Now more than ever — in the midst of a public-health and economic crisis that is rapidly reconfiguring shopping behavior — consumers are defining digitally enabled convenience based on their preferred physical and digital options.

In response, globally, consumer-facing companies are considering adjusting their entire value chains to better account for aftershocks: from supply and logistics to e-commerce architecture. And they’re facing the challenge of keeping up with the ever-evolving consumer demands.

For Sri Lanka with high dependency on imported goods and a weak domestic economic growth during periods immediately preceding the COVID-19 crisis, the challenges posed by such a global pandemic are manifold.

PwC Sri Lanka hosted a webinar on 30 April 2020 with Charitha Subasinghe (CEO, John Keells - Retail and Consumer), Wayne Hodson (CEO, SPAR Sri Lanka) and Zulfer Jiffry (Founder & CEO, PickMe) to discuss the current challenges and more importantly to explore the business outlook and strategies to drive the recovery of the industry.

The ensuing pages includes the key takeaways from the discussions with business leaders on the COVID-19 impact and outlook to the Retail and Consumer industry.
Overall, the COVID-19 impact depends on the category focus and the sales footprint of retailers

COVID-19 brought about unprecedented challenges to the retail and consumer landscape in Sri Lanka. Chairtha Subasingha, CEO of John Keells-Retail and Consumer, commented on how everyone from large to small businesses in the retail sector has brought forward their innovative and entrepreneurial spirit to face the supply and demand challenges.

He noted that businesses must now become more agile and robust and that whilst COVID-19 has impacted everyone negatively, it also creates opportunities and requires people to look at business from different angles and think out of the box.

Wayne Hodson, CEO of SPAR Sri Lanka, too highlighted how this new normal poses opportunities for the food and retail sector and added that we will likely see existing traders and entrepreneurs willing to get into traditional Brick and Mortar retail.

At a time when travelling was at a stand still, PickMe responded to a vital need in the market by delivering goods and services to consumers’ homes. According to PickMe CEO and founder, Zulfer Jiffry, within the first two weeks they were able to reach 100,000 households.
What are the challenges faced?

According to the Business Leaders, COVID-19 created challenges for the retail and consumer sector in multiple ways. Consumers couldn’t reach stores and when they could, they were faced with long queues and the possibility of others violating health and safety guidelines.

Suppliers were facing production shutdowns and transportation restrictions. Employees were needed to process orders but were unable to come to work. According to Subasingha and Hodson both Keells and SPAR were operating with one third of their usual staff numbers. In such an environment, retailers had to adapt quickly.

The panelists agreed that the behaviour of Sri Lankan consumers in response to the pandemic was very similar to that seen globally, with panic buying and stockpiling taking place. The subsequent travel restrictions posed a significant challenge on retailers.

What was the thinking process behind this quick change in the business model of PickMe to Delivery solutions?

With the public safety measures disrupting normal commercial operations, Zulfer mentioned that PickMe had the capability and infrastructure to respond to the shift in consumer demand for delivery of essential goods. Meanwhile, the Government was also keen to support the initiative taken by PickMe during the curfew.

Currently, PickMe has a fleet size of approximately 30,000-40,000 and has the ability to cater to more demand. But, main issue is supply chain disruptions due to the lockdown.

How did you adapt to change?

Charitha Subasingha stated that, prior to current circumstances, Keells supermarket chain served 150,000 customers on a daily basis. Whilst this was a self service model it then had to be changed overnight into a delivery model.

Keells has since successfully expanded from being able to serve approximately 1000 households on a daily basis to serving 20,000 households with 400 SKUs available on their site for delivery. The forthcoming challenge is now the availability of products from suppliers, with manufacturing yet to start.

SPAR too has adapted to changing circumstances by creating an online presence, which they successfully had in place within 48 hours and offer approximately 160-180 SKUs currently. Wayne Hodsen also stated that transporting staff safely to and from lodgings was a problem they faced when adapting to the current situation.
How will consumer demand be affected due to the possible drop in disposable income and uncertainty?

Many economic projections suggest an economic downturn leading to a fall in disposable income, job losses etc. In addition, Charitha said that consumer confidence was low during the recent past, but believes there will be opportunities for certain product segments. There may be a shift in demand towards products consumed within the household. In addition, the consumption patterns for certain products may change.

The main focus of retailers will be to serve consumers using a credible omni-channel approach rather than relying only on a Brick and Mortar model. Being agile and innovative will be the way forward during these difficult times.

When it comes to pricing, Wayne mentioned that most retailers didn’t have any price variations compared to pre-COVID-19 period for online shopping. Zulfer also mentioned that delivery charges were maintained at low levels. The commercial banks also sponsored the delivery services provided by PickMe to support the consumers.

Will you continue with the expansion of the Brick and Mortar shops or will you focus more on e-commerce?

Wayne believes that there will be demand for Brick and Mortar outlets in the medium-long run and will act as first option for consumer.

In terms of setting up an e-commerce platform, Wayne mentioned that it was always a part of their strategy but the COVID-19 crisis made it essential to escalate the setting up of an online platform.

Charitha said John Keells maintained an old-fashioned online platform before the Crisis. But, with the shift in consumer demand John Keells had to relook at broadening its technology capability and infrastructure.
How do you expect the retail industry landscape to evolve during the next 12 - 18 months?

COVID-19’s impact may stretch for 12-18 months. Meanwhile consumption patterns and disposable incomes of consumers are continuing to change. Hence, the opportunity now for retailers is to identify how best to serve consumers at home and to move into a credible omnichannel business model.

According to Charitha Subasingha, “As a retailer we need to be ready to face those eventualities. This is where the credible omnichannel option has to be there in the armory of a retailer if he is to be relevant to the consumer in the post lock down period”.

Wayne said that retail and consumer industry experience in Sri Lanka is similar to the norms in the rest of the world.

Going forward, health and safety of consumers will be the key focus for SPAR. He believes the consumer demand will pickup in the long run but highlights that retailers will have to reinvent themselves. Retailers need to embrace the new “normal”.

Albeit ride hailing is down to a near zero level, Zulfer says delivery will be the key growth driver after the crisis. Despite the lifting of the curfew, consumers will rethink before leaving their households. Hence, Zulfer believes in the opportunity to serve all these consumers and businesses through the PickMe platform during this uncertain times.
**Action plan for Retail and Consumer Enterprises**

**Short term**

- **Adjust your assortment to become recession-proof**
  - Cancel holiday and seasonal orders, keep home products (BBQ, furniture). Carry low price variants. Make packaging anti-contamination proof.

- **Use markdowns and write-offs to salvage revenue**
  - Promote and use markdowns now instead of later to avoid excessive revenue decline. Donate proceeds to relief efforts if affordable.

- **Leverage store resources for the online channel**
  - Ship from stores. Reallocation of store staff as online sales assistants (e.g. via social channels) or for eCommerce fulfilment.

- **Accelerate cost and cash containment**
  - Consolidate efforts to achieve a leaner organization coming out of the crisis. Assess the location and profitability of your store network.

- **Assess the market for M&A or verticalization opportunities**
  - Identify small players as potential M&A candidates while examining opportunities to verticalize your supply chain

**Medium term**

- **Broaden your supplier base**
  - Multi-source for all critical supplies where possible as back-up in case supply chain breaks. Integrate proactive risk management across the supply chain.

- **Integrate remote marketing tactics**
  - Provide social interaction and gamification. Embed shopping with content and communities. Partner with influencers.

- **Scale your online shop**
  - Adapt budgets to address a sustained increased demand for eCommerce, incl. flexible fulfillment capacities

- **Re-align organization**
  - Accelerate automation, Big Data analytics, Outsourcing etc.

**Long term**

- **Increase E2E supply chain visibility and resilience**
  - Assess your supply chain and logistical footprint to increase flexibility and capabilities in the long run and accelerate the role of automation in the supply chain and in stores

- **Harvest data of newly won customer segments**
  - Revitalize customer excellence and review customer data to fully nurture customer base after the crisis.

- **Digitize your business processes**
  - Ensure flexibility for future crisis-like situations, e.g. ensure infrastructure for home office

- **Implement continuous cost improvement**
  - Implement processes to ensure a strong focus on controlling costs and expenditures across the organisation – maintain organizational fitness

- **Go asset-light**
  - Convert your business model to asset-light, where possible (short-term rent obligations, outsourcing, etc.)

Source: Strategy& and PwC analysis
