



IMPACT OF COVID-19 ON RETAIL INDUSTRY AND SUPPLY CHAIN IN INDIA

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Abstract

Coronavirus epidemic affects people, the environment and the industry. As responsible companies, all retailers take the requisite preventive steps to guarantee the safety of their employees and customers. The ultimate aim is to ensure quick and uninterrupted availability at reasonable prices of necessary food and food items so that people do not panic. It's imperative that all stakeholders come together during these crucial times. There is a shift in consumer behaviour from offline shopping to online shopping as people who used to be opposed to online shopping are now being forced to explore online due to the restrictions in force. Organizations should observe market preferences closely, and they should provide an innovative business model to remain relevant. This study aims to understand the effect of COVID 19 on the Indian Retail and Supply Chain perspectives.

Keywords: COVID 19, Indian Retail, Supply chain

Introduction:

India's emerging economy is among the world's fastest growing. The significant rise in GDP, along with the increasing spending power of Indians, is leading to the phenomenon of consumerism. India is set to become only the US and China's third largest consumer market, and consumer spending in India is expected to rise from USD 1.5 trillion to nearly USD 6 trillion by 2030, (times, 2019). Increasing urban demographics, rapid development of shopping malls, the evolving breed of brand-conscious customers and various Western influences are changing the Indian retail industry's face (Broadbridge, 2008). Indian Retail Industry has more than 15 million outlets, both big and small, conventional and modern. Retail employs 40-50 million Indians directly, of whom modern trade employs more than 6 million Indians, representing almost 12 per cent of the country's overall Retail consumption. For approx. Retail leads. 40% of India's demand and 10% of India's GDP. The whole country faces a situation in which everybody is advised to stay at home to curb

coronavirus spread has greatly affected retail business. The economy is at stake, as most offices and manufacturing companies are shut down. Despite of the poor supply chain, businesses that are ready with goods for sale are unable to give it to retailer. Most shops were shut down throughout the country, with the exception of stores selling essential food & grocery. Food and grocery players and chemists, who deal with essential commodities, even though they are now allowed to operate, face challenges. Such challenges include controlling customer demand, maintaining availability, disrupting the supply chain, controlling store operations to maintain social distance and proper hygiene, governance concerns and maintaining employee health and safety. (Mishra, 2020). Garments, electronics, mobile phones, furniture, hardware etc. almost all stores are closed. Non-Grocery/food retailers are reporting 80 per cent to 100 per cent reduction in sales. Even retailers of essential items are facing losses as they aren't allowed to sell non-essential items, which



would bring them higher margins (IndianExpress, 2020). To recover the retail sector government support plays important role.

Because of COVID 's widespread influence, business across sectors looks dull and impacts the economy as a whole. The closure of shops and malls has badly affected all retailers. This might lead to major job losses as businesses are not expecting to be able to sustain that for too long (Economic, 2020)

The country is experiencing one of the longest and the most stringent lockdowns in the world, posing unique challenges for stakeholders across the retail value chain. Due to COVID 19, issues such as shortage of labour, over-stocking, and transport and logistics restrictions have put a serious dent in retail revenues (Netscribes, 2020). According to the Indian Retailers Association (RAI), about 95% of non-food stores shut down during the lockdown period, reducing earnings to just 40% of last year's figure. (express, 2020).

COVID not only forced companies to think about new and unique ways of catering for consumers, it also had a profound impact on consumer behaviour (Kumar, 2020). Customers are now increasingly exerting caution over where, what and how they make their purchase decisions. With a demand in surge for essentials, companies across the globe, are rushing to streamline their supply chains to secure immediate operations. (Razdan, 2020).

Objectives:

- To study the impact of COVID 19 on Indian Retailing
- To know the outlooks of COVID on retail supply chains

Methodology used for this study is secondary data

COVID impact on the key segments of Indian retail

Kirana or the small standalone stores: The outbreak of coronavirus has shifted the way businesses operate in India. Now the usually careless 'kiranawala' has become a man following

strict protocols. Such retail stores make every effort to minimize risk of unnecessary exposure to others (Sheth, 2020). The effect on their activities may be negligible, and probably even positive. If the supply side is maintained, these stores could see patronage growth even. Supply chain restrictions might not hit them very hard, as manufacturing companies always focus on penetration into this segment because it constitutes a substantial majority of the retail sector. The only drawback they could face is a crunch in cash flow. Kirana stores are known to offer credit on rotation. Even if they reduce this during this period, their cash flow might be affected (Rajesh, 2020). Covid-19: Pandemic pushing smaller retailers to accept social trade and in fact Amazon has launched an initiative for local stores in India this is a first for the company (Banerjee, 2020).

Mass merchandise stores: Supermarkets could have a relatively smaller impact, because they sell mainly essential products. Hypermarkets, however, could face the brunt of this shutdown, because most of them are in malls. Non-food FMCG products purchased as part of the panic purchase would only be stored at home. In a hypermarket, the inventory of various other products such as shoes, etc. will have to be liquidated by major discounts (Rajesh, 2020). Several retailers would face pile-ups of inventories, and even others might face serious supply issues. The retail sector often needs a fast turnover of working capital. Some smaller stores will find themselves in a cash crunch with inventory pile ups (Verma, 2020). Moreover retailers of mass merchandise – such as Walmart, Amazon, Target and Costco – saw the pandemic 's sales continue to rise. Meanwhile, a number of other retailers have struggled – particularly in the department store, apparel, and luxury sectors. (Berthiaume, 2020).

Consumer durables & IT product stores: These stores would be hard hit too. Some durable product categories have a loss of sale and Supply chain bottlenecks faced by producers due to obstruction by Chinese vendors. Moreover Shopper behavior of postponing purchases of high tickets in a period of



uncertainty and gloom (Rajesh, 2020). Companies are seeing a 25-30 per cent decrease in industries such as furniture, appliances and cell phones from the start of the national lockdown (Tandon, 2020). India's largest consumer goods firms saw Covid19 led disruptions that dramatically improved online sales in India and doubled the revenue and contribution to the overall market for many e-commerce companies. The top companies like Hindustan Unilever, ITC, Parle Products, LG, Vivo and Godrej (Mukerjee, 2020). Further several retail stores are still closed due to liquidity problems.

Apparel and other lifestyle stores: Seasonal collections based on fabric, colors and styling are critical for the fast fashion industry. Fashion retailers such as Tommy Hilfiger, Calvin Klein, Ritu Kumar, Arrow, and Jack and Jones are planning to push their spring-summer collection until October or before Diwali to clear up inventory during lock-up (Balram, 2020). One of their greatest challenges will be excess inventories. The existing stocks from the preceding season plus the summer lines would put enormous pressure on these companies (Rajesh, 2020). Post COVID-19 crisis, consumers will be uncomfortable touching and feeling anxious about who would have touched it before them in retail stores (Ganguly, 2020). Online channel has been the Quickest way to recovery having two avenues online business market place (like Flipkart and Amazon) and Brand.com (own website or app) (Kearney, 2020).

Online Retail: In India, the number of first-time ecommerce users in India has increased, Online retail is not a single category, and Most of the different categories and sectors has concern particular online retailers (Rajesh, 2020). The increase in B2C ecommerce in India is due to established online shoppers stocking up on critical products due to the coronavirus outbreak and the government's lockdown (Halan, 2020). Although online sales rose 55 percent to \$66.3 billion in July 2020 compared to July 2019, growth in online sales dropped from June 2020 when online sales were up 76 percent year-over-year compared to June 2019. The research firm says this is because of the

reopening of stores around the country (Crets, 2020).

Key aspects that consumer businesses need to focus on from a supply chain perspective

Out-of-Stock Situations: Grocery retailers face severe out-of-stock situations as customers stockpile supplies (Kumar, 2020). Therefore, businesses will analyze their forecast assumptions and demand expectations, not just for their own categories but also for categories that compete for wallet, transportation infrastructure, media estate, etc.. in addition to evaluating distribution planning and inventory levels of critical items.

Risk assessment: Consumer businesses need to recognize their primary suppliers and assess their risks and the ability to meet supply requirements. (Kumar, 2020). With a increase in demand for critical products, companies should recognize the capacity and timeliness of their suppliers to supply materials with the right quality standards. Furthermore, business leaders should understand how emerging techniques and technology can provide greater knowledge. Risk assessment tools that use machine learning, for example, will identify trends that may signify threats or opportunities in macroeconomic, geopolitical and global health, exchange rate and other data (Keegan, 2020).

Observation of inventories and products flow: Retailers must monitor inventory levels, so it is important to have control of all product inflows. Retailers will also seek to gain knowledge of manufacturer production plans, shipments and so on and predict any material flow interruption situations in advance. (Kumar, 2020).

Cash / liquidity status evaluation: Retail companies will also evaluate their liquidity positions and future acquisition, borrowing or liquidation options. The move to well-established cash management and forecasting instruments is an idea worth considering (Kumar, 2020). Depending on the industry, many companies will see lower revenues resulting in lower cash flow and delayed collection of receivables, as the need to increase



payables to major suppliers increases. Owing to the uncertainty in the supply chain, which will also place demands on working capital, companies should expect to become much more flexible in managing inventory (Cohen, 2020)

Shift to 'safe retailing': COVID-19 has driven customers to prioritise health and supply chain safety over cost and convenience. There is a definite requirement for retailers and consumer goods companies to realign their operations in ways that provide minimal touchpoints. To this effect, majority of consumers today (82 per cent) intend to buy from retailers/brands who have demonstrably taken measures to improve their product and supply chain hygiene in the context of COVID-19.

Suggestions:

- When customer behavior moves from offline shopping to online organizations should follow consumer trends closely and have an adaptive business model to remain relevant.
- While big-ticket purchases are likely to be pushed to another 3 quarters, there may be an increase in small-ticket spending such as eating out, purchasing clothing for good after lockdown. This will be more like symbolic buying.
- Collaborations with other companies should be given more priority to retailers. For example, in areas such as compliance within stores, collaboration for revenue e.g. for distribution and delivery. With demand for home delivery, companies should also consider partnering with established players who can offer digital ordering and/or last mile delivery capabilities.
- Policy should concentrate on giving the customer more money, which would inevitably flow back into the economy as consumer spending rises.
- Future-proof company by digitizing supply chain processes and creating a strong presence on the Omni platform.
- An assessment of minimum cash and liquidity requirement. In addition to the liquidity role, know

edge of cash reserves or shortages would be a starting point for finding opportunities to protect and strengthen your role.

Conclusion:

Retailers across the board in India must face the heat when it comes to financial management with declining sales for most categories and pending rent, wage, and interest payments. This will become crucial at this juncture for retailers to concentrate on cost management so they can have enough cash and margin buffer to help them thrive in the medium and long term.

Considering the confusion surrounding the crisis, retailers will have a cross-functional rapid response team to deal with any incident that could arise. They must be flexible and adaptable to alter operating models and product selection in order to satisfy the requirement which is most relevant at the given time point.

Retailers would have to repurpose their supply chain in order to accommodate variations in demand across their categories despite supply constraints. They need to build the ability to manage stock and logistics through shops in a highly complex manner before business returns to normal. Digitization will help to re-imagine business operations and meet consumer demand for rapid fulfillment as market shifts to more Omni channel and delivery-based models.

When the company is operational, they will concentrate on redeploying and adapting staff skills to meet the demands of the current business environment. Retailers need to ensure that contact with customers continues in the crisis era. They need to create trust in the minds of customers that they can take appropriate measures to ensure their health and safety at the stores.

Despite the current COVID-19 outbreak, no one can estimate the material effect of this crisis on the sector despite certainty. Nevertheless, this pandemic will serve as a warning for rapidly developing a scalable and agile market and operating model to take care of potential disruptions. It will mean a big focus on transitioning to a digital enterprise.



Now is the time for retail players to take stock of company building up. the current downturn and invest in a more stable

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