

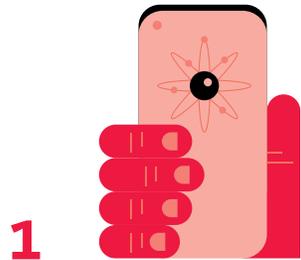
COVID-19 Indonesia Observatory

**Impacts on Digital Merchants:
Insights from the Bukalapak-WB
Survey**

20 May – 27 June 2020



Indonesia COVID-19 Observatory



1 Social Media Monitoring & Online Survey

ROUND 1 (APRIL 20 – MAY 20)
& ROUND 2 (MAY 31 – JUNE 20)

Tracking citizen concerns dynamically, quick “pulse” measures on changes in behavior, sentiment and outcomes, and citizen mobility



2 Hi-Fy Household Phone Survey

ROUND 1 (MAY 01-17) &
ROUND 2 (MAY 26-JUNE 05)
ROUND 3 (JULY 20 – AUGUST 2)

Socio-economic impacts on households (employment, food security, access to health, education, social assistance, coping mechanisms)



3 Monitoring of Firms

A. Covid-19 Business Pulse Survey (COV-BPS)

ROUND 1 (JUNE 15-23)

Firm operations status; expectations & uncertainties; perspectives on hypothetical and received government support measures/policies; adjustment mechanisms in business processes

B. Digital Merchants

*In collaboration with Bukalapak**

MAY 20- JUNE 27, 2020

Changes in demand for different goods and services; channels of crisis impacts & coping strategies; perceptions of challenges & opportunities

Note: Bukalapak is one of Indonesia's largest e-marketplaces, established in 2010

About the survey

Survei Bank Dunia (World Bank) - Bukalapak

SURVEI OBSERVASI DARING COVID-19 INDONESIA: PENJUAL (MERCHANT)

Yth. Pelapak,

Kami mengundang Anda untuk berpartisipasi dalam survei singkat dan penting ini tentang dampak Covid-19 pada bisnis Anda.

Survei ini akan memakan waktu kurang lebih 10 menit dan menanyakan tentang bagaimana Covid-19 memengaruhi bisnis Anda, dan bagaimana kami dapat membantu bisnis Anda. Hasil survei akan membantu kami meningkatkan layanan kami untuk mendukung bisnis Anda, dan membantu pemerintah menanggapi pandemi.

Partisipasi bersifat sukarela dan tanggapan Anda bersifat rahasia. Data hanya akan digunakan untuk tujuan yang disebutkan di atas. Jika Anda sudah mengisi survei ini melalui platform lain, mohon jangan mengisi survei ini lagi. Pengisian survei ini membutuhkan koneksi internet dan bisa diakses melalui komputer/laptop, tablet atau smartphone. Pertanyaan bertanda bintang, wajib untuk diisi. Untuk informasi lebih lanjut, silakan hubungi [Ilmawan \(+62 812-8533-5717\)](tel:+6281285335717).

Terima kasih atas partisipasi Anda.

Bank Dunia

SESI: INFORMASI DASAR RESPONDEN

1. Nama: *

2. Jabatan di dalam bisnis: *

Pemilik

Manajer

Pekerja

Lainnya (tuliskan) _____

3. Lokasi saat ini: *
(Silakan klik pilihan "provinsi" dan "kabupaten" berikut)

provinsi

4. Alamat email: *
(Contoh: xyz@gmail.com. Jika tidak ada email, tulis N/A)

Link to survey: <http://www.surveygizmo.com/s3/5626788/wbbukalapak>

1. An 8-minute Survey Instrument
2. Blasted through various Bukalapak channels (pop-up notifications, blog posts, SMS, emails, etc.) to: "SuperSellers" & Non-SuperSellers with 100 or more transactions (see Annex)
3. Opened between May 20- June 27, 2020 (cutting across Lebaran)
4. Collected response from 1,020 respondents in Bukalapak
5. Analyzed the survey using the calibration rake weighting techniques (see Annex) based on Bukalapak's data on cell matrices consisting of the number of merchants who received the blast by:
 - Province
 - February 2020 sales on Bukalapak
 - highest-selling product category in February 2020

Note: The COV-BPS survey is a complementary survey to the Digital Merchants survey, however it differs, amongst others, in sectoral coverage, firm size coverage, and timing from the Digital Merchants survey. Comparisons are therefore indicative and not conclusive.

Summary

Between February and April 2020, online sales were more resilient than offline sales

- 46 percent of Bukalapak merchants, who on average sold 71 percent of their sales online, reported a decline in total monthly sales (offline and online on all platforms), but only 30 percent experienced a reduction in their Bukalapak monthly online sales
- About a quarter of merchants reported *increasing* total sales
- Micro and small merchants*, merchants selling non-essential products, and those with higher shares of offline sales were more vulnerable than others

Challenges faced

Merchants with increasing sales had trouble meeting higher demand due to constrained access to:

- Additional finance/loans - Between March and May, financial institutions tightened their lending policies
- Materials/finished goods to resell - Many Bukalapak sellers get their imported supply from China, and Chinese ports were closed for some time creating some inventory issues up until May

Merchants with declining sales reported as constraints:

- Slowdown in demand
- GOI containment measures, such as closures of malls (e.g. the large-scale social distancing measures that started on April 10 in Jakarta forced malls to temporarily close)

Half of merchants expected to be out of business within three months if existing conditions persisted

*Note: Micro = 1-4 workers; Small= 5-19 workers; Medium = 20-99 workers; Large = 100 and above workers

Summary

Coping strategies

- Shifting product categories: 40% of merchants changed one or more product categories, with many merchants switching to “Food” products, “Health” products (esp. masks, supplements, vitamin, immune booster) and “Care & Beauty” products (esp. hand sanitizers)
- Increasing online sales: Share of online sales increased from 71 to 77 percent on average; share engaging in purely online sales increased from 36 to 43 percent. Firms in the first round of the COV-BPS (42%) also tended to cope by going digital.
- Adjusting number of employees: 18% of merchants fired workers; 7% hired more workers

Bukalapak merchants were likelier to receive Covid-19 related government support programs compared to the average firm in the first round of COV-BPS

- 36% of Bukalapak merchants received government assistance vs. only 7 percent of COV-BPS firms. Note: the Bukalapak survey included questions on whether merchants benefited from assistance targeted to households (e.g. conditional and unconditional cash transfers, electricity subsidy, food vouchers) and vulnerable workers (e.g. Pre-Employment Card, labor-intensive cash-for-work village program)
- Still, most Bukalapak merchants (66%) who experienced a sales decline never received or did not know about any program from the government

Medium-sized Bukalapak merchants were more likely to receive tax support programs, while micro-sized merchants tended to benefit from cash assistance*** and small-sized merchants from electricity subsidy**

** Note: Tax deferral, reduction in tax payments, or reduction in tax rates, and/or tax refund (cash back from VAT refund and/or income tax refund request)

*** Note: Cash assistance through Pre-Employment Card (*Kartu Pra-Kerja*), Staple Food Card (*Kartu Sembako Murah*), Family Hope Program Conditional Cash Transfer (*Program Keluarga Harapan*), Direct Unconditional Cash Transfers - Village and/or Local Governments

Pre-Covid-19: Merchants' Profiles

- 1** Out of 1,020 respondents representing Bukalapak's Supersellers* and merchants with more than 100 recorded transactions, close to 36% were also active on two other platforms namely Tokopedia and Shopee
- 2** The highest share of merchants were selling "Hobby and Collection" products in February 2020 (pre-pandemic)**
- 3** 50% of merchants were selling only single-product category goods
- 4** On average, 71% of merchants' total sales came from online sales
- 5** On average (median), merchants in the sample employed 3 (2) workers (micro merchants).

*Note: Supersellers are those who pay additional service charges in order to get access to special features to maximize their sales at Bukalapak

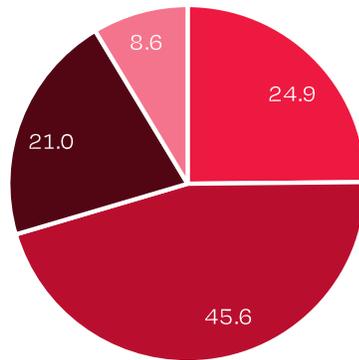
**Note: This might not represent the whole market

Covid-19 Impacts

A. Online sales were impacted less than offline sales

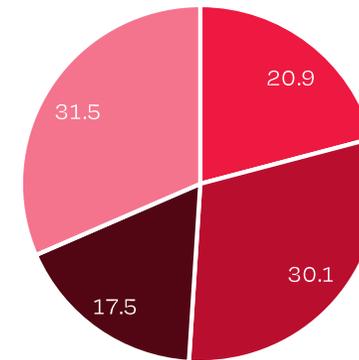
Total (online and offline) sales declined by more than online sales at Bukalapak

Total sales (online and offline):
February vs. April (%)
Note: offline and online sales in all platforms



■ sales go up ■ sales go down ■ no change ■ no sales/unreported

Online sales in Bukalapak:
February vs. April (%)
Note: online sales in Bukalapak only



■ sales go up ■ sales go down ■ no change ■ no sales/unreported

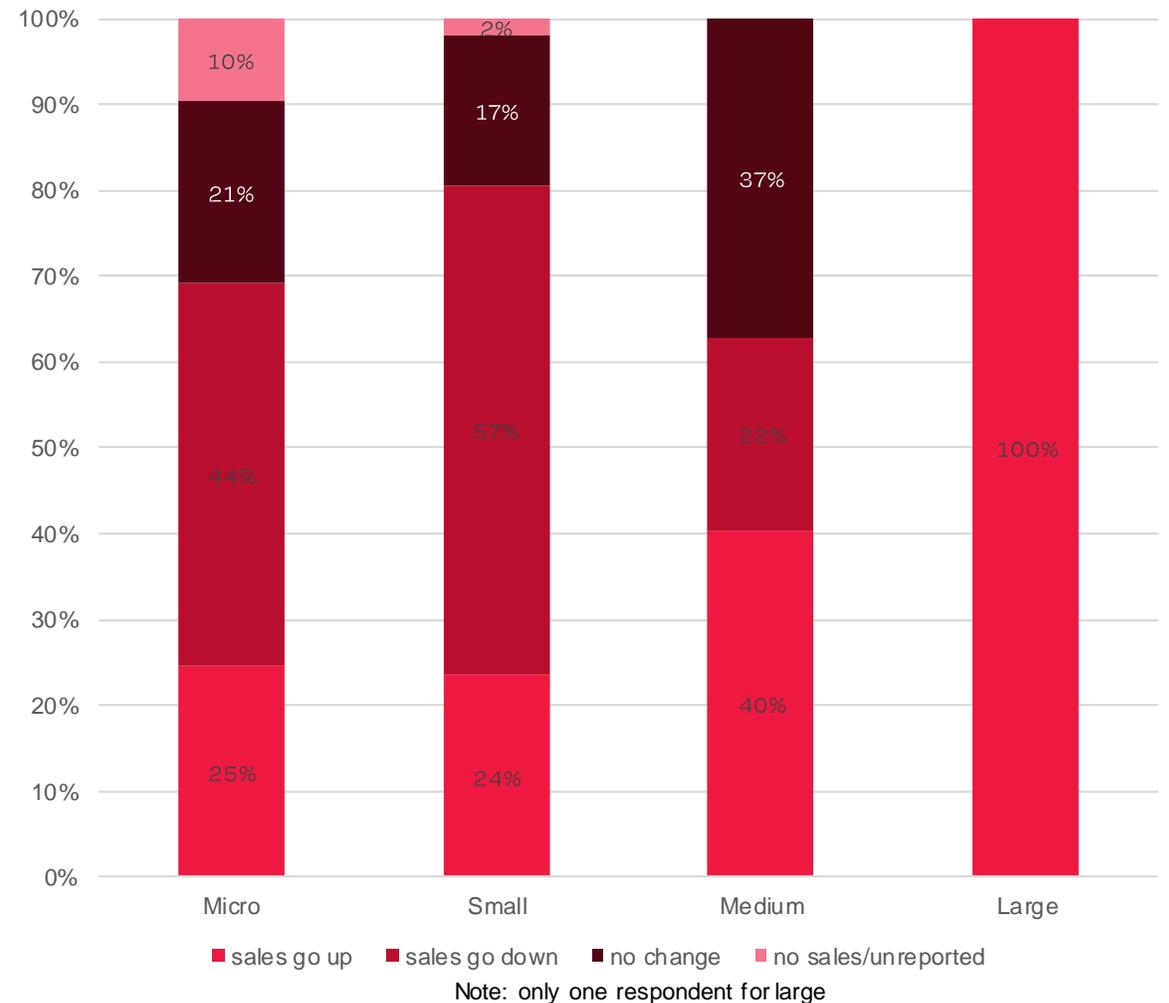
- **46%** of merchants experienced a decline **in total sales**

- **30%** experienced a decline in online sales **at Bukalapak**

Total sales performance is associated with employment size:

micro and small merchants (1-19 workers) were more likely to experience a decline in sales than medium (20-99 workers) and large (100 and more workers) merchants

Share of merchants with total sales performances by firm size



Merchants selling **essential products** were more likely to experience an increase in sales

- "Office" products (e.g. software, table, chair, headset)
- "Baby" products (e.g. milk, diapers, toys, plastic water pool)
- "Health" products (e.g. masks, supplements, vitamin, immune booster)
- "Woman's fashion" (e.g. cloth masks)

Changes in total sales (Feb-April) by product category



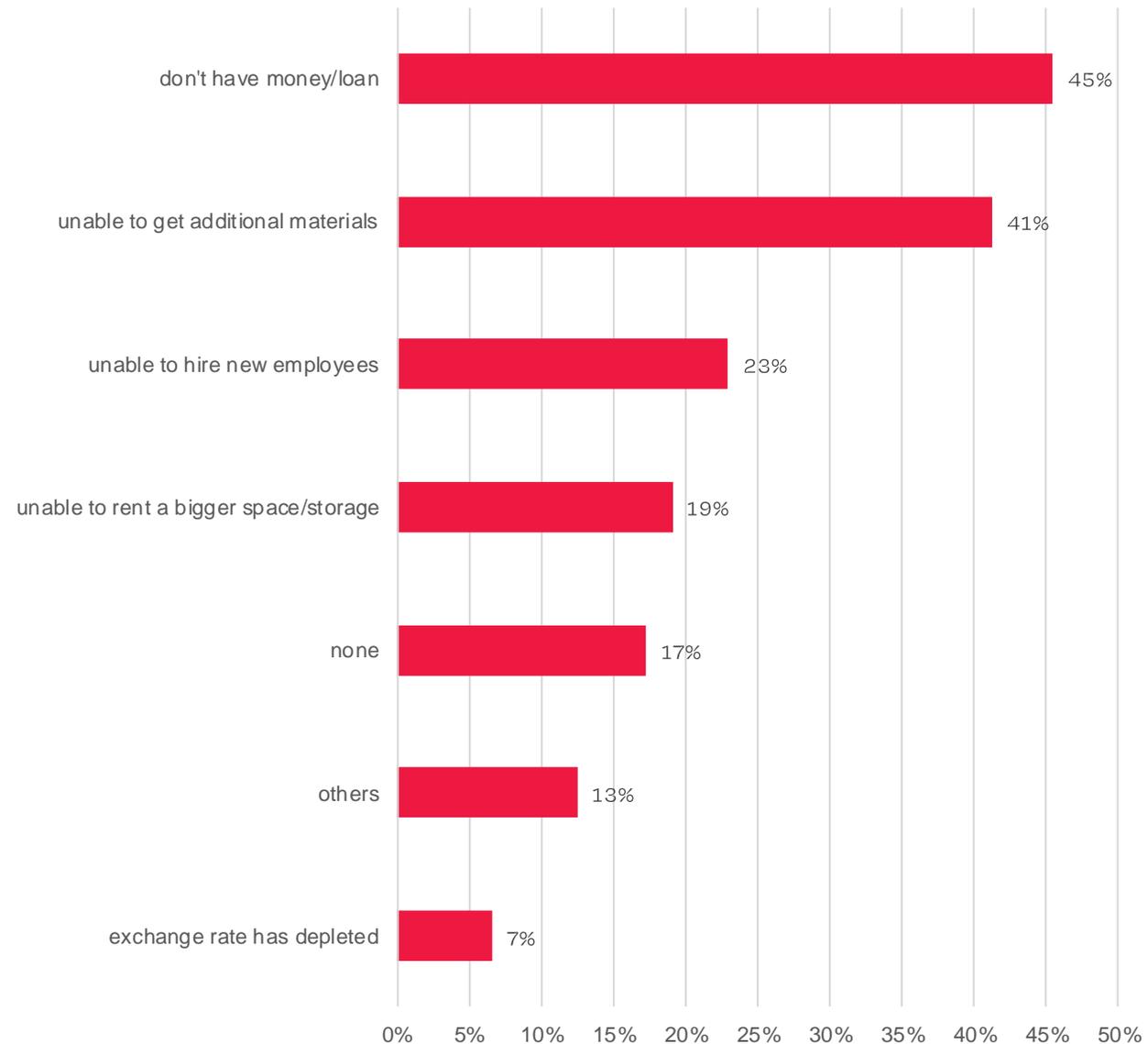
For those whose sales went up, meeting higher demand was challenging because

**“don't have money/loan”,
and/or
“unable to get additional materials”**

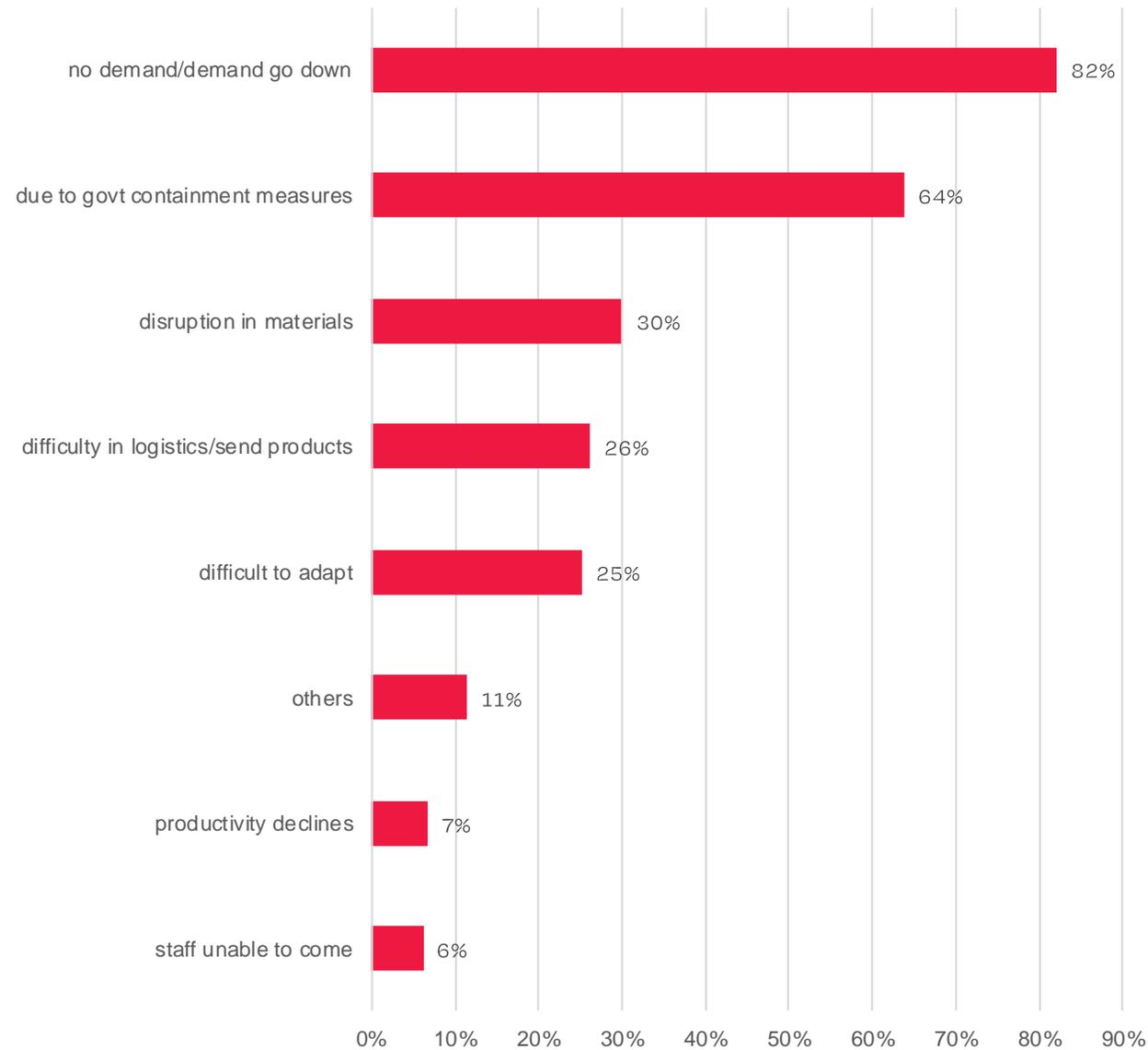
Between March and May, financial institutions **tightened their lending policies** (a fast reduction in approval rate, credit scoring changes and a lot were not lending)

Up until May, there was a concern on raw material inventory due to the **closing of China's ports** for some time as many sellers on the Bukalapak platform get their supply from China
(Source: Bukalapak)

Challenges faced by merchants with higher sales



Reasons why sales go down



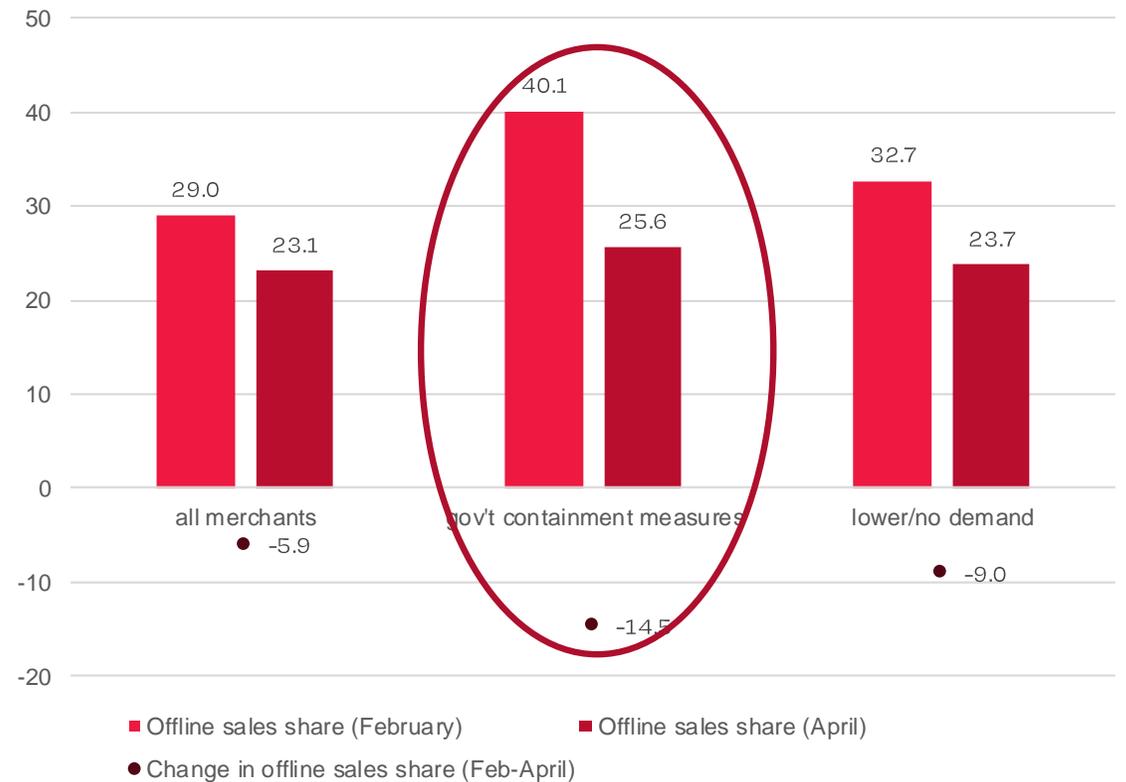
For those whose sales went down, main reasons of why business went down were ...

**“no demand/demand went down”
and/or
“government containment measures, e.g. closure of malls”**

Merchants whose total sales were **impacted by government containment measures**, eg. closure of malls, were those who had much **higher offline sales** in February

and who had to make a bigger offline share cut, compared to all other merchants or merchants who answered "lower/no demand"

Average shares of offline sales by reasons of sales decline (%)



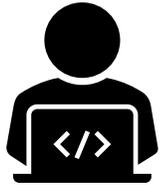
B. More severe increase in input than labor costs



Merchants were mostly impacted via input and other costs, less via labor costs

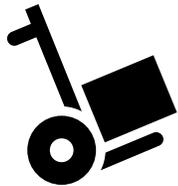
Input costs:

45% experienced an **increase**



Labor costs

64% experienced **no change**



Other costs

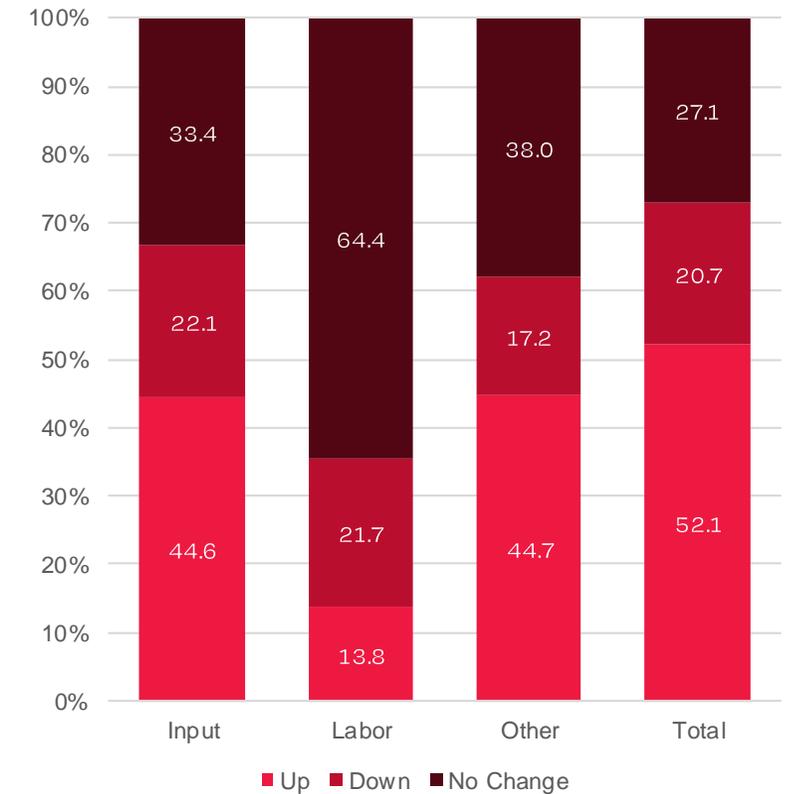
45% experienced an **increase**



Total costs

52% experienced an **increase**

Changes in business costs between February and April 2020

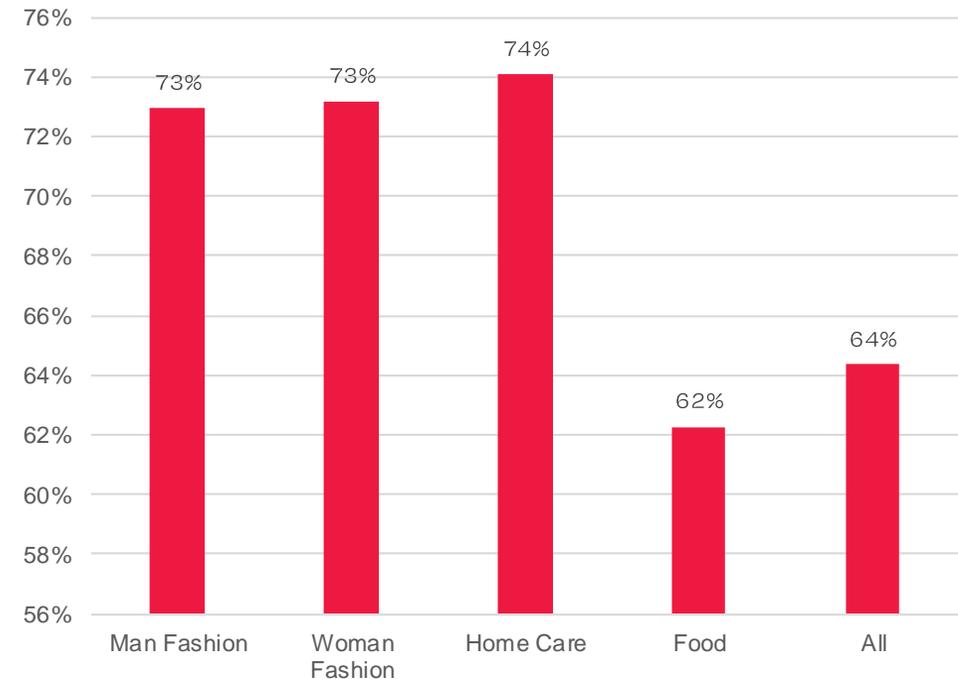


Merchants who did not experience any change in labor costs are associated with some product categories....

Home care Man and woman fashion

This may reflect their employment size (e.g. self-employed vs. employers) and production model/technology (e.g. resellers vs. producers)

Share of merchants with no change in labor costs

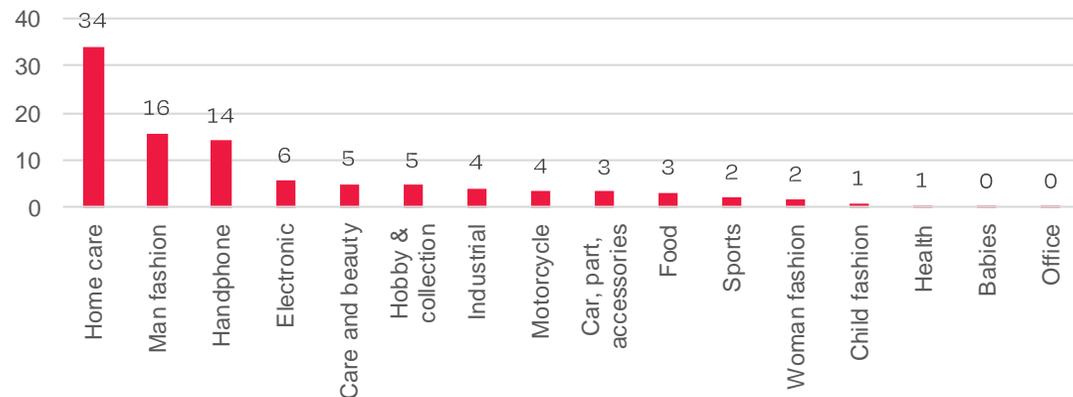


C. Many small-size merchants cut workers

7% of merchants increased the number of workers, while **18%** reduced the number of workers.

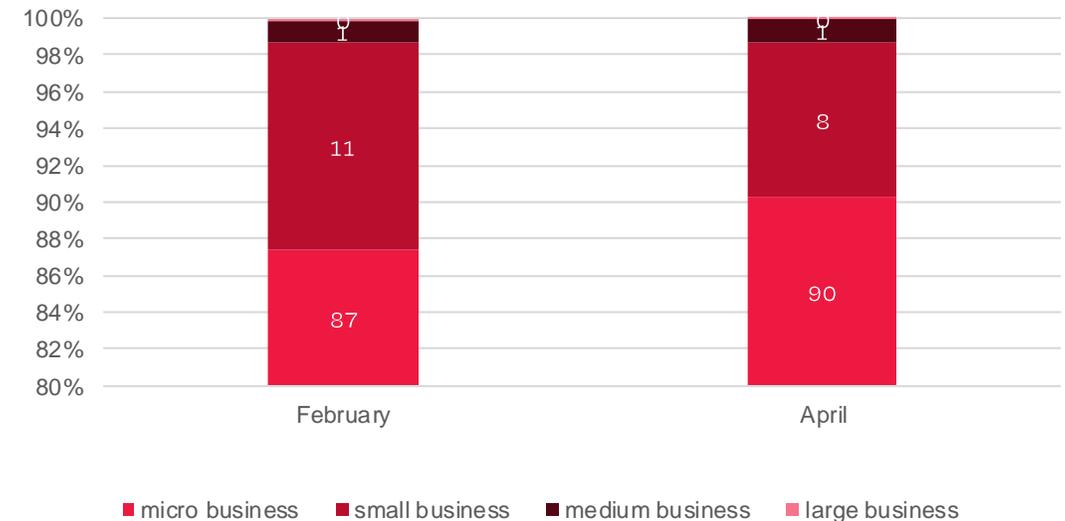
The largest share of merchants who increased the number of workers came from **"Home Care"** while the largest share of merchants who reduced employees came from **"Hobby and Collection"**.

Share of merchants who increased the number of workers, by highest-selling product in February (%)



There was a slight **shift** in the percentage share of employment size from 5-19 workers (small) to 1-4 workers (micro) businesses with small businesses **reducing the number of their (mostly full-time) workers** between February and April 2020.

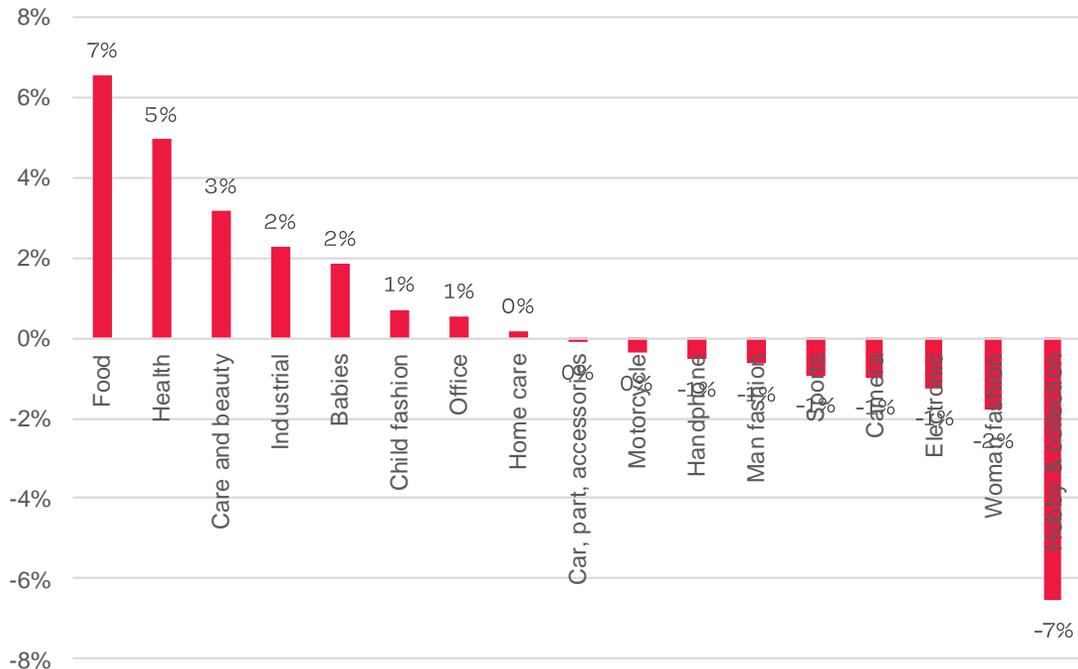
Share of merchants, by enterprise size



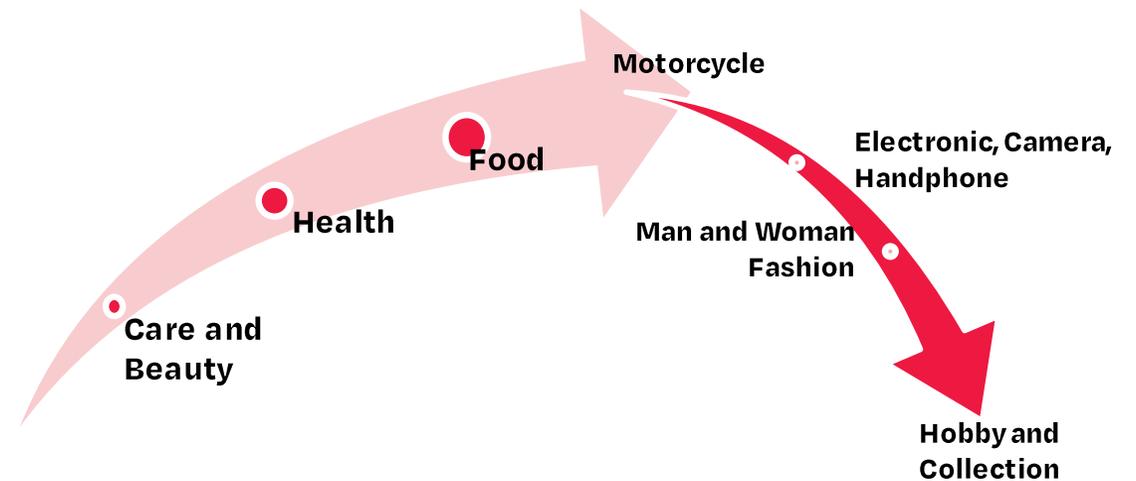
Coping Strategies

1. Merchants shifted product categories

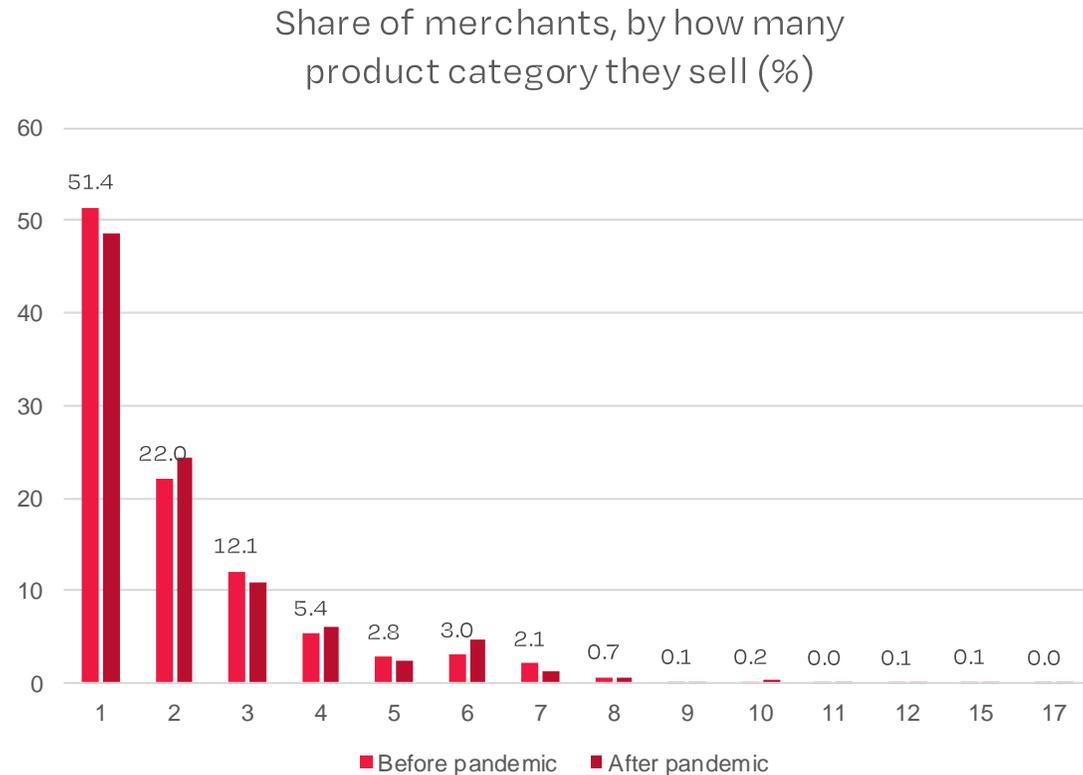
Change in the number of merchants by product categories (Feb-April 2020)



40% of merchants changed one or more product categories during Covid-19 crisis, placing "**Home Care**" (e.g. cleaning equipment) as the top product category, with many sellers switching to more "**Food**" and "**Health**" (e.g. masks, supplements, vitamin, immune boosters) as well as "**Care & Beauty**" (e.g. hand sanitizers).



2. Merchants (slightly) diversified product categories



More merchants selling more than single product categories

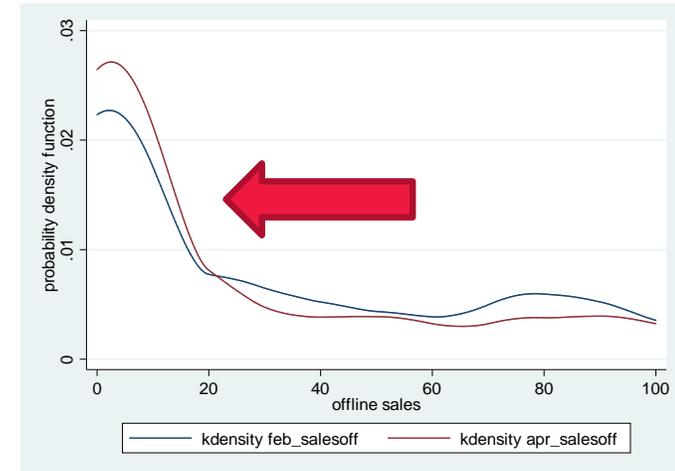
"The fluctuation/volatility wasn't normal with changes of product category mix within weeks and less predictable. People staying home more makes consumption change significantly."

Bukalapak

3. Merchants shifted business from offline to online

- The average (median) share of online sales went up from **71%** (88%) in February to **77%** (95%) in April
- In February, about **36%** of merchants did not have offline sales at all, but by April, another **7pp** of merchants had switched to purely online selling activities
- Merchants who experienced sales decline made a more decisive offline to online shift

Density distribution of offline sales share out of total sales



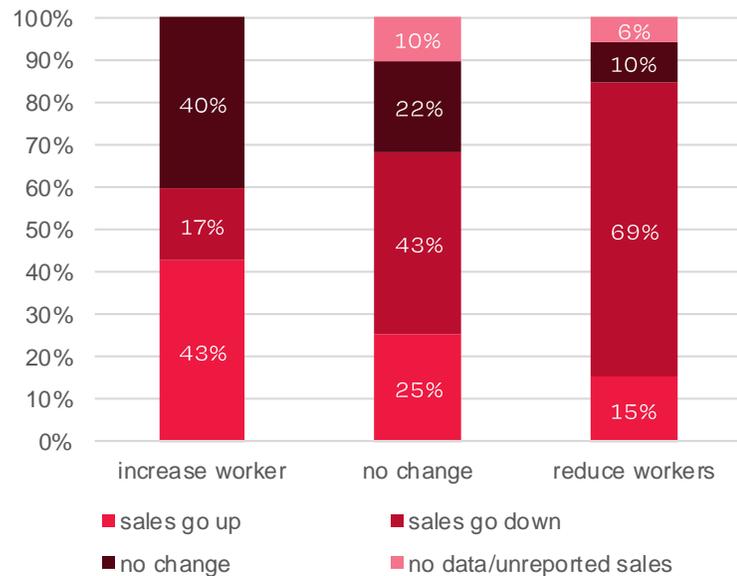
6pp

On average, **merchants reduced the share of their offline sales by 6 percentage points**

4. Merchants adjusted their number of employees

Workers firing and hiring was associated with sales performance

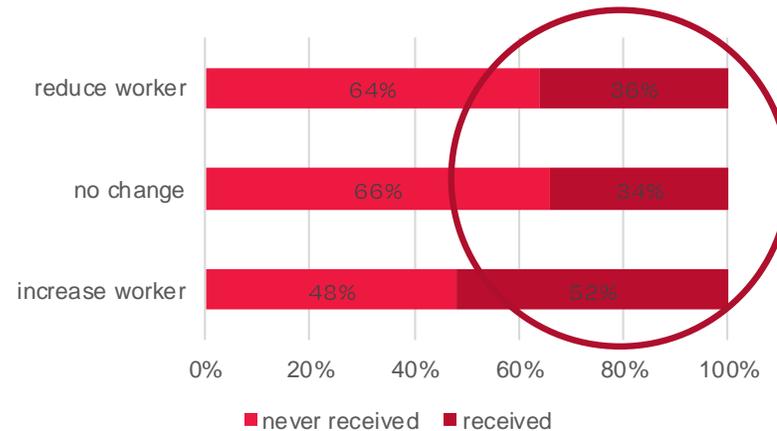
Shares of merchants who increased/decreased workers by change in total sales



52% of merchants who increased workers received government assistance program(s), compared to 36% of merchants who reduced workers.....

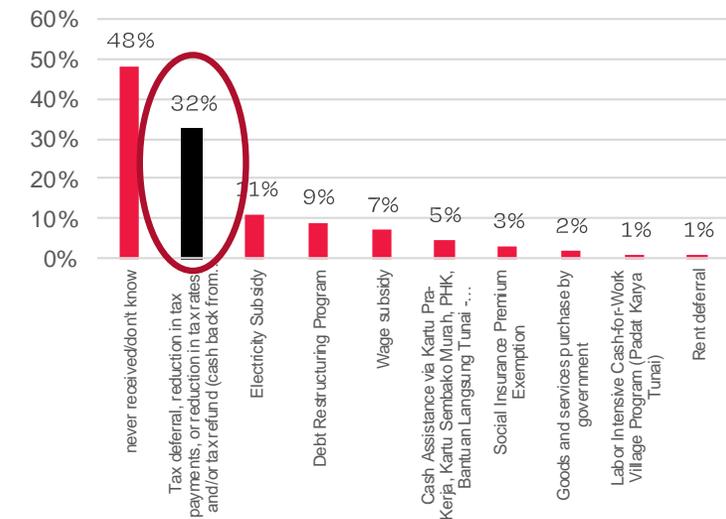
(Note: There could be confounding factors such as merchant size, how and what types of the government programs were targeted.)

Share of merchants with changes in employment by government program receipt



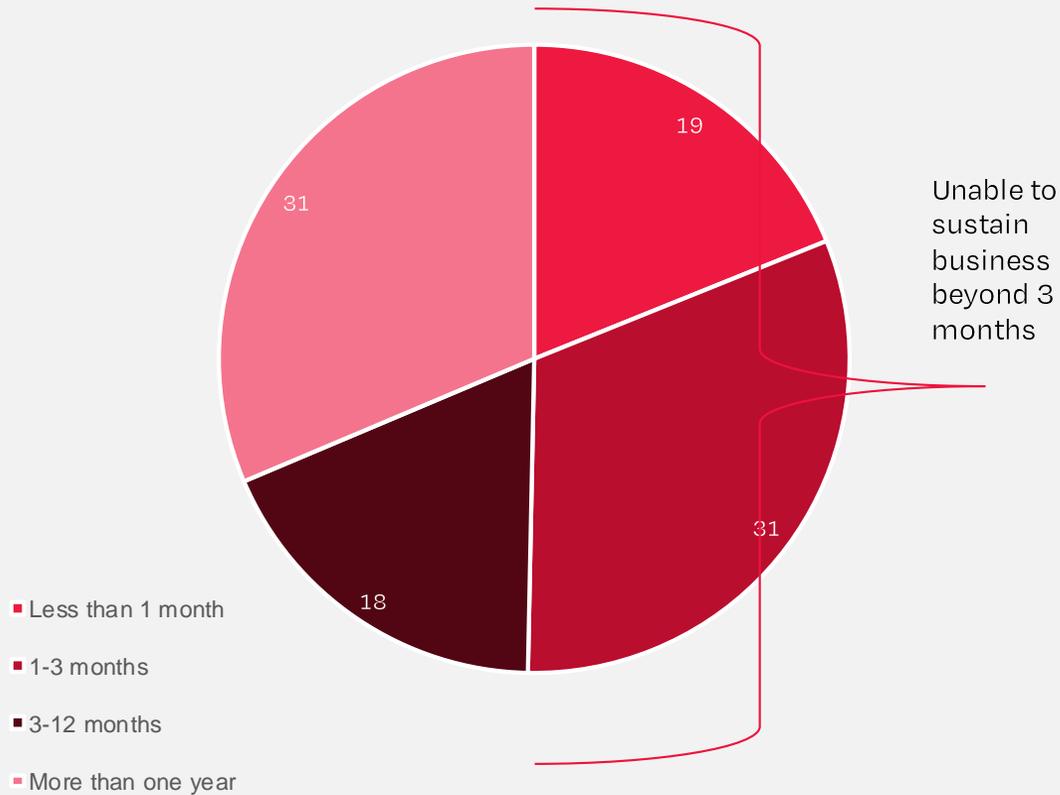
...and among those who increased workers and received govt program(s), mostly received it via the tax programs

Share of merchants who increased workers by govt program



5. Merchants anticipate closing down business

How long will your business sustain? (%)



Half of the merchants expect to be unable to sustain their business beyond 3 months under current conditions and only one third would be able to continue beyond one year

50%

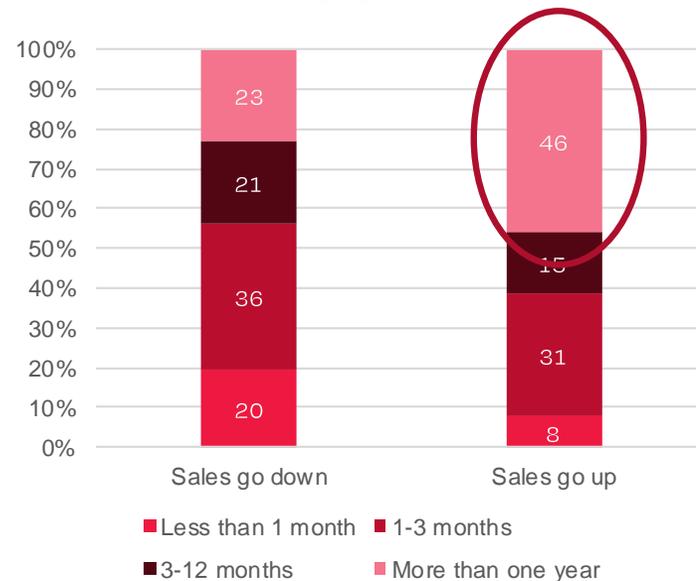
of merchants (both only online and online-offline) may be out of business within three months if current conditions persists

Merchants who can keep their lights on longer are associated with:

(1) Higher Sales performance

Out of total merchants whose total sales went up between February and April 2020, **46%** said they could sustain business for more than one year, compared to **23%** of those merchants whose sales went down.

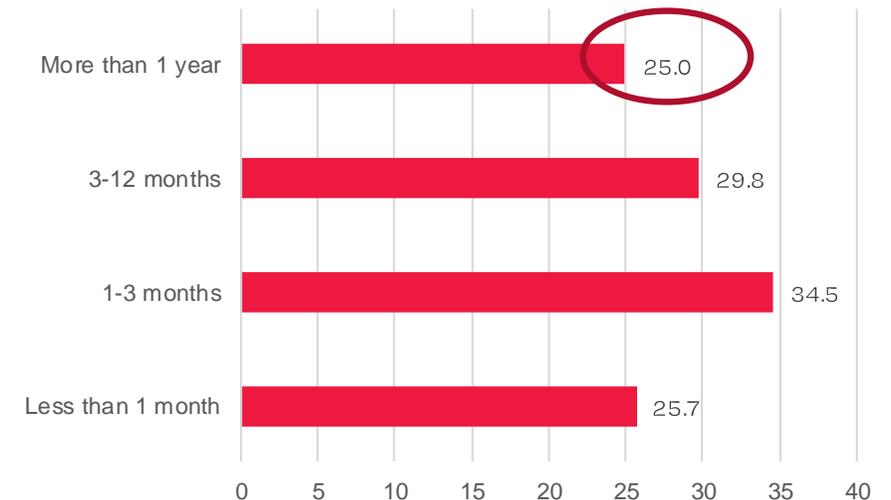
Business sustainability by total sales performance



(2) Higher online shares

Average offline sales shares in February for those who can sustain beyond one year was **25%** compared to **26-35%** for those who cannot sustain beyond 3 months

Average offline shares by business sustainability

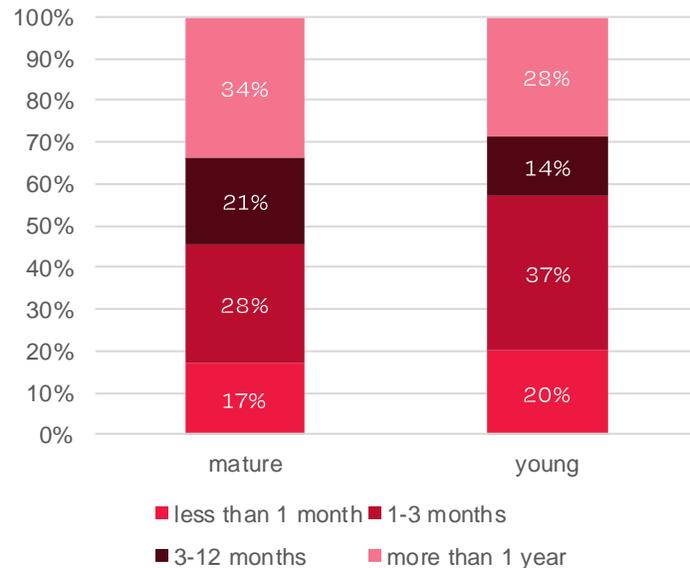


Merchants who can keep their lights on longer are associated with:

(3) Older

Young (<3 years old) enterprises were less likely so sustain longer than older enterprises. **57%** of young enterprises could not survive beyond 3 months

Who are more likely to sustain – young vs. mature merchants?



(4) Received Covid-19 Government Assistance Programs

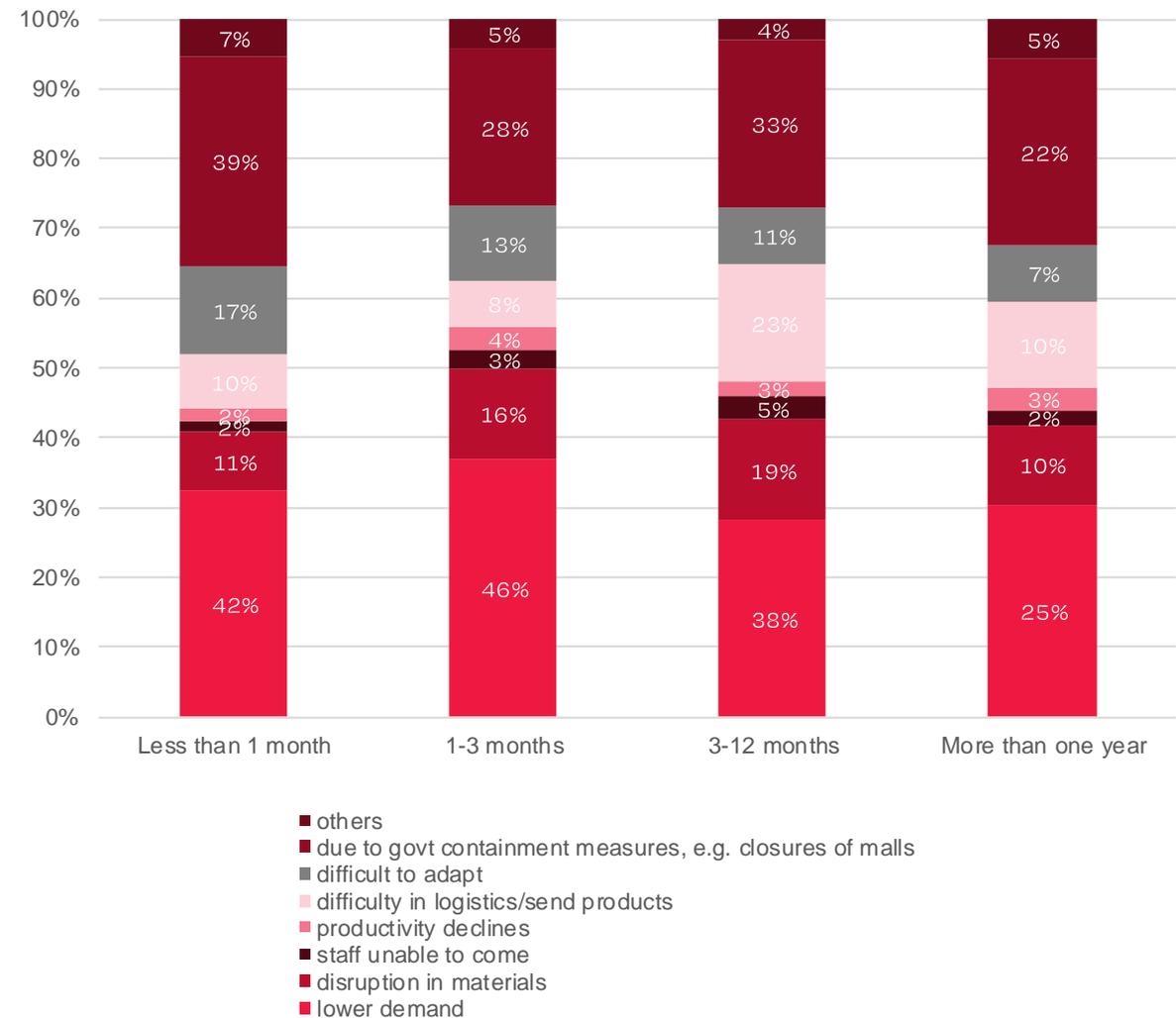
The 36% of merchants who **received government program(s), esp. via tax programs**, were also those who were more likely to survive beyond one year

(Note: There could be confounding factors such as merchant size, how and what types of government were targeted.)



Merchants **could not survive** beyond 3 months largely because of the **demand side issues** (instead of the supply side)

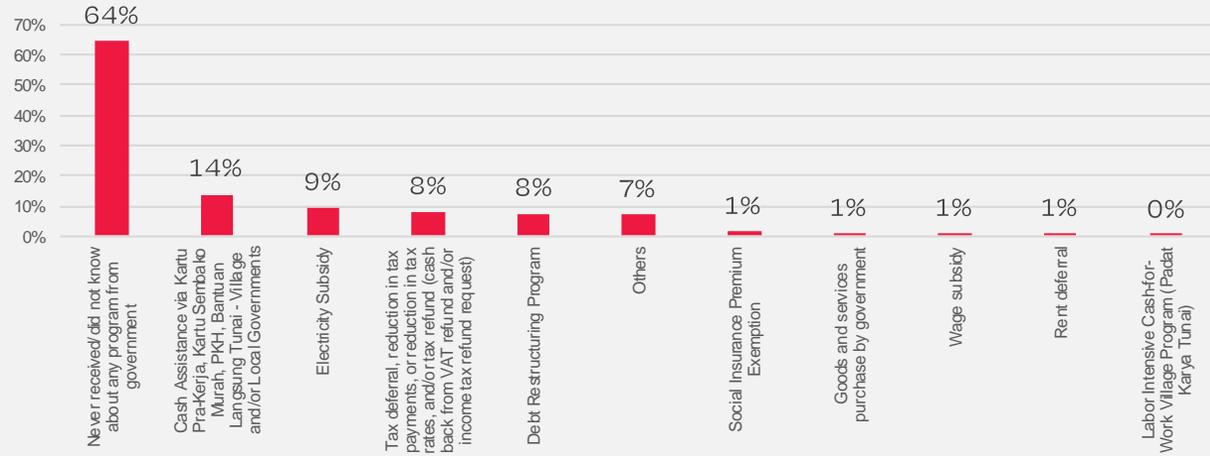
Share of merchants with ability to sustain business, by reasons why sales go down (%)



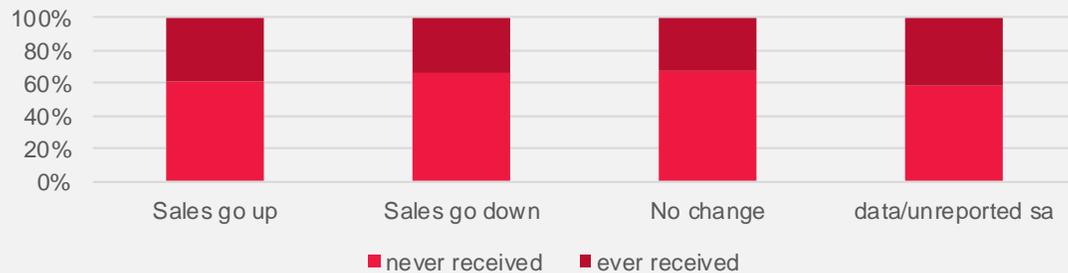
Government & Bukalapak Programs

A. Government Programs

Government program ever received



Share of merchants who received gov't assistance by sales performance



Government programs with the largest number of merchants who received them were:

- "Cash assistance through Pre-Employment Card (*Kartu Pra-Kerja*), Staple Food Card (*Kartu Sembako Murah*), Family Hope Program Conditional Cash Transfer (*Program Keluarga Harapan*), Direct Unconditional Cash Transfers - Village and/or Local Governments"
- "Electricity subsidy"

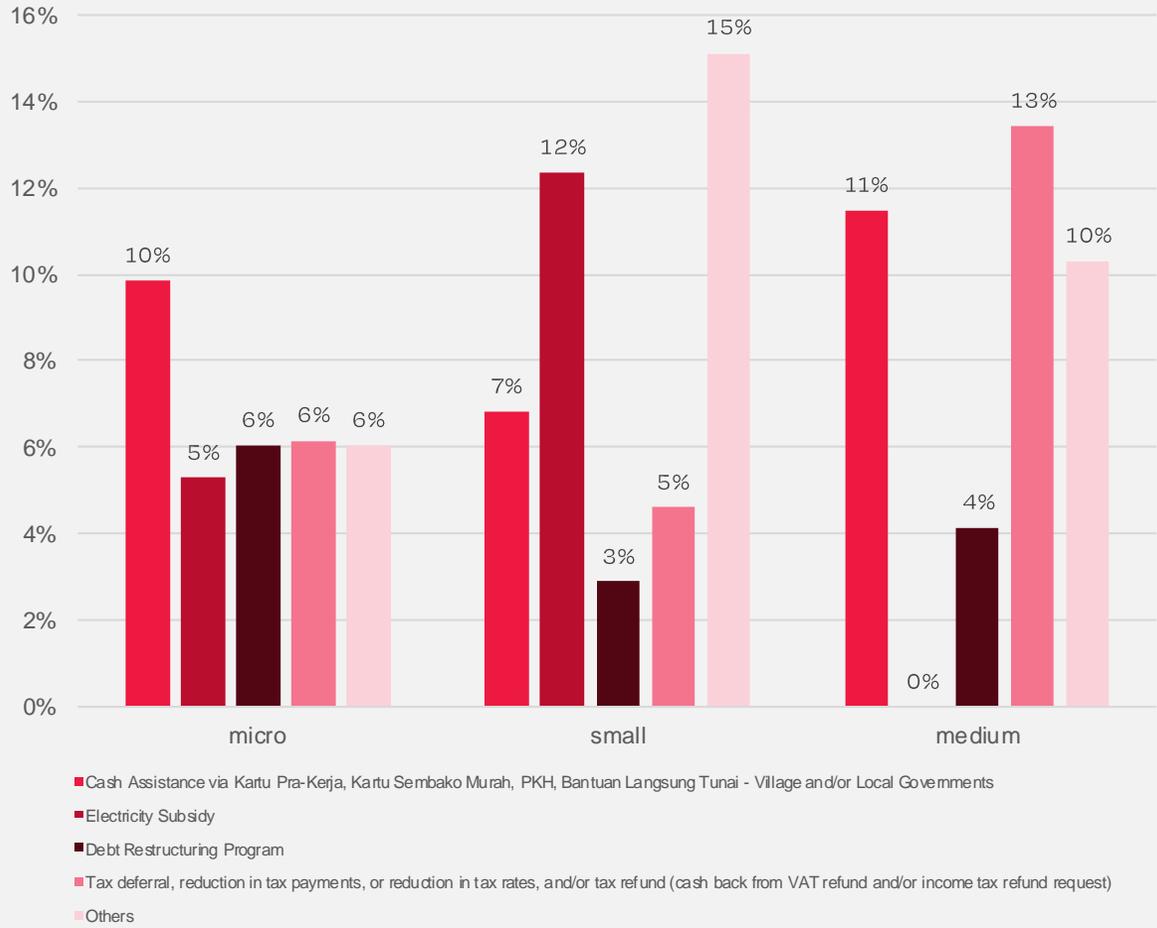
with small-medium size merchants (by employment size) were most likely to receive govt' programs. But ...

39% of merchants with a sales increase also received government assistance, while **66%** of merchants with a sales decline never received or did not know about any Covid-19 assistance program from the government

64%

never received or did not know about any Covid-19 assistance program from the government

Share of merchants (by size) and types of government assistance program received



Note: Only one respondent for large merchant and he/she did not receive any gov't assistance programs

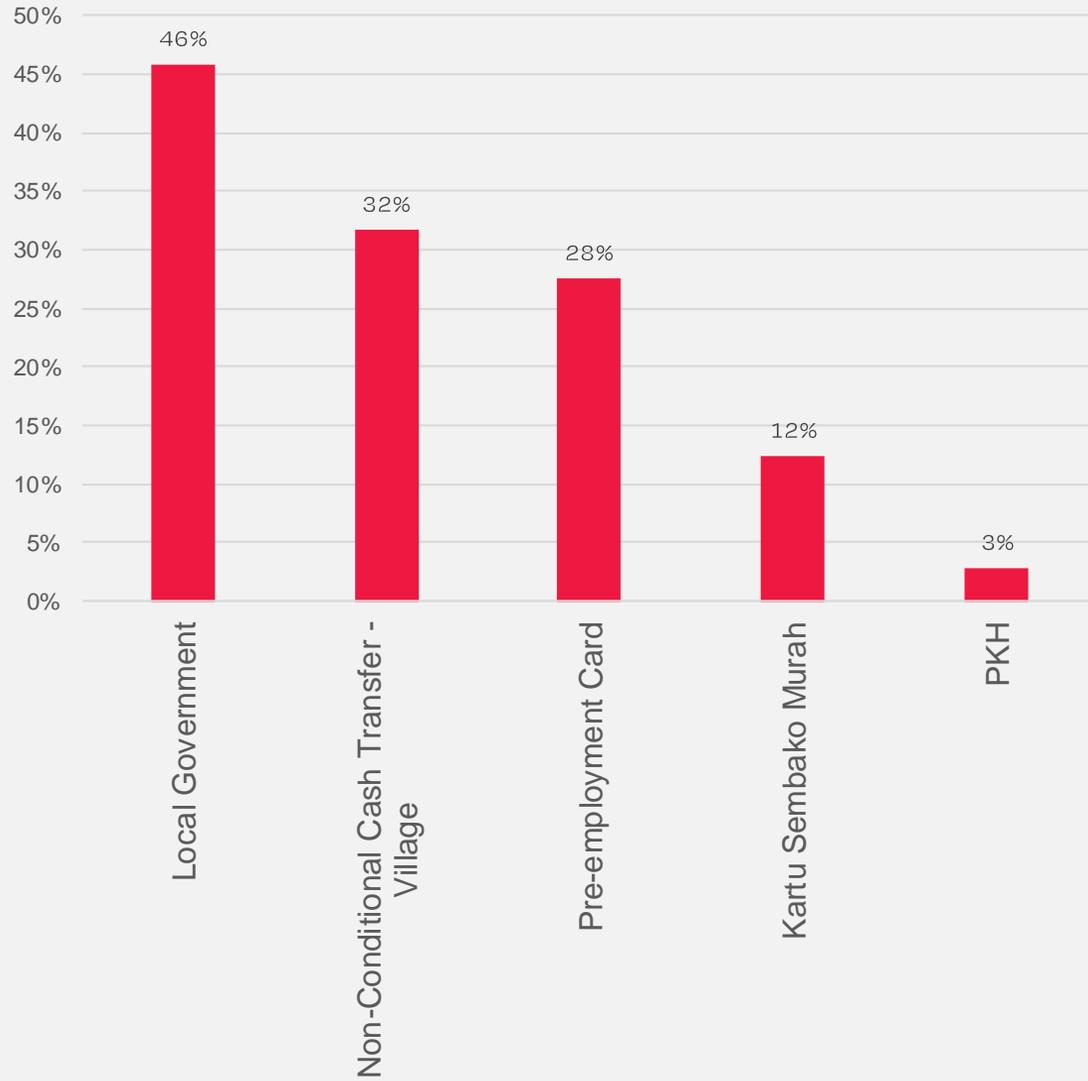
For **micro-size merchants** who received government assistance programs, most received it via **cash assistance**,...

While for **medium-size merchants** who received government assistance programs, most received it via **tax programs**...

For **small-size merchants** who received government assistance programs, most received it via **electricity subsidy** (besides "others").

13% of medium-size merchants received government tax programs

Type of Cash Assistance Ever Received



Close to half of merchants who received **cash assistance** received it from **the local government programs** (46%).

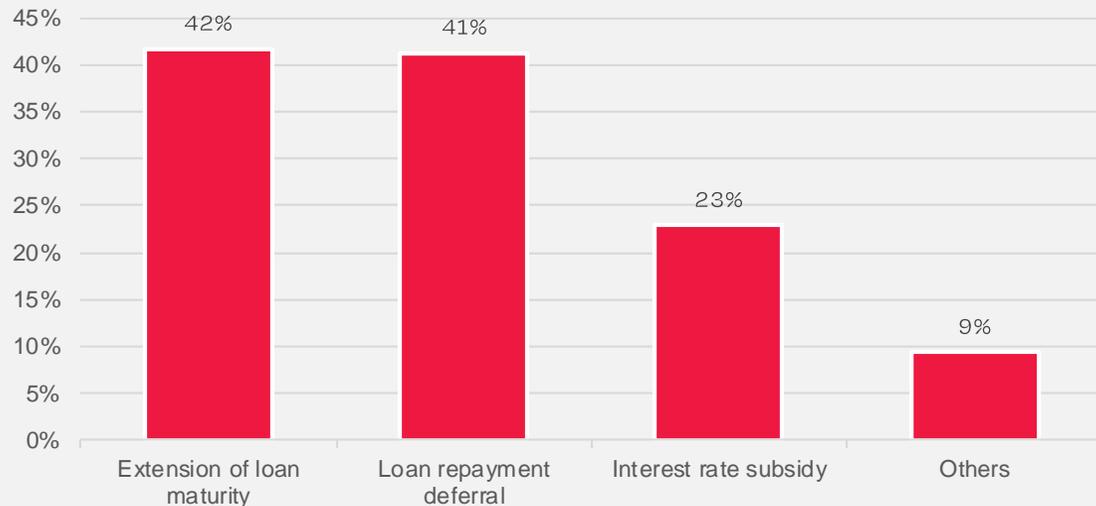
32% received it via non-conditional cash transfer at the village level, while 28% received it via the Pre-Employment Card program.

Only 12% received it via Food Staple Card and even smaller (3%) received it via Family Hope Program (PKH)

46%

of merchants who received cash assistance programs received it via local government programs

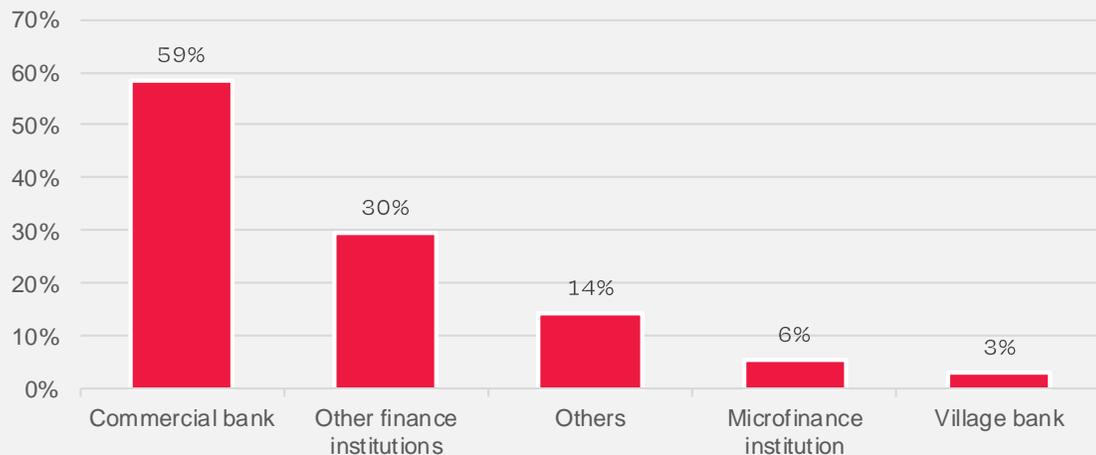
Types of Debt Restructuring Program Ever Received



Among merchants who received the debt restructuring program, 42% received an **“extension of loan maturity”** while another 41% received a **“loan repayment deferral”**.

59% received the debt restructuring program via **commercial banks**, while 30% received the same program via **“other finance institutions”**.

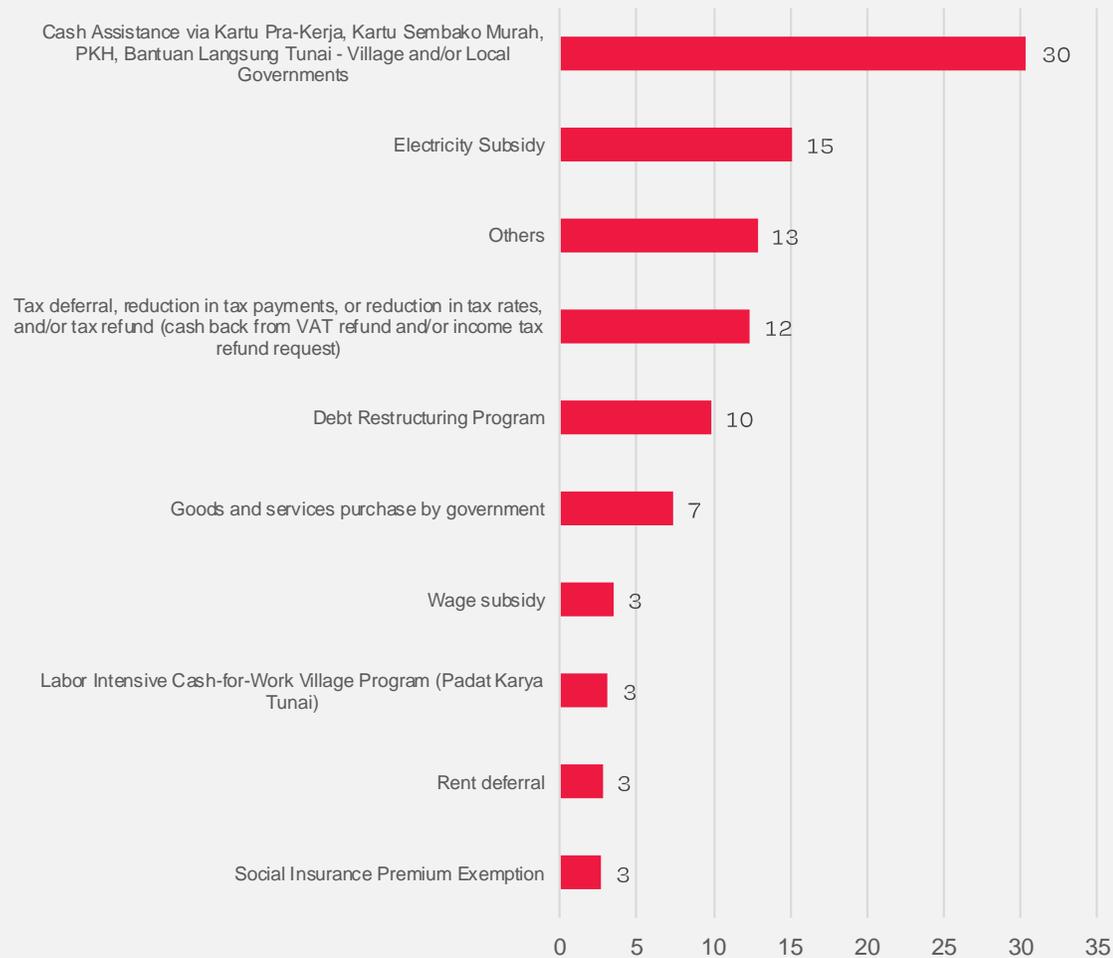
From Where: Debt Restructuring Program



42%

of merchants received the debt restructuring program in the form of an “extension of loan maturity”

The most preferred government programs to mitigate the impact of COVID-19 (including among those who haven't received them)



36 percent out of total merchants received at least one or more government assistance programs, while...

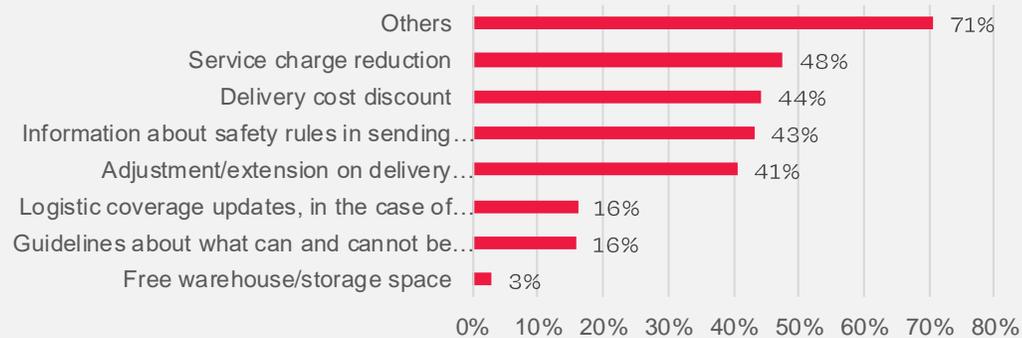
one third of total merchants (regardless of whether they had received any government assistance program) found **"cash assistance" to be the most preferred program** in terms of helping them mitigate the Covid-19 crisis

30%

found cash assistance (in many different forms) to be the most effective program to mitigate the impact of the Covid-19 crisis

B. Bukalapak Programs

The most useful Bukalapak programs
(out of those who received them)



The most effective Bukalapak programs
(even if have not received them)



Merchants found **“service charge reduction”** to be the most useful (for those who actually received the program) and effective (even if they have never received the program)...

The next most useful and effective Bukalapak program is **“delivery cost discount”**.

Programs to reduce costs of production, such as these two programs, seem to be ones that merchants find most effective to help mitigate the Covid-19 crisis.

34%

found that the most effective Bukalapak program to mitigate the impact of Covid-19 was **“Service Charge Reduction”**

Terima Kasih

Contacts

Bukalapak-WB Survey

- Maria Monica Wihardja (mwihardja@worldbank.org)

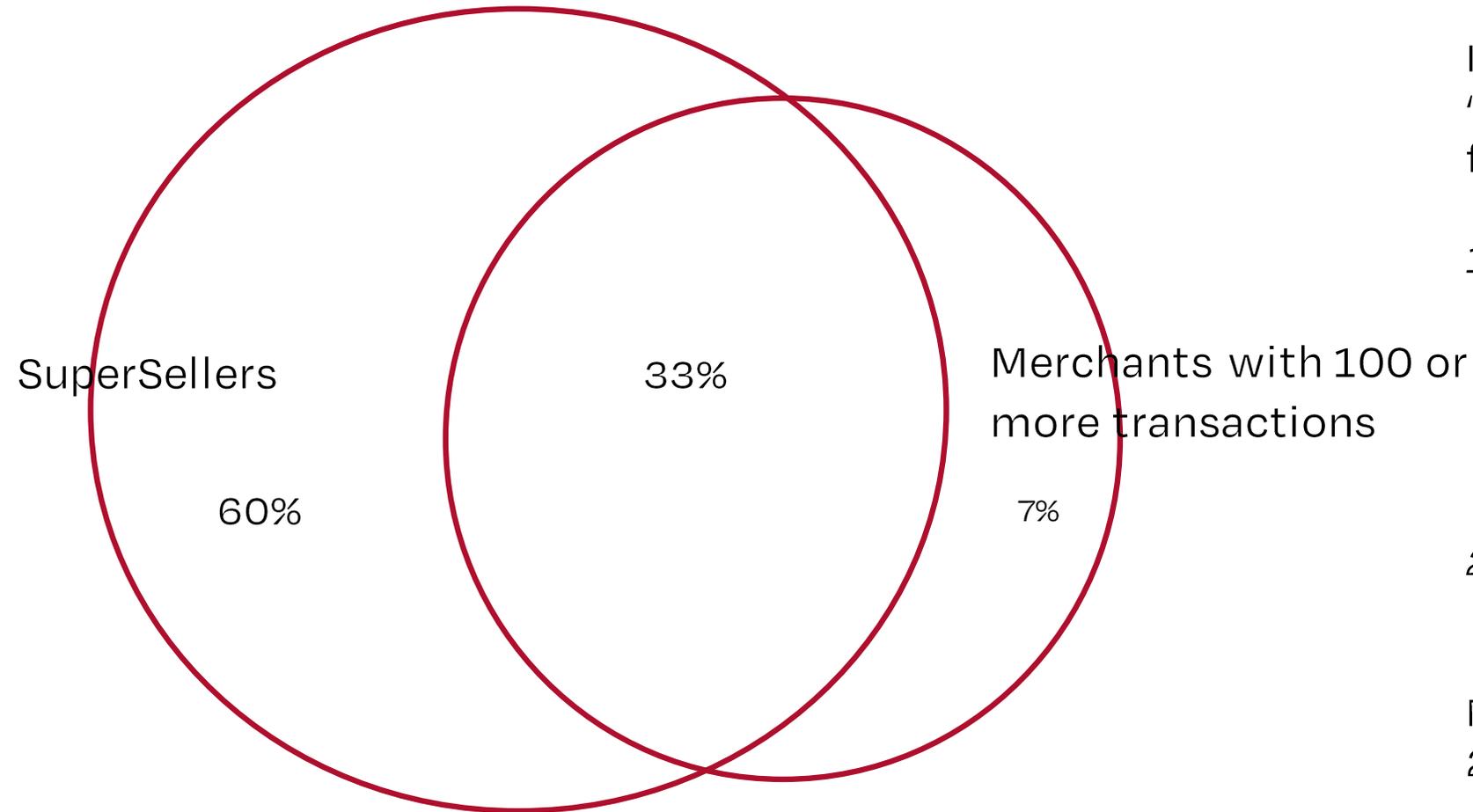
Full team:

Maria Monica Wihardja & Mayla Putri (World Bank)
Ilan Agisti Dewi Rani & Nurulfajri Oktaviani (Bukalapak)



Annex

Sample Framework



In order to target the survey to more 'serious' merchants, the sample framework consists of:

1. *SuperSellers*: those who pay additional service charges in order to get access to special features to maximize their sales at Bukalapak
2. *Non-SuperSellers with 100 or more transactions*

Note: Data is based on February 2020

Survey Instrument

Section 1: Basic Respondent Information

Section 2: General Firm Characteristics

Section 3: Impact of Covid-19

Section 4: Channels Affecting Operations and Strategy to Cope

Section 5: Demand for countermeasures

Link to survey: <http://www.surveygizmo.com/s3/5626788/wbbukalapak>

Calibration Rake/RIM Weighting

Rake or rim weighting is used to reduce the computational burden of the cell weighting, though a more common application is to reweight samples when the cell-level values are unavailable, but row and column totals are provided. Raking is a commonly used approach to calibrate weights to population totals after nonresponse adjustments have been performed. This is an iterative procedure that focuses on one feature at a time to make the marginal distribution of the sample in terms of that feature identical to that of the target population, then proceeding to the next features, and repeating the process until convergence is achieved.

Step 1: Calculate the weighted totals of the cells from the survey.

Step 2: Compare those totals against the total from the auxiliary data

Step 3: Rake across.

Step 4: Rake down.

Step 5: Repeat the same process until convergence is reached.

Step 6: Divide the raked totals by the weighted totals from the survey data. These adjustments should then be applied to the weight of each observation in the cell.