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How COVID-19 has affected Lagos traders

Findings from high-frequency phone surveys



In brief

- Traders had virtually zero revenue during Lagos State's month-long lockdown which lasted from March 26 to May 4, 2020.
- Once Lagos partially re-opened on May 4, most traders returned to their markets. Sales have rebounded more than employment.
- Compliance with public health measures was high immediately following the lockdown. Market regulations have been largely followed, and mask use and availability of handwashing stations in markets was high.
- Traders experienced major problems with low demand, difficulty restocking, lack of cash on hand, and transportation. Most raised their prices to cope, but few are taking out loans.
- There is widespread interest in expanding use of electronic payment methods and e-commerce, as well as exploring new suppliers, products, and product delivery modes. In practice, however, remote sales have been declining since the end of the lockdown.
- Supply chain failures are likely to be an ongoing problem. Almost half of traders reported in June that they had not yet restocked at all in 2020, and very few have succeeded in importing.

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Data and context

Data comes from the Lagos Trader Survey (LTS), which is a panel survey of 1,179 wholesale and retail traders in Lagos, Nigeria who buy and sell consumer goods such as clothing, electronics, toiletries, and homewares. Traders were randomly sampled from a census of 53,000 shops in commercial areas of Lagos State, and have been followed since 2015. The data in this report come from three rounds of phone surveys with 765 traders, conducted between April 18 and July 20, 2020.

All traders in the sample operate from permanent physical premises. The typical trader is male (73%), 42 years old, and has been in business for 14 years. As of 2017, traders had 1.3 shops and 1.2 paid and unpaid workers on average. In February 2020, before the pandemic hit Nigeria, their average weekly revenue was just under NGN 400,000 (approximately USD 1,030). Two-thirds of them imported goods from outside Nigeria in 2019.

COVID-19 has had a large impact on trading businesses

Traders' businesses were heavily impacted by the Lagos State lockdown, which lasted from March 26 to May 4, 2020. Almost all operated in markets that closed during the lockdown. Only 15% of traders considered their businesses to be in operation, and 91% reported zero revenue in the week prior to the survey.

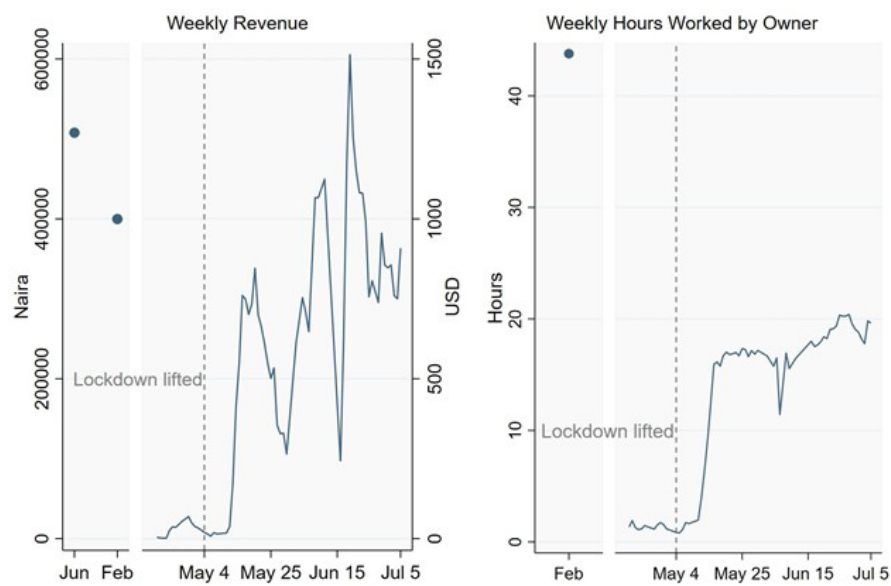
However, traders' businesses appear to have survived the lockdown. Since May 4, markets have been permitted to open three days per week, from 9 am to 3 pm. From that point forward, 85% of traders consider their businesses to be currently in operation, and almost all of the remainder expect to reopen in the future. A minority (21%) reported zero profits in at least one week in May or June, either because they had personally chosen not to return to their shops yet, or because business was very slow.

Sales have risen substantially since the re-opening and have recovered more than work hours (Figure 1). Average weekly revenue rose to NGN 359,000 (USD 935) in June, which is approximately two-thirds of the average revenue in June of the previous year. Hours spent working in the business by traders themselves were still less than half of their pre-pandemic levels.

Employment is also still much lower than the pre-lockdown average (Figure 2). Average hours worked by all paid workers in June were still down by two-thirds compared to February, from 40 hours per week total across all paid workers in the business to 13. Total hours by unpaid workers fell from an average of 22 hours in February, to only 9 hours even after the lockdown was lifted.

“Sales have risen substantially since the re-opening and have recovered more than work hours.”

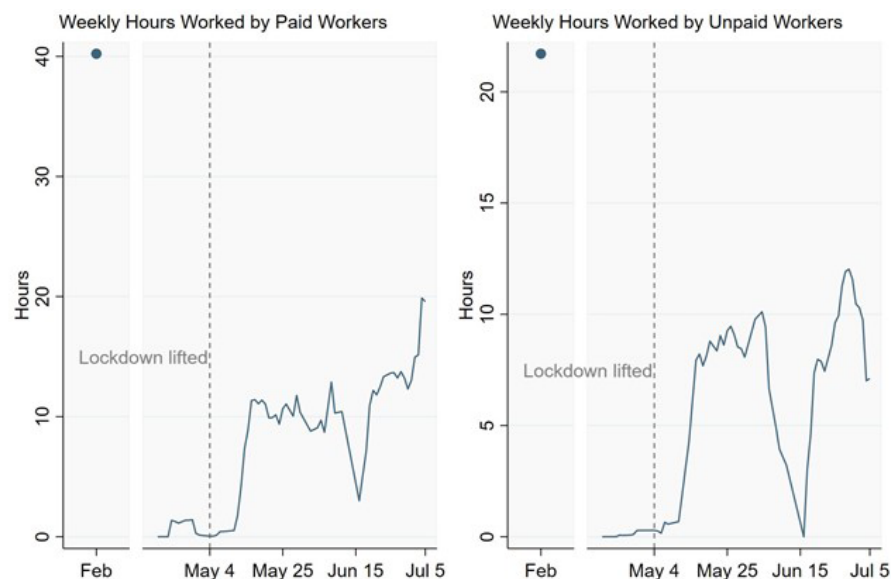
Figure 1



Note: Average value for a week in February 2020 or June 2019 reported as a single point. Values smoothed using a 7 day simple moving average.

“Employment is also still much lower than the pre-lockdown average.”

Figure 2



Note: Average value for a week in February reported as a single point. Values smoothed using a 7 day simple moving average.

Compliance with public health measures is high

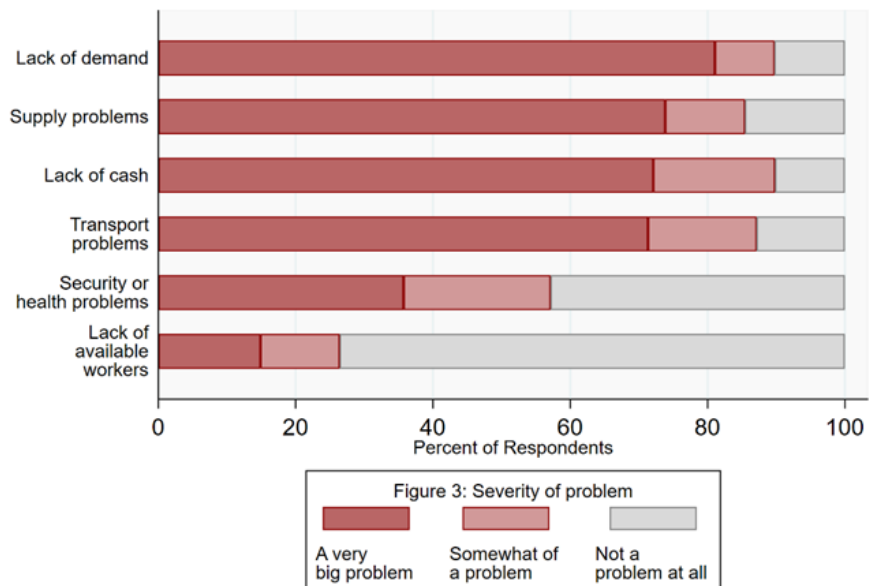
Support for the lockdown was high (78% approving) in spite of the fact that traders reported their household incomes had fallen by 94%, and a majority were “very worried” about accessing necessities for their families. Almost all reported that their markets were closed, and very few visited their shops.

Most traders have reopened their businesses since the lockdown was relaxed. However, shops are on average open only three days per week, consistent with the terms of the remaining lockdown restrictions. In May, 96% of traders reported their market opening at 9 am or later and closing at 3 pm or earlier as required.

As of May, mask use was high in markets among both business owners and customers – traders on average estimated that 93% of people at markets were wearing masks. Hand hygiene options were also good, with over 94% of traders reporting that hand sanitizer and handwashing stations are available at the market.

However, the majority of traders reported that there was no temperature control at market entrances. It is not clear how compliance may have shifted in the past three months.

Figure 3: Problems affecting business by severity



There is interest in new strategies to cope with low demand and supply challenges

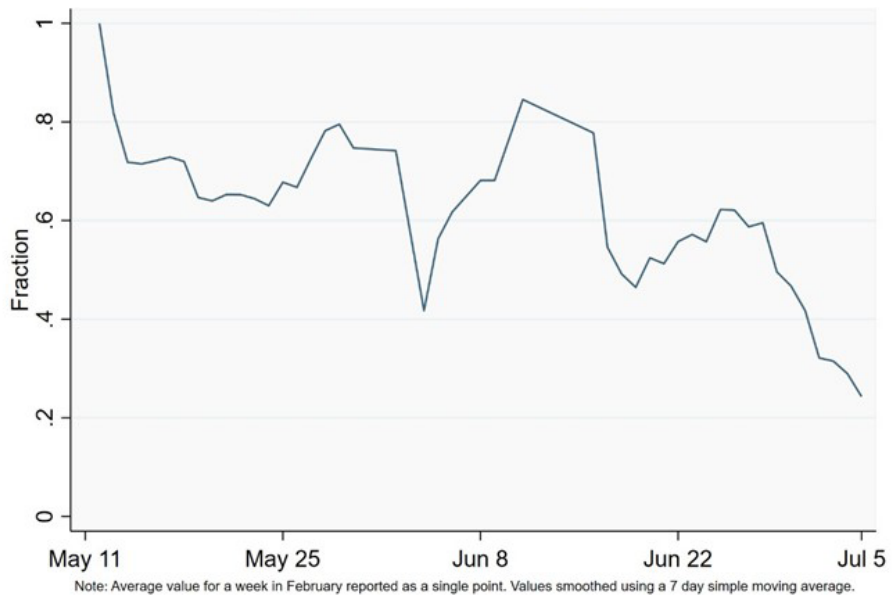
Traders are worried about upcoming business costs – including costs that are now due in arrears from the lockdown period – but most expected to be able to pay these costs as of June and intended to use cash on hand rather than taking out loans or selling assets.

Traders also say they are affected by low demand and transportation problems (Figure 3), both within Lagos to reach their shops and in receiving goods purchased from their suppliers.

The majority of traders have already increased or plan to increase their prices. Few intend to change their line of business for the time being. There is widespread interest in e-commerce and new remote approaches to business. The majority are interested in increasing their use of electronic payment methods relative to cash and a quarter are interested in sourcing goods online. Forty-two percent are finding new ways to deliver their goods to consumers. Over 80% say they plan to sell through social media in the next six months, and 48% plan to sell online in the next six months, compared to only 62% and 11%, respectively, who have done so in the past.

In May, traders reported that the majority of their sales were done remotely. That number has since fallen in June and July (Figure 4), suggesting that traders are returning to their normal business patterns as customer mobility has increased, rather than pursuing new remote sales and delivery strategies on a large scale.

Figure 4: Fraction of sales remote

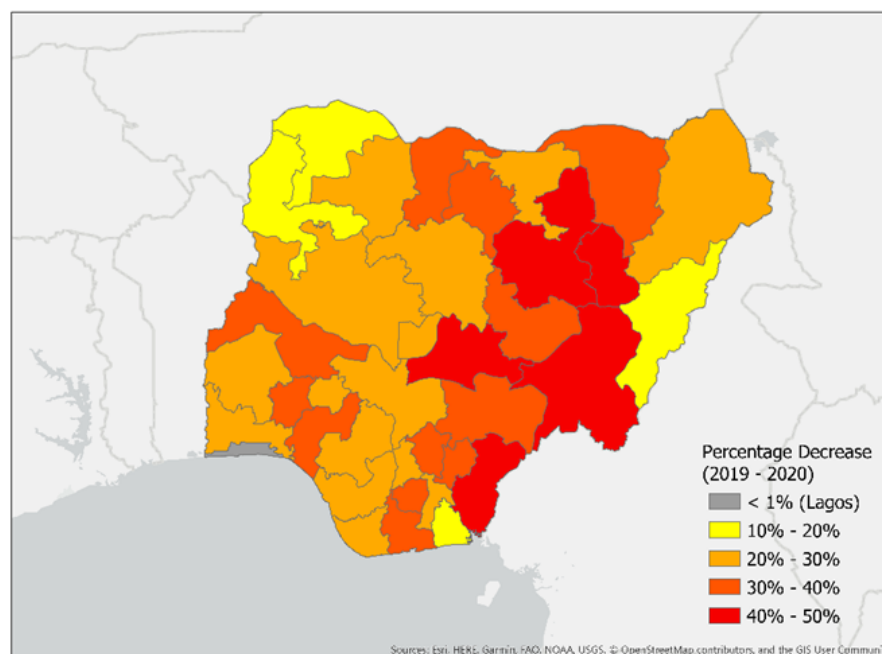


This may in part be due to traders' general optimism about the speed with which they will be able to return to their usual ways of doing business. When interviewed in June, the large majority of traders said they expected business to return to normal within a month, including the lifting of restrictions on domestic and international travel.

Lagos traders serve demand from throughout Nigeria, and so were heavily impacted by the ban on interstate travel that was in place until July. Traders are less likely to report having customers from outside Lagos in 2020 compared to 2019 (Figure 5). In 2019, 44% of traders' sales were from outside Lagos. In 2020 only 26% of their (reduced) sales came from outside Lagos.

Customers from out of state are substantially less likely to travel to Lagos to buy in-person. These numbers are likely to shift now that the ban on interstate travel has been lifted.

Figure 5: Percentage decrease in traders with customers in each state (2019-2020)



Supply chain failures are likely to be an ongoing problem

Challenges with restocking have been an ongoing issue, before, during, and after the Lagos lockdown. Most traders report that restocking became a problem well before the lockdown, in January or February 2020. Three-quarters say that supply challenges are a major problem (Figure 3).

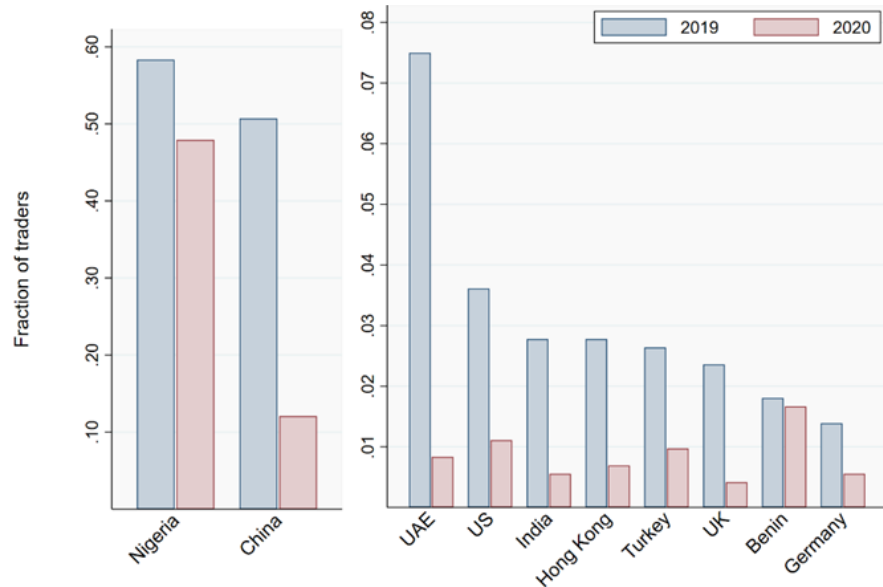
As of May, traders on average had one month's worth of goods in stock. Only 64% had successfully purchased any goods for their business so far in 2020, while all did so in 2019. Most have at least attempted to source in 2020, with common problems cited including transportation difficulties and suppliers being out of stock. Traders are facing these challenges when attempting to source domestically, as well as internationally.

Traders report a bigger drop in importing than in purchasing overall, but domestic sourcing does not appear to be a good substitute for international sourcing. Only a few traders who did not buy domestically in 2019 have started doing so in 2020.

Even for domestic sourcing, the number and total value of purchases have fallen by well over half compared to a comparable period in 2020.

Importing has taken a very large hit – for instance, over half of interviewed traders sourced from China in 2019, while only about 12% did so in 2020 (Figure 6).

Figure 6: Fraction of traders sourcing from country by year



This is likely due to a combination of factors including supply problems in China, transportation challenges, travel bans, and low demand. About a quarter of traders who sourced from China in 2019 travelled there in person to buy, while only 5% of those who bought in 2020 have done so.

To address these difficulties, traders plan to find new suppliers (29%) and add new products (43%), but fewer expect to change the countries they source from (8%), stop selling any current products (7%) or to fully change their line of business (12%).