Covid-19 & Retailing

What is the issue?

- Since 24th March 2020, online retailers had contended with poorly communicated policy decisions and a notification U-turn.
- Renewed lobbying by physical retail associations had intensified the situation.

What are the recent problems faced by online retailers?

- The problems began immediately after the announcement of national lockdown.
- The initial orders of the Central government permitted the delivery of essential goods by e-commerce companies.
- However, police across the states assaulted online delivery personnel.
- Though state administrations clarified the policy, police intimidation in forms of arbitrary border-checks and interrogations continued.
- This discouraged the delivery agents from showing up for work.

What is notification that created a problem?

- The Prime Minister announced allowing certain economic activities in areas outside containment or sealed zones after April 20.
- A Home Ministry notification permitted the delivery of essential and non-essential goods by e-retailers from April 20.
- Later, the home ministry declared that e-commerce players wouldn't be allowed to deliver non-essential goods.
- It did not clarify when they would restart.
- This caused a big inconvenience to online retailers, who had started hiring warehouse and delivery staff in readiness.

Why was this last-minute flip made?

- It was the result of an urgent appeal made by two well-established small retailers' lobbies to the Central Government.
- Their argument was that physical retailers had already built up summer inventories in non-essentials.
- They also said that allowing online retailers into this space would crowd them out.

- This is not the first time e-commerce has been impeded in favour of their physical counterparts.
- It has been subject to regular business rule changes.

What are the privileges for physical retailers?

- **Rules of 2019** - These rules debarred companies from selling products via firms in which they have an equity interest.
- It also barred the companies from making deals with sellers to sell exclusively on their platforms.
- These rules do not apply to physical retailers, for whom in-store brands can account for up to a quarter of revenues.
- **Investigation** - The government also opened investigation into these platforms' discount policies during festive season.
- This privileging of one form of retailing over another is illogical and risky.
- It is unlikely to be helpful for an economy that urgently needs to expand employment and strengthen national supply chains.

Source: Business Standard

