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Covid-19 and E-commerce: Opportunities and Challenges

With the continued spread of the COVID-19 virus, both online and offline businesses are being affected by a significant change in consumer behavior. Traditional retailers, especially in the category of non-necessities, have been experiencing a significant slowdown in sales since late January. Empty hallways in glossy malls have prompted leaseholders in major shopping centers, such as MBK, Platinum, and Mixt, to call for a 50% reduction in rental fees.

While consumers staying home in an attempt to avoid the highly contagious disease represents a challenge for offline retailers, it appears to present a golden opportunity for the online shopping industry. However, e-commerce retailers have failed to benefit from the situation, largely due to difficulties in importing goods under strict quarantine conditions and sharply reduced productivity in China. The manufacturing powerhouse has experienced numerous production halts, especially in Hubei province which is the center of the automotive and textile industry that represent more than 4% of China's economy. The ripple effect is inevitably being felt across the supply side of the economy.

The significance of China's productivity to Thailand's economy cannot be overstated. China was Thailand's largest import origin by some margin in 2019. According to trademap.org, the approximately 51 billion USD total value of imports from China accounts for more than 21% of Thailand's total import value. Much to the current dismay of Thailand's e-retailers, more than 80% of online products sold via e-commerce platforms in Thailand are estimated to have been manufactured outside of the country, with the majority of this supply unsurprisingly being imported from the Middle Kingdom.

There is, however, one sector that is benefiting from the current situation. Amidst the sluggishness of both the online and offline retail industry, online food delivery is garnering steep growth. GET, one of Thailand's main food delivery applications, has estimated that its 2020 performance will expand by around 31%, generating 1.8 billion THB. In the past 12 months, the application reported a surge of 2.2 million downloads and 40,000 riders joining the fleet. With 5-15% growth for dinner orders since late January thanks to the pm 2.5 and COVID-19 situations, GET is proof at least that in the midst of a crisis, there is still hope and opportunity.

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