



## Series **The food system and the challenges of COVID-19**

### **3** Food e-commerce: situation and perspectives

#### **Introduction**

Electronic, online or e-commerce refers to the “production, distribution, marketing, sale or delivery of goods and services by electronic means” (WTO, 1998). More current definitions suggest that it is “simply the use of the Internet as a medium for the purchase and sale of services, goods or products. In other words, online trade using the Internet as a means of communication” (Way2ecommerce, n.d.).

Before the pandemic, e-commerce already showed sustained growth. In Latin America and the Caribbean, it is estimated that the market for products under this mode reached 17 percent of the population on average, having its most significant expressions in countries like Brazil (26 percent), Argentina (29 percent) and Chile (28 percent) (Bravo, 2018). However, despite the little consolidated evidence that exists on the performance of this modality this year, it is almost unequivocally noticeable that this purchase and sale method has had a strong

momentum, caused by the impossibility for consumers to make food purchases in their usual supply centres – due to health restrictions associated with the pandemic. For example, in the United States of America (Markenson, 2020) total food purchases in stores were reported to have increased from 10.5 percent during 2019 to 27.9 percent in March/April this year. Another example is Argentina, where the sectors that showed the highest growth in sales during March 2020 compared to the same month last year were supermarkets (86 percent) and prepared food delivery (77 percent) (iPRO Up, 2020).

Given such a scenario, it seems necessary to make a brief review of the development of e-commerce during these months of mobility restrictions in the region, and try to infer the projections and implications this will have on the future of the food market and food systems as a whole.

**Before the pandemic, e-commerce already showed sustained growth. In Latin America and the Caribbean, it is estimated that the market for products under this mode reached 17 percent of the population on average, having its most significant expressions in countries like Brazil (26 percent), Argentina (29 percent) and Chile (28 percent) (Bravo, 2018).**



## COVID-19: the challenges

The literature describes various types of e-commerce. To classify them, we can use criteria based on:

- i. **business relationship;**
- ii. **the type of platform used; and/or**
- iii. **business model.**



According to these criteria, businesses can be systematised according to:

**Purpose:** type of transaction;

**Purchaser:** another company, the consumer or end customer or the company's employees, among others;

**Object:** in relation to the type of product or service offered; and

**Digital platform:** type of platform for its operation (Observatorio eCommerce & Transformación Digital, 2020).

As the pandemic spread around the world alongside with mobility restrictions (quarantines), in the food sector, there has been an explosive increase in business-to-consumer (B2C) type of e-commerce, both in its **mobile e-commerce** modalities, namely the type that is carried out from web platforms or applications dedicated to this purpose, and **social e-commerce**, which uses a social network as a marketing platform. The following table makes a qualitative comparison of some relevant characteristics observed in both typologies.

It should be noted that business-to-business (B2B) e-commerce has also recovered during this pandemic, as suppliers of goods and services for retail companies, supermarkets and micro, small and medium-sized (MSMEs) food companies have had to digitalise part of their processes. However, their digitalisation processes were quite advanced (electronic and telephone ordering systems, etc.)

As for small farmers and their adherence to digital sales, the little evidence available suggests that it has not been high.

**Table 1.** Description of the characteristics of the two most frequent types of B2C

	B2C Type	
	<i>Mobile e-commerce</i>	<i>Social e-commerce</i>
<b>Formality</b> (type of commercial activity, tax payment)	In general, formal and consolidated companies, which deliver invoices and receipts, and pay value-added tax (VAT).	High degree of informality. Mainly managed by individuals. A high presence of prepared foods is observed.
<b>Legal framework for health</b>	In general, the health permit of the company practising e-commerce (and worked offline before the pandemic) is used.	Usually, they do not have a health permit.
<b>Transaction mechanism</b>	Promotion is done via social networks, but the transaction is done on websites and/or applications designed for that purpose, with payment method via online intermediary (bank or payment pages).	Promotion through social networks (Instagram and Facebook, mainly); product lists are spread via private messages (Whatsapp, Facebook Messenger). The buyer makes a bank deposit, and the product is delivered.

Source: The author, based on different digital press reports.

For example, in Colombia, the results of a survey conducted by the national government and the Food and Agriculture Organization of the United Nations (FAO), indicate that just over 15 percent of them are using this method (FAO and Government of Colombia, 2020). In Chile, the Agricultural Development Institute (INDAP, by its acronym in Spanish), which is part of the Ministry of Agriculture, endeavours to set up digital platforms to promote family farming products. A substantial effort has been made to digitalise banking services for the sector: banks and credit unions have sought different strategies to reduce the flow of visitors to their offices.

Concerning direct business-to-customer sales, a survey conducted by Involves Club to 384 companies in nine countries in Latin America and the Caribbean, identified the quintessential differentiating factors of e-commerce in comparison to offline. These are: a lower price; the possibility to see clearly the value to be paid for the product; followed closely by the time savings by not attending physically establishments that do not involve a pleasant experience for the consumer, as could be some supermarkets (Schiestl, 2020).

On the other hand, among the factors which can limit the growth of e-commerce, the insufficient development of electronic banking directly impacts on the feasibility of the use of payment means and the capacity to develop a logistics chain allowing to face the potential demand for online purchases (IADB, 2020). Another important factor is the level of digital development. In Latin American and Caribbean countries, the index of development of the digital ecosystem between 2014 and 2018 showed an annual compound growth rate of 6.2 percent, which is considered an intermediate level of development, higher than other regions such as Africa and Asia Pacific, and lower than the European Union (ECLAC and CAF, 2020). This generates an environment conducive to the development of e-commerce with growth potential.

In addition to the increase via mobile and social e-commerce, we perceive a rise in demand for services to e-commerce intermediaries or food delivery services, both processed (Rappi, UberEats, and others) and unprocessed (Cornershop) (Forbes, 2020) (BBC, 2020). This high online demand for food seems to maintain the attributes and conditions of expansion described before the pandemic. We can add to these the momentum they have due to the violent drop in face-to-face sales, which, in countries like Chile, have contracted during the

months of lockdown by up to 45.9 percent (San Juan, 2020). However, other sources indicate that this trend has not been as pronounced in the supermarket segment due precisely to the rapid adoption of measures against infection and e-commerce strategies (El Economista, 2020).

The increase in online sales has meant a more significant challenge for the commercial sector in general, and especially for micro, small and medium-sized enterprises. According to the Mexican edition of Forbes magazine (Medina, 2020), one of the main bottlenecks for this segment in Mexico is to have enough logistics to satisfy the sudden rise in demand, which is especially sensitive in the food industry. Another challenge, both for MSMEs and state entities, lies in their capacity to respond and adapt to the rapid changes that can be observed in the consumption patterns of buyers. For example, a study carried out by the company Tetra Pak identified global trends during the pandemic, showing an increase in demand for foods that strengthen the immune system (Google worldwide searches for foods that improve the immune system have tripled, and launches of functional products show a pronounced growth). The study also indicates a pronounced concern for acquiring environmentally and socially sustainable products and, thirdly, the importance of acquired food products to be prepared easily (Gestión, 2020). This last point should particularly alert the countries' health authorities to the risk of a sustained increase in the amount of ultra-processed food over time.

The citizen profile of traditional e-commerce consumers, until before the pandemic, corresponded to people from medium to high socioeconomic level, preferably young and without family, with mastery of digital technology and platforms (either specialised in commerce or social networks) and access to formal banking, especially in its digital version. A noteworthy aspect of their profile, and one which has undoubtedly been a factor in the appropriate development of internet food sales, is the high level of confidence in the food and drink market, based fundamentally on the quality of the product (Llorente & Cuenca, 2018). This confidence enables to break down the psychological barrier of necessarily "being present" to obtain a quality product.

However, before the pandemic, food e-commerce – despite its growth – was considered a niche consumer segment. Therefore, it will be necessary to monitor

and generate research to see if the trend of greater universality of service marked during the pandemic is maintained over time and if

the components of the food chain (producers-wholesalers-retailers) are able to cope with sustained demand.

Considering this background, some recommendations for policy measures that can be adopted by state bodies emerge:



### Measures aimed at consumers

- Stimulate the implementation of **information monitoring systems**, such as meta-searches for price comparisons between different online food suppliers, or MSME directories. This could make a substantial contribution to correct decision-making by consumers, inhibiting the occurrence of price speculation episodes in the process, and improving market transparency.
- Ensure and make the customer aware of the adequate health status of the products that are purchased electronically, as a large part of the order preparation and delivery process is not visible to the customer.



### Measures aimed at micro, small and medium-sized enterprises

- Establish **online-to-offline (O2O) conversion** programmes for MSMEs in the food sector, producer organisations (production cooperatives, trade associations) and consumer organisations (consumer cooperatives). It has been noted that both state agencies supporting MSMEs and their trade associations are developing technical content on their websites to support these processes.
- Promote **process improvement programmes associated with e-commerce** at critical points such as: information to the client on the delivery period and product tracking; real-time information on the availability of products in stock; information to clients on the hygiene and cleaning measures taken in relation to the pandemic; and diversification of the supplier portfolio, mainly concerning products of extreme need, to reduce the risk of shortage (Schiestl, 2020).
- Encourage the formalisation of intermediary companies, especially those developed under the social e-commerce model. These incentives can consist of providing facilities and reducing costs and processing time for commercial formalisation; reducing tax payments; providing access to financing and training programs exclusively for formalised enterprises; creating public spaces for promotion; and exclusive or preferential access to public markets, among others.



- Adapt the legal frameworks, modernise them, in order to generate a more favourable “environment” for e-commerce, such as tax incentives for its adoption.

- Generate public support for **micro, small and medium enterprises, as well as for associative enterprises** (cooperatives, for example), so that they can overcome the main challenges associated with O2O migration: lack of investment in **logistics**, deficits in their processes and organisational structure, in addition to their low human resource qualifications. Besides, there is low availability and high investment cost of **technology** to implement the systems – summing their maintenance – and of the capacities of companies’ staff to manage them (IADB, 2020). All stimulus measures aimed at MSMEs point to an increase and diversification of actors in the food e-commerce market, thus seeking to achieve its positive effects: price regulation by a greater and more diverse supply, reducing market concentration and shortening the food value chain. In fact, the Organization for Economic Cooperation and Development (OECD, 2020) recommends ensuring that there remains sufficient competition in the sector after the crisis, in reference to the retail sector. Another issue that must be addressed is the role of the state in preventing abuses within the food e-commerce chain, such as excessive commissions charged by restaurants (Li, Miroso and Bremer, 2020).



### Measures aimed at large companies and retail

- At the level of large retail companies linked to electronic food marketing, **states must advise, train and provide guidance on nutrition, to avoid problems of excessive supply of processed and ultra-processed foods, to the detriment of fresh food availability.** Also, it is relevant to influence a potentially reduced diversity in the purchases made by customers,<sup>1</sup> and its subsequent impact on people’s diets. “Food guides” are a useful tool for these purposes. Many countries have implemented them, and they can be disseminated within the framework of food education processes of the population. It is also very relevant to address this aspect with the delivery platforms, as in some countries an increase has been recorded in demand for food considered unhealthy (Quinteros, 2020) (Barruti, 2020).

- Additionally, legal texts defining front-of-package warning label on foods with critical ingredients allow a grey area in e-commerce. In most cases,<sup>2</sup> it was not contemplated to provide this type of nutritional information to consumers who choose this method of purchase, only addressing, in some cases, advertising of these foods in electronic media,<sup>3</sup> but without explaining their treatment in electronic marketing processes. Thus, to allow citizens to have access to the greatest possible amount of nutritional information for making their food

<sup>1</sup> It has been noted that some e-commerce platforms have a “purchase memory” option; namely, the consumer can repeat the list of his last order. This could potentially lead to a low diversification in the products that are purchased by families.

<sup>2</sup> The texts of the respective laws and regulations were reviewed for Chile, Mexico, Ecuador, Peru and Uruguay. No explicit mention was found about the situation in e-commerce.

<sup>3</sup> This is the case of Supreme Decree 012-2018-SA which regulates the application of Law 30.021 “*Ley de promoción de la alimentación saludable para niños, niñas y adolescentes*” (Law for the promotion of healthy eating for children and adolescents) in Peru.



decisions, and with the perception that the e-commerce phenomenon “came to stay”, it is necessary to study **mechanisms to review legal bodies that seek to improve access to quality information on the food acquired and consumed under this modality.**

- Another relevant aspect to be reinforced by the state is to **create instances to encourage large retail companies to integrate MSMEs, small producers and family agriculture into their list of suppliers.**

Public-private partnerships can be a good way to support these processes. Another possible measure is to develop state incentive programmes aimed at implementing **fair trade logic** with the suppliers of e-commerce companies in the food sector.



## References

- Barruti, S. 2020. La dieta del coronavirus. *The New York Times* online edition (in Spanish), 11 May 2020 [Online]. [Cited 14 September 2020]. <https://www.nytimes.com/es/2020/05/11/espanol/opinion/que-comer-coronavirus.html>
- BBC. 2020. Coronavirus en América Latina: 8 oportunidades de negocios digitales en medio de la pandemia. *BBC Mundo* online edition (in Spanish), 28 July 2020 [Online]. [Cited 14 September 2020]. <https://www.bbc.com/mundo/noticias-53478617>
- IADB. 2020. *Los desafíos del comercio electrónico para las PyME: principales claves en el proceso de digitalización* [Online]. [Cited 13 September 2020]. <https://publications.iadb.org/es/los-desafios-del-comercio-electronico-para-las-pyme-principales-claves-en-el-proceso-de-digitalizacion>
- Bravo, F. 2018. *Evaluación del “comercio electrónico” como canal de comercialización para productos de la agricultura familiar campesina*. Faculty of Veterinary and Livestock Sciences, Postgraduate and Graduate School of Universidad de Chile. (Postgraduate thesis) (also available at <http://repositorio.uchile.cl/handle/2250/151215>).
- ECLAC and CAF. 2020. *Las oportunidades de la digitalización en América Latina frente al COVID-19*. Santiago. ECLAC [Online]. [Cited 2 September 2020]. <https://repositorio.cepal.org/handle/11362/45360>
- El Economista. 2020. Perú: caída en las ventas de los supermercados. *El Economista* online edition, 20 April 2020 [Online]. [Cited 12 September 2020]. <https://www.eleconomista.es/opinion-blogs/noticias/10492167/04/20/Caida-en-las-ventas-de-los-supermercados-peruanos.html>
- FAO and Government of Colombia. 2020. *Coyuntura del abastecimiento alimentario en el marco del COVID-19 - Colombia* [Online]. [Cited 12 September 2020]. [https://nacionesunidas.org.co/Publicaciones-FAO/Abastecimiento%20COVID/BOLETIN\\_MERCADOS%20INCLUSIVOS%20%20conyuntura%20en%20el%20marco%20del%20covid\\_29\\_08.pdf](https://nacionesunidas.org.co/Publicaciones-FAO/Abastecimiento%20COVID/BOLETIN_MERCADOS%20INCLUSIVOS%20%20conyuntura%20en%20el%20marco%20del%20covid_29_08.pdf)
- Forbes. 2020. Coronavirus impulsa apps de entrega de comida en Centroamérica y el Caribe. *Revista Forbes Centroamérica* online edition, 07 April 2020 [Online]. [Cited 14 September 2020]. <https://forbescentroamerica.com/2020/04/07/coronavirus-impulsa-apps-de-entrega-de-comida-en-centroamerica-y-el-caribe/>
- Gestión. 2020. Cinco tendencias de consumo que la pandemia ha originado en la industria de alimentos y bebidas. *Gestión* online edition, 13 August 2020 [Online]. [Cited 14 September 2020]. <https://gestion.pe/peru/cinco-tendencias-de-consumo-que-la-pandemia-ha-originado-en-la-industria-de-alimentos-y-bebidas-nndc-noticia/?ref=gesr>
- iPRO Up. 2020. eCommerce, el gran boom de 2020: por qué la pandemia impulsó como nunca a este mercado. *iPRO Up*, 12 August 2020 [Online]. [Cited 12 September 2020]. <https://www.iproup.com/economia-digital/15913-ecommerce-cuanto-crecio-en-argentina-durante-la-pandemia>
- Li, C., Miroso, M., and Bremer, P. 2020. *Sustainability*, 2(14): 5528. (also available at <https://www.mdpi.com/2071-1050/12/14/5528/htm>).
- Llorente & Cuenca. 2018. *El nuevo consumidor latinoamericano: Cuestión de confianza. Análisis regional de seis sectores económicos* [Online]. [Cited 12 September 2020]. [https://ideas.llorenteycuenca.com/wp-content/uploads/sites/5/2018/07/170718\\_DI\\_ConsumerTrust\\_LatAm\\_ESP.pdf](https://ideas.llorenteycuenca.com/wp-content/uploads/sites/5/2018/07/170718_DI_ConsumerTrust_LatAm_ESP.pdf)
- Markenson, S. 2020. Grocery's Ecommerce Evolution during COVID-19. *FMI Blog* [Online]. [Cited 6 August 2020]. <https://www.fmi.org/blog/view/fmi-blog/2020/06/23/grocery-s-ecommerce-evolution-during-covid-19>
- Medina, A. 2020. Comercio electrónico: el ‘boom’ que llegó para quedarse, pero aún tiene un reto. *Forbes Mexico* online edition, 24 June 2020 [Online]. [Cited 13 September 2020]. <https://www.forbes.com.mx/negocios-e-commerce-el-boom-que-llego-para-quedarse-pero-aun-tiene-un-reto/>
- Observatorio eCommerce & Transformación Digital. 2020. Tipos de eCommerce [Online]. [Cited 28 May 2020]. <https://observatorioecommerce.com/tipos-de-ecommerce/>

- OECD. 2020. *COVID-19 and the retail sector: impact and policy responses* [Online]. [Cited 16 June 2020]. <http://www.oecd.org/coronavirus/policy-responses/covid-19-and-the-retail-sector-impact-and-policy-responses-371d7599/>
- WTO. Electronic commerce [Online]. [Cited 1 August 2020]. [https://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/bey4\\_e.htm](https://www.wto.org/english/thewto_e/whatis_e/tif_e/bey4_e.htm)
- Quinteros, P. 2020. Hamburguesas y papitas fritas: lo más buscado por los chilenos en Uber Eats durante la cuarentena. *La Tercera* online edition, 28 May 2020 [Online]. [Cited 13 August 2020]. <https://www.latercera.com/mouse/hamburguesas-y-papitas-fritas-lo-mas-buscado-por-los-chilenos-en-uber-eats-durante-la-cuarentena/>
- San Juan, P. 2020. Ventas presenciales del comercio en la RM anotan caída histórica y gremio pide medidas al gobierno. *La Tercera* online edition, 28 May 2020 [Online]. [Cited 13 August 2020]. <https://www.latercera.com/pulso/noticia/ventas-presenciales-del-comercio-profundizan-su-desplome-y-anotan-nueva-caida-historica/TJSYCQZYBHULEE07YGYWPWX27Q/>
- Schiestl, S. 2020. Los efectos del coronavirus en el retail. *Involves Club*, 7 April 2020 [Online]. [Cited 12 August 2020]. <https://clubdeltrade.com/materiales-educativos/ebook/efectos-del-coronavirus-en-retail>
- Way2ecommerce. n.d. [Online]. [Cited 10 August 2020]. <https://way2ecommerce.com/e-commerce-que-es#:~:text=Empezando%20por%20el%20principio%2C%20%2BFQu%3%A9,internet%20como%20medio%20de%20comunicaci%C3%B3n>

## Autor

**Alberto Ramírez, consultant at FAO Regional Office for Latin America and the Caribbean**



Some rights reserved. This work is available under a CC BY-NC-SA 3.0 IGO license

Ramírez, A. 2020. *Series: The food system and the challenges of COVID-19: Food e-commerce: situation and perspectives*. 3. Santiago, FAO. <https://doi.org/10.4060/cb1476en>