



Assessment of the Real and Potential Risks Faced by the Retail Sector During the COVID-19 Pandemic—By Following the Corporate Dynamics of Carrefour and 7-Eleven

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Abstract

The retail industry is the commodity sales industry in which products produced by industrial and agricultural producers are sold directly to residents for personal use or to social organizations for public consumption through purchasing and selling. Since 2011, retail businesses have encountered issues such as high costs, high competition, resource monopolies, low returns, and expansion difficulties. As the rate of return for retail enterprises decreases and their expenses rise, expansion becomes increasingly challenging. Since offline physical stores are the primary means of retail sales, the retail industry is highly dependent on high customer traffic. COVID-19 is a highly contagious upper respiratory tract illness; therefore, it can quickly spread in crowded, poorly ventilated environments. Consequently, the appearance of the epidemic will have a significant impact on the growth of the retail industry. This paper will explain the problems and risks of the retail industry and give solutions by analyzing the dynamics of the enterprises of Carrefour and 7-Eleven during the COVID-19 pandemic.

Keywords

Livelihood Issues, Retail Industry, COVID-19, Digital Economy, Social Organization Behaviour, SWOT Analysis

1. Executive Summary

After the COVID-19 pandemic broke out, retailers began to seek transformation: how to leverage e-commerce to create contactless door-to-door delivery services and how to achieve a balance between supply and demand chains. The retail industry's resilience will be tested further by the additional threats posed by these transformations. Executives of grocery stores expressed uncertainty about post-pandemic market conditions, citing sharply lower margins, increased price sensitivity, increased competition within the industry, and unchecked inflation during the pandemic, which inevitably forced consumers to increase their cost of living. Even in the post-pandemic age, this pattern has contributed to low consumer confidence. In 2022, the margins and prices of grocers will be subject to further pressure. They must not only suit the larger tastes but also the more diverse wants of consumers. How to alter the offline operation platform and enable the more efficient operation of the entire industry line under more complex circumstances will be a significant challenge as customer expectations for the shopping experience rise.

The retail industry faces the greatest threat from the uncertainty of its future development. How can the retail business best embrace new trends in health, wellness, and value as customer behavior evolves? How can brick-and-

mortar shops continue to enhance the omnichannel experience while increasing profitability now that e-commerce is a proven wager? How much should retailers invest in automation, and how can they use technology to transform how stores and workers function? Regarding sustainability, what is the best method to begin or expand upon existing plans?

The Chinese retail industry has proposed the concept of "new retail" for the e-commerce "bet" stated above. Some Internet behemoths have also begun testing the physical retail industry, aiming to re-invent this massive traditional industry using digital means. Consequently, the retail sector is experiencing the most intense market rivalry, with both threats and opportunities coexisting.

Retailers concur that "digital transformation is one of the most essential strategic objectives for a firm," however the enterprise digital transformation journey is typically bumpy. For instance, the omni-channel expansion that many retailers have rushed to implement in recent years has not resulted in a significant performance improvement but has instead contributed to a decline in overall profit. Consequently, an increasing number of retailers recognize that digitisation is not just about the architecture of online channels, but rather the digital transformation of the complete industry chain supporting the enterprise's basic operating capabilities (Bakos et al., 2005). Digitalization of retail necessitates the formation of competitive advantages in terms of commodity strength, experience, and efficiency to create value. As competition grows, merchants must meet the demands of upstream and downstream stakeholders through digital transformation (Aoyama, 2007). On the consumer side, it is becoming increasingly difficult to sustain user loyalty; on the supplier side, retailers want to raise product quality and gross profit by enhancing retail-supplier relationships and fostering more open and in-depth supplier cooperation. Under the broad trend of retail digitalization, retailers should also consider how to alleviate the pain points of all parties at the shop level.

In the retail industry, the general trend of digitalization and omni-channel is irreversible, but it is not yet evident how to achieve sustainable and profitable growth. The epidemic continues to cause uncertainty, and businesses should focus more on cost reduction via digitization. The advent of innovative retail technology and the maturation of digital solutions will also hasten the digitalization of the retail business.

2. SWOT-Analysis

Due to their first-mover advantage, traditional retailers are dominant. The market share of traditional merchants is being reduced by new Internet sellers. There are advantages and disadvantages to both retailing systems. Industrial convergence can also be observed in the rivalry between the two camps (Wang & Wang, 2020).

Table 1. The table of SWOT analysis

Traditional Retail Industry	
<u>Advantage</u>	<u>Disadvantage</u>
<ul style="list-style-type: none"> ◇ First Mover Advantage. ◇ Have enough basic customer groups. ◇ Perfect supply chain system. 	<ul style="list-style-type: none"> ◇ High base cost. ◇ Regional limitations are high. ◇ Limited product variety.
<u>Opportunity</u>	<u>Threaten</u>
<ul style="list-style-type: none"> ◇ Have product influence. ◇ Low cost of transformation. ◇ No technical restrictions. ◇ Combining both online and offline. 	<ul style="list-style-type: none"> ◇ Entering a period of thin profits. ◇ Increased service standards. ◇ Product updates can't keep up with demand updates.
New Retail Industry	
<u>Advantage</u>	<u>Disadvantage</u>
<ul style="list-style-type: none"> ◇ Late Mover Advantage. ◇ Flexible choice of business location. ◇ Real-time interaction to stimulate desire. 	<ul style="list-style-type: none"> ◇ Low user stickiness. ◇ Lack of scrutiny and supervision. ◇ Technical obstacles.
<u>Opportunity</u>	<u>Threaten</u>
<ul style="list-style-type: none"> ◇ Policy support. ◇ Overcome the purchasing needs of specific groups of people who cannot go to offline stores. 	<ul style="list-style-type: none"> ◇ Homogeneous product competition is fierce. ◇ Difficulty in protecting consumer rights. ◇ Low entry barriers.

3. Questions

Question One: Against the backdrop of the COVID-19 pandemic. How to streamline the operation mode of enterprises, efficiently integrate the supply chain, and ensure a high-quality consumer experience while satisfying consumers' explosive consumption?

Question Two: Against the backdrop of the COVID-19 pandemic. How to solve the fixed cost of physical stores, and connect physical stores to online stores, so as to place orders online and deliver goods offline quickly.

4. Possible Risks and Risks Assessment

For the answers to the two preceding questions, we have categorized threats as either actual or hypothetical. Using Quinlan's Ten Pathways, these two classes are detailed in detail below. Due to the connections, the internal and external status quo of the retail industry will be assessed.

The most significant threat to the retail sector in COVID-19 is the continual shock from outside sources, particularly traditional retail. During the outbreak, a significant number of farmer's markets were shut down, and consumers shifted to supermarkets and e-commerce outlets. During the epidemic, the ongoing operation of large supermarkets (Carrefour) and convenience stores (7-Eleven) stabilized people's income and standard of living. However, the epidemic's exogenous dangers continue to exacerbate the retail industry's internal contradictions, which include price swings, staff instability, and shifting government regulations. The internal hazards produced by these external threats compel retail organizations to make adjustments, aggressively respond to changing consumer expectations, and protect the health and safety of their employees efficiently.

The hazards to retail posed by COVID-19 are intricate and interconnected. Traditional retailers (Carrefour & 7-Eleven) are not adapted to deliver cross-channel services that are smooth and do not limit channels. Traditional merchants' warehousing solutions lack intelligence and lack the flexibility and agility of cloud-based warehousing. Faced with changing retail trends, traditional merchants continue to prioritize offline operations and cannot adapt to the present state of affairs.

4.1 Real risks of economic pressures compromising safety

During the pandemic, the retail industry's greatest challenge is the congestion of cash and goods turnover (Nasution et al., 2020). There will be issues with the product supply of agricultural and ancillary partners upstream. Transportation of bulky items will be impacted by traffic constraints, and the risk of shipments will substantially increase. The human and material risks of suppliers are greater than they were prior to the outbreak, which will continue to impact the supply chain's stability. As a result, brick-and-mortar establishments will incur idle losses due to insufficient goods availability. In addition, passenger volume will fluctuate significantly as a result of the policy, and the likelihood of unsaleable and out-of-stock products will increase substantially.

Such economic hazards are a result of the brick-and-mortar retail industry's limited commercial adaptability. In response to COVID-19 stimuli, the significance of information increases. It emphasizes the issue that traditional merchants lack real-time access to inventory and sales data and are unable to estimate the profit margins of online and offline channels. In addition, customer demand lags.

4.2 Real risks of failures in regulatory oversight and inspection

Under the influence of the pandemic, as huge, busy public spaces, brick-and-mortar retail establishments must protect the health of employees and regularly monitor their mobility. This is an extremely dangerous action to take. If a case of COVID-19 infection is discovered in the store, it will result in a closure. It also affects the company's reputation.

Therefore, many regulatory hazards for the environment, workers, products, and logistics are present here. During an epidemic, certain medical and health supplies are special emergency commodities; therefore, it is necessary to determine how to sell them to meet client demands and to develop contingency plans for potential looting and other concerns. How to ensure a fresh supply of agricultural and ancillary products with a limited shelf life without overstocking is a product risk. How to assure the uninterrupted operation of the supply chain is a risk associated with logistics.

4.3 Potential risks of failures in management systems and hazard management plans

Faced with the global COVID-19 dilemma, there is also a degree of friction within company management. Regarding Carrefour and 7-Eleven, would they examine whether or not to slow the pace of opening brick-and-mortar stores, whether or not to withdraw funds, and whether or not to build an internet business? When the duration and impact of an outbreak are unknown, every management system and plan contains hidden dangers.

When retailers activate live broadcast channels, they are unable to fully consider the consumption habits, consumption power, and brand expectations of target customers, as well as the compatibility of live broadcast content and brand style. This may result in rash admissions that dilute or even harm brands.

4.4 Potential risks of workers and others expressing concern prior to the incident

Brick-and-mortar stores incur substantial labor expenses. In response to the pandemic's effects, employees will consider their own safety. A potential hidden risk is being infected by a customer or infecting a customer as a source of infection.

5. Possible Impact of Risks

The COVID-19 outbreak has made retailers (Carrefour and 7-Eleven) acutely aware of the urgent need to expand the global supply chain network and multi-platform interconnection model (Sodhi et al., 2011). Supply chains should be dynamic, adaptable, and integrated with organizational ecosystems and procedures. This demands point-to-point visibility, real-time information, and decisive action, which is especially crucial in a scenario that is becoming increasingly heated. COVID-19 has exacerbated the divergence between retail groups, among which the rate of e-commerce penetration has accelerated. Due to variations in business methods and product mix, the impact of the epidemic differs across market segments. Among them, the distinction between department stores and supermarkets has been more pronounced, and the penetration rate of Internet shopping has risen dramatically. Although offline commercial entities have advantages in consumption experience and other areas, it is difficult to replace them with online channels. However, the online consumption habits and stickiness developed by users during the epidemic will enable e-commerce platforms to continue to dominate the consumer market after the epidemic has ended (Jones & Comfort, 2020). The operation of traditional retail establishments has had an effect.

As a result of the epidemic's impact on department stores and shopping malls, some stores were forced to close or reduce their operation hours, resulting in a significant decrease in consumer traffic. After the epidemic is under control, based on the compensation psychology of consumers, the sales scale of cosmetics, clothing, and jewelry, which are primarily operated by department stores, may rebound rapidly, the passenger flow of shopping malls will gradually recover, and scene-based shopping consumption will still demonstrate a relatively high consumption level.

Supermarkets are substantially less affected by the emerging coronavirus pneumonia outbreak due to the rigidity of daily consumer demand. Through self-operated or external e-commerce platforms, supermarkets (Carrefour) sell and distribute fresh food and other goods, and community-based businesses such as convenience stores (7-Eleven) retain a certain amount of passenger flow based on their location advantages.

During the pandemic, inhabitants have a significant need for stockpiling daily necessities and medical and health supplies, resulting in a quick spike in online sales of fresh food, fast food, medicine, and other categories. The epidemic is anticipated to have a significant impact on discretionary consumer goods, whereas the unit price and gross profit of daily consumer products are lower than those of non-standard products such as clothes. The epidemic facilitates e-commerce platforms' rapid capture of the consumer market.

6. Solutions

- Reevaluate the procurement approach and rebuild the supplier network, comparing the risk tolerance against the desire for operational flexibility.
- Construct a platform for data-sharing so that key partners can rapidly collaborate and comprehend the impact of disruption.
- Make the transition to retail operations that are not constrained by sales channels and capitalize on the Internet of Everything concept.

7. Conclusion

This article analyses and evaluates the challenges and hazards posed by the impact of the COVID-19 pandemic on the retail industry, focusing on the dynamics of the industry's main corporations. And intended to provide potential countermeasures and techniques.

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