

The Pandemic and the Impact on the Digital Economy

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Abstract

The appearance of the Covid-19 pandemic has obligated people to keep distancing because of the infection spreading that surged untimely. Conditions, human beings were forced into the search on how to be closer to the external world, the answer, via the internet. Most nations implemented certain restrictions to maintain their citizens despite having to make provision resupply. Taking these in consideration, digital economics began to gain more renown that it already had, online shopping for example expanded enormously, being the e-commerce common and mandatory

more and more. In regard to Mexico, sales shoot up about 90% on the first trimester of the pandemic, about 5 out of 10 business doubled their growth on internet, and moreover 2 out of 10 online business registered about 300% growth increase on sales volume thus projecting a precaution measure on contagion instead of making presential shopping [1].

Keywords: internet, economics, pandemic, online buying, digital economics, client, sales

I. Introduction

It's been a decade since e-commerce it's been a reality due to demand popularity on smartphones, along with an ever-growing offer and competence within these markets, also networking services cost reduction to a large extent, the improvement of speed connections and a large diversity on digital payment options were the perfect basis and conditions that allowed exponential growth in matter of e-commerce till the Covid-19 pandemic came to be a game changer, this triggered the potentials of e-commerce in Mexico and allowed to make the best of it.

Biggest malls and supermarkets commonly visited by Mexican consumers faced a temporary case of activities because of the pandemic, this forced producers and consumers to seek alternative buy and sell means while perfecting and constantly improving their online e-commerce platforms, small sales business on the other hand found support on large marketplace sites like MercadoLibre so they were able to deliver products to their clients out of the pandemic restrictions, by consequence this allowed e-commerce to grow about 81% in 2020 getting a sales all-time high of about 316,000 millions of Mexican Pesos, and at the same time to represent about 9% of wholesales done [2].

According to data obtained from the Asociación Mexicana de Venta Online (AMVO) the best consumer benefit was that now they have access to a comfy way of doing shopping while at the same time look for similar product comparisons and even to look for identical products that other shops offer, thus, allowing them to make the best decision for their money value, furthermore to access products that otherwise will be difficult to find as shown by figure number 1 [3].



Figure 1. Top 5 online buying reasons

[Source: <https://www.kovame.com/ecommerce/>]

Confinement due to pandemic originated a growth in e-commerce, where most consumers have seen reflected the benefits of doing their shopping online. It is expected that this commerce form continues growing at an accelerated rate [4].

II. Increase of Digital Economics in Mexico

At the beginning of 2020, when the pandemic appeared, this triggered a liability to accelerate digital transformation and innovation in order to keep up with the home-office modality. Latin America is experimenting a conversion to a transformation into an overriding scenario on the creation and advance of digital operations, this according to a 2020 report on Digital Transformation in Latin America, where it was mentioned that “Digital scenario and panorama are growing up exponentially, opening a lot of great opportunities on its way for growth in comparison with most developed economies [5]”

An increase of 30% in sales on online supermarkets, provoked by the announcement of phase-two contingency also contributed to online sports platforms to a sales increase between 14% and 19%. The preference for online shopping from consumers and producers eliminates the need for presence of crowds in addition to enjoying the reliability provided by online shopping, as can be seen in figure number 2.



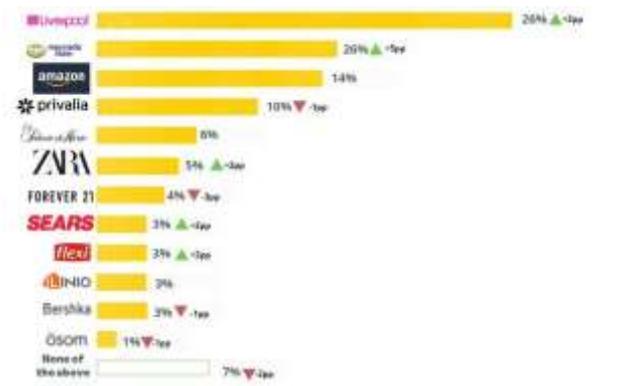
Figure 2. Online shopping behavior

Source: <https://www.liderempresarial.com/avance-del-e-commerce-en-mexico/>

Shopper Experience Observatory shared in its 2021 report a series of data where a growth is shown for most of the countries, where the main protagonist is Mexico, due to transactions registered on its digital economics where 39% out of the consumers prefer to do groceries on e-commerce platforms [7].

Time saving, promotions and valid discounts online are some factors that caused this growth, along with data obtained in March 2021, the country registered an expansion on digital economic revenue of 642% in 2020 adding up to \$6,311.4 millions of Mexican Pesos, along with platform payments like Uber, Didi, Amazon, Netflix, MercadoLibre, among others, as pointed out in graphic number 1 [8].

Favorite online stores of Mexicans

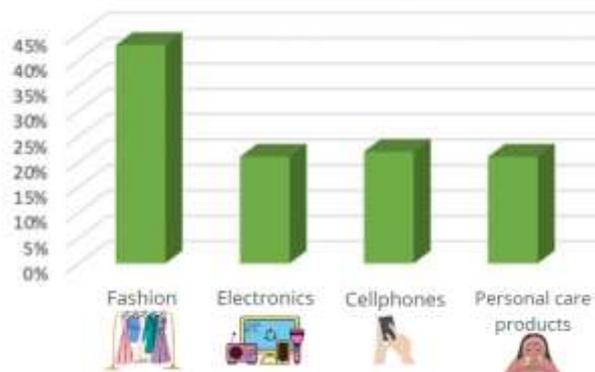


Graphic 1. Favorite online stores of Mexicans

[Source: <https://www.antevenio.com/blog/2020/05/compradores-mexicanos-en-e-commerce/>]

At the “good weekend” principal product categories that are highlighted are shown in graphic number 2.

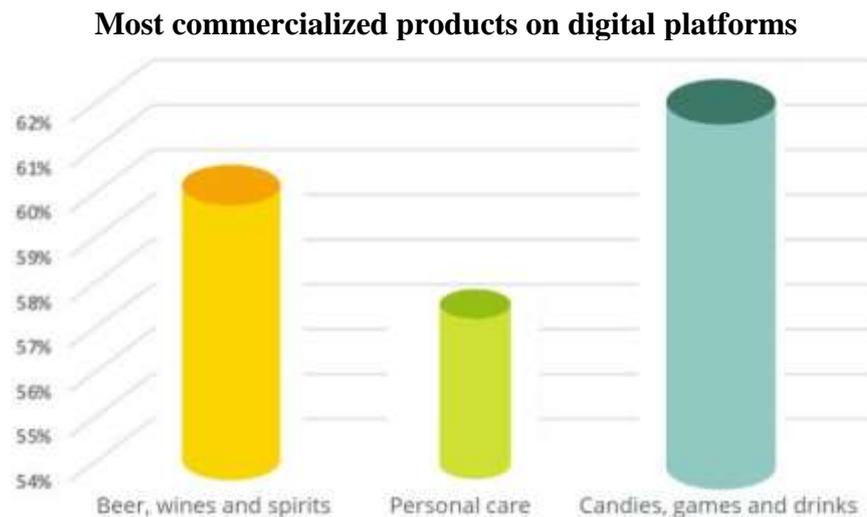
Most demanded articles on “good weekend”



Graphic 2. Product highlights during “good weekend”.

[Source: <https://www.antevenio.com/blog/2020/05/compradores-mexicanos-en-e-commerce/>]

Inside e-commerce exists a wide variety of options, but not all of them are convincing, besides, data obtained by the Shopper Experience Observatory, show the most commercial products via digital platforms as shown in graphic number 3 like so: beers, wines and spirits (60%) personal grooming and care (57%) and candies, juices and beverages (62%), as shown in graphic number 3 [9].



Graphic 3. Most commercialized articles according to OSE.

[Source: <https://www.antevenio.com/blog/2020/05/compradores-mexicanos-en-e-commerce/>]

This contrasts in what physical stores offer, where basic aliments or consumer staples like meat, dairy products and bread [10].

E-commerce acceleration and rise in Mexico during 2020 and 2021 (figure number 3), is a global tendency that can't be focused on Mexico. The volume of money circulating across online sales has been increasing year by year in all world regions. The Latin America E-commerce 2020 (e-marketer) study estimates that 10.8 million of consumers would have made their first online in 2020 [11].

State implemented a series of confinement and social distancing norms during these critical lockdown times, whose measures, despite being necessary due to public sanitation and with their own serious consequences for the national economy, nonetheless, have left a positive impact on online shopping. Within this context of distancing and alienation, an e-commerce study taken in Mexico in 2020, from the AMVO report 4.0 mentioned previously shows the following data [12].

Digital e-commerce growth in Mexico



Figure 3. Digital e-commerce growth in Mexico.

[Source: <https://www.tornadostore.com.mx/detalle.php?a=crece-el-comercio-digital-en-mexico---caracteristicas-del-comercio-electronico&t=3&d=38>]

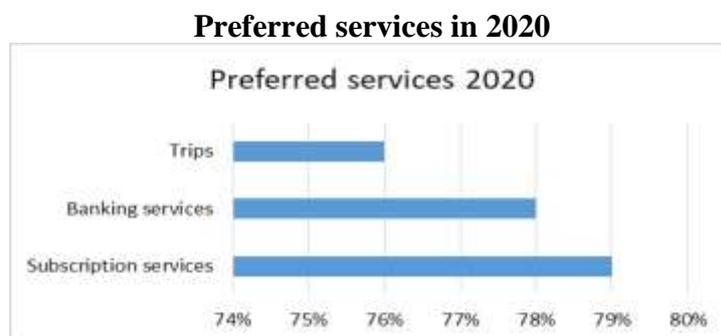
III. E-commerce adoption

Online buys during 2019 were mainly limited to flights, hosting and food via application among other electronics. Nowadays according to subject matter experts, there were incorporated some areas that weren't quite common in commercial activities.

It seems like phase two of the contingency produced an increase of about 30% in online sales; platforms were invaded by an increment on sports of about 14% while clothes took 19%.

Specialists pointed out that the report on the Covid-19 impact given by the Mexican Association of Online Sales (AMVO) had a report where sales that led during that period were: food, household appliances, mode, beauty products, personal care and grooming, sports and tools [13].

About preferred online service categories, most frequent users are subscription services (79%), banking services (78%), and flights with 76%, being reduced by lockdown, as shown in graphic number 4 [6].

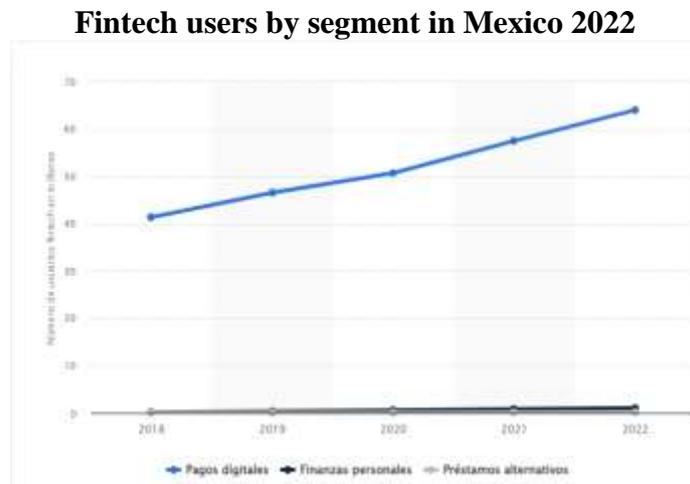


Graphic 4. Preferred services in 2020.

[Source: <https://www.liderempresarial.com/avance-del-e-commerce-en-mexico/>]

IV. Results

Digital banking in Mexico has been pushed thanks to the pandemic as shown by data, although these are not so impactful as thought, statistics given by Statista (Mexico digital banking) where statistical data indicates that exists 56 millions of online banking users adding transactions up to 80 Mexican Billion Pesos, most of them by interbank transferences, also the expansion of the so called neo-banks or fintech business represent a good portion of these digital payments incrementing from 2019 to 2020 in about 4 millions and from 2020 to 2021 about 7 millions as shown in graphic number 5 [14].

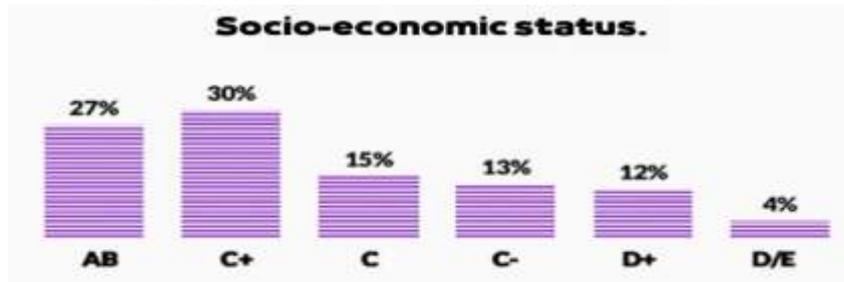


Graphic 5. Amount of fintech users per segment in Mexico from 2018 to 2022, (in millions) Source: Statista

The Mexican Association of Online Sales (AMVO) along with Netquest performed a study on consumer behavior referent to e-commerce in Mexico, giving the following statistics.

The survey took place in January 2019 where most of the buyers were middle-upper-class persons giving a 30% of the online buys, followed by upper-class with 27%, followed by middle-class with 15% as shown in graphic number 6.

Socio-economic level of e-commerce users



Graphic 6. Socioeconomic level of the e-commerce users.

[Fuente: <https://www.cualhost.com/recursos/estadisticas-del-comercio-electronico-en-mexico/>]

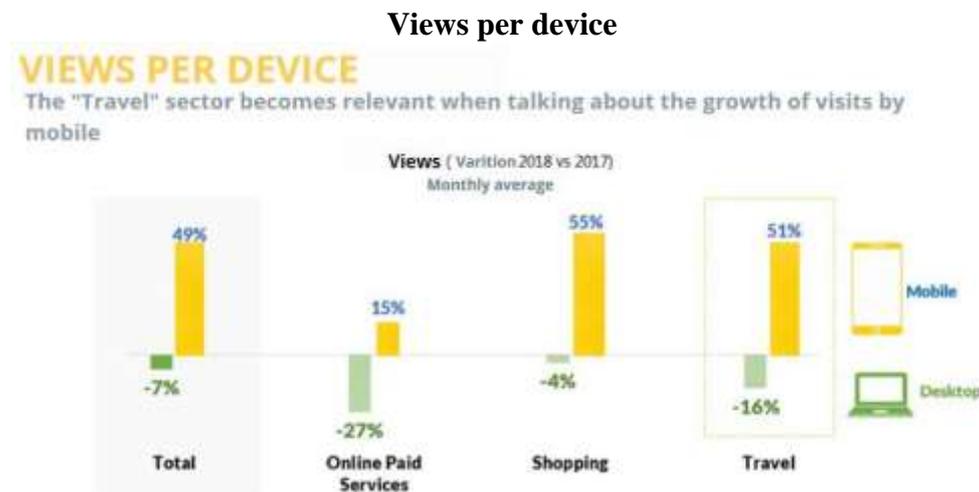
Online service acquisition penetration varies too, being subscription services the most bought and required by users as shown in graphic number 7.



Graphic 7. Popular services among online boughts.

[Source: <https://www.cualhost.com/recursos/estadisticas-del-comercio-electronico-en-mexico/>]

Main recommendations made for people to access e-commerce are shown in graphic number 8 [15].



Graphic 8. Digital penetration devices for online shopping

[Source: <https://www.cualhost.com/recursos/estadisticas-del-comercio-electronico-en-mexico/>]

V. Conclusions

For many years, trade in Mexico showed few changes, despite the arrival of the digital age and with it Industry 4.0, technology was limited to serving only as an aid to optimize the procedures necessary to carry out transactions and business, however, within what is digital commerce, it hardly had as much relevance due to the daily life and security of doing all kinds of business personally (cultural change), however this changed with the arrival of the pandemic, at which time the model of commerce took a 180-degree turn with respect to the increase in demand that digital commerce had, which was greatly benefited by it, leaving in the background the face-to-face business model that predominated worldwide. It can be deduced that, due to the pandemic, many things in the environment have changed, including the way things are done, unlike before, when you used to go directly to buy the necessary supplies for the week, now it has become more common to make purchases online, as well as the purchase of food and the massive use of private transport applications, among others, certainly these events have boosted the way in which the economy works, especially in Mexico, both for micro- and macro-enterprises, since the digital economy has consequently remained afloat due to the current pandemic (this effect has been reflected to a greater extent in high-demand events such as the good ending). Currently, although the restrictions caused by the pandemic have been lifted little by little, there is no doubt that the influence of digital commerce has gained several followers who now prefer online shopping in the comfort of their home than going abroad to take risks in one way or another by getting infected with covid 19, so perhaps the events of the last two years have marked a before and after in how the economy will work in the years to come side by side with technology.

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