

A Pandemic's Impact on Indian Consumer, Retail, and Online Businesses

Krish Devnani

Grade 11

American Community School of Abu Dhabi

Introduction:

On the 11th March 2020, the WHO declared the Coronavirus Disease (COVID-19) outbreak as a pandemic, and called upon all foreign leaders to take immediate and appropriate actions in order to reduce the transmission, ultimately saving people's lives. Indian Prime Minister Narendra Modi acted swiftly in response to this news, and imposed a 21-day nationwide lockdown on the 24th March 2020. However, due to the accelerated spread of the virus, PM Modi has extended the lockdown till 31st May 2020. Along with the imposition of the 'Janta curfew', the WHO Country of office in India has implemented response measures such as contact tracing, laboratory diagnosis, infection prevention and control teams, and a containment plan for the public(1).

This pandemic has tasked the Indian economy with an unprecedented challenge. The Prime Minister's methods of combating the virus will severely disrupt demand and supply side elements which would be essential for maintaining a healthy economic growth.

Impact on Indian economy:

As of the third quarter of the current fiscal, the nation is experiencing a rise in GDP by a mere 4.7%. It was recorded that this was the slowest economic growth experienced by the nation since the time PM Modi was elected. The Federation of Indian Chambers of Commerce and Industry (FCCI) stated that 53% of Indian businesses were ultimately affected since the outbreak of the virus. This number would grow exponentially until all consumer, retail, and internet businesses would ultimately be impacted(2).

Consumer, retail, and internet businesses, in particular, would have a significant impact on the country's economic performance, because it contributes to 10% of India's Gross Domestic Product (GDP)(4); The nation's GDP as of 2019 is \$2.94 trillion(3).

Additionally, the stress of the above industry would also have an impact on India's GDP per capita. This is caused due to the fact that 8% of the Indian workforce relies on this industry as a primary source of income. Temporarily halting the performance of this industry would reduce the nation's below average GDP per capita of \$2170 (3).

The ideal situation for Indian consumer and retail businesses is if India is able to limit the spread of the virus effectively, and its manufacturing sector resumes immediately(4). It should be noted that several industries across the nation are dependent on Chinese imports due to the lower price of raw materials (5). Limiting the supply of raw materials would disrupt several supply chains, ultimately leading to a fall in imports. As of April 24th, it is projected that by the year 2021, the growth rate of the GDP will be limited to approximately 2-3%(18).

However, as of May 22nd, the Reserve Bank of India (RBI) has suggested that the GDP growth for the upcoming year would remain in the negative territory. This may be due to the fact that there's a significant fall in the demand for electricity and petroleum productions. RBI governor, Shaktikanta Das, claimed that reduced demand and disrupted supply chain will limit the level of economic activity in the first half of the current fiscal. However, if economic activity were to be restored within the second half of the year, the nation can expect growth impulses (20).

Positive impact on businesses:

An industry, in particular, which would benefit from a pandemic is the internet business industry.

Businesses in this industry can vary from online grocery markets to online streaming services.

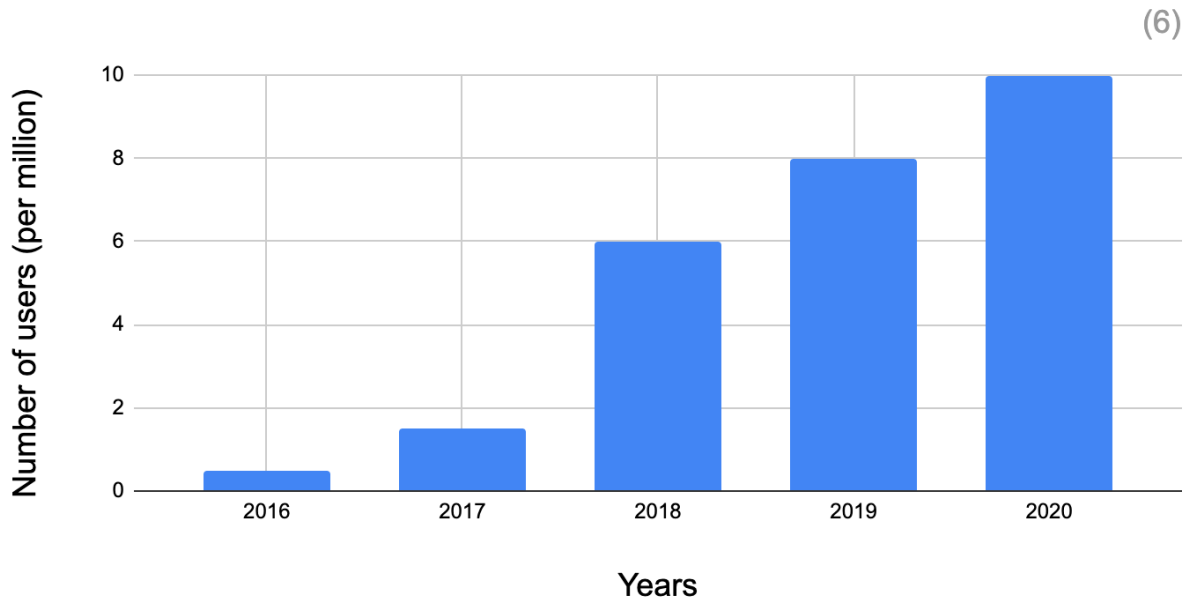
The internet business industry has grown due to the exponential rise in urbanized cities and towns. The increasing number of people living in urban areas have improved their standard of living and has provided them with luxuries that may not have been

present in rural areas. One of these luxuries is access to the internet. In fact, as of 2019, India was ranked the second largest online market worldwide, falling short of first place to China(16). This digital revolution has allowed producers to supply data at reduced costs; therefore, increasing the affordability for a wider range of consumers(7).

An increased number of online users would lead to an increased demand for online services. A popular online service which is utilized by 37% of online users worldwide is Netflix(8). Despite its popularity, the rate of growth of viewers in India is far below their ideal number(6).

As of 2019, the number of Indian digital viewers rose by 18.6% compared to the previous year. However, this growth rate has not been the same for Netflix viewers. As of 2019, the number of Netflix viewers is expected to reach approximately 8 million. It is projected that by the year 2020, the number of viewers would reach 10.2 million. In addition, a factor responsible for limiting Netflix's potential across the nation is the lack of regional content. The nation has a variety of diverse cultures which appreciate their own entertainment industry. The content provided by Netflix is limited in a sense that it is mainly geared towards western audiences, and has a limited number of domestic content(6).

Figure 1: A graph to show the projected number of Netflix users in India prior to the Coronavirus pandemic



Based on figure 1, it can be observed that the growth of users from years 2016 till 2018 was exponential. Since 2018, the number of users has begun to increase at a somewhat constant rate. However, due to the imposition of the Janta curfew, Indian residents may opt to adapt to their new temporary lifestyle in the form of increased television time. Netflix can utilize this opportunity to gain popularity in the Indian society, and eventually make their consumers accustomed to their product.

Due to the projected increase in demand for such online services, the Cellular Operators Association of India (COAI) made an announcement targeting the over-the-top service (OTT) players. It was mentioned that content providers like Netflix, Amazon prime, and Hotstar would have to reduce their content quality from HD to SD in order to prevent a burden on the cellular network infrastructure(6).

Another industry that would be able to take advantage of this situation is the online grocery shopping industry. In the short run, the demand for fast-moving consumer goods would increase exponentially due to the fact that consumers may purchase goods out of panic. It was reported that goods such as soaps, detergents, sanitizers have also witnessed a rise in demand (13). Online grocery stores like 'Bigbasket' and 'Grofers' have reported an increase in sales by a factor of two, as a result of consumers panic buying (14).

Businesses Disrupted:

An industry which would bear the brunt of this lockdown is the B2C (business to consumer business). B2C is a type of commerce transaction where producers sell their products directly to the consumers. Examples of this industry include shops at a mall, dining at a restaurant, or purchasing medicine at a pharmacy(9).

Due to the imposition of social distancing, the specific industry which would be affected the most is the restaurant industry. Since dining at a restaurant can be considered to be a non essential commodity, consumers would not prioritize visiting social places during the lockdown. As of 2020, the Indian restaurant industry is estimated to be worth 4,23,865 crores. If the Indian government is unable to control the spread of the virus, at least 50% of restaurants across the nation will be negatively impacted to a large extent.

The president of NRAI (National Restaurant Association of India), Anurag Krtikar, believes that restaurant owners will be forced to form their own pocket in order to sustain their business. In addition, he also mentions that only a small proportion of restaurants will be able to carry on with the situation. Government intervention during this period of time is essential in order to avoid layoffs at a large scale. If appropriate action is not taken immediately, it can be expected that the reduction in economic activity would hinder the growth potential of the Indian economy (10).

Another type of service industry which will be adversely impacted due to the widespread of the virus is the commercial real estate business; this is the same industry which has been performing well despite the slowdown in the overall property market value. It is projected that the net office leasing space could fall by 30%(12). This may be caused due to the fact that people are avoiding crowds at all costs. Therefore, offices have suggested “work-at-home practices”(11). In addition, the absorption of retail areas may reduce by 64%. Anarock Property Consultants Chairman, Anuj Puri, believes that the real estate industry has been hurt due to the fall in demand and liquidity crisis (12).

Geopolitical impact:

In the long run, Indian consumers may act in a xenophobic method in order to boycott chinese goods and services. As of May 12, PM Modi has addressed the need for India to become more ‘self-reliant’; the government aims to do this by improving the labor, land, liquidity, and laws. This would allow the nation to become less dependent on Chinese goods, due to the increased suspicion of Chinese imports(19). However, as a method of retaliation, the chinese government may impose duties on Indian raw materials; this may be done with the hope of reducing the Indian economy's potential.

Conclusion:

As of May 3rd 2020, PM Modi is considered to be ranked top amongst global leaders in the fight against the Corona Virus. An analysis conducted by Pollster Morning consult gives PM Modi a net approval rating of 68. However, supply chains will still be disrupted and could significantly hinder the growth of the nation. If the lockdown were to continue into the month of June, it can be expected that India, along with several other nations across the globe, would experience a negative rise in GDP by the year 2021.

While most consumer and retail business would bear the brunt of this pandemic, a new opportunity for online business would be provided. An increasing shift to online businesses could result in the revision of business models for consumer and retail stores; this may better prepare them for any potential changes in the future. The Indian government should be aware that this is a time where some businesses will flourish, while others may suffer.

Definitions:

GDP: a measure of the total final value of all goods and services produced within the boundaries of a country, with some factors of production present overseas, over a given period of time.

GDP per capita: a measure of the country's economic output per person; it is calculated by dividing the GDP of a country by its population.

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