

Footprint of COVID 19 on Indian Retail Industry

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Abstract: This paper provides detailed information about the retail industry scenario in India during the Pandemic, as well as before and after the Pandemic. It analyses the rising consciousness among India's various socio-economic groups, as well as the enormous rise in the urban and semiurban retail markets. The paper also discusses the growth of the retail industry in India, retail store strategies, strengths and prospects, retail format in India, recent trends, and opportunities and problems.

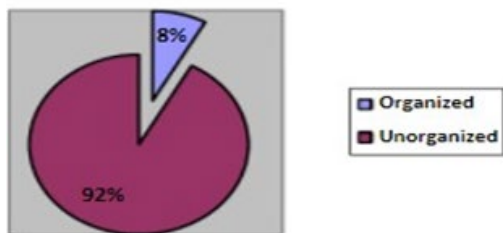
Key Words: —Retailing, Unorganized, Organized, Indian economy, pandemic, Kirana store.

I. INTRODUCTION

Retailing is one of the country's economic pillars. It is the final phase in getting commodities to end-users and consists of all processes that result in the offering for sale of merchandise to consumers for their own use. (Sultana, 2016). The Indian retail sector is divided into two categories:

- Organized retailers
- Unorganized merchants

Retail sector in India



(Doreén Pick, 2011)

1.1 Organized retailing in India

In India, organized retailing refers to trading and selling operations carried out by licensed merchants who have registered with the government's sales tax, goods and services tax, income tax, and other taxing agencies.

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Hypermarkets, Supermarkets, and Retail Chains funded by corporations were among them. By 2020, the percentage of organized retail is expected to increase by 20%. (Roy, 2011).

1.2 Unorganized retailing in India

Local Markets, Local Shops, Single Owner Operated Shops, General Stores, Convenience Stores, Cart Stores, Street Vendors, Hawkers, and so on are examples of unorganized retailing. The unorganized retail sector is expected to increase at a rate of 6%. (Roy, 2011).

The unorganized retail sector dominates the Indian retail market, but the organized sector has been rising in recent years. The retail sector is emerging from the limitations of the small Kirana stores or traditional family run stores and reshaping itself into organized outlets with all modern conveniences. (Begum, 2015).

1.3 The retail market size in India

India's retail industry is predicted to grow to 1.7 trillion US dollars by 2026, up from 883 billion dollars in 2020. While there was an overall growth up to 2019, 2020 saw a decline due to the coronavirus pandemic. However, the market is expected to rebound in 2021. (Begum, 2015).

1.4 The Indian retail Landscape

Despite the pandemic, India was one of the few countries that saw an increase in retail sales in 2020. Characterized by its unorganized retail, especially through Kirana outlets, the country saw a retail form transition that is still ongoing. The advent of larger retail locations including malls and supermarkets, as well as the growth of online commerce, prompted a change in the retail environment of the subcontinent. Ultimately, Kirana stores maintained their

dominance in Indian retail, adopting digitalization and collaborating with larger companies in the industry. (Doreén Pick, 2011).

Statement of the Problem: How the pandemic impacts the retail industry in India.

Objectives of study & Methodology:

The objectives of our present study are to analyse the Retail Scenario of pre-pandemic and post-pandemic, to identify challenges faced during the pandemic. The paper is completely based on a descriptive study and the data is collected from secondary sources including Various Research papers, Journals, reports, and Newspapers.

Limitations of the Study:

- Due to time constraints, the study is limited to secondary sources only.
- Because of the pandemic, we are restricted to the college premises.

II. LITERATURE REVIEW

(Roy, 2011) conducted research and claims the overview of Indian retail market in India. In his research, he describes (Economic Times, 2021) key growth factors, competitive advantage and inhibitors of the Indian retail market, including examination of consumer behavior.

(Doreén Pick, 2011) claims that the Indian retail market has shown tremendous and consistent growth. Despite the impact of the global financial crisis on the Indian economy, the Indian retail market has bright prospects. In his research, he describes the current state of the Indian retail market, including an examination of Indian consumers and the positioning of Indian and foreign merchants, before making predictions about possible future developments.

(Begum, 2015) claims that there are several hurdles that stand in the way of the retail industry's progress. The retail business is hampered by the inability of managers, the placement of stores, a lack of infrastructure, inefficient supply chains, a lack of access to cutting-edge technology, and unexpected hardware and software failures. Furthermore, it was said that energy usage is increasing daily. As a result, retailers must be socially responsible to meet these problems.

(Dr. Azad Mirza, 2020) conducted research and concluded that COVID19 has ushered in a slew of developments throughout the planet in every way. It has also had an impression on the retail industry. It has presented

contemporary retailers with several obstacles as well as numerous possibilities for both conventional and new merchants. All these difficulties and possibilities have given the retail industry a new look.

(Khaled, 2021) conducted research and concluded that government-implemented Standard Operating Procedures (SOPs) for the unorganized retail sector and see if customers prefer to have things delivered to their homes instead of going to a store. Product diversity, digital payment, scheduling, free delivery, and slower delivery all have a major impact on customer behavior, according to the research.

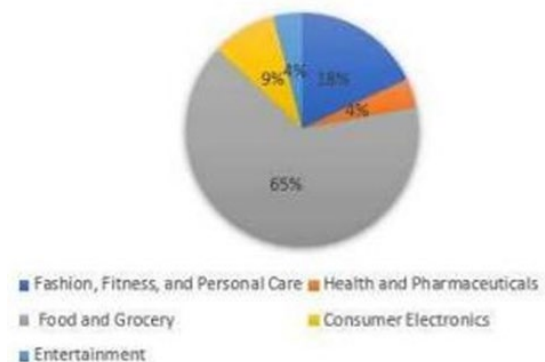
(Jadhav, 2020) claims that COVID-19 has had a considerable impact on retail enterprises, and recovery will be dependent on the nature of the industry. The epidemic resulted in a resurgence of faith in the local Kirana shop, with new customers flocking to both metro and non-metro locations. Because of the epidemic, the system in Kirana has shifted from physical sales to digital aviation.

(K., 2020) conducted research and claims that in the previous three decades, Indian retail industry has undergone several advances and adjustments. COVID-19 has ushered in a slew of changes throughout the planet in every way and all these difficulties and possibilities have given the retail industry a new look.

III. KEY SECTORS AND THEIR GROWTH

The Indian retail sector is truly dynamic. It consists of several sectors like fashion, food, automobile, food delivery sector, entertainment, and the software market. Classifying the retail industry is difficult but we can segregate a few top performers and discuss them.

REVENUE CONTRIBUTION



Software-as-a-service: India became a global IT- Powerhouse

since it started its journey nearly 20 years ago. The pandemic boosted the digital infrastructure of the country to the next level due to the virtual model.

The companies that provide software enabled devices were already popular but nowadays the companies providing the Software as-a-service or SaaS are also making huge business. Companies like Fresh works, Zenoti are gaining recognition more. India has almost 10 unicorns in the SaaS category and investors have invested around 1.5 billion Dollars in the year 2020 which is almost four times higher than the investment in the years 2018 and 2019. (Economic Times, 2021).

Entertainment Industry: With the increased urbanization and the increased disposable income of the Indian population the inclination towards entertainment retailing has also increased. Consumers are attracted to amusement parks, movie theatres, clubs etc. Not just the traditional amusements the retail business institutions are developing specialized parks to attract more people. Water parks, theme parks and the new member in the physical amusement centers is the Comedy Clubs. Not just the Physical centers are popular in India but also entertainment sites like Amazon Prime, Netflix, Gaana, are famous among the people. Gaming websites are also gaining popularity along with streaming services. Pandemic increased the popularity of these sectors more, according to the KPMG the gaming industry in India is set to see a growth of 113% by 2025 and will be a market of around 136 billion dollars. (Economic Times, 2021).

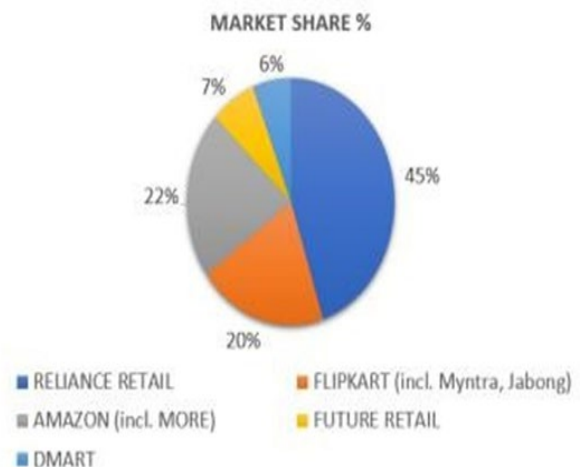
Fashion, Personal Care: The fashion sector in terms of clothing, accessories are already prevalent in the retail industry but nowadays due to the more social media presence of people, more urbanization, more increase in disposable income of the consumer it is in the growing trend. Also, the investments in fitness and personal care products have also increased in recent years. We could see the recent inclusion of the IPO by the company Nykaa, which is into beauty, wellness, and fashion due to the surge in the consumer base. (Economic Times, 2021).

Food and Grocery: Food and grocery used to be the primary demand of the people but was mostly found in local Kirana house, but India can see the rise of the organized market for food and grocery under the banner of the super-markets like D-Mart, Big Bazar, Spencer's, Reliance Fresh. Also, the trend of the online grocery market. More and more companies are coming into the segment to provide for the consumer. QSR, coffee shops, restaurants, juice bars are also included and can be seen gaining popularity in India. (Economic Times, 2021).

Consumer Electronics: Consumer electronics is one of the favorites and amazing segments of the retail industry. Currently, it is the fastest-growing segment of the retail industry. The increasing number of young populations is fueling the sale of the Consumer durable product. Covid-19 pandemic also made suffer the industry a lot with the reduction in the sales but again the sector is gaining pace. Like, due to the shortage of semiconductor chips the delivery of new vehicles was delayed. (Economic Times, 2021).

IV. COMPETITIVE LANDSCAPE

Indian retail industry is a diverse industry. This diversification makes it more competitive. The competitive landscape starts with the competition between the "Unorganized" and "Organized" sectors. The earlier Indian market was mostly dominated by the unorganized sector with the help of Kirana stores, local convenient stores, and traditional family stores but now as India is opening globally the retail market is coming under the organized unit to ease the value delivery. This competition brought the difference in technology usage, management, delivery, and supply chain involvement. The competitive landscape in organized sector has many major players but mostly the big players are – Reliance retail, Amazon, Flipkart, Future Retail, DMart, and other companies where the Reliance retail dominates in organized sector as per Business Today The competitive landscape has segments like the seller, dealers, buyers but the most important player is the buyer. Consumer manipulates the competitive landscape and moulds accordingly. The consumer wants the fusion of the



traditional buying experience with the modern technology-infused convenience. This brings the existence of both brick-and-mortar stores and online stores. (RACI, 2020).

V. DRIVERS AFFECTING THE INDIAN RETAIL SECTOR

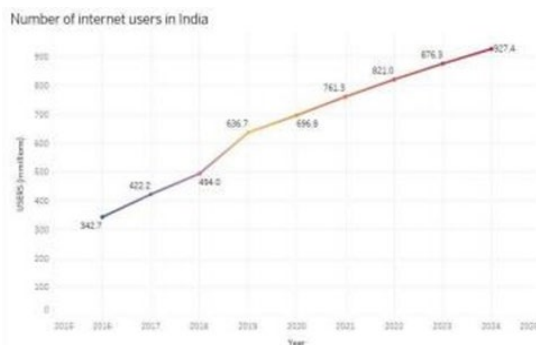
The retail industry in India is one of the fastest growing in the world and throughout the years has contributed to the growth of the economy also. The factors responsible for the growth of the retail sectors are many.

Investments through FDI in Retail: 100% FDI in single brand in the year 2012 opened the growth and advancement of the retail sector. The government also allows the FDI of 51% for multi-brand in retails. This FDI involvement impacted with more infusion of money to revamp the retail economy also enhanced the technology usage, invited more brands to the country consumer. (CBRE, 2021).

Government Schemes for Retail: The government of India and its fostering of the start-up culture are favouring the retail industry in India. The help for the budding entrepreneurs in all possible ways of providing technology, fund or even mentoring is pushing the retail boom. The government provide loan to the small traders under the MUDRA scheme to provide “Funding the Unfunded”. (CBRE, 2021).

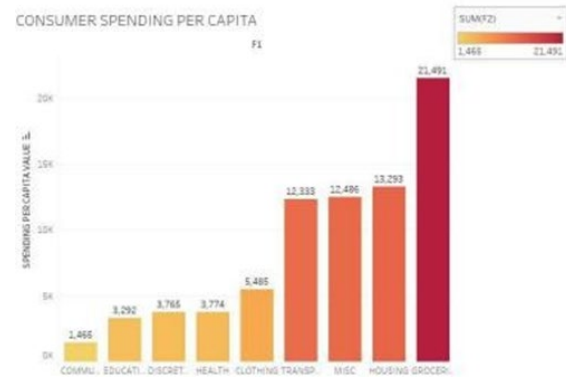
Growth of Online retailing: Online retailing in India with the companies like Flipkart, Amazon, Snapdeal started the Journey in India and helped to change the face of the retail business in India. Due to pandemics the Food delivery services like Swiggy, Zomato, Domino’s Pizza, also grocery delivery services are on the rise. These whole online easy services are favouring the retail business. (CBRE, 2021).

Smartphones and internet infrastructure: The smart devices that are used to track, label, sort, calculate the items in a retail store or its inventory are driving the retails to the forefront. Also, the millennials and their dependency on smart devices and affordable internet services help to progress retail. The active internet users had increased to 761.3 million in 2021 and expected to reach 927.4 million users by 2025.



(CBRE, 2021)

Demographic factors: With the increasing disposable income and spending per capita of the Indian population and the increased urbanization culture had contributed to growth in retail market share. The growing young population of India shows the growing trend in India and becomes the important driver.



(CBRE, 2021)

VI. INHIBITORS

Even though Indian retail is in a booming phase there are some factors that affect the Indian retail sectors negatively and pull down the growth rate of the same.

Covid-19 Pandemic: One of the most prominent factors of recent times is the Covid-19 pandemic. Covid-19 brought the world in a confinement and stopped the retail industry from selling non-essential items. Retail saw a steep decline in the sales in the country as social distancing matters. (Roy, 2011)

Supply-Chain Constrain: Unorganized supply chain contributes the most to the declining health of the retail structure in India. Increased operation cost, lack of infrastructure in logistics, the inadequate supply affects the retail in India to lose around 65 billion Dollars in a year. (Roy, 2011)

High level of Intermediaries: The intermediaries’ numbers in almost all the sectors in the Indian market are high. The more the intermediaries the more the product price. The profit margin is also reduced due to the intermediaries’ effect and derailing the growth of the retail.

Inflation: Higher inflation rate is one factor inhibiting the growth of retail. The more inflation the less the purchasing power and reduced purchasing power eventually is hurting the retailers. (Roy, 2011).

Challenges in Road Infrastructure: - Transportation in India pose a severe challenge for the retail Industry. Most of the transportation system is under the control of the unorganized sector which brings the control of the intermediaries more. Also, the condition of the Indian roads is not good and that affects the delivery time and the connectivity issue among the roadways are also in bad shape. (Roy, 2011).

VII. ANALYSIS AND INTERPRETATION

7.1 The impact of pandemic on organized retail industry:

7.1.1 Negative impact:

Retailers' business methods have been altered because of the new epidemic, and they have faced several challenges in doing business. The following are some of the issues that merchants face.

Business contraction: The whole economy has slowed because of the lockdown, and all shops have seen their business volumes decrease. In India, most garment, footwear, and fashion retail stores hold a year-end or clearance sale in the last week of March. This lockdown has impacted sales at the conclusion of the fiscal year. (Dr. Asad Mirza, 2020).

Consumption decreases: Consumer purchasing patterns have also changed, with a 25 to 30 percent drop expected in the following six to nine months. Consumer confidence in consumption has been harmed because of the lockdown, and the drop in consumption pattern is attributable to fears of sickness, loss of income, and job stability. (Dr. Asad Mirza, 2020).

Brand loyalty is dwindling Consumers' shopping habits have recently changed, causing them to stay to one retail outlet even when purchasing essential things. However, the commuting limits imposed during the lockdown cause individuals to acquire critical supplies from local stores rather than heading to their typical shopping destinations. Because small stores are offering more private label products, this has cleared the door for customers to utilize / move from nationalized brands to private brands. (Dr. Asad Mirza, 2020).

Operational challenges: Aside from the drop in sales, merchants must adapt their business practices. Organized businesses must deal with supply chain delays, shop footfall restrictions owing to social distance, sanitary improvements in accordance with local regulations, and a decrease in advertising promotions to minimize overcrowding. Even unorganized stores might confront operational changes

including home delivery, e-payments, and local government-mandated sanitary measures, among other things. (Dr. Asad Mirza, 2020).

7.1.2 Positive impact:

Even though COVID 19 has caused more clashes and threats to the retail industry, it has provided merchants with an opportunity to establish a new method of conducting business. The following are some of the retail options presented by Covid-19:

Changes to the operations: When compared to the brick-and-mortar system, the Pandemic scenario caused buyers to gravitate toward internet shopping activities. As a result, organized and conventional shops must find a way to offer their items online without attracting people to their physical storefronts. Many shops in tier 1 and tier 2 cities have begun to do business and provide services utilizing smart phones and online platforms such as Gpay, Paytm, Pay U, and others. (Dr. Asad Mirza, 2020).

Permeation of the market: The lockout has had an economic impact on India's middle-class families, who account for a significant chunk of organized shops' business. Retailers can reduce price, as well as value and choice, to secure their survival in the industry. When contrasted to high-end items, shops must focus on low-end luxury products. Looking Outside the Box Organized merchants must expand into new markets or relocate to rural areas to compensate for the loss of business in Tier 1 and Tier 2 cities. Maruti Suzuki, for example, has announced plans to build additional dealer showrooms outside of tier one and two cities to take advantage of the national government's economic stimulus programme for rural populations. To increase their business volume, the big retailers might start focusing on tier two and tier three cities. Due to the shutdown, many small stores in tier 3 cities are encountering financial difficulties and may go out of business. The organized branded merchants may simply take advantage of this circumstance to open their stores. (Dr. Asad Mirza, 2020).

7.2 The impact of pandemic on unorganized retail sector in India:

7.2.1 Negative impact:

Increased home delivery: People were terrified of becoming infected during the Covid 19 outbreak because the danger of death was so great. As a result, they avoided going outdoors and relied on internet delivery for their everyday needs. They're also ordering from Kirana outlets. As a result, Kirana

and the owners of general stores are having difficulty managing home deliveries as well as the crowds that have already gathered at the store. (K., 2020).

Non availability of products: Due to the lockdown, people are swiftly acquiring things accessible at Kirana and general stores, and they are not receiving their products via the upper distribution chain. As a result, they urged customers to wait for the items they wanted. As a result, they are having difficulties in retaining customers. (Jadhav, 2020).

Decreased labour force: The supply chain and distribution systems of FMCG businesses and distributors are not completely paralyzed, but there is a noticeable lag owing to a staff shortage. According to the chiefs of logistics and distribution organizations, reverse movement of labourers has resulted in a 15-20% deficit of workers, causing delays in items reaching retailers. (K., 2020).

7.2.2 Positive impact:

Increased customer spending: Government only allowed Kirana and general stores to do their business in lockdown. So, consumers are purchasing their daily stuff from nearby store rather than exclusive retail outlets. Because of this the average customer expenditure is increased and number of customers at Kirana store is also increased. (Khaled, 2021).

Increased in sales amount: The general trade shops in both Kirana and the Independent Self Service (ISS) model saw a considerable boost in sales statistics across the board. The impact of the sales boost varied by product category and by area of the country, but on average, 66 percent of businesses reported better sales during the lockdown. (Khaled, 2021).

Recommendations:

Here are some ideas policymakers should think about as they prepare to cope with the economic crisis.

- The first step is to protect employees in the informal sector who will be hit hard and have no savings to help them get through the tough times. MNRGA (Mahatma Gandhi National Rural Job Guarantee Act) and Jana Dhana accounts are two options that might be employed.
- The goal for the organized sector is to make banks less risk averse in general while keeping their ability to discern between productive and non-productive businesses.
- To increase liquidity and customer trust, India's government could grant a quarter- long pay roll tax

break to encourage consumption in these challenging times.

- MSMEs may be eligible for a subsidized working capital loan of one to three months' average turnover from the previous year. Because global supply chains are being disrupted, SIDBI must also offer MSMEs with subsidized financing for three months at a rate of 5%. In the following three years, the rate of interest on these funds may be modified as part of the GST.
- Corporate social responsibility investments must be directed toward a pandemic response fund.
- A crisis management system oriented on containing a worldwide epidemic would become critical throughout the vast and densely populated country.

VIII. CONCLUSION

Indian retailing is dynamic by nature, and it must adapt to environmental changes. Following the COVID-19 pandemic's shutdown, the Indian retail industry has seen significant changes. The new corona virus has harmed both organized and disorganized retailers, and it is time for them to reassess their strategies. The government was quick to respond, but the damage was substantial. Changes that are both radical and inclusive, as well as legislation that is strictly enforced, might assist to alleviate the situation. This Covid-19 had a significant influence on the non-essential goods retail company, but it also showed necessary item merchants how to establish a new strategy, embrace new technology, make operational improvements, and so on to continue in business indefinitely.

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