

# Management ReThink



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## COVID-19: A Boon for the Digital Economy?



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focused on the internet

# COVID-19: A Boon for the Digital Economy?

COVID-19 gave a phenomenal fillip to our digital lives over the last couple of months. According to an IAMAI-Nielsen Report on Digital India, as of November 2019, the total number of internet users in India stood at 504 million, out of which 433 million internet users were above the age of 12. Borne out of necessity - it would not be an exaggeration to say that this pandemic achieved a level of digital adoption in a matter of months that would otherwise have taken a number of years.

The year 2020 will forever be characterised by COVID-19. Life as we knew it, came to a standstill ever since the first lockdown was enforced on March 23 across the country. Confined to their homes, those who could - took to the internet.

According to an IAMAI-Nielsen Report<sup>1</sup> on Digital India, as of November 2019, the total number of internet users in India stood at 504 million, out of which 433 million internet users were above the age of 12.

The fillip to our digital lives has been phenomenal over the last couple of months, courtesy COVID-19. It would not be incorrect to say that this pandemic achieved digital growth and consumer adoption in a few months that would otherwise have taken a number of years.

This can also be attributed to the fact that the fear of venturing out and catching the virus still looms large in people's minds. Subsequent 'unlocks' have made life slightly better, but in the absence of a vaccine, people are still restricting themselves when it comes to moving freely a la pre-pandemic. Although the latest visuals from New Delhi may indicate otherwise.

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It may be too soon to call the present scenario a V-shaped economic recovery. While the data may indicate a return to pre-COVID levels, a significant portion of online shopping may be pent-up demand from previous quarters, so the next few quarters are critical.

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<sup>1</sup>Nielsen Digital in India 2019 Round 2 Report. *IAMAI-Nielsen*. Retrieved from <https://cms.iamai.in/Content/ResearchPapers/2286f4d7-424f-4bde-be88-6415fe5021d5.pdf>

## 1. AN E-COM SLUMP AND RECOVERY?

KalaGato, an automated consumer and market insights platform, collected and analysed consumer behaviour data from **5.5 million smartphone users**. The data collated revealed that the year began on a happy note compared to 2019, but as soon as the lockdown was announced, all e-metrics collapsed in terms of actual sales and usage.

Figure 1.1

### Average Monthly Spend Value (INR) 2019 vs.2020

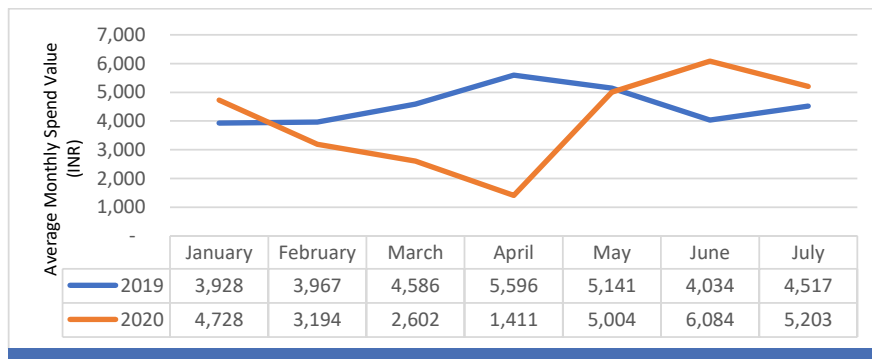


Figure 1.2

### Tier-wise Percentage of Internet Users Shopping Online

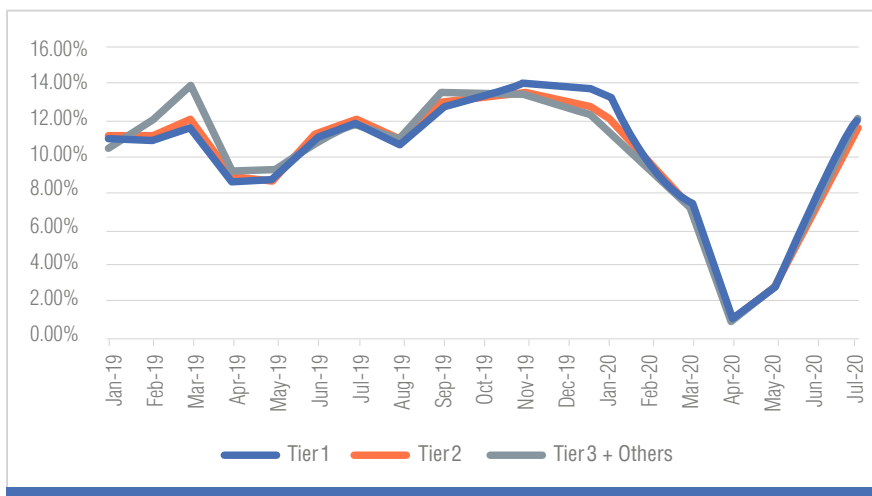


Figure 1.3

## Change in Percentage of Internet Users Shopping Online

### YoY Change in % of Internet Users Shopping online

Month	Tier 1	Tier 2	Tier 3 + Others
Jan-20	2.25%	1.02%	0.65%
Feb-20	-1.64%	-2.46%	-3.43%
Mar-20	-4.25%	-5.19%	-6.75%
Apr-20	-7.51%	-8.26%	-8.37%
May-20	-6.14%	-6.05%	-6.61%
Jun-20	-3.29%	-3.87%	-3.32%
Jul-20	0.16%	-0.56%	0.10%

With lockdown in place, no deliveries other than essentials were being made. That perhaps explains the crash which hit all e-commerce players during the months of March-April. As Unlock 1.0 began, starting May 17, the situation started to improve with authorities allowing the sale of non-essential items in designated 'Green Zones,' and thus, unleashed some pent-up demand as is seen in Figure 1.3 above. With shopping arcades opening up in July end, the only option was to shop online. It was literally the only market people had access to.

The data we collated brought out an interesting facet of the growing online adoption. COVID-19 merely acted as a "stumbling block" as the increase in e-commerce usage was already taking place. As the infographic reflects that, while tier-one and tier-three cities have recovered, tier-two cities are taking longer. Interestingly, a large part of

digital consumption and growth comes from both tier-two and tier-three cities in India.

However, it may be too soon to call it a V-shaped economic recovery. While the data may indicate a return to pre-COVID levels, a significant portion of online shopping is pent-up demand from previous quarters, so the next few quarters are critical.

A word of caution — these are online sales — and India is still not an out and out e-commerce country. Even by the best estimates, only about 500 million people have internet access, leaving most of the populace out of the digital economy.



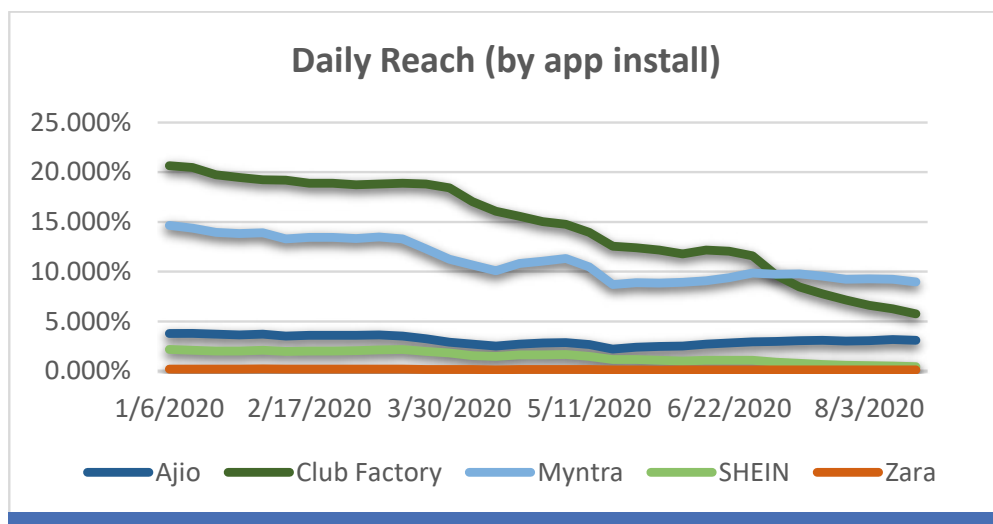
## 2. ONLINE FASHION NOT FASHIONABLE ANYMORE?

One of the most vibrant segments, online fashion, has been a booming space. India's youth is brimming with rising aspirations; it also forms the largest chunk of its population. As per a report<sup>2</sup> by RedSeer Consulting, in 2019, while India's fashion market was growing at a Compound Annual Growth Rate (CAGR) of 11 percent, the online fashion segment was growing faster at a CAGR of 32 percent.

The fashion ECommerce industry was looking at another bumper year until the pandemic normalised 'Work from Home' (WFH) and blew social engagements out of the water. Consequently, business suits, trousers, crisp collared shirts were replaced by shorts, workout tights and t-shirts. After all, who wears a tie for a Zoom meeting? Even festive and wedding season sales were muted given a rather empty social calendar.

Figure 2.1

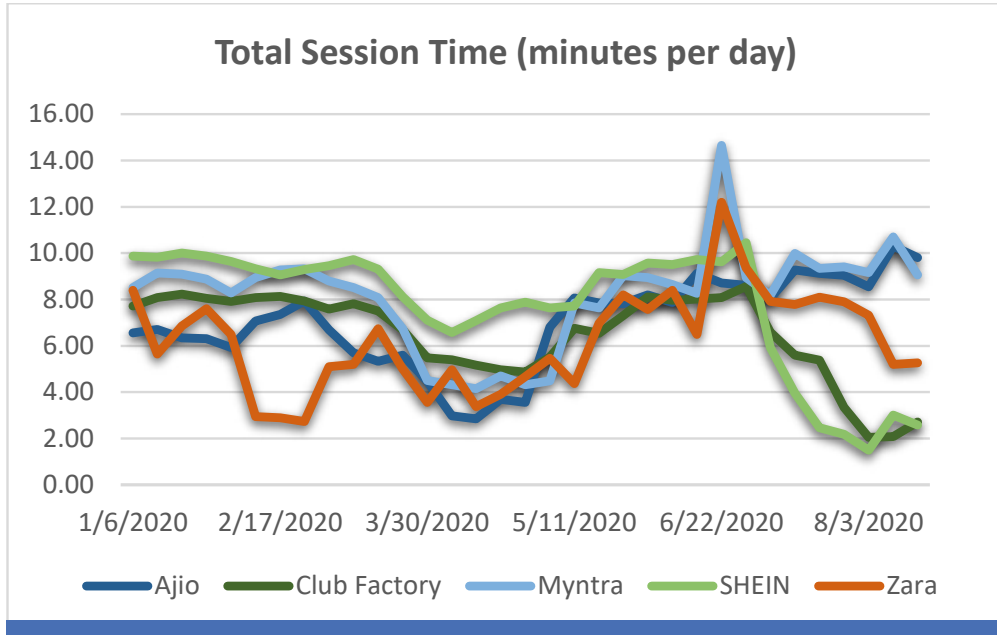
### Reach by App Install for Fashion E-Commerce Sector



<sup>2</sup>Online Fashion Market in India. November 2019. RedSeer. Retrieved from <https://redseer.com/newsletters/online-fashion-market-in-india/>

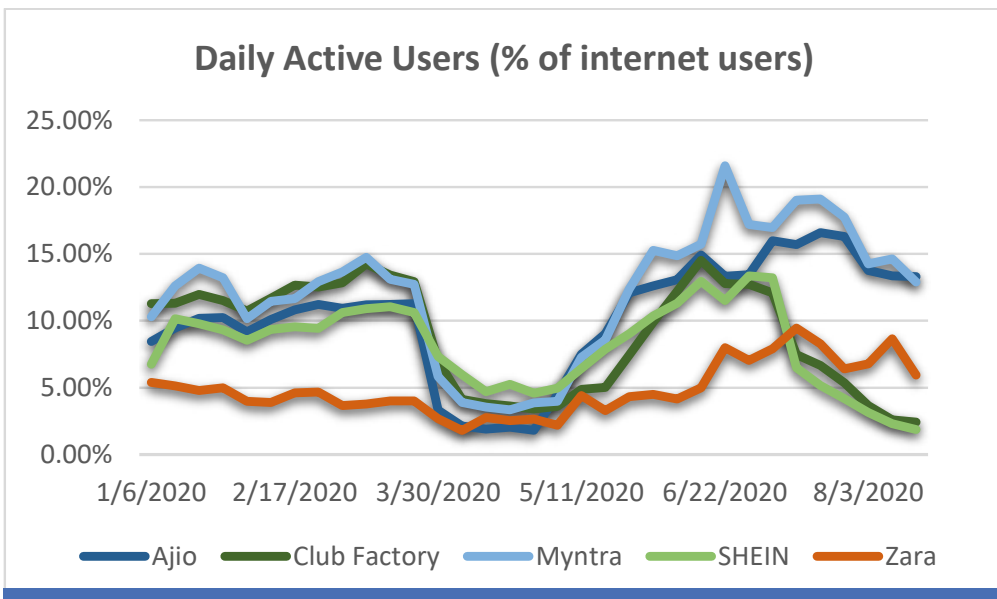
**Figure 2.2**

**Total Session Time per day for Fashion E-Commerce Sector**



**Figure 2.3**

**Daily Active Users for Fashion E-Commerce Sector**





Consequently, online fashion retailers who were doing well in January and February saw demand dip in March and April. The lockdown taught consumers to live with less and reprioritise spending. This, despite the fact that many fashion retailers are allowing customers to shop online, delivering products from the nearest store, some are even booking potential buyers in separate slots for store visits.

The Figure 2.3 above shows that going by the Daily Active Users (DAU), online e-commerce fashion platforms Ajio and Myntra have recovered from the slump in demand due to coronavirus and the subsequent lockdown. However, Club Factory and SHEIN have not been able

to resurrect themselves mainly due to the Indian government's



ban on Chinese applications owing to the Indo-China territorial dispute. The DAU of the two retailers fell from around 12-14% in early June to mere single digits in less than a month following the announcement of the ban on June 29.

With many online fashion retailers launching new collections ahead of the upcoming festive season and offering deep discounts to clear aging inventories, the sector is pinning its hopes on the festive spirit for a revival in demand.

### 3. SELF-CARE IS SELF-LOVE

For many people, COVID-19 gave self-care a major push. In an earlier ‘normal’ - we spent countless hours shuttling between home and of-  
 fice, and self-care took a back seat. The lockdown has also given people an opportunity to refocus on themselves and create a change in pace.

Figure 3.1

#### Reach by App Install for Health and Beauty Sector

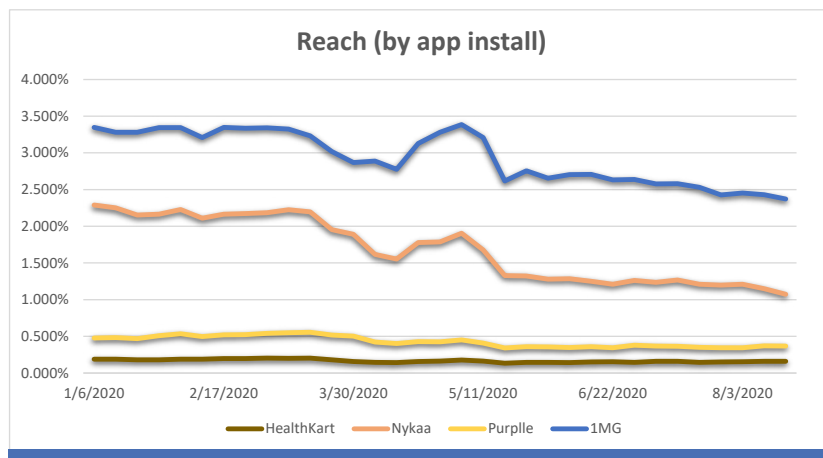


Figure 3.2

#### Daily Active Users for Health and Beauty Sector

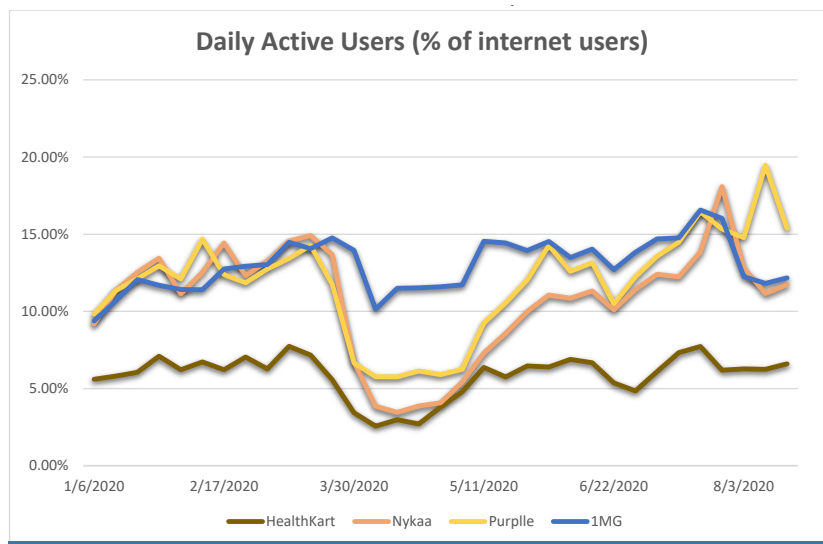
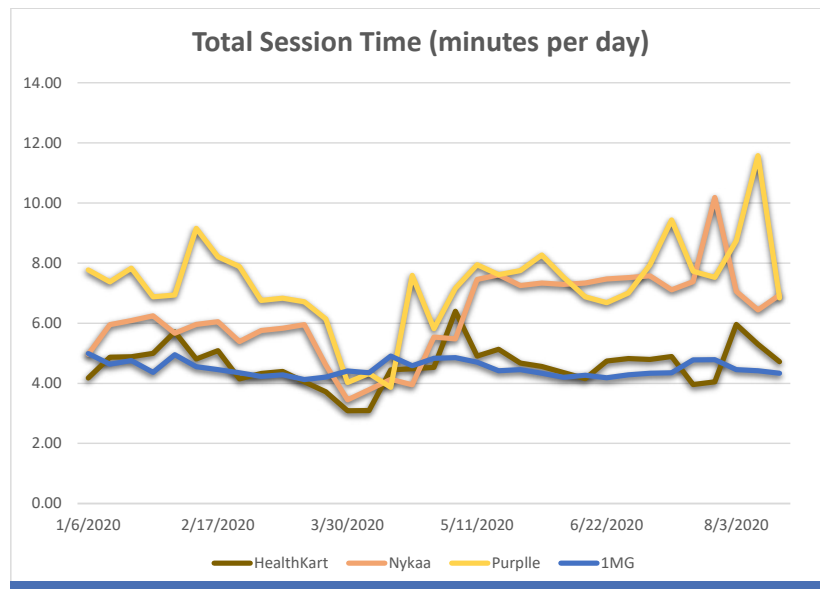


Figure 3.3

## Total Session Time for Health and Beauty Sector



The beauty and health segment picked up post-May after a slump in March-April. Fear and concern drove people to invest in one's health and order products such as masks, sanitisers, disinfectants, immunity booster packs to herbal concoctions far



more than ordering beauty products and cosmetics. Thus, the daily active users of beauty retailers like Purpille and Nykaa saw a bigger slump as compared to online pharmacies like 1MG and HealthKart.

It is surprising to see the recovery and growth in usage of platforms like Purpille and Nykaa, which are primarily focused on the beauty products category at a time when social and professional engagements are at an all-time low.

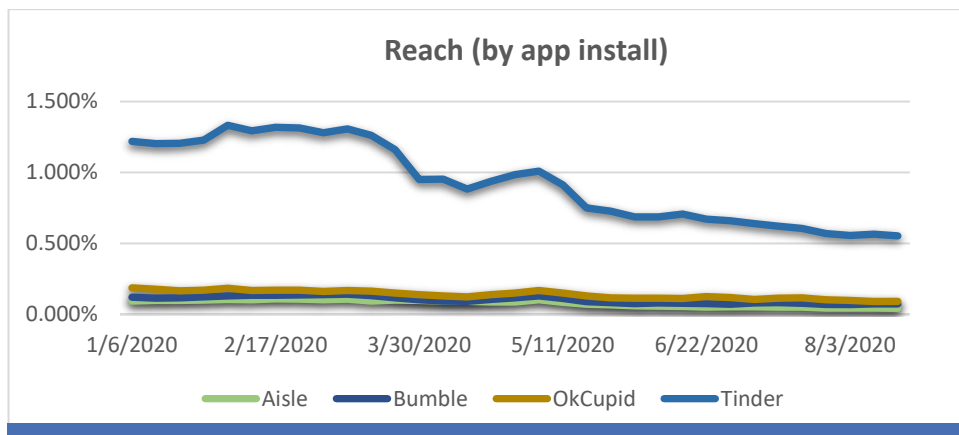
This space has seen considerable and steady growth over the last three months. With the pandemic changing lifestyles and consumer focus turning towards inner well-being, spending on preventive consumer health care and do-it-yourself beauty products is likely to continue in the future.

## 4. LOVE IN THE TIME OF CORONA

We live in the “Swipe Right” era when it comes to matchmaking or finding love. Online platforms such as Tinder, Bumble, OkCupid and Aisle promise to make finding companionship a bit easier.

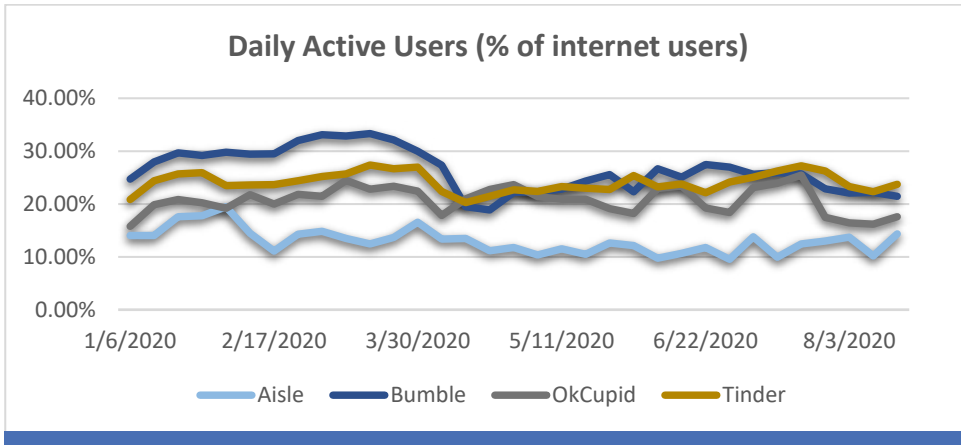
Figure 4.1

### Reach by App Install for Matchmaking-Dating Sector



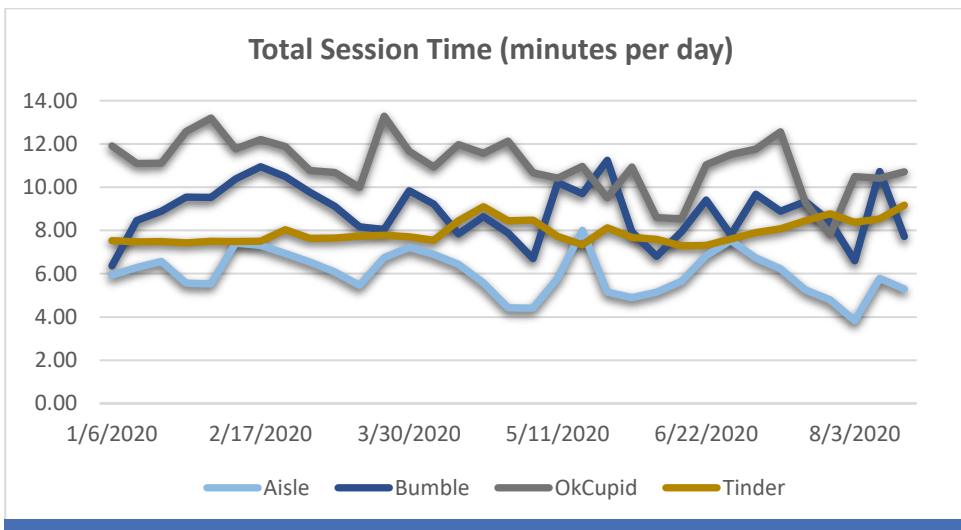
**Figure 4.2**

**Daily Active Users for Matchmaking-Dating Sector**



**Figure 4.3**

**Total Session Time per day for Matchmaking-Dating Sector**



However, like many relationships, this segment has also seen some volatility. These apps witnessed a decline in their reach by May-June after getting fairly decent “engagement” amongst users at the start of this year. While Bumble and OkCupid crashed by almost 50 percent, Aisle seemed to be the preferred choice as it remained close to its pre-COVID levels of usage.



## 5. FOR THE LOVE OF FOOD: FROM DALGONA COFFEE TO HANDMADE PIZZAS

During lockdown, social media influencers of every ilk turned into “Master Chefs.” With restaurants and hotels closed across the country, food delivery platforms struggled to serve users. From a heady start in January, this segment witnessed its lowest point in April. Popular online food ordering apps such as Zomato, Swiggy and Dominos were not exactly having ‘foodful’ encounters with users.

Figure 5.1

### Reach by App Install for Food Sector

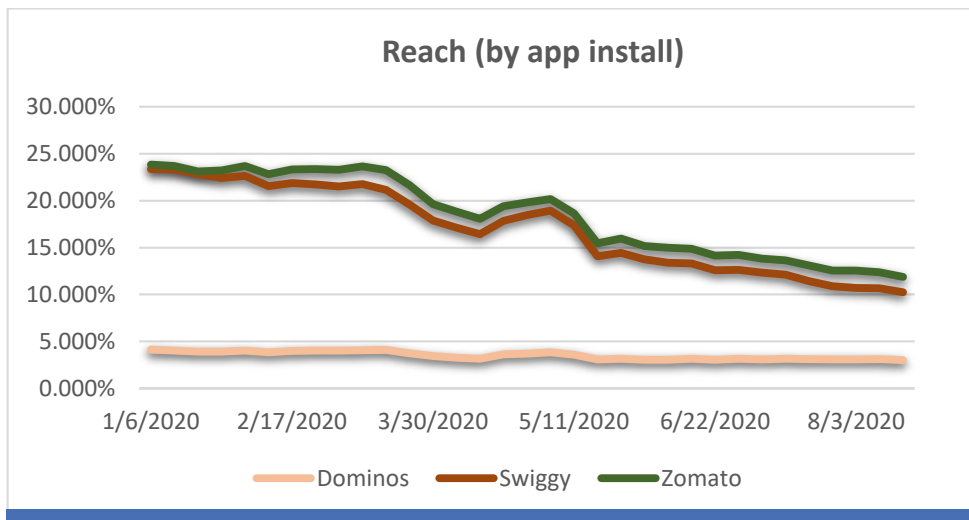


Figure 5.2

### Daily Active Users for Food Sector

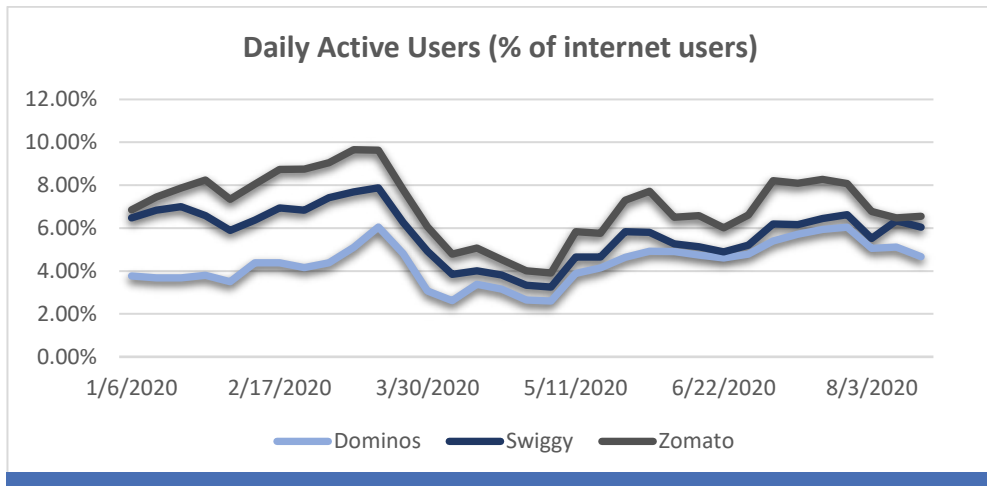
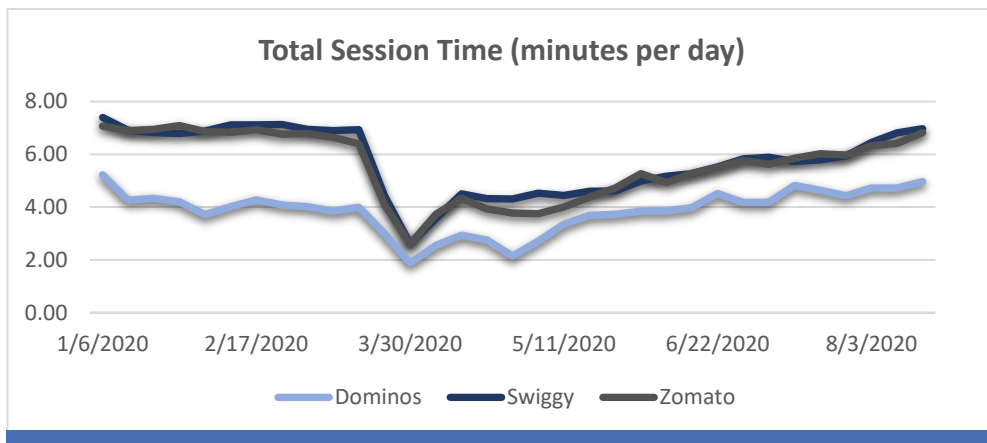
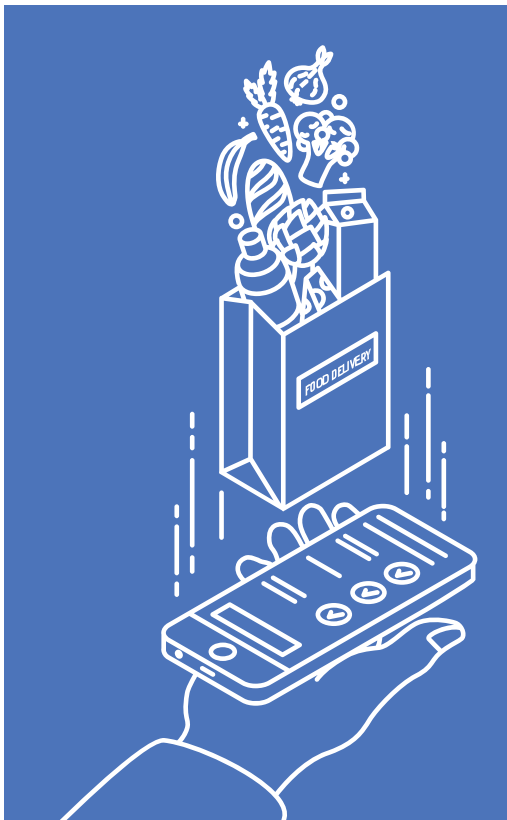


Figure 5.3

### Total Session Time per day for Food Sector



In a cruel and capital hungry world – some of these food delivery platforms came up with grocery delivery options to retain users by introducing the ‘Zomato Market’ and the ‘Swiggy Store.’ Simultaneously, several big-ticket FMCG companies, including ITC, Vishal Retail, etc. partnered with the food delivery



platforms to ensure the delivery of groceries, packaged food items and cooking ingredients to the last household.

It was only May onwards that food aggregators got back in business. Even then hotel and restaurant businesses were grappling with a gamut of problems such as staff shortages (workers moved back to villages), fractured supply chains, and a lack of consumer confidence.

To meet these challenges, food aggregators and restaurant owners have had to reimagine operations making safety and hygiene coupled with contact-less delivery a permanent offering. Dine-in restaurants are displaying agility in transitioning to delivery. The sector’s recovery trends are strong and likely to bounce back to the pre-pandemic levels in the coming months.



## 6. KEEP CALM AND NETFLIX ON:

The lockdown brought cities to a grinding halt. Stuck at home, streaming services like Netflix and Amazon Prime – providers of ‘Over the Top (OTT)’ content thrived. It was one of the few segments that saw a major upswing in subscribers during the peak pandemic period.

Figure 6.1

### Reach by App Install for Video-OTT Sector

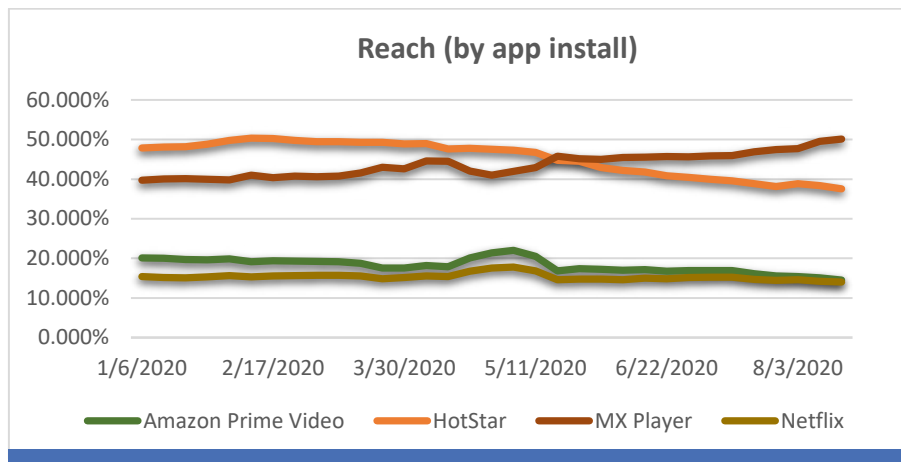
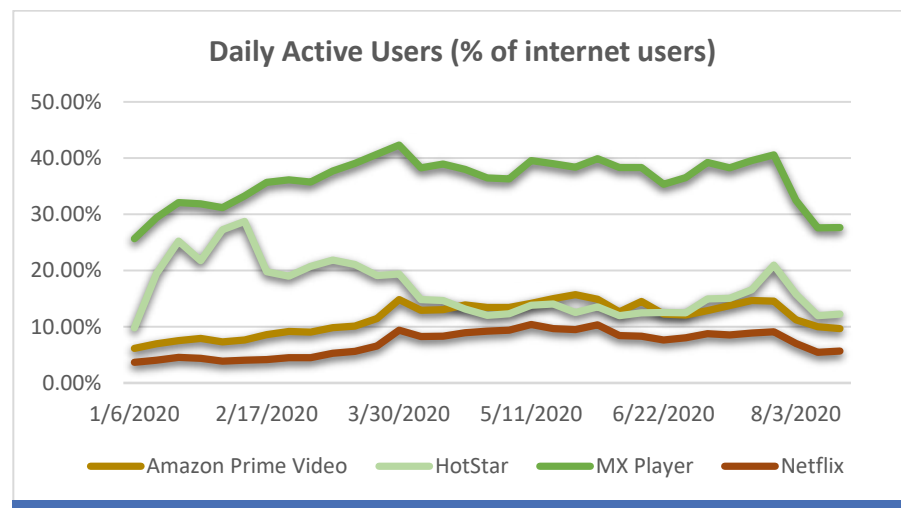


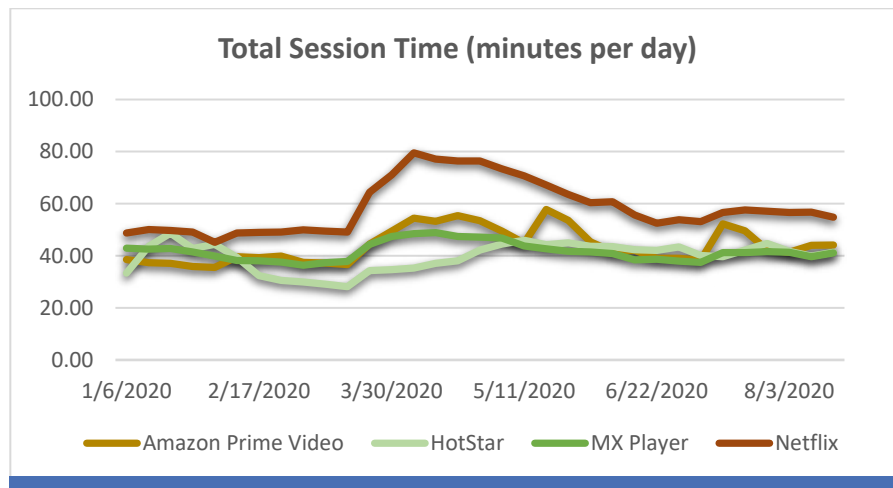
Figure 6.2

### Daily Active Users for Video-OTT Sector



**Figure 6.3**

## Total Session Time per day for Video-OTT Sector



OTT platforms have been keeping us hooked with tailor-made content for every age group. Per our data, an average Netflix user spent as much as an hour a day (peaking at 80 minutes) while a Hotstar user spent about 38 minutes and the upstart platform MXPlayer (owned by Times Internet) also saw an average user spending about 47 minutes watching its content.

However, as cities unlocked, the comforts of working from home gradually receded. The authorities allowed workspaces to open with a skeletal staff and return to some normalcy. This has had a direct impact on the total amount of time spent on OTT platforms.



## 7. 'ZOOM-ING' INTO HOUSE PARTY:

If COVID-19 forced us to practice social distancing, video calling platforms such as Zoom, Microsoft Teams, Houseparty, et al. brought us closer. Till very recently, the popularity of online meetings was still nascent in India. However, WFH quickly changed old habits.

Figure 7.1

### Reach by App Install for Video-Calling Sector

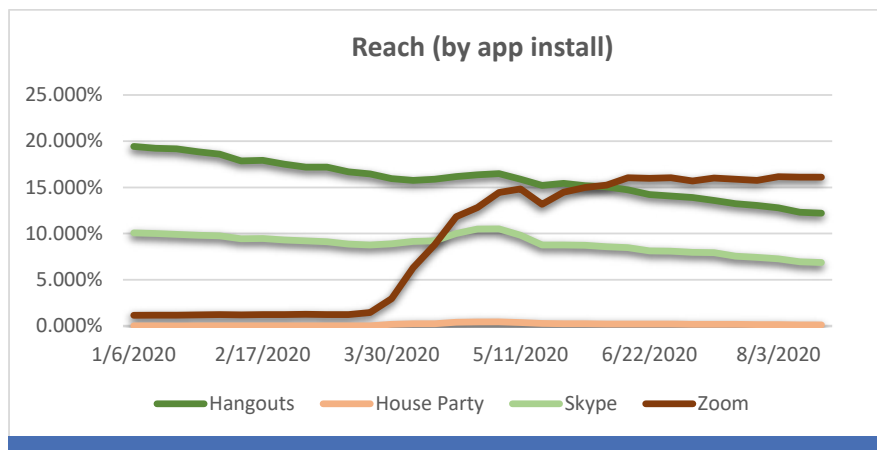


Figure 7.2

### Daily Active Users for Video-Calling Sector

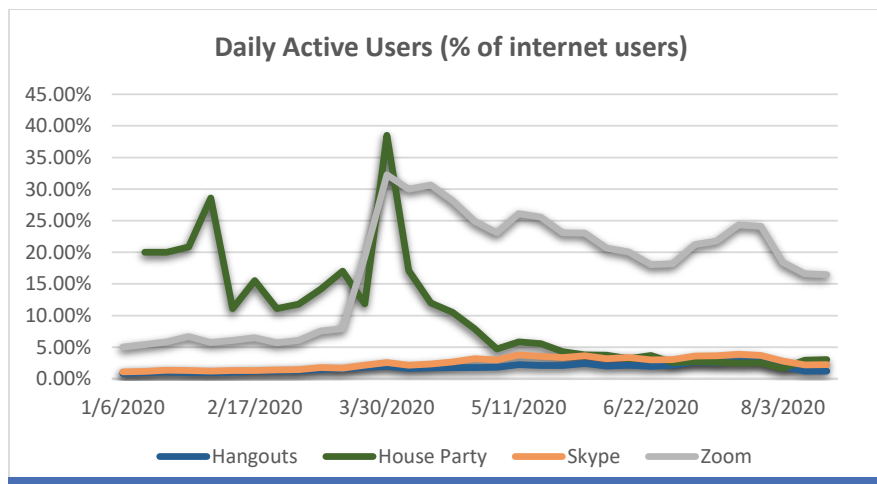
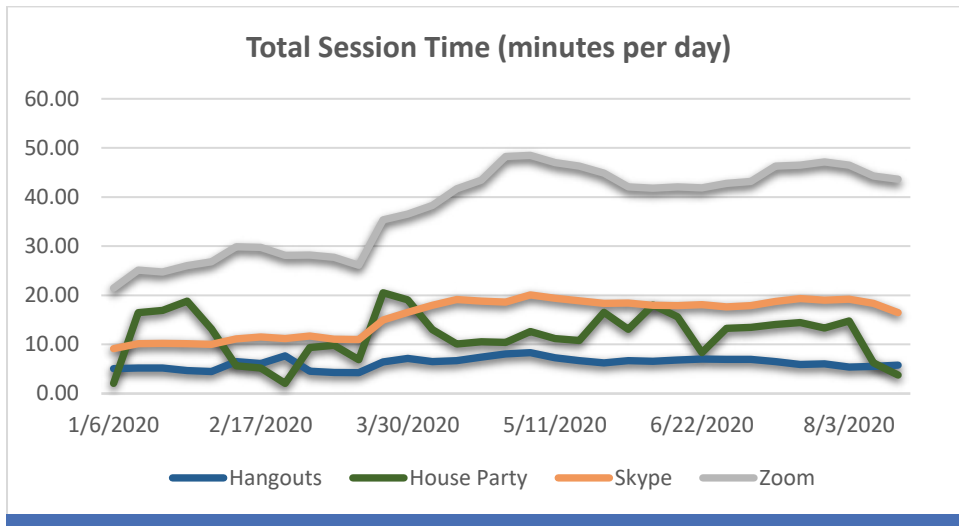


Figure 7.3

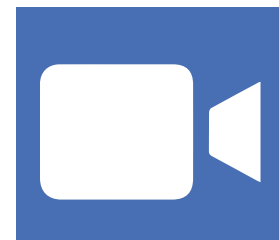
## Total Session Time per day for Video-Calling Sector



Globally, video conferencing software saw a massive surge in new downloads. As per a report<sup>3</sup> by Research and Markets on the videoconferencing industry, video conferencing apps saw a record of 62 million downloads globally in March.

House Party witnessed a significant growth spurt in the begin-

ning of the year, but the euphoria declined as its Daily Active



Usage has fallen from a peak of 38.5% at the end of March 2020 to just under three percent as of mid-August 2020. Similarly, Skype and Google Hangouts

<sup>3</sup>Video Conferencing: COVID-19. Research and Markets. Retrieved from [https://www.researchandmarkets.com/issues/video-conferencing-demand-rises?utm\\_source=dynamic&utm\\_medium=BW&utm\\_code=lx-dphx&utm\\_campaign=1387029+-+COVID-19+Outbreak%3a+Video+Conferencing+Demand+Rises+due+to+Social-Distancing&utm\\_exec=joca220bwd](https://www.researchandmarkets.com/issues/video-conferencing-demand-rises?utm_source=dynamic&utm_medium=BW&utm_code=lx-dphx&utm_campaign=1387029+-+COVID-19+Outbreak%3a+Video+Conferencing+Demand+Rises+due+to+Social-Distancing&utm_exec=joca220bwd)

(probably due to its bundling with Gmail) also went down in terms of reach over the past few months.

The beneficiary of the lockdown has been Zoom, which is now the preferred choice for most office meetings and even social events - including both weddings and funerals. Sample this - **the total time spent on Zoom exponentially grew from 21 minutes in January to about 46 minutes in July**. Zoom's almost around 2.2X growth in session time since the beginning of this year is indicative of its adoption. As the economy has opened up, we have seen some decline in Zoom's usage. But even as we return to offices – I think we might find that many meetings which were previously done in person will now be conducted online.

### UNINTENDED CONSEQUENCES

An accidental by-product of the lockdown is that digital adoption has increased multi-fold in India. While the ride ahead may not be smooth – the seeds sown today will reap an exponential harvest for consumer internet companies in the years to come. People were forced to learn new ways of conducting businesses, procuring essentials, and finding entertainment. In the coming few years, we should witness the effects of this exponentially larger digital user base across every sector.