Retailers feel the Covid pinch as profits squeeze

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A 50-packet carton of salt of a popular brand used to cost Rs 860 to a Sector 30-based retailer before the lockdown. During the lockdown, when people were clamouring for essentials and more stock was needed urgently, his regular distributor didn’t even pick up his call and instead sold all stock to some wholesalers in Sector 26. The retailer had to buy the same carton from Sector 26 for Rs 950 + Rs 50 transportation cost. There was no profit margin for him on the MRP.

Some wholesalers dealing with FMCG brands such as Hindustan Levers Ltd, P&G and many other MNCs would earlier offer incentives and schemes to retailers, keeping their profit margin to approx 10 per cent. The retailer was free to pass on the benefit to his regular customers as he deemed fit. Many wholesalers/stockists offered percentage point profit on sale of certain amount. All such schemes and incentives stopped, majorly affecting the retailers’ margin.

Local producers, too, suddenly jacked up their prices. A packet of bakery biscuits that would cost Rs 37 to a retailer was suddenly available at Rs 44. Factoring in the GST, the same packet cost Rs 50 during the lockdown to customers from the earlier Rs 40.

Local retailers dealing in essentials, who remained open during the curfew/lockdown,
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not only battled the risk of Covid but also the "greed" of distributors and wholesalers as well as the ire of customers, who blamed the retailers for taking advantage of the situation. Many retailers claimed the distributors of products of many multinational companies as well as local firms, earned heavy profits by adopting unethical practices that directly affected the consumers’ pocket and retailers’ margin.

"Many stockists made direct purchases from the companies and then released these products to retailers at their own will and with arbitrary margins," said a Sector 30-based retailer.

"Local producers also jacked up the prices of their products, while profit margins of the branded products hit a new low. We felt squeezed from all sides. Earlier, the distributors would give us one to two weeks credit. Now, a popular biscuit brand only wanted cash payment at the time of purchase. They sold products worth approximately Rs 1.5 crore on cash in two weeks. The margins of retailers have dipped to around 7 per cent," he added.

Many wholesalers or distributors have also stopped many schemes and incentives to retailers. Besides, the retailers were asked to pick up their orders (local products) from warehouses on their own.

"The wholesale rates also increased due to a hike in the transportation charges and people blame shopkeepers for that. There has been a hike of 7 per cent in the MRP of some products but the retailer is not getting additional benefits," said Parshottam Goyal, owner of a Mohali-based retailing shop.

"A packet of baby milk powder was sold Rs 280 during pre-Covid days, but the company has now increased the MRP to Rs 300 because of sudden spurt in the demand. At the same time, our profit margin was squeezed."

Another retailer, who is based in Sector 22, said: "Most retailers operating from rented premises have to pay rents, electricity charges, salaries to staff and many other overheads. Pre-Covid, we would get various schemes and good margins and could meet our expenses. Some retailers filled their stocks before the lockdown, but a majority don’t have either the storage space and/or the money to stock themselves. Those dealing in dry fruits and pulses would purchase these items at wholesale rates, but since the lockdown, many stockists raised the prices of these products even on their old stock, causing us huge losses." He claimed to have purchased 50 kg of pulses on a hike of Rs 9 (per kg) as compared to pre-Covid-19 time.