



“TO STUDY THE IMPACT OF VARIOUS CHALLENGES CAUSED BY COVID 19 PENDING AND STRATEGIES REQUIRED TO OVERCOME IT - A CASE STUDY OF INDIAN RETAIL SECTOR”

1 Mr. Divakar Joshi
Assistant Professor

IHGI, Loharan, Jalandhar Punjab

2 Mr. Ankush Sharma
Assistant Professor

IHGI, Loharan, Jalandhar Punjab

3 Ms. Rekha Sharma
Assistant Professor

Lyallpur Khalsa College, Jalandhar

Abstract

Indian retailers are now days faced with a multitude of challenges – “now”, “next”, and “beyond”. We are currently in the “now” phase where the most retailers are coping with a complete pause in business. Even food and grocery players and chemists, that deal with essential commodities, although allowed to operate now, are also facing challenges. These challenges include managing consumer demand, ensuring of liquidity, supply chain disruptions, management of store operations to ensure that social distancing and proper hygiene, governance issues, and ensuring the health and safety of employees. While the essentials (personal care, food and beverage, home care) would be the lesser impacted, health and economic concerns would rather reduce consumer confidence and their spending on non-essential goods (apparel, furniture) and high ticket items (consumer electronics, jewellery). In the medium term, or the “next” phase, where the government starting easing restrictions, retailers will need to focus on bouncing back from the current situation. In the long-term “beyond” phase, they also need to focus on transforming to succeed in a new business landscape. The challenges would be seen as to cater to consumers via their preferred channels and to build business resiliency to operate with smoothly during any future crises.

Index Terms: retail, challenges ,supply chain management, business , goods, causes, solution, Techniques, phases

Introduction

As we have seen that entire countries come under quarantine orders and consumers around the world start to shun human contact, retailers are scrambling to adapt. They must recognize the global response to the novel COVID-19 virus will have a significant and relevant impact on their business. They understand the situation is changing daily. And they know they have a very little time to respond. Over the past few weeks, we have been talking with all our retail sector clients about the impact of this pandemic may have on their business. More importantly, we have been helping them think through how to prepare for the longer-term implications and also to remediate the shorter-term shocks. Our conversations have suggested that there are five key areas where retail sector is required and should be focusing their attention in today's highly-fluid social, economic and also health environment.

Managing Demand Fluctuations :- In 'red zone' markets where the virus is spreading, almost every retail outlet - except grocery stores and pharmacies - has almost shut their doors. Even those markets which are not under quarantine orders have also seen a precarious drop off in physical footfall in retail outlets including malls. While some retailers are seeing demand fall away and the customers shift channels, others are also facing a huge unprecedented spikes in demand. The Grocery retailers, mainly are dealing with significant out-of-stock situations on many significant products as consumers have seen hoover up supplies particularly perceived to be essential. This ability to predict and as well as manage demand has never been more important.

Shoring up the cash reserves :- The Retailers particularly those with the physical footprints, are also rethinking their current cash positions and also trying hard to assess how they will continue to pay the bills should the downturn in demand will continue for a prolonged period of time. Retailers should be taking a very close look at their current and predicted liquidity profile and also assessing any changes in its working capital dynamics or short term cash forecasts. The industry's high dependency on cash in order to pay for stock, real estate and above all staff, many of the retailers are now also talking with the policy makers to see how they can be able to influence and take advantage of any hardship funds, rental renegotiations and rate holidays. Many retailers are also now seen in reviewing their overall financial stability under a variety of different scenarios and, if it be required, engaging with lenders in order to refinance loans or amend financial covenants also.

Protecting the people :- The COVID-19 virus has already been seen that have led to a number of workplace shut-downs and also quarantines. Retailers must have a plan that ensures the safety of the employees while also trying to be order maintain business as usual activities. Simply creating a crisis communications plan, retailers should be thinking about how they will be able to manage their workforce under various different scenarios. China experience has shown how innovative companies might address these emerging challenges; during the outbreak there, grocery operators has temporarily hired thousands of the restaurant employees who were being idle due to restaurant closure and to help meet spikes in the demand. Companies have been moving employees around the organization to fill the gaps and also relieve overworked departments.

Thinking about the longer-term supply challenges :- Grocery retailers are trying to manage very well supply challenges due to the consumer panic buying and also resulting stock-outs, most non-food retailers are not yet feeling the full impact of the supply disruptions; drops in the demand coupled with the long lead-times and the inventory warehousing means that the short-term supply is generally not a problem. As the situation evolves, we are expecting to see significant variations in the magnitude and timing of supply chain disruptions across the geographies and subsectors. The retailers should be talking to their key suppliers to in order to assess their risks, identify any indirect exposures and also create contingency plans.

Talking to Customers :- Retailers should also have to think about the impact of these massive changes will have on the customer and also on the customer relationship. The question is how will you maintain trust in your brand and also your products and services? How will you able to reset expectations for today? And how will you able to recover the customer experience in the future? In such environment, shoring up the customer relationship is seen as important as shoring up the bottom line.

If we talk about the long term social, economic and health impacts of the COVID-19 virus are still unidentified. Our hope is that current global efforts to control the virus and its impacts are very much successful. Our view suggested that if we say smart retailers are thinking about all of the scenarios and planning accordingly. Over the coming few weeks, our consumer and retail sector leaders from around the world will be of course sharing their views on these, and many other topics which are critical to the industry. It will be our aim to bring together some of the best practices, innovative responses and of course new ideas that we see emerging across the industry as we deal with the implications of the COVID-19 virus. We cannot predict whether this situation lasts weeks or months, it is clear that the global response with regard to this virus has fundamentally changed the reality for retailers. It is time to face that fact and start adapting it in our life. The COVID-19 pandemic continues to impact most of the industries at an

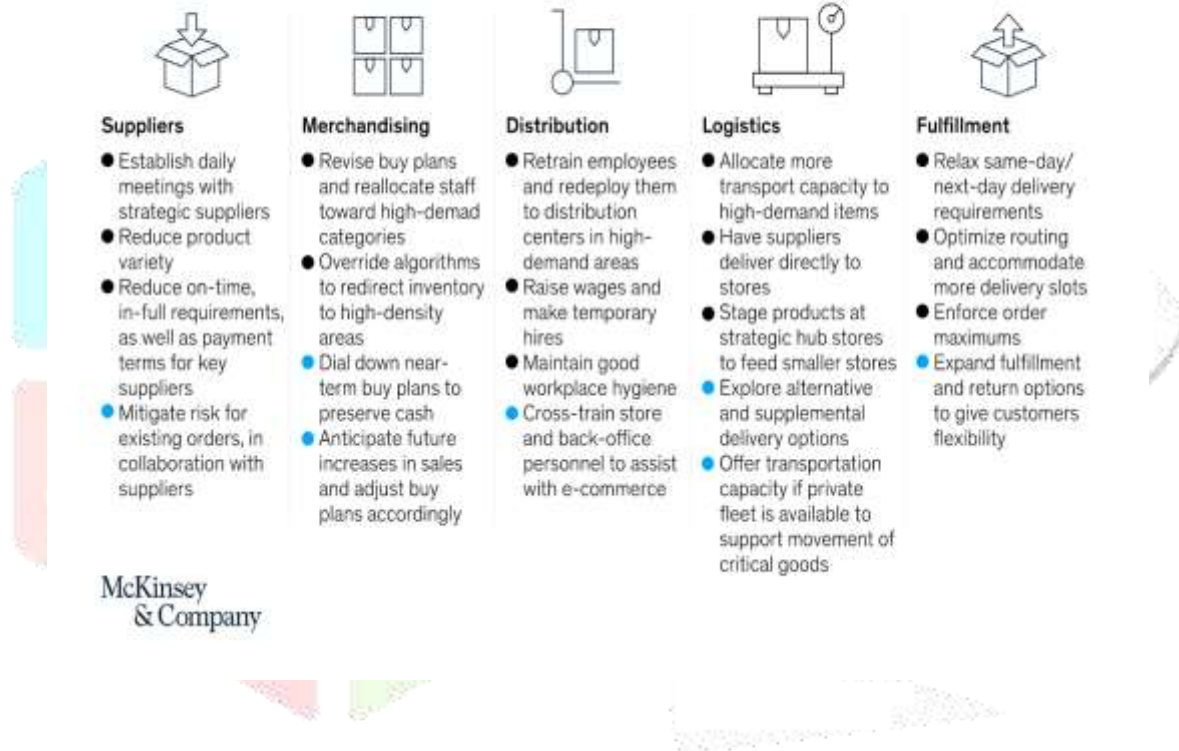
unprecedented scale in fact globally, including the retail that has witnessed significant disruption over the past few months. Amidst the widespread health concerns, travel restrictions and as well as local movement limitations, retailers in India, where this crisis has just started playing out, are already feeling the heat very badly.

This pandemic amidst an economic slowdown has already impacted Indian retailers, especially selling non-essential items like apparel and jewelry. With most of the state governments directing shut down of all non-essential business activities, several retail stores are either entirely closed or only operating grocery sections only. India's retail sector which contributes to 40% of consumption took a US\$30 billion hit loss badly due to COVID-19 over two weeks ending 1 April 2020, as per the data provided by Confederation of All India Traders (CAIT). Retailers Association of India (RAI) are of the views that by end of February 2020, the business had badly dropped to 20-25%. In the past one and a half months, it will further reduced to approximately 15%.

Immediate action across the supply chain can help retailers meet consumer demand during the COVID-19 pandemic.

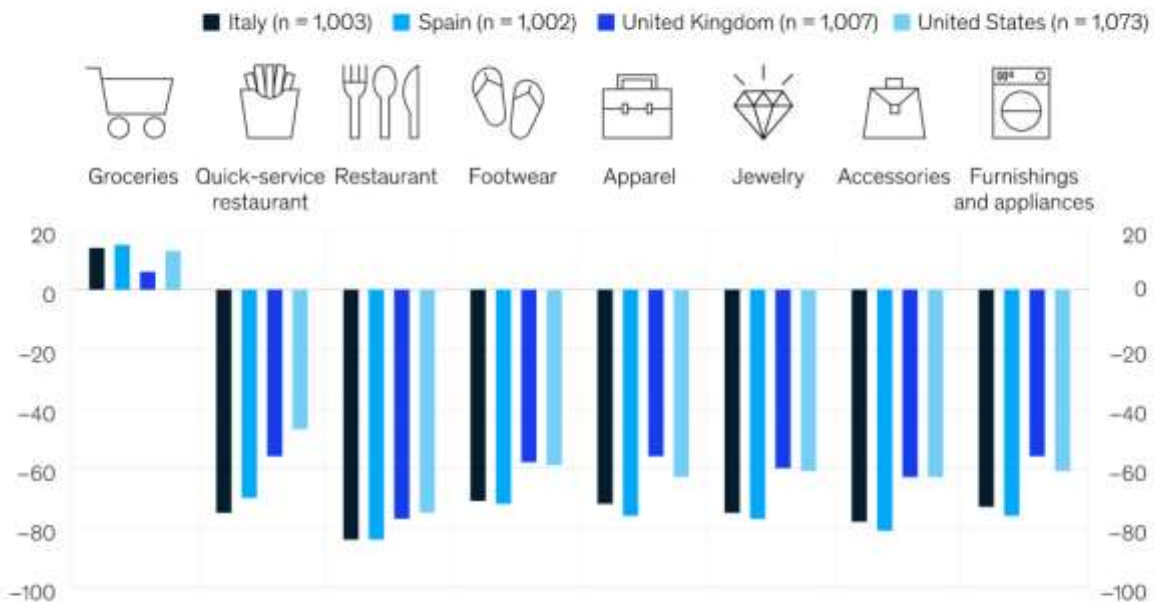
Retail-supply-chain changes

● Nondiscretionary categories ● Discretionary categories



In several countries, consumer surveys show a likelihood of greater spending on groceries and less spending in discretionary categories.

Net intent to change spending over the next 2 weeks, by country, by category,¹% change



McKinsey
& Company

Review of Literature:

Sivagnanasundaram.M (2018) in his study titled “ Sustainability Practices in Indian Retail Industry : A comparison with Top Global Retailers” expressed his thoughts that globally retail industry has significant impact on economy and in the lives of the people. With fast deteriorating environmental conditions and widespread awareness of the consumers about it, retail industry is taking necessary steps to prove its concern for the environment. This article explores the sustainable practices adopted by the retail industry to protect the environment. Since the retail industry is growing at a faster pace in India, it is necessary to understand where the retail industry in growing economies such as India stands in comparison to global retailers in adopting sustainable practices. For the purpose of this study, secondary data was obtained from sustainability reports, annual reports, and policy documents published by the retailers available in the public domain besides their own websites. Indian retailers were compared with global retailers based on the key sustainable practice indicators. The results of the study show that sustainable practices in retail industry in India are still in nascent stage. The results also indicate that Indian retailers have to go a long way in sustainability reporting and leveraging it as a marketing tool.

Molly Chaturvedi (2017) In his study titled “A study on the opportunities and challenges of retail sector in India”, he tried to covers the opportunities and emerging challenges before Indian retail sector in view of recent policy changes by Government of India. With India's large ‘young’ population and high domestic consumption, the macro trends for the sector look favorable. Organized retailing offers huge potential for future growth of retailing in India. It provided information about the growth of retailing in India, and also focuses on the challenges faced by organized retail sector in India. It also emphasize on major players of retailers in India and customer services provided by the retailers.

Vokes Clare, Boehnke Robina (2014) in the study titled “Understanding skills and Performance Challenges in the wholesale and retail sector” emphasized that the wholesale and retail sector is an important contributor to the UK

economy and has been successful in achieving growth and remaining competitive, despite the economic downturn. However, changes in technological advancements have created many challenges which in turn have consequences for the sector's skills supply and needs, and impact upon workforce development strategies. The aim of this research was to investigate the skills requirements of the wholesale and retail sector in relation to a number of key themes and associated drivers of change

Objectives of study

1. To study the various challenges of Pandemic Covid 19 on Indian retail sector.
2. To suggest the various ways and Strategies to overcome from this unfavourable situation.

Challenges of Covid 19 on Indian Retail Sector

Infact speed and agility will be the key levers of success and retailers will need to adopt a faster approach both to navigate the crisis of "now" and to plan for the "next" and "beyond" too.

- **Frugal in finance:** With the dwindling revenues for most of the categories and pending rental, salary, and interest payments, retailers across the board in India, will definitely face the heat when it all comes to financial management. At this juncture, it will infact become critical for retailers to focus on optimizing cost so that they can maintain the enough cash and margin buffer to help them survive in the medium and long term also.
- **Agile in thinking:** Seeing the uncertainty around the crisis it becomes very imperative for retailers to have a cross-functional swift response team mechanism to handle any event that may follow. They must be flexible and adaptable to alter the operating models and also product assortment to meet the requirement that is most critical at the very given point in time.
- **Spruced up in supply chain:** Retailers will in fact need to repurpose their supply chain in order to meet demand fluctuations within their given categories amidst supply constraints. They also must develop capability in order to plan inventory and logistics across all stores in a highly dynamic way till business returns to its very normalcy. Digitization will therefore help in reimagining company operations and also meeting consumer demand for rapidly fulfillment as market moves to the more omni channel and also delivery-based models.
- **Tactful in talent management:** The continuous leadership tactic of to connect with employees, especially the frontline staff, around their health and financial well-being scenario during this time will generate a sense of trust that the organization cares. As and when the business is operational, they will need to focus on repurposing staff skills and also deployment to meet the demands of the new business reality.
- **Effective in customer retention:** Retailers need to be ensure that they continue their communication with customers throughout the crisis period. They also need to build trust in consumers mind that adequate steps will be taken in order to ensure their health and safety in the stores.

- **Responsible in regulatory and legal compliance:** This crisis has already brought a heightened level of regulatory scrutiny and passing of the multiple directives by local, state and central government in order to ensure public health and safety. This can be quite consuming for any given retailer (in terms of resources) to follow all the directives, it will also be essential for them to be cooperative with the regulatory authorities all along when the lockdown is lifted in different stages.

Strategies By Which Retailers Can Overcome the Challenges

There's no question whatsoever what retailers across the globe are facing currently is unique. While we've experienced recessions and other economic events that have very much slowed business, this is the first event that is majorly impacting our in-person business, highlighting the need to be prepared for anything and at any time. While the decision to close down the physical stores is unique in itself this circumstance, it highlights the need for a robust online presence to keep people engaged with your brand and products during this time. Apart from that when we are back up and running at physical locations, it will be critically important to reengage people and limited resources. This re-engagement plan will help the leading retailers recover more quickly and rebuild their loyal customer base too.

The Retailers shouldn't lose sight of their network by continuing adopting to engage with their vendors and partners. In these times of uncertainty, they should feel encouraged to work across their network in order to provide the best experience for their customers, in a way that can be seen mutually beneficially for all partners. This could range from offering special offers through their finance partner or working with distributors to provide free shipping facilities. This will be significantly important at the point of reengagement, when retailers are rebuilding their loyal customer base and of course hopefully, engaging some new customers that discovered them from their digital presence.

The advances that we've now seen with social media engagement from the point of view retail sector have been extraordinary over the past five or so years. So many have established social media footprints and followings the time is now to keep up the pace of momentum and use that forum to foster customer connection and as well as loyalty even further. Customers in fact will likely have many questions and take to social media to get answers keep up with your accounts to not only react to customer inquiries and concern, but also proactively provide them updates on your business current situation as well.

Contingency planning is critical under any circumstance, and how we are presently seeing this pandemic unfold is evidence of that. It has included under that umbrella is having a close awareness of all vendors within your supply chain and their obvious contingency plans as well. Also, even if you have global operations, it is very important to have a network of local vendors in the event of supply chain disruption is become severe. If there is one thing we know, crisis situations are in fact not really all that uncommon, in fact, we see a crisis just about every year to 18 months. While it has seen that they all take different shapes and forms, it's the companies that prioritize the needs of their people their customers, their employees and their partners etc, that make the best decisions for the long term. So while we cannot plan for every circumstance, as we know this crisis has proven, we can have a core, fundamental operating system to be able to guide our decisions during crisis. True leaders emerge during crisis, and everyone is looking to leaders now to how to weather this crisis.

Suppliers

Due to surging demand for essential non-discretionary goods, retailers are now a days facing network-wide shortages. To combat this in fact retailers are working closely with companies across their supplier bases.

For the most important products, daily meetings are being held with strategic suppliers in order to work through the options for securing an adequate supply of the essential high-demand items. This is the first and foremost priority for those in the food, drug and mass categories, to secure a fast and reliable supply.

Actions taken:

- Simplifying SKU profiles to reduce variety and boost quantities
- Easing payment terms
- Widening delivery-appointment windows

- Relaxing on time and in full (OTIF) requirements
- Redirecting resources

Merchandising operations

With in present retailers looking to recalibrate their product orders to be in line with customer demand, they will also need to feed the very change across their purchasing, planning and inventory management operations.

Actions taken:

- Revising purchasing plans favouring items in high demand
- Directing inventories towards locations where sales are particularly active
- Bypass or override inventory replenishment and inventory allocation algorithms
- Reassign merchandising operations staff
- Reassigning in-store marketing budgets to build operational flexibility for essential items
- Relocating inventory already owned to conserve cash

Distribution

In this particular part of the supply chain, distribution is where demand trends for non-discretionary and discretionary goods start to being overlap significantly.



Actions taken:

- Reassignment of employees to increase capacity
- Cross-training and reassigning back-office and store personnel
- Temporary movement of office works into distribution centers
- Staggering shifts to maintain worker health and safety as well as improve retention and reduce turnover
- Suspending operations between shifts to deep clean distribution centers
- Conducting health screenings

Logistics

More so than ever before, maintaining flexibility within logistics is very much essential. The current surge in demand is slowing for consuming the excess capabilities.

Actions taken:

- By passing distribution centers and ship goods directly to stores and simplifying assortments and packaging processes putting speed ahead of product variety.
- Supplementing non-discretionary transportation capacity via partnership with under used discretionary goods transportation fleets

Fulfillment

Due to the self-isolation, quarantining and also stay-at-home orders emerging as a result of the pandemic, companies are seeing a notable increase in the online shopping and local deliveries for non-discretionary goods.

Actions taken:

- Widening delivery windows from immediate or same day delivery, to two or three day delivery, in order to give retailers time to rationalise the scheduling and routing of deliveries in order to save time and mileage
- Converting some outlets to 'dark stores', to compensate for the decline in store traffic
- Hiring full-service shoppers
- Temporarily shifting in-store employees to delivery jobs
- Lower online order size to qualify for free shipments and relaxing return windows to provide more flexibility for customers
- Capping purchases of high demand products
- Reserving periods of the day for high-risk shoppers, as well as for cleaning and sanitising the store
- Shortening the stores opening hours

Conclusion

We can safely conclude in the end that according to the recent study that 70 percent of the retailers in India expects the business recovery to happen in more than six months time due to the ongoing COVID-19 crisis, which has hit the retail sector of the country very hard. In the study it was found that 20 percent retailers feels that business recovery will surely take more than 12 months. The small retailers are also expecting to lay-off 30 percent of their manpower going forward, this number therefore drops to 12 percent for medium retailers and a 5 percent for large retailers. On the whole, the layoff is in the tune of about 20 percent, 85 percent of the retail costs are found to be fixed costs, which is therefore putting several financial pressures on retailers. The retail industry is experiencing severe liquidity challenges which can lead to large scale unemployment scenario. The cash inflow of the retail industry has come to a standstill, while the very fixed operating costs remain intact. It was found that more than 95 percent non-food retailers who have their shops closed in the lockdown are therefore looking at a practically no revenues till the lockdown is in place. In the coming next six months, non-food retailers expected to earn 40 percent as compared to last year's revenue. 2 out of 5 retailers are wanting concessions and relief on goods and services tax, taxes and loans to ensure the business continuity in the face of the revenue downfalls and also heavy losses for financial year 2021. The Government and Financial Institutions have to come together and also provide a meaningful package for the industry to survive the very impact of COVID-19. If the country remains in the state of lockdown till further June 2020, it is predicted that 30 percent of the retail stores operating in India may have to close down, resulting in the loss of over 18 lakh jobs.

References:

1. “Molly Chaturvedi (2017) “A study on the opportunities and challenges of retail sector in India” International journal of engineering and management science.
2. Vokes Clare, Boehnke Robina (2014) in the study titled “Understanding skills and Performance Challenges in the wholesale and retail sector” UK commission of skill and employment.
3. Sivagnanasundaram.M (2018) in his study titled “ Sustainability Practices in Indian Retail Industry : A comparison with Top Global Retailers” sage journals
4. https://www.ey.com/en_in/consumer-products-retail/moving-towards-a-resilient-retail-sector-post-covid-19
5. <https://home.kpmg/xx/en/home/insights/2020/03/realities-of-retailing-in-covid-19-world.html>
6. <https://retail.economictimes.indiatimes.com/news/industry/majority-of-retailers-feel-it-will-take-6-months-to-recover-from-covid-19-crisis-survey/75033585>
7. <https://www.supplychaindigital.com/supply-chain-management/covid-19-five-priorities-retail-supply-chain>
8. www.google.com

