

A Qualitative Study of E-Commerce Growth During Corona Virus Disease (COVID-19) Pandemic in Indonesia

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Abstract

Today, the Corona Virus Disease (COVID-19) Pandemic is a global issue with severe economic consequences and society worldwide, including consumer behaviour changes and businesses. Due to the problem of COVID-19 pandemic, the businesses have transformed the way of business activities from traditional to digitalization. E-commerce is a new digitalization business model in the COVID-19 Pandemic era because every country implements large-scale social restrictions policy. In conjunction with that issue, Indonesia has been paying more attention to the impact of COVID-19 pandemic on all sectors, especially business sector because of the implementation of large-scale social restrictions policy that shifts the marketing and public consumption pattern. The present study is written to provide an overview of the growth of e-commerce during Corona Virus Disease (COVID-19) Pandemic in the Indonesia context. This study is designed using a qualitative approach by utilizing the literature review of relevant published articles, books, and other sources that discuss e-commerce in the COVID-19 Pandemic era. Also, the writing report is present descriptively form that combine the narration with tables and figures. This study's results are the COVID-19 pandemic has changed business activities and transactions from offline to online. Also, we found that more than a million new users of e-commerce during COVID-19 pandemic. Interestingly, Indonesia's internet traffic is experiencing annual growth of 73 per cent in the first quarter of 2020 and rising to 139 per cent in the second quarter of 2020. In conclusion, the development of e-commerce in Indonesia is faster than the other countries around the ASEAN region and shows rapid growth during COVID-19 pandemic. Due to the pandemic's global issue, where the government implemented social restriction and distancing cause the person forced to use online transactions, including shopping activities. However, it encourages the business sector to use e-commerce, especially in micro, small and medium enterprises (MSMEs) to build and advance their businesses.

Keywords

Corona Virus Disease (COVID-19) pandemic, e-commerce, social restrictions and distancing, economic growth

1. Introduction

The 2019 Corona Virus Disease (COVID-19) pandemic has changed the pattern of people's behaviour in buying and selling activities (Taylor, 2019; Ayu, 2020; Fisip. UB, 2020 and Sirclo, 2020). People who have been doing more trade transactions directly or face to face (face to face), are now switching online through e-commerce (Ayu, 2020; Fisip. UB, 2020; Sirclo, 2020). Electronic commerce or e-commerce is all buying and selling activities through electronic media (Kotler, 2012; Qwords, 2020; Niagahoster, 2020 and Maya, 2016). In e-commerce it also includes the process of promotion, purchasing and product marketing. What is different is the trading system used, namely through electronic media or the internet (Kotler, 2012; Qwords, 2020; Niagahoster, 2020; Maya, 2016; Redtreeasia, 2020).

Research shows that there were around 12 million new e-commerce users during the COVID-19 pandemic. This figure is based on the latest annual report from e-commerce solutions startup, Sirclo, 2020 entitled Navigating Indonesia's E-commerce COVID-19 Impact & The Rise of Social Commerce (Republika, 2020 and Media Indonesia, 2020). The Akamai digital company results showed that Indonesia's internet traffic had experienced annual growth of 73 per cent in the first quarter of 2020 year-on-year. It soared to 139 per cent in the second quarter of 2020 (Republika, 2020). One of them is through transactions made through e-commerce. Thus, the development of e-commerce in Indonesia can be said to be very fast (Qwords, 2020).

It can also be said that digital and online systems are a combination that grew during the COVID-19 Pandemic (Sindo, 2020). Not only e-commerce businesses, but even online shopping return businesses are booming amid the pandemic. Narvar Inc, a software and technology company that manages online returns for hundreds of brands said shoppers returned twice as many items as they did during last year's holiday period. The cost is up to 11 billion US dollars (Republika, 2020).

2. Methodology

This study uses a qualitative approach through library research by using the review literature method. A literature study is related to theoretical studies and several references that cannot be separated from the scientific literature (Sugiyono, 2012). The library research steps that will be carried out in this research include 1) preparing equipment, 2) compiling a working bibliography, 3) managing time, 4) reading and making research notes (Zed, 2004). In this study, the data sources obtained came from relevant literature such as books, journals or scientific articles or the internet related to the selected topic. Data collection techniques used in this library research are looking for data about things or variables in the form of notes, books, papers or articles, journals, the internet and so on (Arikunto, 2010).

Research with literature studies does not have to go to the field and meet with respondents. The data needed in the study can be obtained from the library or document sources. In library research, a literature search is not only for the first step in preparing a research framework (research design) and utilizing library sources to obtain research data (Zed, 2014). Therefore, this research leads to a qualitative study. Qualitative research methods are research methods used to examine natural objects' conditions, where the researcher is the primary instrument (Sugiyono, 2016). Qualitative research is research that intends to understand the phenomena experienced by research subjects, for example, behaviour, perception, motivation, action, etc., holistically, and using descriptions in the form of words and language, in a particular context natural and by utilizing various scientific methods (Lexy, 2012; Hendayana et al., 2019; Iswadi et al., 2019; Heikal et al., 2019; Yusliza et al., 2020; Yusliza et al., 2020; Anuar et al., 2020; Widiartanto et al., 2020; Sadalia et al., 2020).



Figure 1. Qualitative Research Methods

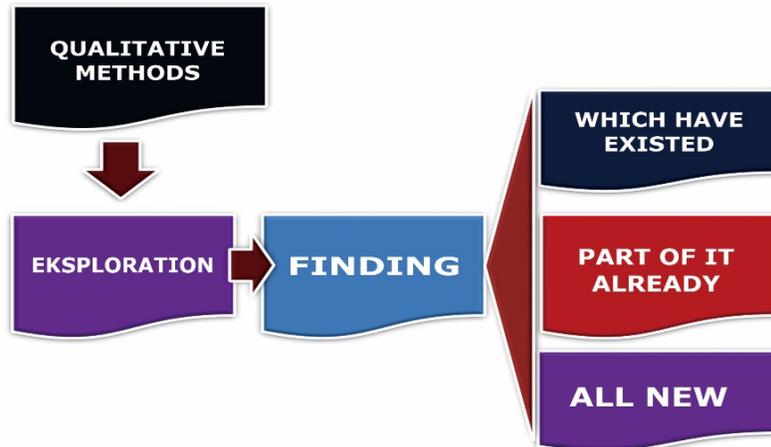


Figure 2. Qualitative Research Framework

3. Result and Discussion

Globally, internet users worldwide during the period 2020 reached 4.54 billion and 3.8 billion active social media users. Data from We Are Social about internet users and active users of social media, as shown in the Figure 3 below:

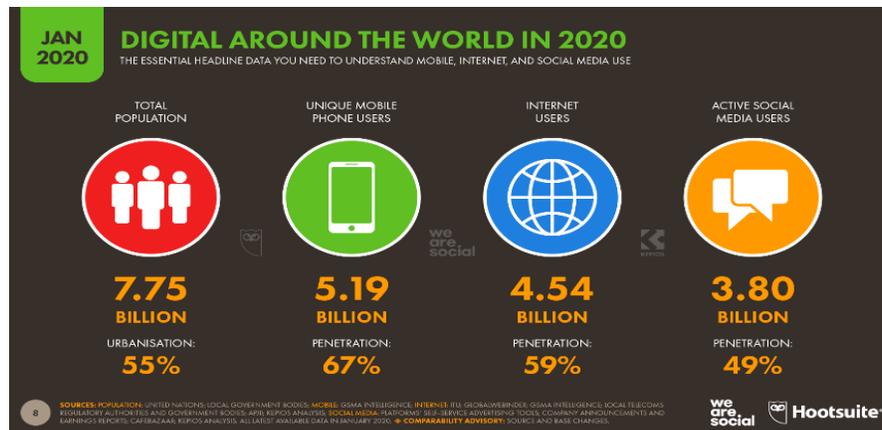


Figure 3. Internet users in the world

Source: We Are Social, (2020)

Figure 3 captures that the world's population reaches 7.75 billion. Furthermore, mobile phone users globally reach 5.19 billion. Then as many as 4.54 billion internet users. Meanwhile, active social media users reached 3.80 billion. It shows the magnitude of digital interactions in the world during 2020. The size of this interaction will certainly greatly affect the growth rate of e-commerce. The high growth of e-commerce is due to the COVID-19 pandemic, which has led the world's population to trade, buy, and sell goods online (We are Social, 2020). The growth of online businesses indicates a very high increase in Indonesia's internet traffic through e-commerce (Qwords, 2020). In the latest We Are Social report, in 2020, there are around 175.4 million internet users in Indonesia (We are Social, 2020). It can be seen in the Figure 4 below (We are Social, 2020):



Figure 4. Internet users in Indonesia

Source: We Are Social, (2020)

Meanwhile, the growth rate for e-commerce in Indonesia also shows a high position. Data shows that the total population of Indonesia reaches 272.1 million. Digital use in Indonesia shows a very large number. It can be seen that there were 338.2 million online connections via mobile phones. Then as many as 175.4 million internet users. Furthermore, active social media users reach 160 million. The amount of this interaction certainly greatly affects the growth rate of e-commerce. The high growth of e-commerce in Indonesia is clearly due to the COVID-19 pandemic, making Indonesian residents also conduct trade transactions, buy and sell goods online, as is the case with residents in other countries (Qwords, 2020), (We are Social, 2020). During the COVID-19 Pandemic, the growth of e-commerce in Indonesia was very significant. It is as shown in Figure 5 below:



Figure 5. E-commerce Growth in Indonesia

Source: Kemenkominfo (2021)

Figure 5 displays that in 2019, the growth of e-commerce in Indonesia was at 78%. Then in 2020, it will increase by 13% to 91%. The increasing growth of e-commerce in Indonesia is none other than the impact of the COVID-19 pandemic. It estimated that the development of e-commerce in Indonesia in the coming years would continue to increase sharply. Apart from the pandemic factor, people's lifestyles will also change due to e-commerce in trade transactions or buying and selling in the last two years. Changes in people's lifestyle in shopping will make e-commerce the most favourite means. It will have an impact on the increasingly rapid growth of e-commerce (Kemenkominfo, 2021). During 2020, users of e-commerce services in Indonesia reached 673.6 million, consisting of mobile customers, internet users, and active users of social media (Bank Indonesia, 2020), as in Figure 6 below:

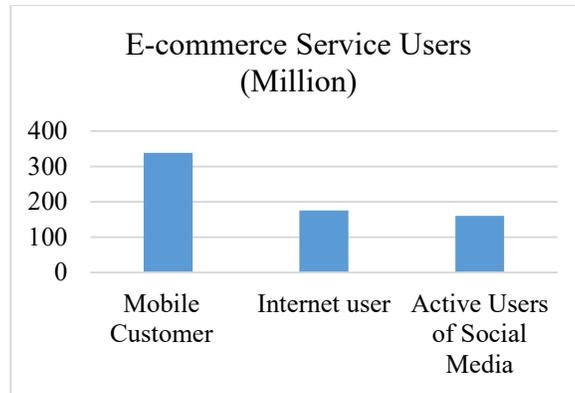


Figure 6. E-commerce Service Users

Figure 6 shows three groups of users of e-commerce services include mobile customers, internet users, and active social media users. Each consists of 338,2 million mobile subscribers, 175.4 million internet users, and 160 million active social media users. The high number of digital service users is evidence of the very high growth of e-commerce during the Covid-19 Pandemic in Indonesia. It estimated that this will continue to increase in the following years (Bank Indonesia, 2020). Then e-commerce transactions for three consecutive years have increased significantly (Bank Indonesia, 2020). As seen in the following Figure 7:

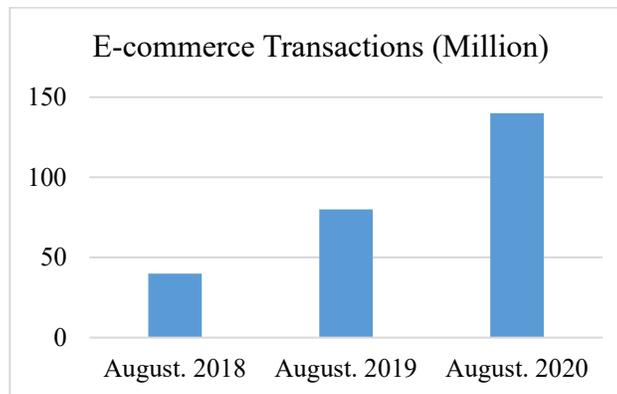


Figure 7. E-commerce Transactions

The data above shows that e-commerce transactions from 2018 to 2020 have increased significantly. In 2018, transactions reached 40 million, then in 2019 as many as 80 million, and in 2020 experienced a very sharp jump, namely as much as 140 million. From 2018 to 2019, the increase in e-commerce transactions was only 40 million, but from 2019 to 2020, the increase reached 60 million transactions. The COVID-19 pandemic triggered this increase in approximately five months or from March to August 2020. During this pandemic, people have switched from conventional or offline trading transactions to trading transactions online, via e-commerce (Bank Indonesia, 2020). When viewed from the types, it can be seen several types of e-commerce in Indonesia, as seen in Table 1 below:

Table 1. Types of E-commerce in Indonesia

No.	Types
1	Business to Business (B2B)
2	Business to Consumers (B2C)
3	Consumer to Business (C2B)
4	Consumer to Consumer (C2C)
5	Business to Administration (B2A)
6	Online to Offline (O2O)
7	Consumer to Public Administration (C2A)

Source: Qwords (2020) and Niagahoster (2020)

Business to Business (B2B) is an e-commerce transaction conducted between company to company. Business to Consumers (B2C), where producers or companies (the seller) market products directly to customers (users) as market share. The consumer carries out consumer to Business (C2B) sales transactions. Meanwhile, the company is the target market. Consumer to Consumer (C2C) is a type of e-commerce carried out from consumer to consumer, with a classification consisting of two models, namely classified and marketplace. Meanwhile, Business to Administration (B2A) is a type of e-commerce in which business actors sell goods or services by making government institutions a market.

The transactions carried out are in the form of tenders. Online to Offline (O2O) is a very popular type of e-commerce. Sellers carry out promotional activities, find buyers, and provide products by utilizing online networks as a medium. However, buyers have the option of being able to shop directly at offline stores. Consumer to Public Administration (C2A) is a type of e-commerce that runs like C2B. However, transactions employed by individuals and government agencies. The types of transactions that occur are usually in services (Qwords, 2020), (Niagahoster, 2020). Furthermore, when viewed from the large e-commerce companies in Indonesia, there are at least nine that dominate, as shown in the following Table 2:

Table 2. Big E-commerce in Indonesia

No.	Name of E-commerce
1	Bukalapak
2	Shopee
3	Lazada
4	Gojek
5	Blibli
6	Electronic City
7	OLX
8	Tokopedia
9	Kaskus

Source: Qwords (2020) and Niagahoster (2020)

Several large e-commerce companies in Indonesia, as shown in the table above, are tested companies. For example, an e-commerce startup launched in 2010, is one of the unicorns in Indonesia. Providing millions of pelapak on its platform, Bukalapak is indeed quite successful and in demand. Shopee has succeeded in becoming one of the e-commerce sites with the highest transaction rates in Indonesia. Meanwhile, Lazada is one of the most famous e-commerce sites in Indonesia. As a startup that has been around for a long time, Lazada has managed to maintain its existence (Qwords, 2020), (Niagahoster, 2020).

Gojek is online to the offline type of e-business that has also grown rapidly after being launched. Even now, Gojek is already on the Unicorn startup list in Indonesia. Thousands of drivers spread all over Indonesia. Gojek does offer easy transportation. Likewise, Blibli, Electronic City, OLX, Tokopedia, and Kaskus have their uniqueness in serving trade transactions via e-commerce (Qwords, 2020), (Niagahoster, 2020). While the benefits obtained by using e-commerce described in Table 3 below:

Table 3. Benefits of E-commerce

No.	Benefits
1	Broad Market Reach
2	Reducing Infrastructure
3	Reduced Out Budget
4	More Affordable Prices
5	Not Limited By Time
6	Lower Costs
7	No Need To Stock Your Own Items
8	Ease of Managing Transactions and Shipping
9	You Can Learn Customer Habits
10	Work from anywhere

Source: Qwords (2020) and Niagahoster (2020)

Some of the benefits obtained through e-commerce transactions include a broad market reach, reduced infrastructure, reduced budgets, more affordable prices, not limited by time, lower costs, no need to have your stock of goods, ease of managing transactions and delivery, able to learn customer habits and work from anywhere. The presence of e-commerce is sure to provide benefits to society in general. Many advantages were obtained from e-commerce by producers, sellers, consumers, customers, and the wider community. It is limited to financial benefits and very useful when viewed from other aspects (Qwords, 2020 and Niagahoster, 2020).

4. Conclusion

The growth of e-commerce in Indonesia during 2020 is very high. It shows that the digital era has been very dominant. There has been a drastic increase in online shopping behaviour by e-commerce in Indonesia from 2018, 2019 to 2020 (Bank Indonesia, 2020). It describes a shift in habits from shopping through regular stores to shopping from online stores. This condition assisted by the many factors that significantly influence, such as smartphones, data/internet packages, and increasingly affordable access. The reasons for the high growth of e-commerce in Indonesia is the user delighted with social media. Also, long duration of social media, the dominance of Facebook, the very favourite e-commerce in Indonesia is Instagram, online sales of goods are increasing, shops online, online product and service transactions and an increase in online purchases. So, during the COVID-19 pandemic, many people have switched to online shopping using e-commerce.

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