

Update I

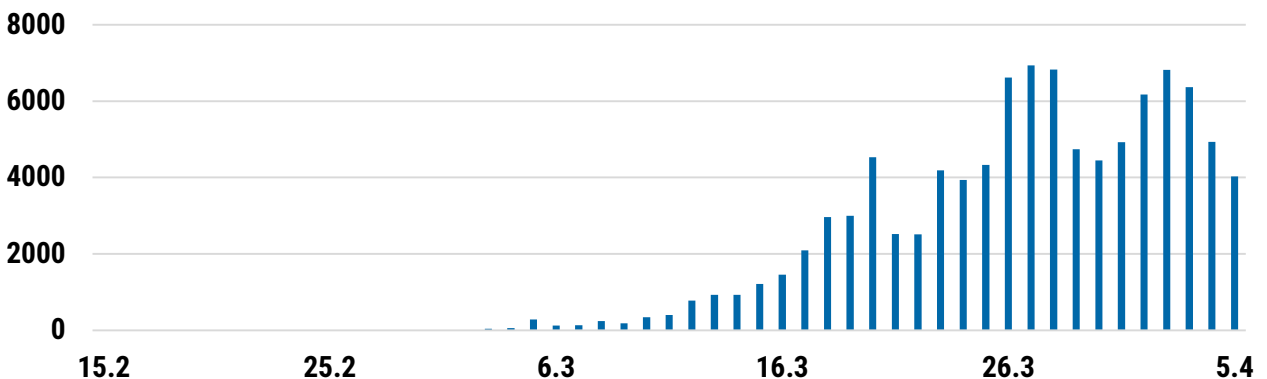
The E-Commerce Market After Corona



The number of new virus infections remains high, a peak with a significant decrease in infections is not yet in sight – Does e-commerce benefit from the COVID19 crisis?

Development of the e-commerce market continues to be contingent on the number of new infections within the next weeks and on whether these numbers significantly decrease after the Easter holidays. Customers will hold back their spending on luxury goods and spend more on essentials as long as the future remains uncertain. This goes hand in hand with the uncertainty around jobs and possible financial difficulties.

Number of daily new infections in Germany



Source: Worldometer (2020): COVID-19 Coronavirus, Daily New Cases

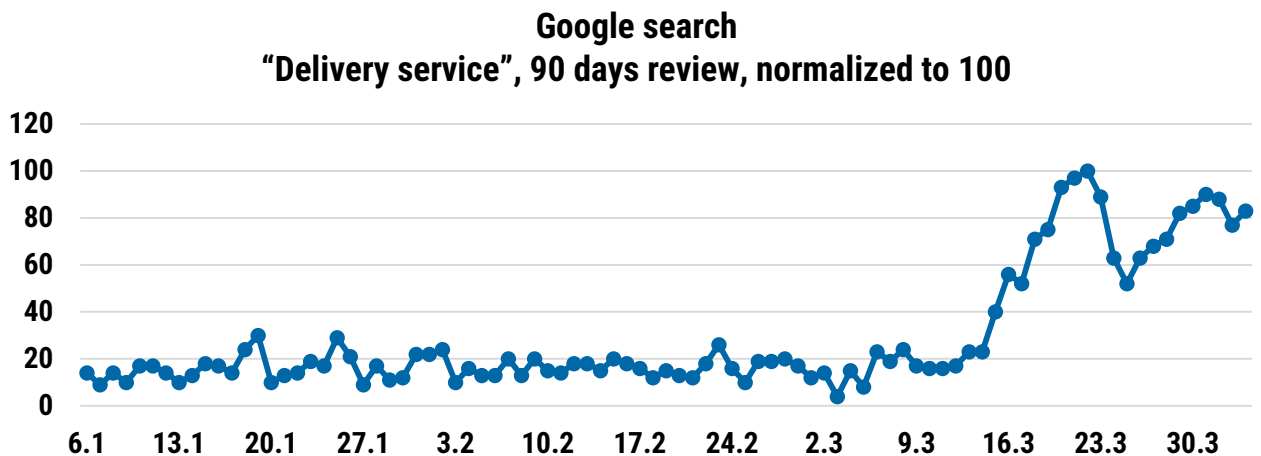
Current numbers are not encouraging for a quick end to the pandemic. The number of new infections is still on a high level, although calm and stability seem to have prevailed. Crucially the numbers need to decrease as quickly as possible if there should be any hope to save some retailers. Many industries are currently suffering from a drastic sales drop.

Current strong e-commerce volumes despite the spread of infection.

Category "**Health and Wellness**": share of online trade in total sales in the industry was only 13.2% in 2018, with YoY growth of 8.1%. A significant increase in online share is yet to be expected.

1. **Online-Pharmacies:** unsurprisingly, the Corona crisis leads to a strong demand for health products; the fact that many consumers stay at home to protect themselves from possible contamination strengthens the online business in comparison to the traditional over-the-counter business. The share prices also react accordingly (value of Shop-Apotheke shares increase from December 2019 to March 2020 by around 22%). Possibility to redeem e-prescriptions will be groundbreaking for the future.
2. **Online Perfumery and Drugstores:** Cosmetics items are among the products that increase your well-being and improve health in a broader sense. Doing something good for yourself is an important human need in crises like these. The fact is, however, that currently offline shopping is hardly possible or not preferred by customers (exception: supermarkets), meaning we have also observed a shift from offline to online shopping.

Category "**Fast moving consumer goods (FMCG)**": the online share in the FMCG market in Germany is extremely low as usual; in 2018 only 2,2% of total FMCG sales were generated online. This will temporarily change due to Corona crisis and will improve customers' awareness over these opportunities and, respectively, trust. A fundamental, long-term change is hardly realistic.



Source: Google Trends (2020)

The number of google searches for delivery services has sky rocketed in the last 3 weeks; online providers are hardly able to keep up with increasing number of orders. Delivery slots at Getnow are fully booked for the next 14 days. The number of new customer registrations in some cities has increased by 500%, according to Thorsten Eder from Getnow. It is still unclear whether food sales will fundamentally and sustainably shift online. So far, the paid on-time delivery system has not become hugely popular, and the tedious process of online-shopping often takes longer than quickly going to the supermarket around the corner, especially among urban residents in Germany, where the density of shops branches is 2-3 times higher than in France or Great Britain.

And in the category of pet supplies? The online sellers are also currently dealing with an extreme increase in online orders, even though the offline shops remain open. The decisive reason for buying online among many pet owners is avoiding contact. And in the middle- and long-term? The online share of the market is already relatively high, 13% in 2018. The growth will continue but due to the high density of market leader shops, most likely in high one-digit or low two-digit range.

Overall, the number of businesses that experience a real boom during the Corona crisis is limited. Many retailers in the beauty sector are experiencing a boom in their online sales but they are far from being able to offset the loss of the offline business which many multi-channel retailers are also currently experiencing.

More Analysis from our eCommerce Competence Center arva.to/ecc



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