however, there is a desire of every citizen for a normal life. Last week the survey showed that 40 % of respondents consider consequential health damages of an infection as significant, while this week this number dropped to 26 % (Cf.: BfR Corona Monitor). This could gradually tempt people to return to the stores at least for the sake of escaping the daily quarantine routine. An initial evaluation of the traffic in city centers seems to be promising for the trade.

# 4

## What are the consequences?

### Online retail already seems to be on the way to stabilization, even in such segments as fashion and consumer electronics

The Corona crisis has also hit online trade hard in some cases. Sales have dropped by an average of 20%, with dramatic declines occurring above all in the fashion, watch and jewelry and consumer electronics sectors. Other areas such as pharmaceuticals, food and drugstore items posted record figures in online business.

Zalando recently announced that the loss in the first three months was between 90 and 110 million Euro due to a very weak March. According to the company, the business has already picked up again in April. For fashion online retail, we can also confirm this development on the Arvato side. After a weak online sales in the first weeks of March, the order volume from the Fashion & Beauty sector is also showing upward trends.

We can still expect a V-shaped recovery of online business, which implies a sharp drop in sales and a fairly rapid recovery in the business.

This is also confirmed by a study conducted by the e-commerce auditing company Detail Online from the market research institute Kantar. The results of the study indicate that six out of ten customers will maintain their online-shopping behavior even after the pandemic. “During the lockdown the focus is on essentials. But this study shows that after the end of the epidemic, all major e-commerce categories will return to their previous level and in some cases even exceed it” (Joakim Gavelin, cited by handelsjournal.de).

**However, the following must be taken into account:** In Germany, the consumer climate is currently being maintained by the government's numerous rescue packages. In Germany, around 750,000 companies have now filed for short-time work, and 70,000 hotel and catering businesses are already on the verge of insolvency. On the contrary, there have hardly been any major changes in the number of unemployed so far, as many businesses are kept alive by government support. But one thing is certain: the longer the health measures are maintained on a large scale, the slower the return to normal will be. Above all, medium-sized and large companies that had to request low-interest rescue loans from KfW Bank will have to repay these at some point. Deferred rent payments or suspended income or value added tax prepayments must be paid out. So after the crisis companies have to earn more money than ever before. This will not be easy and many companies will not be able to do so. And this will have a lasting effect on the consumer climate.

## More Analysis from our eCommerce Competence Center

[arva.to/ecc](https://arva.to/ecc)



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