

Aga Khan Economic Planning Board for India

Webinar – Impact of Covid on Small traders (In Hindi)

By Farheen Rana

On 5th April 2020, the Aga Khan Economic Planning Board for India organized a webinar on the "The Economic Impact of COVID -19 featuring Mr. B.C. Bharatiya, Mr. Anil Koradia, Mr. Piyush Sinha and Mr. Jamal Pradhan. The webinar was hosted by Mr. Shiraz Vastani.

Covid Impact on Businesses

- The pandemic will not only impact sectors such as tourism, hospitality, consumer discretionary products & their allied businesses but will disrupt supply chains across the nation. Logistics and labour (migrant workers) have been severely hit and businesses will have to work very hard to get these back on track.

Suggested Short & Medium Term Actions

- Start preparing a realistic analysis on how and when your business could potentially recover which should then be matched with your projected cash flows and savings to get a fair sense on where you stand. Accordingly, start working on reducing expenses - personal & business (even large businesses are going through each line item on their P&L and reducing unnecessary expenses) and negotiating with all your vendors to work in a collaborative manner.
- Work towards converting your stock into cash as soon as you can unless replacement of that particular item is not available. It is widely expected that there will be a price war with huge discounts offered by retailers especially for non-essential items once the lock down opens up. Businesses which sell perishable products can also consider approaching manufacturers to discuss what can be done with their stock which has been left unsold - while the expired stuff would definitely have to be destroyed, a collaborative approach for the "best before" products could be considered.
- It would not be prudent to offer credit going forward as a lot of our vendors may not be financially stable going forward. Registering as a MSME (udyogaadhar.gov.in) gives you benefits in terms of receiving timely payments and bidding for government work among others.
- Given that foot falls will be significantly lower once these things re-open, businesses must leverage strategies such as up selling and cross selling or adding new service verticals (a garments shop could consider adding a tailoring practice) to maintain their stability. Joining business alliances for joint buying / selling and networking may also be a good idea. Customizing your product & services for your customers may also be a big theme going forward which could be your advantage over a large business. Investing in research & development and technology will also hold small businesses in good stead going forward.
- Customer behavior will see a paradigm shift towards health and hygiene and consumers will only shop in stores & markets which maintain the highest standards in hygiene. Even small shops will have to embrace innovative practices which include limiting the need of touching and accepting digital payments.
- Collaboration & keeping our communication very active with our vendors, landlords & employees. Following a partnership approach, rents and employee payments can be deferred partially following the golden rule that payments, even if partial, reach on time. Moving fixed costs to variable costs would be a good long term strategy and this could be done with employees (increasing incentives) and rents (moving towards revenue share).

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Opportunities & Way Ahead

- Online gaming, video conferencing, tele-medicine, gaming, entertainment and businesses with the potential to pivot online will emerge stronger. Having said that every business will need to think of innovative pivots to adapt to the new environment.
- Within food, healthy snacks with high nutritional value will open up opportunities. Niche markets such as nachos & tortillas have already emerged strongly. Offline retail of discretionary products such as footwear & garments will recover faster in Tier 2, Tier 3 cities as compared to metros which will see a stronger online adaptation.
- India may enjoy a geopolitical advantage with businesses wanting to diversify parts of their supply chains out of China. Businesses could closely track this to spot opportunities that may emerge out of this.
- Taking your business digital will be huge theme going forward and will not only be restricted to having a website or selling via e-commerce. It would include digital marketing across mediums, digital payments, and using other digital tools to manage your relationships with your customers, employees and suppliers.
- Ethics, integrity & solid relationships with all stakeholders will continue to be differentiating factors for businesses.

(Farheen Rana is a Senior Consultant Physiotherapist at Sushrut Institute of Medical Sciences (SIMS) and a resident of Nagpur)