

Le Mémo, Épisode 19

Economy: Are we going to end up buying everything online?

Joe: Like many young people of her generation, Marion has quit her job to set out on an entrepreneurial adventure. She launched a male underwear and sock company called Petrone with her partner Nicolas, selling products via their website and marketing through social media.

When the economy took a nosedive this summer, I reached out to her. This is what she replied: "Hey! Everything's going great! I just spoke to a journalist from La Dépêche, I'll send you the article."

And to my surprise, I read that she and Nicolas were launching their second collection... using photos taken at home during the lockdown. I go on to read: "The brand beat its sales record in a day." The couple now have plans to enter the German market. But the sentence that struck me most was "[This is] good news, seeing as for many companies, the lockdown fell on them like a cleaver with drastic falls in sales."

Chloe: Right- some small businesses with similar success even talk about having "Survivor's guilt," the same feeling after surviving an accident, or another event in which people died. In any case, that's how a rare spice trader in Minneapolis puts it, someone who has also seen their turnover increase in the past few months.

Joe: Can the first signs of economic recovery be found among these successes? Does this mean we are going to end up buying everything online?

[Identité sonore]

Hello Chloe !

Chloe : Hello Joe !

Joe: Welcome to this new episode of the Memo, the podcast that deciphers digital news. Today, we are looking at digital technology and the economy during this time of crisis. In just a few months, the pandemic has significantly slowed global activity. What it has shown in particular is that the role digital technology plays in our lives has gained ground: From remote work, to remote doctor's appointments, digital services have multiplied. But with small and big businesses digitising at speed, not to mention startups, will they be able to rely on this digital transformation to keep afloat?

Chloe: Well it's true that some companies, like Pétrone, built their business models mainly focussed on the internet and so they've generally been spared from the general paralysis associated with lockdown.

Joe: So the more digital we are, the quicker we can overcome the crisis?

Chloe: Not quite. Well, that's according to Statista, a German portal which analyses data from the economic sector. There are certainly some big winners, like the food delivery market- and fitness apps, since many of us no longer have access to gyms. But dating apps and sites are now less successful- with users staying cautious. But one sector that is definitely struggling is online ticketing. This makes sense, given the restrictions on gatherings that still apply across the world. Quote: "Global revenue, initially estimated at over \$60 billion, is expected to drop to \$25 billion in 2020, a drop of nearly 60%." That's enormous!

Joe: Right, but for many other businesses, going digital has helped them overcome the crisis?

Chloe: That's what an article in Le Monde says, focussing on the journey of French bookshops during the lockdown and afterwards. Aurelie Garreau of Le Monte-en-air bookshop in Paris says that during the lockdown they took the opportunity to increase their presence on social networks. "Which had a positive impact on distance sales," she says.

Joe: So that meant they didn't have to start selling off the furniture...

Chloe: Not only! The bookseller explained that, post-lockdown, sales continued to grow. Not only physically but also online, in particular via a site called Placedeslibraries.fr. As of June 30, the lockdown losses were already covered- with an 80% increase in turnover.

Joe: But the end of the lockdown didn't mean customers instantly reappeared at all the shops though did it?

Chloe: Well no, which is why some companies have been forced to rethink their entire supply line. That's the case, for example, for Levis in the United States. Chip Bergh, the CEO of Levi Strauss and Company, says that with the closure of hundreds of stores they've had to rethink their market strategy. They now offer initiatives like in-store pickup and same day delivery. The CEO also mentions that they have a long-standing partnership with Amazon.

Joe: That would explain why 2020 has been such a golden year for Amazon! This summer, they even saw their best month in 26 years of operating.

Chloe: Yes! According to Forbes, Amazon announced they were creating 100,000 new jobs in late summer. The group already employs around 560,000 people. That's the equivalent of the population of Lyon, more or less.

Joe: Right so they have a lot of employees, but what kind of conditions are they working under? It might be worth mentioning here that this is a company that has been accused of not sufficiently protecting its employees and contractors from potential infection of the virus.

Chloe: That's not the only complaint about them. In July, Jeff Bezos was called before US Congress along with the CEOs of Google, Apple and Facebook. The American authorities suspect them of abusing their dominant position in their respective markets. They answered

more than 200 questions over more than 5 hours. “A little cooked but not yet done,” says La Tribune.

Joe: I guess we’ll wait and see then. But elsewhere in the world, do you also see this trend of exponential acceleration towards e-commerce?

Chloe: Oh yes, very clearly! For example I saw in Digital Africa that the creation of a free trade area in Africa, the AfCFTA, could be seen as a positive sign by e-commerce platforms. I’m talking about WeCashUp, Mpesa and the Alibaba juggernaut, as well as a number of other actors participating in the development of this sector, which is flourishing with better access to cheaper and faster internet connections on the continent.

Joe: I was reading that in Asia too the trend was towards businesses getting to grips with digital tools more quickly.

Chloe: Let’s take the Singaporean example. One study by Microsoft Asia and IDC Asia/ Pacific that I saw in the Business Times reports that close to 75% of companies in the city-state have accelerated the digitalisation of their activities since the start of the economic crisis.

Joe: Which would partly explain why digital technology is one of the most prominent components of the new stimulus plan proposed by the French government?

Chloe: The goal seems clear: To help the emergence of national leaders in order to compete with GAFA (Google Apple Facebook Amazon). At least, that’s what Les Echos says. Out of the 100 billion euros invested in the recovery plan by the French government, 7 billion will go directly to digital, namely French start-ups.

Joe: But not only them, I imagine.

Chloe: In effect 3.7 billion euros have been earmarked for them. But it should be noted that at the same time the digital transformation of the State and small and medium sized businesses will also receive 2.3 billion euros. 500 million euros are dedicated to the fight against digital illiteracy- a subject we’ve spoken about here before. Finally, 300 million has been put aside to invest in training for digital professions.

Joe: A large sum, but one which remains below the expectations of some.

Chloe: Yes, that’s what the cofounder of blablacar Frederic Mazella said to Le Monde. He says there’s not enough money, but the biggest shame is that he says the stimulus plan shows no sign of aiming the government funded commissions towards local French or European businesses.

Joe: But on a European scale... has any investment been earmarked to support the digital sector and are there any signs of a will to confront the mighty power of the digital giants?

Chloe: The leaders of Microsoft, Ralph Haupter and Casper Klynge, have admitted the problem. On Euronews they agreed to say that “calls for Europe’s digital sovereignty are based on valid and legitimate concerns. “

Joe: At a European level as well, 5G promises to irrigate whole swathes of the economy and serve industries. Here in France, the network is due to be launched by the end of the year. We’ll be watching those developments closely but in the meantime you can check out our previous episode on this topic for more.

Thank you Chloe, and thank you everyone for listening in. Please feel free to subscribe on your favourite platform and share this episode if you enjoyed it. We’ll see you soon for the next episode of the Memo!

Sources :

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