



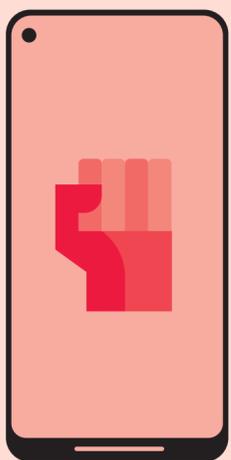
Impacts *on* Digital Merchants: Insights from *the* Bukalapak – World Bank Survey

20 MAY – 27 JUNE 2020

→ This brief presents findings from the World Bank Digital Merchant Survey conducted in collaboration with Bukalapak, one of Indonesia's largest e-marketplaces. The survey was broadcasted to Bukalapak's Supersellers¹ and merchants with 100 or more recorded transactions on Bukalapak (the target population) through various Bukalapak chat features (pop-up notifications, blog posts, SMS, emails). The survey was opened between May 20 and June 27, 2020. The analysis was drawn from 1,020 respondents and was weighted to better represent the target population.



Key Messages



Between February and April 2020, online sales for Bukalapak merchants appeared more resilient than offline sales. 46 percent of Bukalapak merchants reported a decline in total monthly sales (i.e. 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 with less than 20 employees were more vulnerable to a sales decline.²



Merchants with *increasing* sales had trouble meeting higher demand due to constrained access to additional finance or loans, as well as materials/ finished goods to resell. Merchants with *declining* sales reported as constraints slowdown in demand and government containment measures, such as closure of malls.

50%

Merchants coped with the crisis by shifting product categories, increasing online sales, and adjusting the number of employees.

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



66 percent of Bukalapak merchants who experienced a sales decline never received or did not know about any government support programs.

¹ Definition of Supersellers: <https://www.bukalapak.com/faq/sebagai-pelapak/super-seller/program-super-seller>

² Micro = 1-4 employees, small = 5-19 employees, medium = 20-99 employees, large = 100 and more employees

Figure 1 Micro and small merchants were more likely to experience a sales decline (Percent)

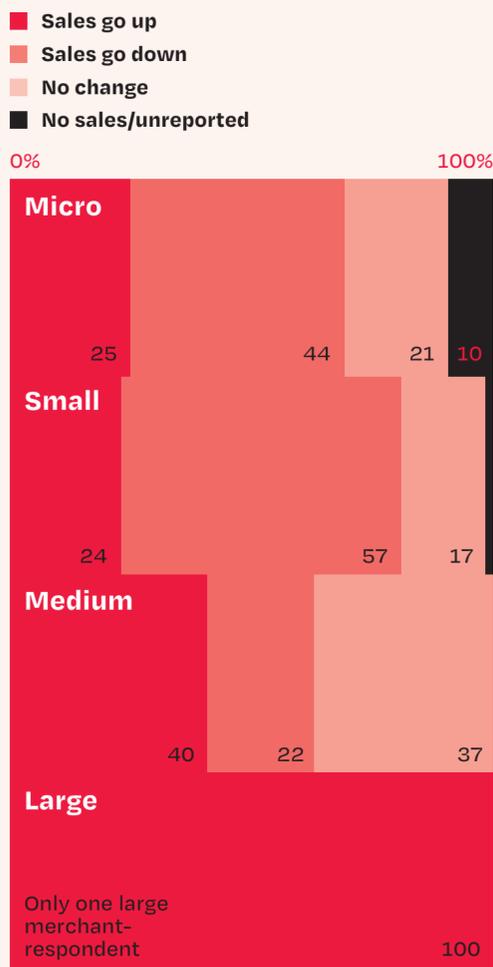
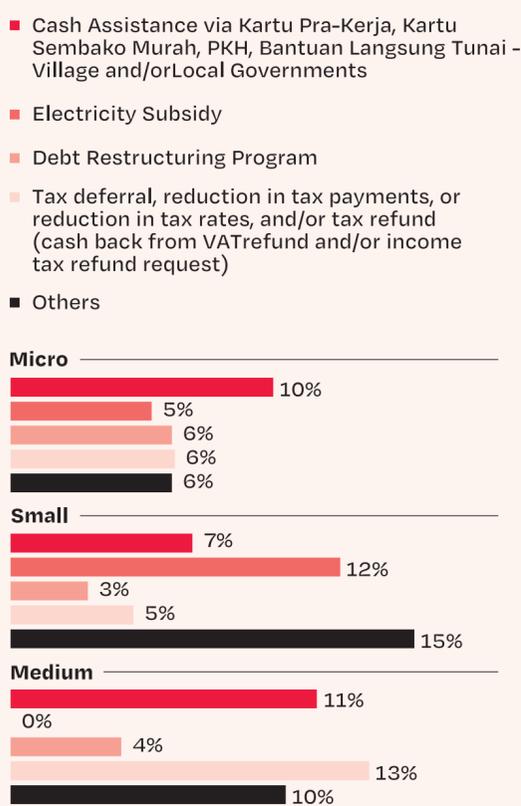


Figure 2 Medium merchants were more likely to receive tax assistance while micro and small merchants were more likely to receive cash transfer and the electricity subsidy respectively



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

50%

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

In the pre-Covid-19 period, Bukalapak merchants were already actively selling online. More than one third of Bukalapak merchants were also active on two other platforms, namely Tokopedia and Shopee. On average, Bukalapak merchants conducted 71 percent of their sales online and employed three workers.

Online sales have been more resilient than offline sales, though Bukalapak merchants with certain characteristics were harder hit than others. While 46 percent of merchants experienced a decline in their total monthly sales (both offline and online in all platforms) between February and April 2020, only 30 percent of merchants experienced a decline in their Bukalapak monthly online sales. Merchants selling office products (e.g. software, headsets), baby products (e.g. milk, diapers, toys, plastic water pool), and health and women's fashion products (e.g. surgical and cloth face masks) were more likely to experience a sales increase. Micro and small merchants with less than 20 employees were more vulnerable to a sales decline, along with merchants with higher shares of offline sales (Figure 1).

Inability to get additional finance or loan and materials or finished goods to resell were the biggest challenges for digital merchants who experienced a sales increase and faced higher demand. Tightening of lending policies by financial institutions between March and May and the reduced supplies due to supply chain disruptions affected Bukalapak merchants.³ Meanwhile firms adversely impacted, experiencing a sales decline, pointed to slowing demand and government containment measures, such as closures of malls, (instead of supply-side constraints) as their main challenges. Merchants with higher offline sales were more severely impacted by government containment measures.

Bukalapak merchants coped with adversities (and new opportunities) by shifting and diversifying product categories, as well as shifting business from offline to online sales. Around 40% of merchants changed one or more product categories during the Covid-19 crisis, resulting in home care (e.g. cleaning equipment) replacing hobby and collection as the top-selling product category, with many sellers switching to food products and health products (e.g. masks, supplements, vitamins, immune boosters) as well as care & beauty products (e.g. hand sanitizers). Moreover, there were more merchants selling more than single-product category goods. Merchants also shifted business from offline to online modes. On average, merchants reduced the share of their offline sales by six percentage points, from 29 percent in February to 23 percent in April. The percentage of merchants that only sold online also increased from about 36 to 43 percent.

Half the merchants expected to be out of business within three months if existing conditions persisted. Only one third of merchants expected to be able to continue beyond one year. Merchants who could keep their lights on longer were associated with, among others, higher sales performance, higher shares of online sales out of total sales and longer time of selling on Bukalapak.

Bukalapak's digital merchants were five times more likely to receive Covid-19 related government support compared to the average firm surveyed in the first round of the World Bank Covid-19 Business Pulse Survey in Indonesia (COV-BPS).⁴ While 36 percent of Bukalapak merchants received government assistance, only 7 percent of firms surveyed in the COV-BPS had received assistance from the government. A high share of digital merchants whose sales went up between February and April also received government assistance (39%).⁵ Meanwhile, 66 percent of Bukalapak merchants who experienced a sales decline never received or did not know about any government support programs. Medium merchants were more likely to receive tax assistance⁶ while micro and small merchants were more likely to receive government assistance via cash transfer programs⁷ and the electricity subsidy, respectively (Figure 2).⁸ Meanwhile, the COV-BPS findings show that large firms with 100 or more employees were more likely to receive fiscal assistance⁹ while micro, small and medium firms with less than 100 employees mostly received food vouchers. Bukalapak also offered assistance to their merchants. Merchants preferred to receive a "service charge reduction" and "delivery cost discount" from Bukalapak as part of Bukalapak's support programs to mitigate the impact of the Covid-19 crisis.

³ Source: Bukalapak

⁴ The COV-BPS is a phone interview-based on how Covid-19 is affecting firms in Indonesia. The first round of the survey was conducted in June 15-23, 2020 with 850 firms. The COV-BPS survey is a supplementary survey to the Digital Merchant Survey, but it differs, amongst others, in sectoral coverage, firm size coverage, and timing from the Digital Merchant survey. The comparison is indicative and not conclusive.

⁵ Government assistance received included assistance targeted at households (e.g. PKH, electricity subsidy)/vulnerable workers (e.g. Pre-Employment Card), and not only firms/enterprises.

⁶ Tax assistance includes 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).

⁷ Cash transfer programs include cash assistance via 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.

⁸ There was only one large merchant who responded to the survey and this large merchant did not receive any government assistance.

⁹ Fiscal assistance includes fiscal exemptions or reduction, and tax deferral.