

Initial impact assessment of Covid-19 on retailing: Changing consumer behaviour and retail trade sales

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ABSTRACT

Purpose of the study: the purpose of this article is to provide an initial impact assessment of Covid-19 on the South African retail sector.

Design/methodology/approach: The study follows descriptive research design. It employs quantitative analysis of data obtained from Statistics South Africa (Stats SA) over 16-month period (01.2020-04.2021).

Findings: The study found that the impact was uneven across all retail categories. Of the seven categories that showed significant contraction were retailers that fall in the category of textiles, clothing, footwear and leather goods, retailers in household furniture, appliances and equipment, retailers in hardware, paint and glass, and all other retailers that did not fall in the other categories. Retailers that were least affected included retail categories that fall in the category of pharmaceutical and medical goods, cosmetics and toiletries followed by general dealers, and retailers of food, beverages and tobacco in specialised stores.

Recommendations/value: Retailers response should be equal to the changing consumer demand and choices. More and more consumers are changing their shopping and consumption behaviour, and are willing for home-deliveries, store pick-up, and cashless transactions.

Managerial implications: There is no doubt the Covid-19 pandemic is accelerating the adoption of online retailing, and those who will succeed will be the ones that embrace it. Pivoting on existing products and business processes should be seen as a norm in surviving and excelling going forward.

Keywords

Consumption behaviour; Covid-19; Demand; Initial impact assessment; Retail sector.

JEL Classification: L81

1. INTRODUCTION

Due to the restrictions imposed by the South African government in response to the Covid-19 outbreak and the resultant loss and/or reduction of income, and the fear of the coronavirus, there has been changing consumer behaviour and demand for retail goods and services. The present study aims to provide an initial impact assessment of Covid-19 on the South African retail sector.

The novel corona virus that causes severe acute respiratory syndrome (SARS 2), later named Covid-19, started in Wuhan China at the end of 2019, and quickly spread first to Europe and then the world at large. The pandemic is causing a devastating effect on healthcare systems and economic activity across the globe (Jhaveri, 2020; The New York Times, 2020; Clark *et al.*, 2020). The virus has thus far caused an unimaginable disruption to economic activities, and the developing economies are believed/expected to be affected heavily. As early as 30 April 2020, Stats SA (2020a), from a survey it conducted, reported that 60.1 per cent of the respondents were concerned or extremely concerned about the impact of Covid-19 on their health, and 93.2 per cent of the respondents were concerned or extremely concerned about the possible economic collapse of the country.

Covid-19 is not the first pandemic the world has ever seen. Historical records show that there were major pandemics in the past such as the influenza outbreaks of the 20th century (1918, 1957 & 1968), which left lives and livelihoods destroyed, and world economies crushed causing prolonged economic crises. Over a century ago, the 1918 influenza pandemic (H1N1) is believed to have caused considerable illness across the globe, which resulted in an estimated 50 million lives lost to the pandemic (Johnson & Mueller, 2002). This happened four years after World War I had begun in 1914. The world economy was devastated by the war, and the time was characterised by poor sanitation, overcrowding, and limited health services associated with trench warfare (Saunders-Hastings & Krewski, 2016). This particular pandemic is believed to have occurred in three major pandemic waves (Simonsen *et al.*, 2018). For this kind of influenza and its complications, the medical care was limited in its capability; advancement in medicine including advanced organ supportive technologies and specific antiviral treatment were made available only in the 1950s and 1960s (Jester *et al.*, 2019).

The World Health Organization (WHO) (2020a), as is expected, provided advice and

guidelines to governments across the world on how to deal with Covid-19 after it declared it a *pandemic* in March 2020. At that time, there were 118 000 cases in 114 countries, and 4 291 people had lost their lives. The WHO advice and guidelines included steps required to mitigate the social and economic consequences of this pandemic. Following this, the South African government introduced a series of regulations to contain the spread of the virus and save lives. The extreme measures taken by the South African government were deemed “absolutely necessary, as the country contains a high-risk population combined with low-income country characteristics, and the main concerns, which are thought to escalate the spread of the coronavirus, are the large and densely populated areas and townships, including a high level of poverty and movement within these areas” (Arashi *et al.*, 2020:2). The first South African government (2020) regulations, gazetted on 26 March 2020, which lasted for 21-day lockdown period until 16 April 2020, have had a profound impact on the lives and livelihoods of individual consumers and businesses. This strict lockdown (level 5) was extended until the end of April 2020. The regulations included:

- Restriction on movement of persons and goods,
- Prohibition of public transport,
- Limited mining operations,
- Restriction on various service providing institutions and businesses, and
- Serious penalties on those who were found to have violated the regulations.

The National Coronavirus Command Council of South Africa explained that there would be five alert levels with varying degrees of restrictions on movement of people and business activities. The National Coronavirus Command Council of South Africa decided to ease the restrictions from 1 May 2020, moving to level 4, after realising the harmful impact of the regulation on the livelihoods of many South African businesses and individuals. By this time, the South African government claimed to have prepared its healthcare capacity to deal with the inevitable outbreak of Covid-19 in the country. On 1 June 2020, South Africa moved to level 3, and since 18 August 2020 until the writing of this article, South Africa has been in alert level 2.

The lockdown strategies implemented by many countries have been controversial, and as a result have received serious criticisms from many quarters. At the time of writing this article, the British American Tobacco is taking the South African government to court for the ban on sales of tobacco products during the lockdown period. The gist of the argument put forward suggests that the ban is sinking the country’s entire tobacco industry, resulting in a loss of jobs

and the negative impact it has on tax revenues for the country (Thaw & Palm, 2020). Another example of criticism put forward by Hatefi *et al.* (2020:159) claims that “although lockdown strategies across many countries have been effective for decreasing the spread rate of contagious viruses, there have been other negative impacts reported globally; these concerns become worse in countries across Africa, including South Africa”. Furthermore, Hatefi *et al.* (2020) assert that there has been reports that indicate that care for HIV patients has been negatively affected by the current COVID-19 pandemic and that HIV transmission has accelerated among poorer people and young women during lockdown (Hargreaves, 2020). Anecdotal news reports also suggest that during the lockdown period, there were increased levels of domestic violence and psychological issues as a result of stress caused by the lockdown and restrictions to people’s movement.

1.1. Problem statement

In an editorial of the Journal of Retailing, Roggeveen and Sethuraman (2020) underscore that this pandemic has altered people’s lives and wreaked havoc on the global economy, and in respect of retailing the authors opine that while the long-term effects of COVID-19 are yet to be determined, its immediate impact on retailing is significant. There is no doubt that this pandemic is causing major disruptions in economic activities across the world; the world may face its worst economic depression since the great depression of the last century. As elucidated earlier, due to the government intervention in response to the Covid-19 outbreak and loss of income, and the fear of the coronavirus itself, consumer behaviour and consumer demand for retail goods and services has been changing. This, in turn, will undoubtedly have an immediate impact on trade sales in particular, and overall business activities of the sector in general. As yet, there is no study that attempted to investigate the impact of Covid-19 on the South African retail sector. The present study aims to close this research gap by providing an initial impact assessment of Covid-19 on the South African retail sector. In the section below, research questions of this study are formulated.

1.2. Research questions

The primary research question that will guide this study is stated as follows:

1. What has been the impact of Covid-19 (and the resultant regulations imposed by government) on the South African retail sector? The study covers a 16-month period (01.2020-04.2021).

The primary research question is aimed at exploring the overall impact of Covid-19, which has caused major disruptions to lives and livelihoods. Covid-19 has changed the way individuals

conduct their activities, and government has imposed regulations with the aim of fighting and controlling the virus, which impacted negatively on the South African economy and retail sector in particular.

In support of the primary research question, the following two secondary research questions are stated:

1. What do businesses do in times of change and difficulties?
2. How have South African retail businesses reacted/adapted to the new realities, changing consumer behaviour and demand?

Secondary research question 1 is designed to provide perspective and a theoretical framework on what is potentially expected of businesses during times of change and difficulties.

Secondary research question 2 is designed to provide an exploratory assessment of the impact of Covid-19 and the restrictions that hampered retail business activities, and to assess how they have reacted and adapted to the situation.

1.3. Purpose of the study

In line with the research questions stated above, the purpose of this article is to provide an initial impact assessment of Covid-19 on the South African retail sector.

2. LITERATURE REVIEW

In order to provide perspective on how the demand for goods and services by consumers ultimately affect the retail sector (in this case actual retail trade sales), reference is made on the theoretical aspect of consumer behaviour and demand, and a brief overview of the retail sector in South Africa.

2.1. Consumer behaviour and demand

Consumer behaviour can be defined as the behaviour that consumers display in searching for, purchasing, using and disposing of products and services that may satisfy their needs (Schiffman & Kanuk, 2014). It refers to multitude of mental and physical processes associated with consumer decision making (Mpinganjira *et al.*, 2013). Consumer demand is a reflection of need for goods and services and the desire to buy such goods and services. The Covid-19 outbreak has caused significant changes on how we go about our daily lives including our demand for and consumption of goods and services. Government leaders across the world have introduced varying levels of restrictions on businesses and human movement. Some countries adopted total lockdown strategies while others reduced the numbers and operations

of businesses, and yet others enacted several containment measures that restricted peoples' movement (Pantano *et al.*, 2020). Such actions have immediate impact on trade sales in particular, and overall aspect of the retailing business in general.

2.2. The retail sector in South Africa

Retailing business entails conducting business activities or steps required to sell goods or services to final consumers for use or consumption by themselves, their families or their households (Terblanché, 2016). Retailers as intermediaries are uniquely positioned in influencing production and consumption trends in the marketplace (Haywood, De Lange, Musvoto & De Wet, 2021). This study places emphasis on several categories of retailers as per the categorisation adopted by Stats SA, which includes the following: general dealers; retailers of food, beverages and tobacco in specialised stores; retailers in pharmaceutical and medical goods, cosmetics, toiletries; retailers in textiles, clothing, footwear and leather goods; retailers in household furniture, appliances and equipment; retailers in hardware, paint and glass, and all other retailers not included above (Stats SA, 2020b). Major retailers in South Africa include Shoprite-Checkers, Pick n Pay, Woolworths, Spar and Clicks group. The South African retail environment is dynamic as it is subject to new entrants, changing political and demographic forces, and technological advancements. Neboh and Mbhele (2020) are of the view that online retailing may pose a threat to the sector as it brings flexibility, efficiency, and awareness to consumers with knowledge and experience.

It should be noted there is no extant literature that can explain how retailers adapt in times of crises like this. Talwar *et al.* (2020) concur and suggest that there is insufficient knowledge regarding retail investors' behaviour in the face of a health crisis, such as the current COVID-19 pandemic. This question is used as a yardstick to measure the performance (reactions, experiences, adaptations and responses) of South African retail businesses in light of what is typically expected of them, and how they applied their business decisions that are at their disposal. To put the study within context, let us look at what the retail business entails, and the role it plays in the economy. Retailing refers to "business activities or steps required to sell goods or services to final consumers for use or consumption by themselves, their families or their households" (Terblanché, 2016:3). Accordingly, retailing is a business that focuses its marketing efforts on the final consumer, and the transaction could be done by mail, telephone, door to door or via a vending machine. One can argue that retailing is probably the most visible element of all marketing activities. Retailers play an important role in the economy by providing a platform/linkage between production and consumption. In this way, retailers are able to

overcome discrepancies or gaps that exist between producers and consumers, which include spatial gaps, time gaps, quantity and assortment gaps, ownership gaps, information gaps and value gaps (Terblanché, 2016).

From a marketing point of view, businesses have certain variables under their control, which can be tweaked to meet customer demands as and when the situation requires it. The marketing mix elements commonly referred to as the four Ps (4Ps), which include product, place, price and promotion (Swartz & Iacobucci, 2000; Jobber & Fahy, 2006; Boshoff & Du Plessis, 2009), are mixed in their right proportions, and offered to meet customers' requirements. Within the context of services, as they are intangible, and are often produced and consumed simultaneously, and the role of the service provider and consumer is critical, three additional attributes become relevant. These attributes include people, process and physical evidence (Lovelock & Wright, 1999; Lovelock & Wirtz, 2007; Zeithaml *et al.*, 2009), and businesses are seen to design and implement these service mix elements to meet customer requirements. Within a retailing context, businesses aim to appropriately combine what they call the retail mix, which includes location, design and layout, merchandise, customer service, price and communication to satisfy their customers (Terblanché, 2016).

3. METHODOLOGY

The study is exploratory in nature, and the full impact assessment of the pandemic on the economy as a whole and the retail sector in particular can only be made after victory is declared on the pandemic, and a lasting solution is found. In conducting this research project, the researcher relied on publicly available time series data that were available from Stats SA (01.2020-04.2021). Stats SA conducts the survey on a monthly basis through questionnaires from a sample of 2 969 enterprises from a population of 22 271 enterprises.

In addition, news reports, and retail businesses' experiences and responses during the period under study were consulted. It must be noted that not much academic publications have been published on the impact of Covid-19 as the pandemic is still a relatively new phenomenon. Majority of the available content published are by the industry experts, public institutions and media houses. Monthly retail trade sales are compiled by Stats SA, and the figures are available for all retail categories both at current and constant prices. Constant prices that are seasonally adjusted values are also presented. By comparison, values presented at constant prices are believed to be better indicators because the values "are obtained by deflating estimated sales at current prices by the relevant weighted price index" (Stats SA, 2020b:12).

For the current year (2020), the values for the constant prices are deflated based on constant 2015 prices. In order to provide a better perspective, year-on-year (YOY) retail trade sales will be presented and analysed.

Quantitative analysis is employed to address the first part of the objective, which is to assess the impact of Covid-19 on the economy (specifically the retail sector), while literature analysis is utilised to capture the reactions, experiences, adaptations and responses of the retail sector to the Covid-19 pandemic challenges based on data available in the public domain.

The impact of Covid-19 on the retail sector will be presented and analysed as per the categorisation adopted by Stats SA, which includes the following:

- General dealers
- Retailers of food, beverages and tobacco in specialised stores
- Retailers in pharmaceutical and medical goods, cosmetics, toiletries
- Retailers in textiles, clothing, footwear and leather goods
- Retailers in household furniture, appliances and equipment
- Retailers in hardware, paint and glass
- All other retailers

Findings and discussion of the study are presented in the ensuing section.

4. FINDINGS AND DISCUSSION

Firstly, an overall impact of Covid-19 will be presented followed by an initial impact assessment on the retail sector due to the changing consumer behaviour and demand. The last section will focus on the reactions, experiences, adaptations and responses of the retail sector to the Covid-19 pandemic and the challenges it faced.

4.1. Overall impact of Covid-19

The health and human toll caused by this pandemic is vast and is continuing unabated. At the time of writing this article (30 April 2021), the WHO Coronavirus dashboard indicated more than 150 million infections and more than three a million deaths across the world (World Health Organisation, 2021). Of these, reports from the South African Department of Health indicate close to 1.6 million infections and more than 54 000 deaths are from South Africa (Mkhize, 2021).

In terms of its impact on the world economy, the World Bank, in its June 2020 Global Economic Prospects report, paints a bleak picture. According to the paper, the COVID-19 epidemic has

inflicted a major blow to an already fragile global economy, which is set to enter its darkest recession since World War II, despite massive policy support (World Bank, 2020). The report further elaborates that the global recession would be deeper if countries put the pandemic under control soon enough, if financial stress triggers defaults by some countries, or if the pandemic causes prolonged negatives effects on individuals and businesses.

4.2. Impact of Covid-19 on the South African economy

It is widely believed that the direct impact of the lockdown policies, combined with the associated macro-economic shocks to household consumption, exports and investment, will have knock-on effects that will spread through the entire South African economy (Arndt *et al.*, 2020). It must be noted that, going into this Covid-19 crisis, the South African economy was already in its weakest shape and form. Tito Mboweni, South Africa's finance minister, has predicted that South Africa's economy would contract by 7.2 per cent in 2020 from the marginal expansion predicted in February, dragged down by the ravages of the Covid-19 pandemic, the biggest contraction in 90 years (Mathe & Maeko, 2020).

4.3. Changing consumer behaviour and demand

As soon as the lockdown was announced in March 2020, South African retailers were faced with unprecedeted levels of consumer demand for essentials. This is due to consumers' perceived scarcity of products that would happen as a result of the Covid-19 outbreak. Consumers were concerned with the availability of essential products and possible price hikes, and consequently engaged in stockpiling of items such as sanitizers, surgical masks and toilet tissues. Similar phenomena did happen in the United Kingdom, Italy and other parts of Europe where the stock disruption spread to other products that appear to be less related to a medical emergency, such as yeast, pasta, and detergents (Pantano *et al.*, 2020). Sudden disruption of consumer demand, such as panic buying of staples such as toilet tissue and pasta has led to negative impacts on supply chain performance (Ivanov, 2020).

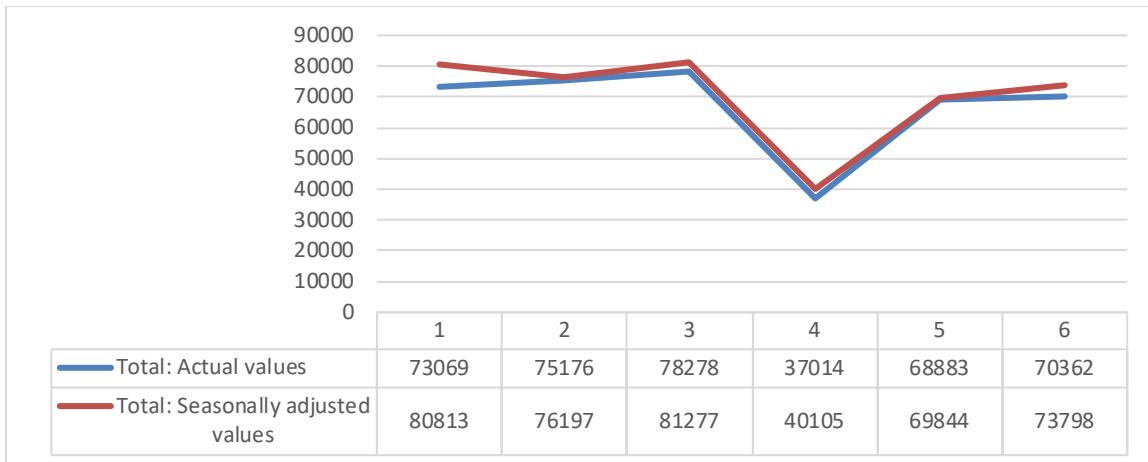
As livelihoods got affected, inevitably consumer behaviour and demand has changed significantly. In the South African context, due to the strict restrictions imposed by the South African government in response to the Covid-19 outbreak, many people have lost jobs or reduced numbers of hours worked, and yet others had to take a pay cut which resulted in complete loss of income or partial reduction of income. At a global level, the International Labour Organisation (ILO, 2020) report for the second quarter of 2020 indicate that global working time dropped by 17.3 per cent which translates to 490 million full-time jobs (ILO,

2020), and Stats SA (2020) in its quarterly employment statistics reported 648 000 job losses in the formal non-agricultural sector during the same period. As a result of this, and because of the nature in which the virus is believed to be transmitted, many people have changed their consumption behaviour. People have stopped going to restaurants for a sit-in restaurant experience; people have stopped going to hair salons and massage parlours. More and more customers are trying and/or relying on online shopping to avoid going out to shopping malls (brick and mortar shops). In a nutshell, consumers have changed their consumption behaviour.

As elucidated above, the pandemic has had a major impact on the livelihoods of many, which created significant changes in consumer disposable income, which, in turn, result in changes in consumer behaviour and consumer demand. There is no doubt that these changes have had a direct impact on the retail sector, which is reflected in their monthly trade sales.

4.4. Impact of Covid-19 on the retail sector

This section presents an analysis of important statistics and figures based on time series data obtained from Stats SA. Figure 1 illustrates total actual trade sales and seasonally adjusted values for the first half of 2020. As can be observed, the worst decline occurred between March and April 2020 as a result of the strictest lockdown restrictions imposed by the South African government during the initial period (level 5 lockdown stage). Total retail trade sales dropped by 53 per cent between March and April 2020, which translates to R41 264 million revenue loss to the sector. This is quite a huge loss to the retail sector and the economy at large. However, this was short lived; the recovery showed a "V" shape as soon as the lockdown restrictions were eased; this is quite promising. The V-shape recovery in the retail sector is good news as it may suggest positive consumer confidence, which may send positive signals to other important players in the economy such as manufacturers and producers. The retail trade sales over the 12-month period (05.2020-04.2021), after the first Covid-19 wave showed a steady improvement including during the second wave which peaked during January 2021. The impact of the second wave was not nearly as bad as first wave. The impact of the current third wave remains to be seen.

Figure 1: Retail trade sales at constant prices (1st half 2020)

Source: Figure compiled by author from Stats SA time-series data

Table 1 shows retail trade sales from January to June for the year 2019 and 2020 both at constant and current prices. As is evident from Table 1, Covid-19 and the regulations imposed by the government did not impact all the retail sector categories evenly. Retailers that fall in the category of pharmaceutical and medical goods, cosmetics and toiletries were the least affected, followed by general dealers and retailers of food, beverages and tobacco in specialised stores. For example, when one looks at the constant prices, trade sales on retailers that fall in the category of pharmaceutical and medical goods, cosmetics and toiletries contracted only by 19 per cent from March to April 2020, followed by general dealers (32%) and retailers of food, beverages and tobacco in specialised stores (43%). Retailers that fall in the category of pharmaceutical and medical goods, cosmetics and toiletries were the least affected retailers. The relatively higher contraction (43%) in retailers of food, beverages and tobacco in specialised stores could have been as a result of the specific ban on alcohol and tobacco sales imposed by the National Coronavirus Command Council of South Africa.

The remaining four of the seven retail categories were the worst affected whose retail trade sales contracted by more than 80 per cent during the same period (from March to April 2020). These retailers include retailers that fall in the category of textiles, clothing, footwear and leather goods, whose trade sales shrank by 92 per cent, retailers in household furniture, appliances and equipment by 89 per cent, retailers in hardware, paint and glass by 89 per cent, and all other retailers by 90 per cent. In aggregate, the total actual trade values for the sector, when looking at the constant prices, contracted by 53 per cent from March to April 2020. The figures at current prices also paint a similar picture; a 51 per cent contraction of total actual trade values for the sector.

Table 1: Retail trade sales comparisons

At constant prices	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	March-April 2020	YOY 19-20
General dealers	30298	33089	34308	30743	33966	33085	30402	33311	38058	25815	32339	32772	-32%	-16%
Retailers of food, beverages and tobacco in specialised stores	5466	5435	5978	5666	5846	5597	5723	5493	6070	3454	4147	4981	-43%	-39%
Retailers in pharmaceutical and medical goods, cosmetics, toiletries	5688	5125	5366	5811	5479	5325	5592	5018	6166	5021	5134	5169	-19%	-14%
Retailers in textiles, clothing, footwear and leather goods	12438	11917	11468	13963	14139	13201	12697	12117	9757	782	14415	12192	-92%	-94%
Retailers in household furniture, appliances and equipment	3189	3137	3579	3366	3503	3550	3393	3293	3232	370	2450	4026	-89%	-89%
Retailers in hardware, paint and glass	5477	5906	5998	5739	6119	5760	5237	5880	5972	652	6305	6075	-89%	-89%
All other retailers	9563	9195	9365	9292	9204	9581	10025	10064	9023	920	4093	5147	-90%	-90%
Total: Actual values	72119	73804	76062	74580	78256	76099	73069	75176	78278	37014	68883	70362	-53%	-50%
Total: Seasonally adjusted values	78743	80667	78635	79235	80452	79716	80813	76197	81277	40105	69844	73798	-51%	-49%
At current prices	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	March-April 2020	YOY 19-20
General dealers	35861	39298	40980	36783	40780	39856	37277	41011	46970	31797	39883	40515	-32%	-14%
Retailers of food, beverages and tobacco in specialised stores	6816	6752	7484	7126	7370	7088	7399	7115	7907	4506	5392	6505	-43%	-37%
Retailers in pharmaceutical and medical goods, cosmetics, toiletries	6645	6021	6449	6919	6698	6528	6958	6303	7798	6338	6454	6478	-19%	-8%
Retailers in textiles, clothing, footwear and leather goods	13346	12808	12348	15056	15278	14280	13837	13229	10661	849	15574	13204	-92%	-94%
Retailers in household furniture, appliances and equipment	3104	3063	3469	3261	3389	3399	3227	3126	3067	350	2310	3785	-89%	-89%
Retailers in hardware, paint and glass	5891	6361	6470	6211	6650	6266	5811	6530	6634	721	6985	6729	-89%	-88%
All other retailers	9833	9496	9656	9585	9513	9916	10393	10460	9384	948	4238	5355	-90%	-90%
Total: Actual values	81496	83799	86856	84941	89678	87335	84902	87773	92421	45509	80836	82570	-51%	-46%
Total: Seasonally adjusted values	88890	91385	89316	90197	91820	91231	93955	88994	95107	49271	81721	86527	-48%	-45%

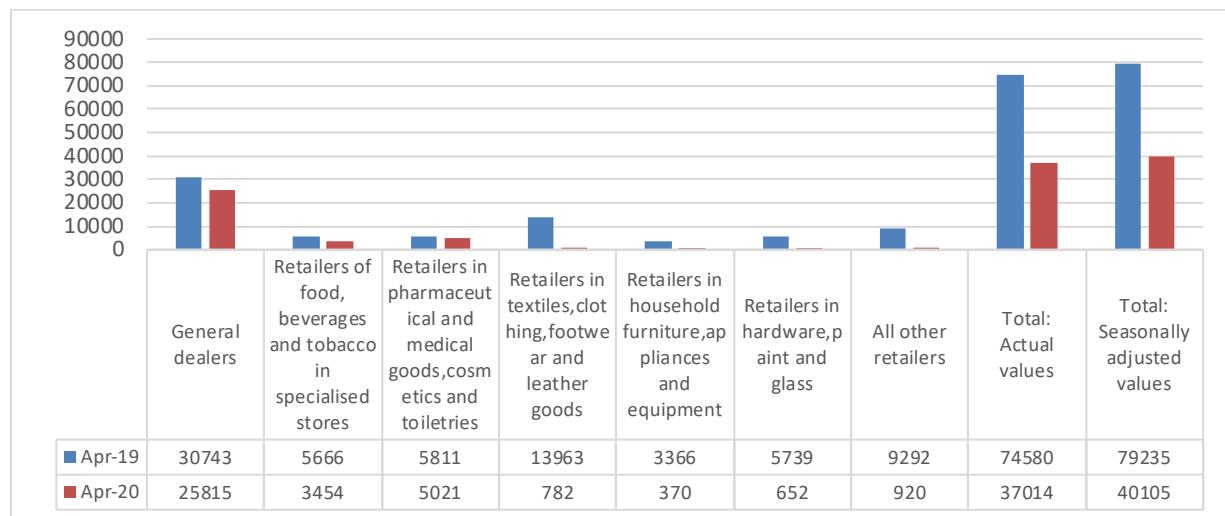
Note: The figures are in million rands

Source: Figures compiled by author from Stats SA time-series data

4.4.1 Year-on-year comparison of retail trade sales

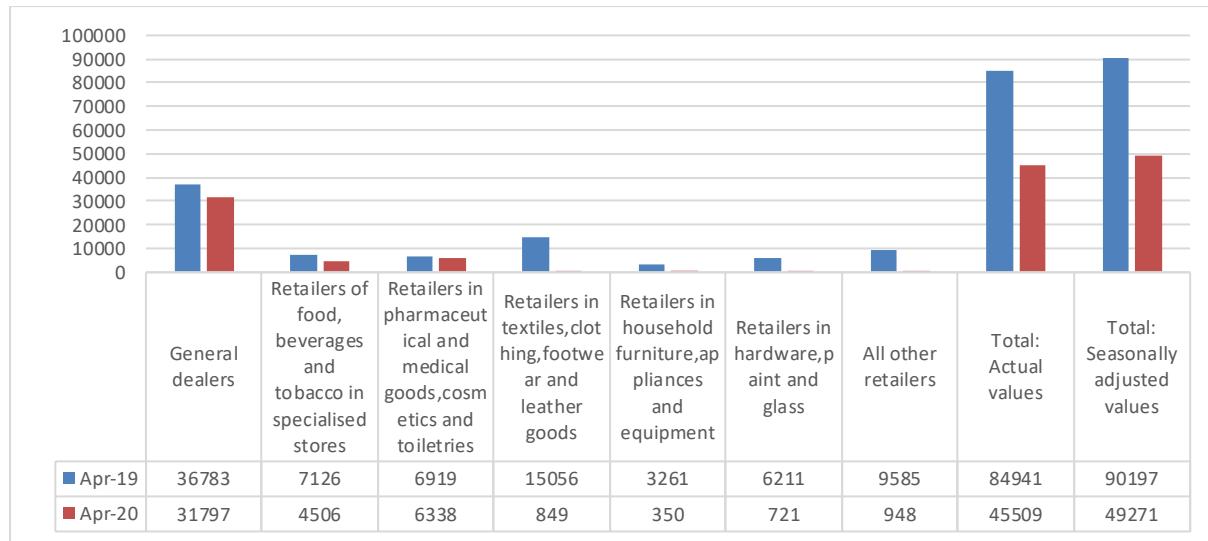
The seasonally adjusted retail trade values both at constant and current prices illustrate a significant contraction, 51 per cent and 48 per cent, respectively, as shown in Table 1. When compared to the 2007/8 financial, the impact of Covid-19 on the retail sector is by far the worst. For example, the retail trade sales (at constant prices) contracted only by 2.2 per cent between 2007 and 2008 (Statistics SA, 2008).

Figure 2: Retail trade sales at constant prices (Y-Y comparison)



Source: Figure compiled by author from Stats SA time-series data

As demonstrated in Figure 2 and Figure 3, a marked and significant contraction is observed in all retail categories when one looks at year-on-year (YOY) for April in 2019 and 2020. A negative growth is recorded in all retail categories as recorded in Table 1, and as depicted in Figures 2 and 3.

Figure 3: Retail trade sales at current prices (Y-Y comparison)

Source: Figure compiled by author from Stats SA time-series data

Four of the seven retail categories were the hardest hit. For instance, when one looks at the constant prices, retailers that fall in the category of textiles, clothing, footwear and leather goods whose trade sales contracted by 94 per cent, retailers in household furniture, appliances and equipment by 89 per cent, retailers in hardware, paint and glass by 89 per cent, and all other retailers by 90 per cent when compared year-on-year for the month of April in 2019 and 2020. The other three retail categories that were least affected include retailers that fall in the category of pharmaceutical and medical goods, cosmetics and toiletries, which contracted only by 14 per cent, followed by general dealers (16%) and retailers of food, beverages and tobacco in specialised stores (39%). It must be noted that the figures at current prices also paint a similar picture.

4.5. Retail sector response to Covid-19 challenges

As explicated above, the South African retail sector has been presented with significant challenges and changing consumer demand as a result of Covid-19, and the regulations that were imposed by the government. In this section, the focus is on capturing and assessing the reactions, experiences, adaptations and responses of the South African retailers in meeting the Covid-19 challenges and changing consumer behaviour and consumer demand during the pandemic.

The ban on liquor sales in South Africa has caused a significant damage to the \$583 million industry, which has serious implications for workers employed in the sector, and for the loss of

tax revenues to the treasury. The ban on tobacco sale also has had a similar impact. Analysing these impacts is beyond the scope of this article; it may need further investigation through a separate research endeavour. However, what is worth noting is that some liquor manufacturing companies were able to find an interesting way of dealing with the situation amidst the ban period. According to a programme aired on CNN (Marketplace Africa) on 4 July 2020, immediately after the ban, one company (Inverroche Gin) applied and temporarily registered as an essential service to manufacture disinfectant (sanitiser) pivoting to an entirely new product. Another famous South African brand, Distell, also followed suit. The sanitisers were not for sale but donated to vulnerable communities across South Africa (Munni & Chen, 2020). This is one of the best illustrations of innovation and adaptation and repurposing of an existing product for a good cause, showcasing an excellent corporate social responsibility (CSR). Similarly, NetFlorist, which is traditionally a gift and flower delivery service, pivoted to essential goods, and started selling fruit and vegetables when non-essential goods were halted to trade completely for at least one month (Hartzenberg, 2020). These adaptation and intervention strategies are similar to what other retailers have done in other parts of the world to meet the short- and mid-term challenges caused by the Covid-19 outbreak (Pantano *et al.*, 2020).

During emergency situations such as the Covid-19 pandemic, panic stockpiling does influence consumers' price sensitivity (Huang *et al.*, 2017). In some cases, consumers may accept a price hike of up to 300 per cent during such emergency situations (Pantano *et al.*, 2020). At the initial stage of the pandemic, as consumers panicked, and engaged in panic buying for essentials, few South African retailers were accused of crossing ethical issues and being on the wrong side of the law. According to a Deloitte report (2020), the perceived price hikes dropped in prominence as government announced that it would investigate a number of reported price hike allegations. One of the significant price hike allegations was that of Dis-Chem. Dis-Chem was alleged to have hiked the price of surgical face masks by between 43 and 261 per cent. Subsequently, the Competition Tribunal found Dis-Chem pharmacies guilty of contravening the Competition Act by selling surgical face masks at excessive prices during the COVID-19 pandemic, and the pharmacy has been ordered to pay an administrative penalty of over R1 million for its conduct (Zulu, 2020).

Many retailers are seen to implement and/or enhance their online business retailing strategies as more and more customers are trying and/or relying on online shopping to avoid going out to shopping malls. Therefore, they are rethinking their distribution/placement strategies. In this respect, retailers are seen to improve their business processes by designing/redesigning their

websites to be more visually appealing (physical evidence) to online shoppers and convert their traditional customers to online customers. A similar study in Germany found that there was a sharp increase in online trade, and disproportionately high growth in online grocery trade (Dannenberg *et al.*, 2020).

Many retailers put markers in their shop floors for steps to be followed by customers in line with the social distancing guidelines. Many others introduced new and improved ways of packaging products in order to prevent/reduce the spread of the virus. Many more retailers offered discounts to their consumers by mentioning Covid-19 to increase their sales or to compensate the seemingly decreasing sales. Yet, a number of retailers have been engaged in various adverts and infomercials by employing excellent marketing communication strategies (promotion). For example, through a TV advertisement, a certain business tried to educate its potential buyers that the dishwasher they sell does use higher temperatures that might kill germs. In a nutshell, one can argue that South African retailers did understand that the changing business conditions required changing business strategy and marketing strategy, and they tried their level best to meet consumer demands and expectation during the height of Covid-19 pandemic.

5. CONCLUSION, MANAGERIAL IMPLICATIONS AND DIRECTION FOR FUTURE RESEARCH

Since the outbreak of the Coronavirus in Wuhan China, we have been in unchartered territory. No one knew and had the experience on how to govern a country in an era of pandemic. No one knew and had the experience on how to manage a business in an era of pandemic. It was proven that currently employed systems across the world, be it in the economy or legal framework or otherwise were not designed to deal with the pandemic situation at the level of Covid-19. There is no doubt that the Covid-19 pandemic is causing major disruption of economic activities across the world; the world may face its worst economic depression since the great depression of the last century. Within the South African context, it must be noted that going into this crisis, the South African economy was in its weakest shape and form, and it is widely expected to contract by more than seven per cent by the end of 2020.

The study has found that the restrictions imposed by the South African government in response to the Covid-19 outbreak, and the fear of the coronavirus itself has resulted in changing consumer behaviour and demand. The negative impact of the lockdown has caused many people to lose their jobs and many others had to take a pay cut which inevitable result in changing consumer behaviour and demand. As elucidated in the analyses above, it can be concluded that

four of the seven retail categories that showed significant contraction included retailers that fall in the category of textiles, clothing, footwear and leather goods, retailers in household furniture, appliances and equipment, retailers in hardware, paint and glass, and all other retailers that did not fall in the other categories. Retailers that were least affected included retail categories that fall in the category of pharmaceutical and medical goods, cosmetics and toiletries, followed by general dealers, and retailers of food, beverages and tobacco in specialised stores. It can be deduced that the relatively higher contraction in retailers of food, beverages and tobacco in specialised stores could be as a result of the specific ban on alcohol and tobacco sales imposed by the National Coronavirus Command Council of South Africa.

The lockdown and stay-at-home imposed due to Covid-19 outbreak has created a window of opportunity for online shopping in general and grocery e-commerce in particular. The study found that some retailers were very creative and innovative in changing and adapting their business processes in accordance with the new reality by redesigning and rethinking their business propositions. Pivoting on existing products and business processes should be seen as a norm in surviving and excelling going forward. In light of the findings of the Competition Tribunal on Dis-Chem, and consumers becoming increasingly price conscious, South African retailers should aim to implement transparent pricing strategies and enhance their communication around pricing issues.

The situation created by this pandemic has offered an opportunity for firms to explore the digital business, and accelerated the use of the internet especially for online retailing purposes. This indeed will have managerial implications going forward. Eyeing on this, South African retailers should aim to effectively utilise e-commerce as the pandemic may well be with us for some time. This adaptation and expertise will work in good stead for the retailers as the world is moving in the direction of online business in any case. Retailers response should be equal to the changing consumer demand and choices. More and more consumers are changing their shopping and consumption behaviour, and are willing for home-deliveries, store pick-up, and cashless transactions. What is clear from a business point of view is that those who change, and are willing to adapt their marketing strategy, will be the ones who succeed. Future studies on the subject may need to explore the impact of Covid-19 on retailers and explore perceptions of consumers on retailing through qualitative means as this study only utilised publicly available time series data. The study concentrated on the influence of Covid-19 on the retail industry. Future research could focus on other industries such as tourism and automobiles. For scholars

interested in the issue, the immediate and long-term effects of the pandemic on the broader economy, unemployment, and poverty levels should be the focus of investigation.

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