



A study on impact of COVID-19 on Indian retail industry

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Abstract

Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10% of the country's gross domestic product (GDP) and around eight% of the employment. India is the world's fifth-largest global destination in the retail space. Retail has become part of our lives by fulfilling our needs and demands at the right time and right place with quick access for consumption. This sector operates as a gateway to consumers from upstream sectors as it provides an opportunity to consumers to purchase goods and services for their professional and personal use. The COVID-19 pandemic struck India at a time when its economy was already suffering from muted growth due to sluggish demand in the domestic market. The immediate impact of the outbreak included sudden surges in demand for essential goods and services, a heightening of the healthcare and the financial crisis, reduced employment opportunities, and a steep decline in demand for non-essential goods and services. With governments strict imposition of lockdown economy has further worsened causing major turbulences to small and unorganized retailers. This comprehensive research paper focuses upon challenges faced by the retail industry during this pandemic and innovative ideas and strategies required for its revival.

This paper attempts to analyse new retails facets entering the market, recognizing various confronts that retail sector is facing, identifying and discussing various strategies that have been and could be implemented for attracting future business opportunities. Its findings implies on leveraging digital technologies right from managing supply chain, logistics to delivery of products and services to customers for smooth flow of business in a future period In this conceptual research paper, researcher has dealt with various dimensions of retailing through existing literature reviews, journals, books, magazines, working papers, internet sites etc., and it has been reflected as reference in the end.

Keywords: retail, retailing, impact, strategy, COVID 19

Introduction

Retailing in India has reached new heights due to globalisation and ever increasing demand for goods and services from customers. This market has made its own standards with its diverse nature and cut throat competition. It is evident that only those retailers who can survive this stiff environment would be able to thrive into this sector and make it successful. The contribution of this sector to the global economy and Indian economy is appreciable. (IBEF, 2020) ^[3] India was ranked as fifth-largest global destination in the retail space. It also accounts for over 10% of the country's gross domestic product (GDP) and around eight% of the employment (jain, 2020) ^[4] This sector has been a source of livelihood for more than 40 million people in India acting as backbone to support their families' retail density in India is vast with 11 outlets for 1000 people about 58% of the retail sector contribution to annual GDP. A sea change is witnessed in terms of changing customer preferences and tastes due to major impact of updated technology, increased competition, online mode of payment, real time transactions etc. Supply chain management is vital to increase the efficiency and competitiveness of the organisation products is to be delivered at the right time and right place in order to meet the expectations of customers.

A sea change is witnessed in terms of changing customer preferences and tastes due to major impact of updated technology, increased competition, online mode of payment, real time transactions etc. Indian retail sector is mainly categorised into organised and unorganised sectors.

COVID 19 has been a disaster to the entire globe. The unprecedented global crisis has tilted the business scenario upside down including retail sector. This pandemic disease has created a large impact on the retail sector and made it to a standstill position, especially to the high end and luxury retailers, it has completely dislodged the system. Only essential items are being supplied and, even that, sporadically. Non-essential items have disappeared from the retail shelves causing immense problems to both retailer and consumer. Those retailers who use to deal with basic items such as food, daily requirements has been a boon to the society whereas high end and less volatile product retailers were the major sufferers In the light of the present situation, impulse purchase continues to decrease as consumers stay focused on their expenses and daily requirements. It is observed that most of the disposable income was spent on groceries, medication, supplements as an immediate requirement whereas on essential and lucrative items was postponed for a future say the ineffective supply chain

of goods also reduced the demand for certain products among customers. Hygiene maintenance was given utmost importance and when retailers failed to do so they lost their loyal customers. With new and abrupt government rules and regulations anxiety existed in the minds of retailers with a severe threat of losing customers, sales, financial crisis and with the major concern of protecting health and family.

The organised retailers are able to manage the financial turbulence whereas unorganised and customers are the victims of this situation. Business are facing a major setback due to inefficient supply chain, reduction in sales, poor logistics etc During this period the consumers are also facing the threat of losing jobs, reduction in financial benefits, health care difficulties and other lifestyle disruptions which all have a direct effect on the retailers.

Statement of Problem

Corona virus played a huge role and got about a lot of new rules and changes over night. It affected many sectors which includes the retailing industry. Its effect on both organised and unorganised retail sector was good and bad. It helped the sectors move online but also faced financial issues. Retailers in India always had constant demand; people trusted their local shops for every necessity. They were part of their daily routines. When the pandemic hit, the lockdown shut business for a while and after the lockdown was slowly lifted, the consumer buying patterns shifted. This created a lot of chaos. Retailing has become the backbone of the service sector because of its significant input for the development of the economy. It helps in meeting consumer requirements on time with quick delivery of products and services It is noteworthy that novel corona virus has a tremendous impact on this sector with regard to reduction in sales, ineffective supply chain and change in customer pattern and behaviour. The main intention of selecting this topic is to ascertain its revival strategies for future sustenance and development

Objectives of the Study

1. To understand and analyse the effect of Covid 19 on retail sector with regard to sales, supply chain management and customer buying pattern.
2. To determine the significance of technology in reviving the retail sector
3. To ascertain the strategies to be used for sustenance and future development of retailing in India.

Research Methodology

The study undertaken being conceptual in nature, the data for the purpose is obtained from the published sources like reference works, research publication, government report or reports from other survey institutions etc., relating to research.

Review of Literature

(Debnath, 2020) The author in the study attempts to analyse the impact of corona virus in the area of awareness level of buyers, online services and huge price rise of products on consumer purchase behaviour in retail sector. From this study it can be inferred that online services are on rise but requires on time delivery and hygiene maintenance for providing customer satisfaction. Retailers should understand the importance of e- mode of purchasing and distant services for good of both. Online delivery should be backed with on time delivery to improve good customer relationship.

(Rajalakshmi, 2020) The author in the paper analyses the impact of COVID 19 on both the organised and unorganised sector of retailing. The study further ascertains that market to be divided into essential and non-essential items market on the basis of customer perception. This covid-19 had a great impact of non-essential items retail business and whereas it has shown ways to essential item retailers to form a new strategy, adoption of technology, operational changes, etc, to stay in the business forever. Either the effect is positive or negative this COVID-19 has been an important factor for the retail business to have new facets.

(raj, 2020) The Author aims to find the short and long term effects of the novel coronavirus on retail stores. What we call the new normal has caused innumerable changes in the world of retailing. From transitioning to online business to delivering goods from home to home, retailers are doing everything to meet the demands of their customers. While there was a boom in the pharmaceutical and food industry, there were many industries that faced harsh environment in the market. As these are the immediate or short term effects of the pandemic, there are several long term changes which they will have to adapt to. (talwar, 2020) During the times of pandemic, finance plays a huge role. Impulsive spending becomes cautious spending at times like this. Similarly, retailers had to reduce costs on channels of distribution and had to concentrate on creating a more hygienic and safer space for customers to come back to them. The study speaks about the financial impact the retail industry had due to COVID 19. Given the uncertain markets, the retailers had to cautiously invest on products. Some retailers even mixed their products according to the needs of the market. Selling PPE kits and masks along with their other products. The paper speaks about the financial anxiety, optimism, financial security, deliberative thinking, interest in financial issues, and needs for precautionary savings, on the trading activity of retail investors during the pandemic.

Discussion

Loss of Sales

Novel corona virus has drastically slowed down the sales of retailers specifically with regard to non essential and luxury goods. (Times, 2020) [10] According to the statement of confederation of all india traders (cait) Indian retail traders have suffered a business loss of Rs 15.5 trillion during the lockdown period. Stringent financial crisis has affected the income of consumers changing their whole purchase and consumption pattern. Daily requirements became the priority of consumers. Kirana stores, supermarkets and retail industries dealing with necessities of life had a minimal impact whereas hypermarkets, retail outlets dealing with electronics, beauty products, fashion goods, high end luxury products faced a major drawback. CIO Indian survey depicted that sales had the worst hit during these hard times followed by production due to improper supply chain management, logistics and financial crisis

Ineffective management of Supply Chain

Government mandate of social distancing, hindered transportation and lock on borders has affected the supply chain management and logistics. With less time for preparation of lockdown it compounded the challenges of business and government. It increased the cost of operations, with the increased major gap in staff requirement to fulfil the orders as migrant work forces had moved to their hometown due to scarcity of income and food. There was also impulse buying behaviour and surplus hoarding of products that was on rise due to threat of scarcity in future. with a complete disturbance of desired supply of goods, raw materials and delivery schedules entire supply chain was shattered into pieces creating a heavy lag to manufacturers to produce as per demand and make delivery schedules. Unavailability of the workforce employed in manufacturing units compelled the manufacturers to face a heavy lag to process/produce products as per market demand.

Unemployment and Closing of Stores

Five months into the lockdown, India had witnessed a sharp decline in the number of jobs in the formal sector. The government has cited the unprecedented economic crisis behind the job situation in the country. With shut down of shopping malls, retail stores and factories has led the economic activity to a grinding halt and revenues fall to a virtual bloodbath. Job cuts have been swift and brutal. Standalone stores have reduced the number of retail staff, delivery executives have been furloughed and a large chunk of workers in the supply chain industry and at the backend level have been put on leave without pay. The Retailers Association of India (RAI) has estimated about six million jobs losses in the retail sector in the coming months due to the Coronavirus impact. (Statista, 2020) As per recent survey conducted by Retailers Association of India it is for that retailers expect layoff of about 20 percent of their manpower. Small retailers are expecting to lay-off 30 percent of their manpower; going forward, this number falls to 12 percent for medium retailers and 5 percent for large retailers. It also brings to light more than 300 retailers have revealed that they have received little or no financial support from banks to recover from the impact of the COVID-19 crisis when they needed it. The findings seem to suggest that PSU banks have been comparatively more helpful than private banks.

Retailers are among the most resilient entrepreneurs of the Indian ecosystem. Retailers selling both essential and non-essential items have reported a 40 percent and 100 percent drop in sales, respectively, due to the COVID-19 situation. The closure of business over the past couple of months has resulted in loss of revenue, which has rendered some of them unable to pay salaries to their staff. The reluctance of banks, especially private banks, to come to their aid is unfortunate, and could hurt not only retailers but the banks themselves. Banks have made huge investments in the retail sector, and if the sector struggles to get back on its feet, a significant portion of that investment could turn into non-performing assets. This situation made us realise bankruptcies are inevitable due to store closures and realignment of back end costs.

Consumer's buying Pattern and brand loyalty

The vast majority of Indian consumers have tried new shopping behaviours and digital habits during the crisis and report a high intent to continue. Though most Indians are still waiting for indicators beyond the lifting of restrictions to return to normal out-of-home activities, more are engaging in them. Not only there was a shift to essential items added with a flight to digital omnichannel with a shock to loyalty of changing stores, brands and the way they shop. On a survey conducted by McKinsey and company it reveals changing consumer pattern, their income spending behaviour and expectations.

Consumer sentiment on china products also has met a chaotic behaviour on some of the china products other than appeals. Some of the consumers stopped purchasing the china products and it has led to the decrease in the sales of it, where some of the retailers who had big investment on such products met losses and affected negatively on their business.

Financial Stress

Many essential and non-essential retailers have been facing financial issues. Many retail shops and its sister stores have also been shut down. The financial burden of investment and expenditure for retailers is under crisis as where the small retailers are unable to meet their daily expense and business cost such as paying rent, inventory and increased supply cost and loss of sales has led to the situation where they were not able to meet

their business operations cost. Even after paying the daily expenses, maintaining and ensuring that the products are in a good quality during the lockdown was a burden every single one of them had to bear.

Findings

- The covid 19 has spreading with alarming speed, bringing economic activities to a halt as countries imposed tighter restrictions on movement of transport.
- The crisis is expected to plunge most countries into recession with a severe fall of per capita income.
- The impact of corona virus pandemic in India is largely disruptive. India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% according to the Ministry of Statistics.
- Up to 53% of businesses in the country were projected to be significantly affected
- Fast-moving consumer goods companies in the country have significantly reduced operations and are focusing on essentials.
- Supply chains have been put under stress with the lockdown restrictions in place; initially, there was a lack of clarity in streamlining between what is essential and what is not.
- Those in the informal sectors and daily wage groups have undergone at the most risk as there were no standard rules and regulations to protect them.
- It is observed that during lock down Indian retailers have suffered a huge loss of 15.5 trillion in their sales.
- Essential goods have become the top priority of customers.
- Retailers dealing with luxury, non-essential and high end products had a major setback with a drop in sales of 76%.
- Ineffective supply chain was caused not only due to lag in transportation but also because movement of labour forces to their respective hometowns and impulsive buying behavior of consumers.
- It is clearly evident there was no financial support provided by any financial, private institution and the government during the financial and economic crunch of workers.
- There was a major shock due to change in consumer purchasing pattern by changing their brands, preferences to ones that are easily accessible.
- Customer sentiment was also hurt due to ban on certain products from china, unable to purchase their comfort goods due to affected income pattern.
- Retailers, who failed to accommodate heavy traffic, manage the compatibility of online shopping with e-payments and delivery lost their loyal customers.
- Retailers equipped with digital technology scaped through the lockdown by managing to run their business.
- Financial crisis had its major impact on retailers business cost such as paying rent, inventory and increased supply cost and loss of sales.

Suggestions

“The recovery will depend on the Government’s support to the sector. It may take a minimum of three quarters to stabilize. As per a survey conducted by Retail Association of India “70 percent of retailers expect business recovery to happen in more than 6 months whereas 20 percent expect it to take more than a year. The Ministry of Home Affairs’ directive has allowed states to open retail stores as per their own independent guidelines. This has led to multiple interpretations and rules that have inconvenienced customers and retailers while continuing to severely impact demand and sales. The problem has been compounded by the change in the definition of stores; large standalone stores are considered malls in Gujarat, Punjab, Uttar Pradesh, Andhra Pradesh, Telangana, Tamil Nadu and Assam. Furthermore, states like Karnataka, Kerala and Tamil Nadu have prohibited stores from operating air-conditioners inside stores. We need a policy framework that allows for the non-discriminatory reopening of retail and time-bound resolution of fiscal and legal matters.”

Digital technology is transforming retail sector. The current pandemic highlights its usefulness in providing safer care, but digital technology must be implemented thoughtfully and designed to address issues that are barriers to current adoption. Technology advancements using virtual platforms, digitalization methods, and improved connectivity will continue to change the future of transaction, payments and scheduled delivery. The online stores should make an attempt to expand its customer base by tapping new territories and customer groups. Customers who followed traditional option of buying goods physically are now open to exploring new and safe options of buying products/services online. Retail sector should seize this opportunity by creating novel ways to attract new customer groups like the boomers who have the purchasing power but stayed aloof from buying online. This can be done by rolling out enticing offers, discounts to increase stickiness and also providing safest delivery on time.

It is important for the business to grow, and upgrade the existing platforms by making them future ready the current situation demands cloud-based platforms, that collect real-time data and provide valuable recommendations using analytics. The most important platform which would help to achieve flawless Supply Chain Management is enterprise resource planning (ERP) systems. Adoption of the right ERP system to monitor real-time demand, supply, manufacturing status, logistics and distribution would prove helpful in demand planning. Retailers can connect with more neighbour local stores to expand their customer base. This would expand the product change and ensure higher availability for customer.in return local stores can increase their business opportunity by partnering with these platforms this method is more successful in online business

Safety should be made as the primary concern since most people are buying online because they think it is safe. By adopting measures such as regular temperature checks, mandatory wear of gloves and mask, cashless payments, double-layered packaging of the products should be incentivised, providing opportunity to customers to write the instructions for delivery and follow the same while delivering. The omnichannel model allows brands to deliver a personalized experience via different channels and consumer touch points. Players in the retail sector need to align their strategy with the demands of the digital consumer. Forced to stay indoors to prevent the spread of the corona virus, the consumer now relies heavily on online channels to buy essentials such as groceries and medicines as well as non-essentials. Merchants need to streamline their delivery models to support the increased online orders and ensure a safe delivery experience.

Significant changes in buying behaviour have also made it vital for brands to meet consumer demand via multiple channels. Along with e-commerce, consumers have shown increasing preference for new engagement models such as buy online and pick up in-store (BOPIS). Likewise, with a striking increase in mobile app downloads, retailers must plan to leverage the mobile channel to engage customers. It is vital for a business to have a clean and clear supplier management. This can be achieved by formalizing supplier orientation, assessment and relationship models by following just in time and priority based approach.

Retail giants use cost consciousness as the key. Though retail supply chains are generally cost intensive, retailers would always try to reduce the cost. Last-mile fulfilment is a common cost-base for retailers. It is observed that many retailers are using strategies such as micro-fulfilment stores, dark stores and distribution centres to keep the cost and management intact.

Just as risk mitigation, cost reduction and demand prediction all depend on data, they also depend on end-to-end visibility across all layers of the supply chain. Issues can be spotted in real-time, whether they're related to supplier fulfilment, workforce shortages, or customer delivery commitments.

Scenario planning can be a good starting point for retailers to prepare for the consequences of Covid-19 pandemic. In this process, retailers must review changes in consumer behaviour and develop macroeconomic perspectives based on potential economic impact across key markets and categories. They can also assess competitor plans and review how they are positioned for the recovery process. Make baseline revenue projections and identify initiatives to build an operational starting point. Retailers must also set a strategic direction and identify performance improvement initiatives to lower costs and build new capabilities. For instance, they can make changes in the store operating model and adjust the operating hours and worker strength in accordance with the reduced traffic. Use this time to plan ahead and create opportunities.

Conclusion

In the hard times it is important to revive and sustain the sector challenges & opportunities. Retailing has seen such a transformation over the past decade that its very definition has undergone a sea change. No longer can a manufacturer rely on sales to take place by ensuring mere availability of his product. Today, retailing is about so much more than mere merchandising. It's about casting customers in a story, reflecting their desires and aspirations, and forging long-lasting relationships. It is vital for the retailers to upgrade themselves with the technology, using strategies in terms of marketing, advertisement, partnerships and delivery this sector has all the possibility to bloom provided it has enough government support, policy and regulations made clear and implemented with the locomotive growth.

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