



# Challenges and Opportunities of Retailers Business during COVID-19

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Retailing in India is business activity which evolves from ancient and medieval period. It has faced many developments and changes in multiple folds in the last three decades. This COVID-19 has brought so many changes around the world in all aspects. It has marked an imprint on retail sector also. It has given so many challenges to the modern retailers and provided a lot of opportunities to both traditional and modern retailers. All these challenges and opportunities made the retail sector to take a new facet.

## I. INTRODUCTION

The **COVID-19 pandemic**, also known as the **corona virus pandemic**, is an ongoing global pandemic of corona virus (COVID-19) caused by severe acute respiratory syndrome corona virus 2 (SARS-CoV-2). The novel virus was first identified in an outbreak in the Chinese city of Wuhan in December 2019. The World Health Organization (WHO) declared the outbreak a public health emergency of international concern on 30 January 2020, and a pandemic on 11 March 2020. As of 18 April 2023, the pandemic had caused 762,790,388 cases and nearly about 6,897,012 Peoples were death, making it one of the deadliest Pandemic in history of mankind.

Retailing in India is a business activity which evolves from ancient and medieval period. Retail sector has faced a significant revolution in the last three decades. Indian retailing is classified into two categories: traditional retailing and organized retailing. Traditional retailing is the revolution of the ancient retailing system, whereas organized retailing is the recent change faced by the sector in the last three decades. The traditional retail stores include mom and pop stores or local kiranas, general stores, drug shops, footwear shops, etc., which may occupy less than 500 sq. ft. space for their business. The organized retailing has developed in the form of malls, hypermarkets, speciality stores, etc., which were using the latest technology in attracting the customers and doing the business. The organized sector has grown in the last decade in many folds whereas the growth in traditional sector is meagre. Indian organized retail sector has developed its way of doing business by changing the key factors such as supply chain, information system, usage of ethnic technology which in turn gives more value to the customer. The change in demographic characteristics such as lifestyle, occupation, income, education of the youngsters is also a reason for the growth of organized sector.

Indian retail sector has been identified as the fifth largest sector around the world and it is trying to contribute 10 - 12% of the GDP of Indian economy. When compared with other retail economies of the world, Indian retailing is acting as nerves for its economy as it creates livelihood for about more than 50 million people. Large population of the country is an added advantage for the growth of the retail sector in India. About 58% of the retail sector contribution to annual GDP is done by private (individual) consumption. The novel covid-19 pandemic has tilted the entire globe and the life of human beings. This pandemic has greater effect on individuals and also the business community. The global business scenario has slowed down and it doesn't fail to leave a mark on the retail sector too. This pandemic disease has created a large impact on the retail sector and made it to a standstill position, especially the high end and luxury retailers. This effect on necessary items retailers is also noteworthy but not to the far extent.

In India, this pandemic has started affecting retailers from the last week of March 2020 to till date. The lockdown announced by the government has made all the retailers to face a degrowth in their business. The traditional retailing pattern has supported the consumers a lot in this pandemic situation to get the necessity items. Most of the traditional retailers deal with the necessity items such as food and grocery which helped a consumer to a greater extent. The modern luxury retailers such as electronics stores, jewellery stores, and fashion and apparel stores are the real sufferers of this season. As the malls remain closed due to lockdown, they want to move out of these large buildings to fetch customers of their own. Apart from this the confidence of spending among the people has reduced to a large extent due to uncertain economic conditions prevailing in the society. Most of the disposable income has been spent on food, grocery and medication, the thought of spending for lucrative items has been postponed which affected the organized retail sector in high proportion. The organized retailers are in a position to face the financial crisis of their business and

also to long for the dawn of a booming economy. Though the traditional retailers are less affected in their business, they too face problems related to the supply chain, stockpiling, hygiene maintenance, government rules and regulations, 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.

## II. CHALLENGES FACED BY RETAILERS DURING PANDEMIC:

They are as Follows:

**1. Business was Reduced-** Due to the lockdown, the entire economy has faced a slow pace and all the retailers faced the shrinkage in their business volumes. In India, most of the apparel, footwear and fashion retail shops has the habit of doing march year end sale/ march clearing sale in the last week of every March. This financial year end sales have got affected by this lockdown.

**2. Increase in Resources-**The consumption pattern of the consumers has also decreased which tends to fall by 25 to 30 % for the next six to nine months. This lockdown has reduced the confidence of consumption among the consumers, and the decrease in consumption pattern is due to the fear of disease, loss in income and also fear in job security.

**3. Loosing brand loyalty;** The recent change in shopping habits of the consumers made them to stick on to one retail store even for buying necessity items. But, the restrictions laid in commutation during lockdown make people buy the essential items from the nearby retailers itself and avoid them going to their usual shopping areas. This has paved the way to the consumers to use / switch over from nationalized brands to private brands, as small retailers are selling more amount of private label items.

**4 Subsidies on Luxuries Goods:** The growing young population of this country has given importance to hedonic needs when compared to the utilitarian needs. But in this pandemic situation, the young generation also changed their need pattern due to life fear. This fear and the restrictions made by the government also made the youngsters to turn towards the online retailers instead of brick and mortar retail stores.

**5. Reduction in money flow:** The pandemic disease has created a large amount of fear among the earning families due to salary cut, low business volume, fear of losing job, etc., this decrease in the money flow among the low income group people who purchases the necessary grocery items only and avoids unnecessary items. This fearful situation has created a setback to the luxury item retailers and also switching off to local brands.

**6. Managing the fixed cost:** In retail business, the proportion of fixed cost is high when compared to the variable cost. The fixed cost includes rent, employees salary, power cost, etc., which utilizes the 60% of their revenue. During this lockdown, this fixed cost has to be managed with the poor revenue earned by the retailers and this may lead to shutdown of business also.

**7. Other threats:** Recently developed formats like Malls, Hypermarkets, Supermarkets are facing the threat of shopkeepers moving out of these large buildings due to rent problems, restriction in consumer traffic, etc., The retailers association is having a negotiation with mall owners in order to have a revenue sharing rental method but which was not been accepted by the mall owners. Forum mall in Bangalore has accepted for some kind of rental relief for its retailers.

The branded necessity stores are facing a major downfall due to this lockdown by losing their business to local Kiranas, mom and pop stores, etc.,

## III. OPPORTUNITIES FOR RETAILING DURING PANDEMIC

. Some of the opportunities created by covid-19 for retail sector are as follows:

**1. Modification of operations:** This Pandemic situation made customers to move highly towards the online retail activities when compared to brick and mortar system. Organized and traditional retailers have to find out a online platform to sell their products, without pulling the customers towards the physical stores. Many retailers in tier 1 and tier 2 cities has started to do business and services using smart phones through Whatsapp, Messenger etc., and receive payments using online platforms such as Gpay, Pay tm, Pay U, etc.,



**2. Market penetration:** Middle class family of India has got economically affected due to this lockdown and they form a large proportion of business for the organized retailers. To ensure their continuation in the business, retailers can go for reduction in price and also value and range. The retailers have to concentrate on low premium products when compared to the high end products.

**3. Diversifying the products:** The retailers can concentrate on the products which are necessary in this pandemic situation. People are remaining at home and most professional has shifted to work from home mode. Even more number of drug manufacturers has started to produce hand sanitizers and garment manufacturers moved to produce masks and gloves.

**4 Looking beyond the Market:** Organized retailers have to move to new market or to rural market which can balance the business loss in tier1 & 2 cities. For example, Maruti Suzuki has planned to open new dealer showrooms apart from tier one or two cities so as to reap the benefit of economic stimulus package announced by central government for rural people. The giant retailers can start to concentrate on tier two and tier three cities to multiple their business volume. Many small retailers in tier 3 cities are facing financial crisis due to this lockdown and may be running out of business. This situation can be easily utilized by the organized branded retailers to open their outlets.

**5. Move out of large buildings:** Due to business crisis, the organized retailers are ready to move out of the malls, hyper and supermarkets towards the high end streets. Doing their business as standalone in the retail hub areas will get their own customer traffic and dependency is not required. This situation is quite obvious as malls and Hypermarkets are at the end of the list for relaxation of lockdown.

**6. Benefit for unorganized retailing:** The least affected group of retailers is unorganized sector. This sector has supported a lot to the consumers in providing the necessary items during lockdown. Thanks to this sector for their incredible service in this situation. Unorganized retailers who constitute 92% of retail business in India has the timely option of changing themselves by introducing new services to the customer for the same value.

#### IV. CONCLUSION

Indian retailing is dynamic in nature and it has to face the changes imposed by the environment. Both the organized and unorganized retailer has got affected by the novel corona virus and it is the time for them to rethink about their business. Instead of categorising them as organised and unorganised retailers they can be divided as essential item retailers and non-essential item retailers. 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.

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