

## Impact of Digitalisation on Retail Sector during Covid -19

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### Abstract

Nearly all countries in the world have been affected by COVID-19. The recession has occurred most of the nations. The retail market is one of India's most impacted. India's organised retail market is still at an emerging stage, but the organised retail sector in the last few years continues to grow rapidly. India has also sometimes been part of the global recession. During the COVID-19 the structured retail was challenging. In this article, the economic condition of India during COVID-19 and the development of the organised retail sector in India have been taken into account. This paper shows that during recession a distributor such as COVID-19 can manage the process. During this period where retailers' profits are dropping and retailers suffer from lower falls, the merchant should concentrate on and attempt to produce greater sales under certain circumstances. In this article, marketers should focus their efforts on improving revenue such as inventory, supply chain management, transactions, human resources, incentives strategies, product innovation, consumer experience management, private labels, online distribution, distributor agreements, etc..

**Key words:** Customer Relationship Management, Inventory, Private Labels, Recession, Supply Chain Management.

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### I. Introduction

With the pandemic spreading and its effects growing, companies have changed their goals worldwide. Nearly every sector has been hit by the virus. The mode retail market is among those most impacted and consumers actually have fewer preference. There seems to be a global pandemic blow from the luxury and shopping sector. Consumer attitudes and activity trends shift easily, and normal consumer behaviour at this stage is hard to foresee.

COVID-19 is one of the country's toughest situations. Most companies walk to live since government lock-up and protective steps. Since 24 March 2020, lock-down in India began. The outbreak of COVID-19 spread to nearly every country of the globe. Worldwide, almost 10 million people were sick. Thanks to the economic scenario, several companies have lost. One of those who is strongly influenced by COVID-19 is retail. Much of India's retail market is still unorganised with 97 per cent in 2005 and just 3 per cent organised. The overall Indian retail market size in 2017 was US\$672 billion, and it is estimated that by 2026 (IBEF) it would be about US US\$1750 billion. An regulated retail industry of around US\$23 billion is anticipated to contribute approximately 9 percent of overall retail revenue in India by 2010. This fast development would have been continuous if the present economic condition were the same as previously expected. However, the global market has shifted and India has now had a whopping 6,00,000 COVID-19 infection. The COVID-19 has affected the potential development plan of several retailers. Many major players such as Reliance, the future party have stopped their growth plans. And certain stores suffer losses.

In the last couple of years, the retail sector has seen significant development. For the merchants, the new economic condition is now a little harder. Indian retail sector is expected to slow for another 5-6 months or by the end of 2020 and a rebound would rely on initiatives by the government to boost the economy. The earnings of retailers is affected by the reduction of demand following a domestic slowdown. The retailers need to analysis their different business processes to overcome the ongoing recession and must take stock of the key fields on which they should focus to compete on the sector. Here we would discuss certain places that are of major importance to organised retailers and that will help them prosper in this difficult period. The main aspects on which retailers should focus on improving their retail efficiency include inventory, supply chains, operations, HR, CRM.

#### 1.1.1 GREATER ACCEPTANCE OF E-COMMERCE

As the primary liquidation outlet for several brands, e-commerce was already utilised. As the lock-down is made more convenient for a huge amount of users, web shops can serve as a connection between

customers and companies. Multi-channel experiences providing consumers a customised distribution of goods, merchants manage to exceed their rivals that do not provide these services. Companies must also spend to have good e-commerce services in enhancing their online presence. Sellers must embrace the new future wholeheartedly. You can develop an online fashion store that gives shoppers a simple way to buy their desired product.

### **1.1.2 SHOPPING LOCAL IS THE NEAR FUTURE**

The apparel retail market is expected to change from customer shopping to the choice of local, independent shops in big department stores. The explanation why shoppers choose shopping locally to minimise the impact of COVID-19 is that social distancing in these shops is simpler to manage than in major malls. In the coming months, physical shopping can become a need-only practice. Buyers will receive a new mantra, i.e. '.

### **1.1.3 AUGMENTED REALITY**

With fewer people who choose physical shoppers, customers cannot test on their clothing with dressing rooms. In the retail market, this provides an enormous incentive to utilise increased facts. For example, it is a recent development in the fashion retail sector that the opportunity to digitally try clothing and see the fittings from the comfort of the house. This improves the experience of the customer. So businesses should learn to utilise this magnificent opportunity effectively.

### **1.1.4 SUSTAINABILITY IS A CHOICE**

Sustainability is one of the major factors that can influence the post-COVID retail market. Many research shows that the mode industry is one of the world's most polluting sectors. Consumers are increasingly conscious of the climate change, particularly with regard to the categories of physical products, of the effect of their purchases on the earth. This pattern has been much more important since many draw links between the climate crisis and the pandemic. Customers want clothing that will last and people want seasonless fashion with increasing focus on home work. Preferred are affordable and green sustainable items over inexpensive and bargain goods. Holders in the apparel sector also ought to maintain the sustainability of their raw materials and of their whole supply chain. They would invest in more environmentally sustainable products to make them the consumer's option.

### **1.1.5 PREPARATION FOR THE NEW REALITY**

The luxury brands' immediate response to the pandemic was the introduction of steps to protect the welfare and cash of their employees. But organisations can brace for the 'current standard' in the post-pandemic environment with many measures. They should concentrate on re-sizing, including sales upgrading and the adoption of emerging technology. They must rebuild and streamline their wholesale and retail partners. Companies must invest in developing their platforms and broadening them in order to have an optimal e-tail experience. You should strategize to expand links to multi-brand sites such as Amazon. It may be useful for retailers to reduce supply costs and increase flexibility by the adoption of effective stock management.

Overall, almost every part of our lives is on the pandemic; there is no less mode-retail market. Through the shift in customer behaviour, this market would change. However, these abrupt advances can be transformed into profitable opportunities by concentrating on domestic opportunities to enhance market opportunities throughout the COVID period..

## **1.2 RETURNS MANAGEMENT – FROM NECESSARY EVIL TO STRATEGIC ADVANTAGE**

Returns are also an unpopular subject for which merchants are unable to deal. However, with the establishment of e-commerce channels, this requisite evil becomes one of the best opportunities to boost earnings, promote lasting consumer ties and distinguish between themselves and the competition. Three critical starting points were summarised which will enable this.

In recent years, explosive development has not only happened in department stores online. For brick and mortar stores, it has been almost compulsory to give consumers the possibility of buying the products digitally and delivering them. This pattern has been strengthened by the pandemic year 2020. In line with their advanced industry sophistication, e-commerce platforms have met some level. Criteria such as arrival hours, payment methods and user experience used to be considerably distinguished from online retailers. At least for the larger platforms and widely used shop structures, these considerations are nowadays almost entirely standardised. But the field of returns handling fails to create headaches for most retailers. As merchants are increasingly obliged to deliver returns free of charge, or at least slightly below actual prices, since the rivalry in online and postal order market is high..

### **1.2.1 STARTING POINT 1: CUSTOMER LOYALTY THROUGH POSITIVE EXPERIENCE**

Key considerations for sustainable consumer interactions is generally recognised as customer service and customer communication. In e-commerce, partnerships are established from afar. Returns service is the field of which the consumer conversation is more intensive in many ways. In a recently completed study of consumer reward schemes, free supply and refunds were among the most valued customer deals. This is also a way for customers to be more satisfied and loyal. Uncomplicated handling of complaints and refunds will definitely create a definitive difference whether a buyer prefers a different store for his next order or opts for a specific store. This mechanism thus ought to be invested. However, optimum performance in all these interactions is expected to prevent losses..

### **1.2.2 STARTING POINT 2: PROFIT INCREASE THROUGH PROCESS-OPTIMIZATION**

The retailer has averaged €15.18 (€7.93 expense for processing, + 7.25 loss of value) plus transportation costs for outboard and inbound shipments, according to the study findings from the University of Bamberg. This number will differ considerably according to the amount of returns and the form of products. For instance, loss of value for textiles, but for electronic goods, sports or home appliances, furniture and so on may be comparatively low. Not to mention certain items returned with significant use traces. The costs of returns are three digit million per year, according to researchers in German online retailers alone. Clearly, return accounting has been one of most corporations' major "price guzzlers." Consequently, the goal is to provide consumers with the highest return service, thus maintaining returns and losses as minimal as possible.

Often businesses abandon the logistics provider for their return management. It sounds like a powerful option. However, in this situation, returns are mostly offered to bulk sellers in the end of the fifth, half or even year on mixed pads as 'C-goods.' In certain cases, even 10 percent of the total value of the commodity is produced, depending on the product type. Therefore, it is certainly more appropriate to look through the individual measures for the management of returns and examine which areas may be improved internally or combined with a qualified collaborator to ensure preservation of value.

### **1.2.3 STARTING POINT 3: DIFFERENTIATION AND MORE SUSTAINABILITY THROUGH NEW WAYS OF RESELLING GOODS**

The resale of the product will include multiple starting points for optimisation as well as the method of management of returns. The market volume generated will dramatically improve by intelligent matching product types with the most appropriate sales channels. Software solutions with AI-supported algorithms may contribute to sale at the best price when sold through public markets or auctions. However, it may also be a way to discern between your own store or Web-Shop and the opposition and give consumers an appealing solution. Thus, stakeholders are able to buy just as well fresh merchandise as items with transparently recorded minor flaws or symptoms of usage at attractive rates. It's an extremely exciting choice for many shoppers, not only for financial but also for environmental reasons and sustainability. And maybe an incentive to choose a certain web-shop or brand..

### **1.2.4. Operations**

Furthermore, retail activities can help manage the expenses and increase shop profits. Strong checks on shops' spending. The various storage costs should be carefully tracked. Adequate use of limited self room accessible. Fresh product mechanisation combination. Retailers will also test by adjusting the positions of various items in the retail shop. Productivity of revenue, space, shares and employees should be watched closely. The supermarket company should aim to reduce needless costs such as paperwork, transport and energy. The supermarket standard operating procedures are another environment about which a shop can worry further. The basic operating methods specifically describe the store guidelines. It describes how the job is done in a department store. The normal operating procedure may be changed as needed by the store for the current period. Because of normal operating practises, the judgments are often postponed which can lead to revenue losses at the moment. The basic operating procedures in this area

### **1.2.5 Human resource**

The field of human resources is impacted by the slowdown, and businesses begin to cut down the number of employees. But a reduction in the incentive ratio of other employers has a detrimental effect. The staff who work are better but are in danger of loosing the job at any moment, with workers who are in performance. Companies can at the present time strive to emphasise more on the growth and preparation of these workers. The retailers must strive to gain their employees' confidence and in coordination with the employees take cost reduction steps. Titan Industry carried out an effort that demonstrated a positive outcome which had good performance.

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The Titan industry solution to dealing with the recession in 2009 is discussed in an informative article in the Economic Times. It states that Mr Bhaskar Bhat, MD of the Titan Industries watch-to-joy retailer, reached workers in an initiative '2000 & 9.' The staff are invited to add the sales value of Rs 2,000 – either directly or via a recommendation – and to save Rs 9 daily from January to March 2009. During that three-month span, a significant number of the 7 000 staff voluntarily lifted air conditioning by a degree, swapped lifts for the stairs and also claimed Rs 100 to 150 on their cable fees, chose a lower class of travel and a hotel stay than their qualifying class. The cost saving activities are supplemented by proposals from employees as substitution of address stickers for communications with a stick. Titan's employees generated Rs 4,35 crore in sales by way of internal referrals by the end of March 2009 and reduced Rs 6,9 crore expense. By providing a 7,5% rise in wages and incentives in April 2009, Titan reimbursed the pledge. A 1% pay increase means a crore Rs 1-1,5. When the staff generated savings of Rs 6.9, they nearly gained their salaries."

### **1.2.6 Incentives**

Incentive policy at this stage should be re-structured. As is evident retailers generally come up with very harsh incentive policies and some times put unachievable targets for the staff. But incentive policy need to be realistic and it should be achievable by the staff members. Cross-functional sales team should be formed so that cross-selling and up-selling can be increased. And incentives should be assigned based both on personal achievements and cross-functional achievements.

Strong CRM activity can help the retailer maintain their existing customer. Giving a personalization touch to the customers can also help in tough times.. Retailers need to analyze the CRM data closely and coming up with new offers and schemes for the customers. Companies should maintain data warehouses. CRM data should be analyzed with latest tools and techniques available like on-line analytical processing (OLAP) tool which helps in analyzing the hidden pattern of the customer buying behaviour and data mining tools.

On line retailing is another area where retailer can develop another channel to reach to the customer. In the time of slow down on-line retailing can also help a store boost its sales. The retailers can target the customers, those who prefer to buy the product on line rather than buying from the store. Dominos and Tesco have used on line retailing a new instrument to compete with other retailers. The on-line retailing will add a new channel of distribution to their supply chain. With the entry of JIO Mart in online retailing, the online retail sector is going to be impacted.

Lease or rent negotiation is a instrument that can be used by retailers to control its expenses. The retailer should try to negotiated with the owner to provide a discount in the rental until the situation in the market stabilizes. Retailers can also use the revenue sharing models with the owners. In this models retailer provides a fixed percentage of its sales to owner.

Private labels are the goods produced or marked by the retailers with their name. In recessions, shoppers have a natural tendency to switch to private labels in order to save money. Private goods provide more margins than the branded items. The retailers should try to include more private labels in its portfolio of products. But the quality and brand equity of the private labels should be well accepted by the customers. This will help in earning more profit margins for the retailers. However, in recent decades, so-called private labels or store brands – brands owned by retail giants such as Wal-Mart, Tesco, Carrefour and Aldi – have made huge inroads, especially in western Europe and the US. Today they control 20 per cent of the US FMCG market, 35 per cent in Germany, and more than 40 percent in the UK<sup>1</sup>. Faced with a pressing need to save money, shoppers turn to (cheaper) store brands. They discover that the quality is good and, consequently, many stick with the brand when the economy improves again

## **1.3 RESEARCH METHODOLOGY**

The research design of the paper is exploratory and qualitative in nature. Data used in the paper is also qualitative form several reports of FICCI, IBEF, news paper articles and retail magazines.

### **1.3.1 Factors for Retailers**

This paper discusses the factors that can help a retailers manage their businesses during COVID-19 situation. These factors are Inventory, supply chain, operations, human resource, incentives, product innovation, product diversification and customer relationship management, online retailing, lease negotiation and private labels.

### **1.3.2 Inventory**

Inventory is a major area of concern for retailers in the slow down. It is the inventory that brings sales for them. But at the present time retailers need to pay more attention towards inventory. Retailers need to maintain a lower

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<sup>1</sup>Article Marketing strategies for fast-moving consumer goods by Jan-Benedict E.M. Steenkamp & Marnik G. Dekimpe Published: February 5 2009

stock-to-sale ratio. As the demand in the current situation is going down, so the excess inventory or safety inventory being hold by retailers should be lowered. So that company can utilize the cash for other activities. The excess stock or defected stock should be negotiated with vendors to take back or provide credit for those stocks. Retailers should try to enjoy economies of scale with 3-5 stores procurement done in synchronization. They can ask vendors for quantity discounts and trade promotions which will help both the retailer as well as vendors. Negotiations with the vendors for better credit policy should be done. The retailers should try to generate more sales per sq. feet by better merchandising policies. They should try to re-position their products in the store to attract the customer attention and increase their sale. The retailers should use the proper space optimization, positioning and adjacencies. The Visual merchandizing (VM) can also play a vital role in attracting the customers to the store. From time to time the VM can also help give your store a new look which can impress the customers and can increase the footfalls in the store.

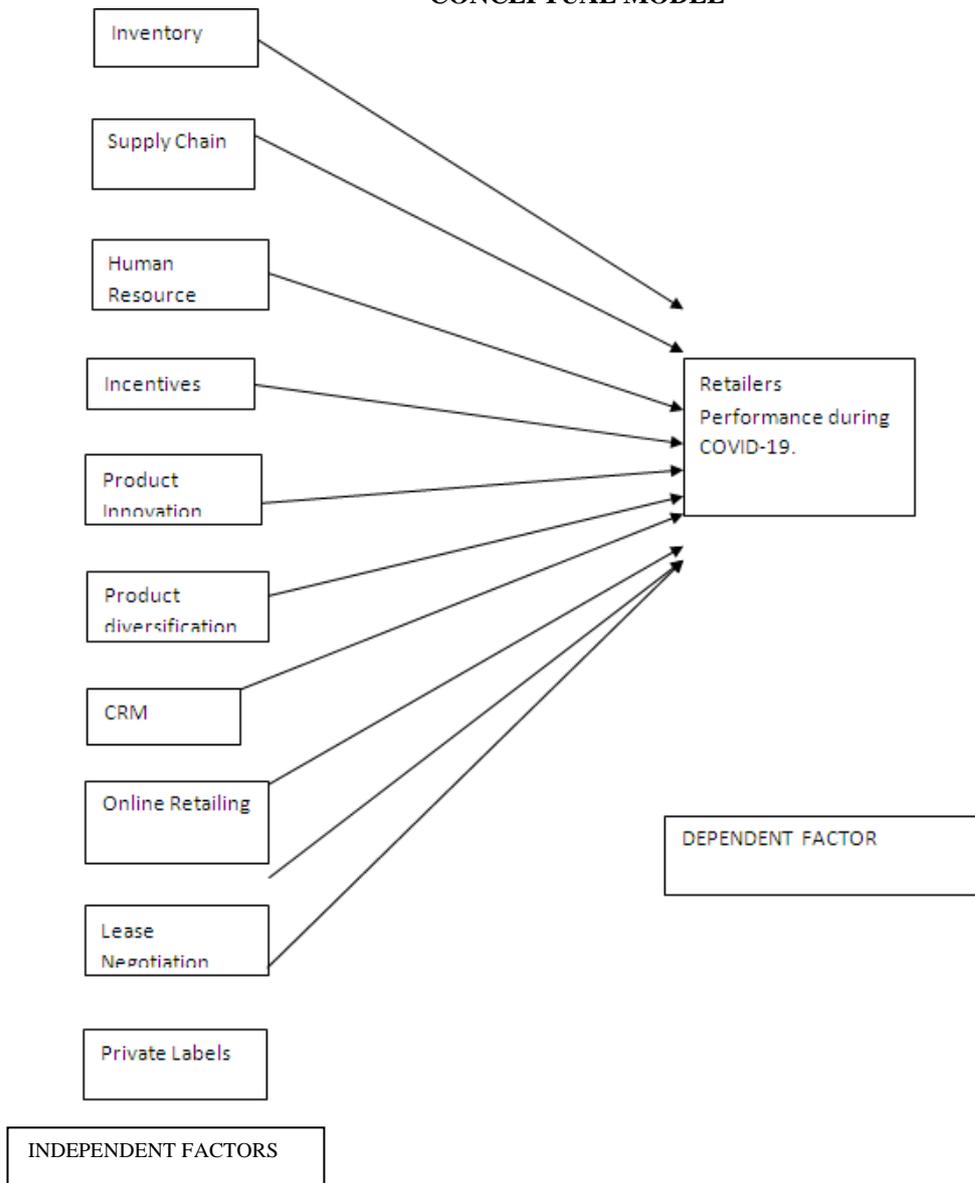
### **1.3.3 Supply chain Management**

Supply chain is another major area where company can control many factors and can lower down the cost. Retailers need to re-evaluate their current transportation, storage and distribution strategy. Retailers should try to stress more on Just-in-time (JIT) system. So that they can reduce the storage and distribution costs. Although JIT can be difficult to implement and it is easily not accepted by vendors. But long term commitment with vendors and better business prospects in the future can encourage JIT. JIT would be highly appreciable for the products that have low demand uncertainty but for products with high demand uncertainty a little safety inventory can be carried. The retailers can make changes in their distribution systems. They can go for centralization of their distribution systems. If their systems permits they should opt for Cross-docking concept as used by Wall-Mart. The Wall-Mart through its Cross-docking uses its distribution centre only to breaking the bulk of stock to small units. It does not use distribution centre to hold the inventories. Due to this Wall-Mart is able to cut down its inventory cost, holding cost, maintenance cost and they don't need to rent or buy large ware houses. A small ware house can full fill their requirement for Cross-docking.

### **1.4 CONCEPTUAL MODEL**

Based on the above factors a conceptual model has been proposed. The model has the independent factors like inventory, supply chain, human resource, incentives, product innovation, product diversification and customer relationship management (CRM), online retailing, lease negotiation and private labels and dependent factors as retailers performance during COVID-19.

**FIGURE 1.1  
CONCEPTUAL MODEL**



**1.5 CONCLUSION**

Digitalisation has become an integrated part of retail industry during covid 19, it has boost up growth of the industry as well as increased the no of customers. This sustainability trend is now also increasingly taking over other segments, such as electronics, household appliances, furniture or toys,” confirms Alexander Lange, Business Development Manager at BuyBay. “Suppliers, especially well-known brands, are often concerned that they will cannibalize their offerings and brand image if they also make so-called B goods available to their customers. However, our experience in working with well-known vendors has shown that the offer of returned goods can help them to reach exciting new customer groups, who are attracted by the attractive price-performance ratio or by the sustainability concept.

The COVIDF -19 has been a tough time for most of the retailers through out the world but retailers can still survive in this dynamic environment. All they need to do is concentrate more on their operations and try to change some of their strategies for some time till the COVID-19 is wiped away. The retailers can stress more on their inventories, supply chain management, new product development, apply new CRM techniques, change in the look of their stores etc. Although changing the strategies at a very short span of time is difficult for the retailers but this is the need of the time. Because it has been rightly said “Either Change or Die”.

During study it was also found that diversification as well as Product innovation can help the retailers in increasing sale of their stores. But product innovation comes with a risk for the success or failure of the product in the market. So more stress should be on close monitoring of the customer behaviour and then coming

up with the new product in the market. New and more innovative product can help in capturing the market of the customer that always look for new product in the market. The Maruti Suzuki introduced two new models at this tough time A-Star and Ritz during recession of 2008-09. Similarly the Hyundai also came up with i10 and i20. Mahindra introduced Xylo and Honda also introduced Jazz in India. Similarly during this phase of COVID-19 we can automobiles dealers coming with launches in the market. Diversifying into new product categories can also help a firm stabilize its sales and marker size. Dabur India has diversified into hand sanitization category. As the demand for essential items and personal hygiene has increased, there is an opportunity to diversify into these categories.

### **1.6 LIMITATION OF THE STUDY**

1. The study has limitation that it is descriptive in nature, data used is secondary only. The proposed model has not been tested using primary data.

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