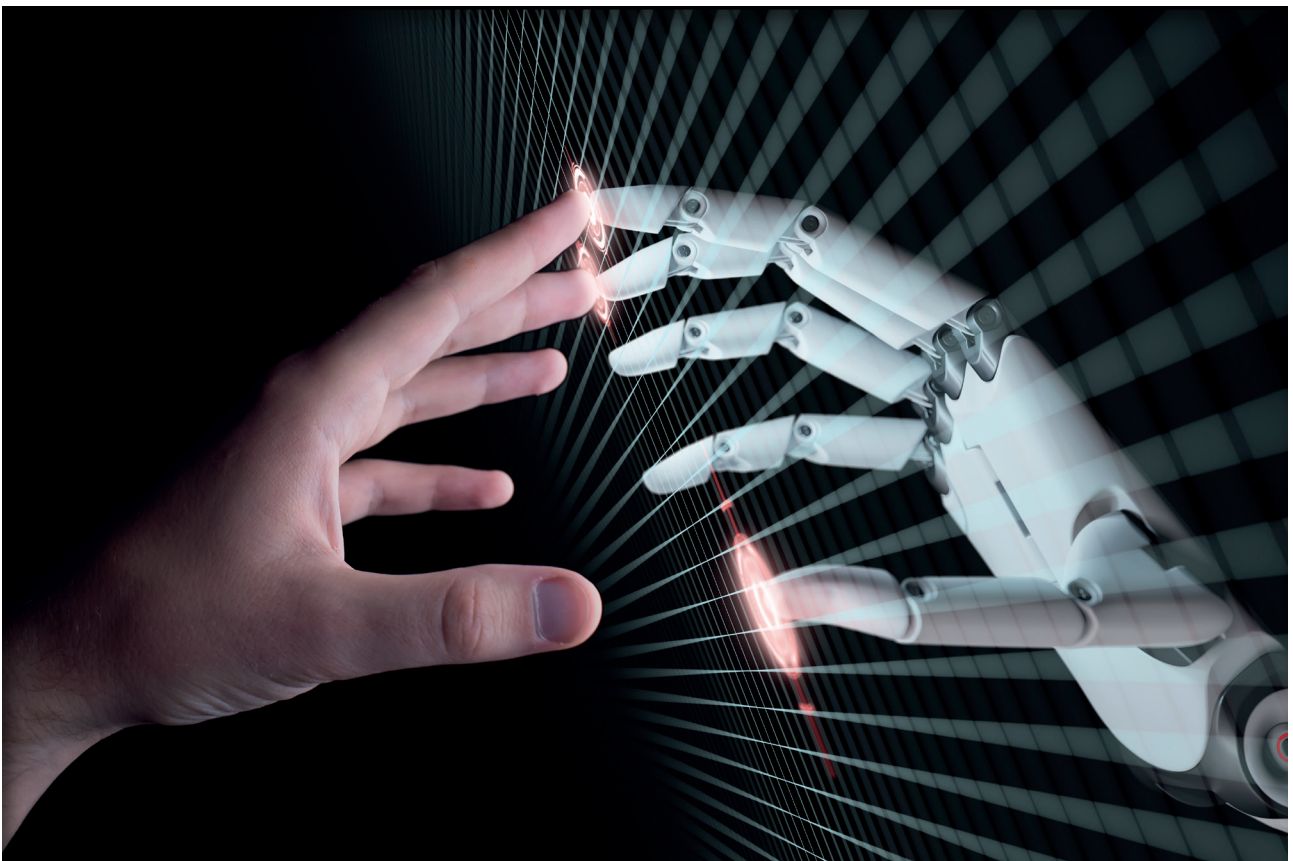


MANAGING CHANGE

Supplementary lessons for
Working with New Technology



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E-COMMERCE IN THE TIME OF COVID-19



The COVID-19 crisis has led people in many countries to significantly limit physical interactions. The strict confinement measures have put traditional **brick-and-mortar** retail virtually on hold in favour of e-commerce. This is likely to have long-lasting effects.

Nevertheless, not all online sellers and product categories benefitted from the rise in e-commerce.

In the United States, for example, a **surge** in demand was observed for items related to personal protection (e.g. disposable gloves), home activities, groceries or ICT equipment, while demand dropped for items related to travel, sports or formal clothing (e.g. suitcases,

bridal clothing, gym bags, etc.). Shifts towards e-commerce also occurred along the food supply chain, including farmers who started using digital technologies to sell their produce directly to consumers or restaurants that switched to providing food or grocery delivery services.

In Germany and Korea online sales grew significantly for medicines and groceries, whereas online transactions involving culture and leisure services or travel arrangement and transportation services declined significantly.

While dynamics likely vary across countries, these data suggest that despite the shift to e-commerce, a significant **share** of e-commerce sellers are facing the same economic repercussions as traditional brick-and-mortar retailers, following reduced spending by individuals on items considered as non-essential.

The COVID-19 crisis has also involved a shift in demand from small and specialised sellers to larger and diversified sellers.

Evidence from the outbreak of SARS in 2002 and 2003 suggests that the epidemic has been a core **catalyst** for the digital transformation of Chinese retail. For example, the move of JD.com, now one of the largest online retailers in the world, from traditional to online sales in 2004 was a direct response to the SARS crisis. The same crises also provided the consumer base for Alibaba's **business-to-consumer (B2C)** branch Taobao, which was **launched** in 2003.

In the current crisis, for example, elderly consumers who started to engage with e-commerce as a means to enhance physical distancing might in part stick to their newly acquired routines. In Japan the increase in credit card transactions was highest for users in their 60s and 70s. Others might continue ordering online out of fear of a pandemic **blowback** or because merchants manage to retain them through **loyalty programmes**.

On the supply side, many operators of brick-and-mortar stores, who often were forced to completely shut down their physical business, are now considering e-commerce a potentially crucial complementary or alternative sales channel.

A similar argument holds for a number of other players, such as cafes, restaurants, museums or public swimming pools, which were required in some countries to introduce an online booking system to control the number of persons on their premises at a given point in time.

It has therefore become increasingly important to close any remaining **digital divides**. For consumers, these can be linked to factors like access, income, awareness or skills. Among these groups are the elderly, low-income households or individuals with low education, which is concerning given the decreasing costs of connectivity. Besides closing these divides, governments also need to ensure that consumers, and in particular the most vulnerable, are sufficiently protected from unfair, misleading and fraudulent commercial online practices by means of targeted information campaigns and training.

Experience from the COVID-19 crisis has shown that difficulties to obtain a delivery slot or wait times of several weeks **deterred** many elderly with access to digital technologies from using these tools for grocery shopping. Some grocery merchants have reacted by reserving online grocery delivery slots for elderly and vulnerable shoppers.

An area with immediate bearing for e-commerce are postal services. While logistics and postal services have been slowed in many countries, due to new COVID-19 related safety guidelines and government recommendations, service providers have reacted by fostering contact-less delivery options in several countries. For example, Italy has encouraged the use of automated parcel lockers.

Regulatory flexibility in response to the COVID-19 crisis is observable in a number of countries, e.g. allowing restaurants to increase their terrace space and creating additional biking lanes, so governments should consider similar flexibility in the context of e-commerce.

(Source: *E-commerce in the time of Covid-19*, October 2020, OECD. Available at <http://www.oecd.org/coronavirus/policy-responses/e-commerce-in-the-time-of-covid-19-3a2b78e8/>)

UNDERSTANDING

1. Read the text about E-commerce in the time of the COVID-19 pandemic.

Match the words and the definitions.

- | | |
|--|--|
| 1. <input type="checkbox"/> brick-and-mortar | a. a portion belonging to a group |
| 2. <input type="checkbox"/> surge | b. to discourage from doing something |
| 3. <input type="checkbox"/> share | c. to put into operation |
| 4. <input type="checkbox"/> catalyst | d. a business that operates conventionally rather than over the internet |
| 5. <input type="checkbox"/> to launch | e. an agent that provokes or speeds significant change or action |
| 6. <input type="checkbox"/> blowback | f. an unwanted effect or set of repercussions |
| 7. <input type="checkbox"/> to deter | g. a sudden powerful forward or upward movement |

2. Read the text again and provide a definition for the following terms:

1. Business-to-consumer (B2C):
2. Loyalty programme:
3. Digital divide:

3. Expressions with statistics. Underline in the text the expressions referring to statistics.

4. Complete the gaps with the words below.

evidence • significant • significantly • increase • shown • declined
demand (x2) • dropped • surge • shift • suggests • observed • experience

- There has been a ^{1.} in ^{2.} for tech gadgets that could help us better monitor our health during Covid-19.
- In 2008 the crisis hit and the house ^{3.} ^{4.} which means prices became higher.
- In recent years, a ^{5.} has been ^{6.} towards the increased consumption of meat and dairy products.
- A ^{7.} ^{8.} in temperature has been observed over the past few weeks.
- Our sales and earnings ^{9.} ^{10.} during the first part of the year.
- ^{11.} ^{12.} that when people are given too much information in a limited time, the information overload can result in confusion.
- ^{13.} has ^{14.} that growth in agriculture is often the most effective and equitable strategy for reducing poverty

CRITICAL THINKING

5. Supporting examples. Match the changes in e-commerce and the examples.

- | | |
|---|--|
| 1. <input type="checkbox"/> Increase in online sales during the Covid-19 pandemic | a. SARS in 2002 with <u>JD.com</u> and Taobao |
| 2. <input type="checkbox"/> Epidemic as a catalyst for digital transformation | b. personal protection items in the US and medicines and groceries in Germany and Korea. |
| 3. <input type="checkbox"/> New users | c. elderly consumers |

6. Say if the following statements are true (T) or false (F).

1. ☐ T ☐ F The digital divide could be overcome by expanding affordable and quality broadband to rural and underserved areas.
2. ☐ T ☐ F E-commerce participation by the most vulnerable could be fostered by introducing reserved delivery slots and protecting from unfair business practices and unsafe products.
3. ☐ T ☐ F The creation of innovative e-commerce business models is possible by ensuring flexibility and allowing the combinations of online and offline business functions.

7. Discuss with your partner.

1. Have you ever bought anything online? What was it?
2. What may go wrong?
3. What are the pros and cons of buying online?

PRESENTATION

8. You are the owner of a small business (bookstore, flower shop, bakery, etc..) and you have decided to create a website to boost online sales.

Prepare a group presentation for your target customers to explain the benefits of this change and to persuade them to open an account.