

## COVID-19 AND ORGANIZED RETAIL : CHALLENGES AND THE RESILIENCE STRATEGIES

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### ABSTRACT

The outbreak of COVID-19 has disrupted the operation of businesses worldwide irrespective of its size. The organized retail is not an exception. In fact, the first one to shut and the last one to be opened. The volume of business this sector holds is very huge; it is the second largest contributor to India's GDP. The entry of pandemic has left many people unemployed in this sector as it includes both blue collar and white-collar employees. The whole supply chain has been disturbed. Corona virus has not just brought the disruption of services but has also changed the whole strategies and operational model of working. Salary cuts, layoffs, winding up of small enterprises, locking of malls and stores are the gifts of corona virus to this world. To run the business and to generate revenue, organizations has to find out the strategies to combat the challenges and reincarnate the business. Omni channel and digitalization approach will be the new normal of Organized retail. This paper focuses on the impact of COVID-19 on organized retail by throwing light on its challenges and strategies to resilience.

**Keywords :** Retail, COVID-19, Organized-retail, Omni channel, E-commerce, New-Normal

#### Introduction -

Organized retail is a sector governed by companies act which consists of the companies associated with production or sales of goods and services that operates as private limited organizations. Therefore, in the organized retail sector -

- The retail setups are owned by companies.
- Few of the employees are there on the payroll of the organization while others are on contract.
- The employees are governed under the act of minimum wages.

Organized retail is associated with customers walking into the stores or showrooms for buying the necessary required products. Retail stores stock up huge quantities of goods and offer huge discounts to the customers.

The prominent advantage of having organized retail for customers is that they get a variety of goods under a roof with more convenience and an enhanced

shopping environment. The organized retailer has several formats and presence from a small neighbourhood in small towns or cities to a high air-conditioned mall in big cities.

Therefore, it attracts customers at large with wide approach. For example, Walmart is present in the tier two cities as well as in the tier one cities thereby reaching all the kinds of customers.

Because of the organized retail, people from middle-class income group, are increasing their lifestyle. These mid-level customers indirectly help the industry and the economy to grow and prosper and in turn comes out to be a cycle which benefits each other.<sup>1</sup>

This leads to opening of retail store branches in multiple locations and has generated employment for many local people. Retail sector offers job opportunities for people from different backgrounds and at different levels.

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Right from Cashier to store manager people from various backgrounds can apply in a retail store without age restriction and get employed and start earning daily wages.

As more and more retail stores are opening, more job opportunities are getting generated. Thus, organized retail has opened and expanded job opportunities for many people.

### **COVID-19 and Organized Retail-**

Organised Retail has seen the outstanding boom in the last decade. Increased standard of living and attractive retail stores has attracted the huge number of customers to this industry. Retail stores in malls have got more preference over the standalone stores as customers can eat, shop and have fun under one roof in an air conditioned surrounding. Hypermarkets to Fashion Stores, all have experienced the growth in organised retail sector.

Success of brick and mortar gave birth to e-commerce business with a swift response from customers. Now both brick and mortar and e-commerce has become the need of an hour. People prefer to buy from organised retail than from traditional shops no matter it is groceries or apparels or shoes. Today's generation is highly inclined towards e-commerce because of cash back, heavy discounts as well as easy return policy.

The shopping centre industry is the second largest contributor to India's GDP. According to a report of Deloitte consulting, the share of the organised retailing was expected to increase from 12% in 2017 to 22 to 25 percent in 2021. The whole calculation has been shattered by the outbreak of COVID-19. This sector was the first to shut and seems to be the last to open back in as it will be very difficult to manage the crowd amid such risk of virus spread. A large chunk of its workforce comprises of blue collared workers who are at the high risk of job loss if the industry does not open up soon. Most of the workers employed in functions like security, housekeeping, engineering, services, etc. come from towns across the country to earn their livelihood and will be in trouble if the current scenario stretches for long. Few of them have migrated back to their home town while others are struggling to cope up the high cost of living. The future is

uncertain and experts are also of different opinion. Few of the opinions have been stated below -

“Our focus now is how to make shoppers visiting the malls safe. The sooner shopping malls can manage this, the better it will be for their business. Malls have the wherewithal to control safety aspects like number of people entering and sanitisation, etc. It is this controlled environment that builds confidence for the customer,” said Abhishek Bansal, Executive Director, Pacific Group.<sup>2</sup>

“This pandemic is not a long-term scenario. Maybe we have been pushed by, say two years, but these retail projections are for long term and I don't see hindrance in growth of organised retail segment,” said Harshvardhan Rathore, Head of Retail (West), Saville India.<sup>2</sup>

“Post COVID-19, organised retail will be preferred against the local shopping areas, which are crowded. Earlier, people went to next-door markets, but now things will change as people will look for places that are more hygienic. This is where malls and organised retail centres come into picture,” said Mohit Goel, CEO, Omaxe Ltd.<sup>2</sup>

Discussing strategies to overcome the COVID-19 crisis which has impacted the retail sector significantly, realty experts stated that commercial segment will get impacted in the short term, but in long term things will surely come back to normal. The experts spoke at a webinar 'COVID 19 – Retail Tales', organised by ICCPL and Realty & More recently.

In the current scenario, future of retail can only be assumed. Real picture will take some more time to be cleared.

### **Challenges for Organised Retail in COVID Era -**

The COVID era will bring more challenges to organised retail. It will affect the employer, employees and the customers for a long period. The challenges that retail organisations are facing and will be facing need attention. Few of the challenges are discussed as under -

#### ➤ **Fund Management -**

During this turbulent time, the retail sector, in just two months April and May 2020, has experienced the loss of almost 90,000 crores INR. Retailers in the country are now not looking to make profits, but are rather looking for

a way to stay afloat for the employees and other stakeholders. Given the current scenario, the industry will take at least 6 months to get back on track in terms of cash inflows; but how many companies can actually survive this downfall for the next 6 months? Additionally, the losses over 6 months can cross a figure of about \$700 billion (estimated from \$30 billion fortnight) moreover, the recovery period of these losses can be over a decade for some business.

Governments have announced multiple incentives for the businesses globally within the retail sector; however, no such announcements have been made in India so far except moratorium in EMIs for few months. However, retail sector is looking for long term moratorium to overcome the salaries, rent and other financial stress.

In order to cut down expenses, salary cuts are already taking place, now to survive the wage support is urgently required from the Finance Minister of India. Without support from the government, business at large will be forced to look at major layoffs and downsizing.<sup>3</sup>

#### ➤ **Sanitation and Customer Footfall -**

Retail has always been a customer-oriented sector and roams around consumer choices, convenience and experiences. Now it must, more than before, be about safety and hygiene too. It is expected and understandable that consumers – even those who love to experience in-store shopping – will feel hesitant and worry about visiting stores. The onus is now entirely on retailers to give them the confidence that their shopping experience will be as safe as possible, without any risk of exposure to infection.

Consumer fear will be reduced to a considerable extent if retailers integrate practices such as regular sanitisation of stores, daily body temperature checks for staff as well as customers and minimal interaction between customers and staff along with maintaining the social distancing. Apparel stores might want to consider installing virtual trial rooms. Although the technology hasn't really introduced in India yet, however the pandemic might just prove to be the tipping point in its adoption.

Safety and hygiene were equally important before

however we had simply taken them for granted. The pandemic has brought them into the spotlight for business and consumers alike to focus on. The pandemic will die out eventually – it must, at some point – what will thrive is a reinvigorated and even more resilient retail.

#### ➤ **Shopping Priorities of the Customers -**

As COVID-19 has affected the income of people significantly, customers now will think twice before purchasing any product. Shopping trend and priorities will change due to the pandemic.

The economic downturn that the pandemic has brought about will make most consumers cautious about their shopping expenditures, particularly their 'discretionary' spends. We could expect consumers to be wary while spending, and when they do purchase something, it will be a value-conscious decision if not a price-conscious one. There are few who will spend as much as, or more than, they did before.

Looking at current scenario and the basic need of people food and grocery products will obviously continue to be top priority in the purchase list. From working professionals to students going to their work and studies from their homes, devices such as smartphones, laptops, routers, dongles, headphones – to name only a few – will become more important than ever. We are already witnessing a rise on the home-office furniture segment as 'work from home' models are likely to continue for a while.

#### **Future Strategies for Resilience of Retail -**

To mitigate the disruption caused by this crisis, Indian retailers will need to devise strategies for the “now”, “next” and “beyond”. While they need to manage their costs through operational improvement and by evaluating the store portfolio, they also have to invest in service, experience, and omni-channel to serve the new consumer. As retailers react to fluidity of the “now” they also need to build resilience for the “next” when demand starts getting restored and think “beyond”. They should map a strategic journey to financial resilience and at the same time plan for longer-term implications on their operating model owing to shift in external environment.<sup>4</sup>

Speed and agility will be key levers of success and retailers will need to adopt a FASTER approach both to

navigate the crisis “now” and to plan for the “next” and “beyond”.

With the COVID-19 outbreak, which is continuously evolving, nobody can predict with certainty the material impact of this crisis on the sector yet. However, this pandemic should serve as a reminder to quickly build a flexible and agile business and operational model to take care of disruptions in the future. This will mean a significant focus on converting to a digital enterprise. Now is the time for retail players to get control of the current crisis and invest in the build-out of a more resilient organization.<sup>4</sup>

Even as a retailer, if we get some footfall, we will have to see and ensure how we regulate the traffic coming in to the stores. Window shopping experience that we have been used to in malls is probably going to go away. We will have to see how we can use the tech platforms in the best possible way to ensure that we keep on servicing the customers as per their requirements. We have not been thinking about shop by appointment till now but probably that is going to be the new norm apart from wearing gloves and masks at the floor,” said Ajay Kapoor, President – Retail, Fab India, while speaking at a webinar organised by RAI.

According to experts, social distancing, hygiene of employees, and contactless payments will become prominent. “Practising social distancing norms will be a common priority among consumers in stores, while avoiding rush. Purchasing will be through contact less payment methods. This will eventually increase usage of mobiles, e-wallets, and UPI payments. If there are similar stores next to each other consumer will obviously pick the one with superior hygiene level.” Ved adds.

According to him, physical stores are likely to adopt new technologies that will focus on to identifying and cleaning of key touch points such as door handles, lift buttons, key pads, stairs or escalator handrails, trial rooms etc. Store management will also focus on positioning of minimal individual interactive staff and there will be marked zone for physical distancing during billing. Echoing similar sentiments, Gupta of Zook adds, “This also calls for shop owners or retailers to make appropriate changes in interiors to enable

social distancing. Especially the billing counters need to be increased or streamlined to ensure adherence to the norms,” he suggests.

### **Digitalization and Omni Channel - The New Normal of Retail -**

E-commerce Will Become a New Normal Now. The new trends developed during lockdown have pushed the consumers to shop more through online platforms. A latest market research by Ipsos states that consumers are shopping through online platforms more frequently now. Globally, Vietnam has witnessed largest increase in the e-commerce shopping with 57 per cent of consumers shifting their purchase online. In addition to this, 55 per cent of Indian consumers have shifted their purchases online.<sup>5</sup>

How Retailers can Re-invent? Experts agree that retail businesses across India will take a considerable time to recover from the impact of the COVID-19 lockdown, but are also of opinion that it can pave the way to find new opportunities and staying positive. Retailers also believe that the pandemic has presented several opportunities for the trading community, irrespective of their scale or category. This opportunity could simply mean a product extension, trying out a different line of business, or innovative ways of marketing. Opportunity could also be in the form of new collaborations and partnerships. One of the opportunities is going omni-channel to give consumers seamless and comprehensive shopping experience across all platforms. Retailers can enhance their sales if they adopt omni-channel capabilities told Ravinder Gupta, CEO of Chappan Bhogin a webinar. He further tells, “Retailers now must make use of the omni-channel formats to boost their business as that is going to be the new normal. Customers would expect better service, quick home delivery, and more sensitivity towards their choices and tastes. Hence, retailers have to be innovative and open -minded going forward.”<sup>6</sup>

### **Conclusion -**

After reviewing the different views, articles and other information on internet it is clear that the COVID-19 pandemic has affected the retail sector world wide. Whether this situation lasts for weeks or months, it

is clear that the global response to this virus has fundamentally changed the reality for retailers. It's time to face that fact and start adapting. Revamping of the sector back to normal may take more than a year. Even after that it may experience many changes and will define the new normal of the sector. However, looking at current scenario it can be said that the retail sector has to take utmost care in dealing with customers and also to maintain the sanitation and social distancing in store. Retail stores are equally responsible for the safety of customers as well as the employees.

Apart from this, organized retail sector has to adapt the digital culture in its operations. The need for rapid digitization of traditional retailers coupled with shifting customer segments and purchase preferences in a post-COVID environment will increase the need for innovation in the AI space. The pandemic has resulted into broken value chains, shifting customer segments and purchase patterns leading to a disconnected demand and supply. Hence, AI will become a necessity for retailers to understand dynamic demand signals, to realign supply chains, to redefine the need of essential workforces and to redefine their strategy to adapt to the new normal. Omni channel will be the future of retail due to customers shift to contactless mode of deliveries, which is bound to become the new normal going forward. Every retail company has to focus on its e-com structure along with its brick and mortar stores. To attract the customers, it has to make his services swift, smooth and without any fault in products. Applying this can bring fast resilience to retail

sector. Experts can only predict the future of retail however for defining the new normal people have to wait till corona leaves the country completely.

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