

Monitoring the Impact of COVID-19 in Myanmar

Urban Food Retailers – late July 2020 survey round

Mywish K. Maredia, Joseph Goeb, Isabel Lambrecht, Ian Masias, and Khin Zin Win

A second round of phone interviews was conducted in late July 2020 with urban retail food shop owners or managers in Yangon and Mandalay. This was done to further understand how their businesses have been affected by the COVID-19 crisis in Myanmar, with a particular focus on their suppliers, the credit extended to and availed by retailers, and their use of modern technologies and practices.

Key Findings

- The small-scale urban retail shops in our survey sample have not experienced major supply-side disruptions due to the COVID-19 crisis. There has been no decrease in the suppliers they use to procure food or in the food stocks they sell to consumers.
- The practice of purchasing food products from suppliers on credit or extending credit to consumers is not common in the food retail sector. Hence, there was no major credit shock experienced by retailers or by their customers due to the COVID-19 crisis.
- The urban food retail sector is slow to modernize. Most retailers find the use of modern technology, such as mobile phones, apps, electronic and credit card payments, and delivery services, unnecessary for their business. However, lack of awareness and knowledge were also seen to be among the reasons for this slow adoption.
- Cash or loan support to households to increase consumer demand and reductions in taxes or other payments to government continued to be the principal ways small food retailers highlighted that government can help them. Additionally, some respondents mentioned rental and utility subsidies as another way government can help.

Recommended Actions

- Government should continue to support food supply chain actors – wholesalers, small- and medium-sized food companies, traders, and millers – to ensure that a wide variety of food products continue to flow to food retailers and on to consumers.
- Expand beneficiaries of COVID-19 relief business loans to include food retailers.
- Government should support the private sector (e.g., cellphone companies, banking sector, etc.) to modernize the food retail sector to increase efficiency and resiliency.
- Government should consider extending to small food retailers its COVID-19 relief policy actions of deferring or waiving taxes and exempting lease payments.

Introduction

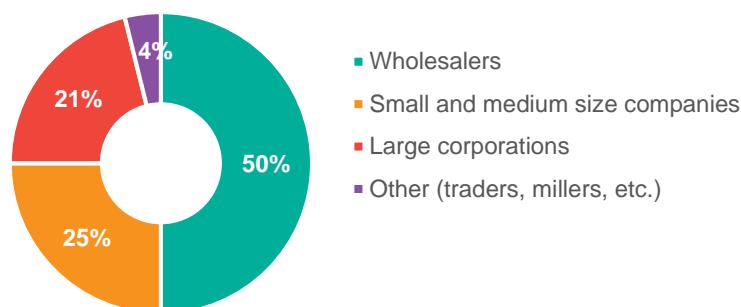
This is the second policy note in a series presenting results from rounds of a telephone survey of a sample of retail food shop owners or managers located in two cities in Myanmar – Yangon, the economic center of the country with 4.4 million inhabitants, and Mandalay, the second largest city with 1.1 million inhabitants. The phone surveys are designed to better understand the effects of COVID-19 shocks on Myanmar's agri-food marketing system from the perspective of these small-scale urban food retailers. Their shops are an important outlet for final consumers to purchase a variety of consumer goods, including many types of processed and packaged dry foods, condiments, snacks, beverages, basic staple grains (i.e., rice and pulses), dairy products, eggs, kitchen crops, tobacco, and alcohol products. The COVID-19 economic crisis could bring dramatic changes to these retailers – not only on the demand side in terms of the food purchasing behaviors of consumers, but also on the supply side in terms of how the food supply chains upon which they rely function and how they respond to these changes. This policy note builds on the analysis of the first-round of the survey¹, which focused on the demand side and overall business effects of COVID-19, by adding detailed questions on three additional themes – supplier options, credit extended and received by retailers, and the use of modern technologies and practices.

Phone interviews were conducted with the same sample of retail shop owners and managers in Yangon and Mandalay who participated in the first round of the survey (conducted between 8 and 15 July 2020). Interviews for this second round were conducted between 23 and 28 July. We successfully reached 440 retailers – 423 who were interviewed in the first round, plus 17 new additions – for a phone interview in this second round. Eighty percent were in Yangon and the rest in Mandalay. (The Policy Note on the results of the first round of the survey provides more information on the characteristics of the urban food retailers in our sample.)

Effects of the COVID-19 crisis on supplier options

About 95 percent of the food products sold by the retail shops are procured from wholesalers or directly purchased from food companies and corporations (Figure 1). Wholesalers are the most important supplier for eggs, pulses, kitchen crops, rice, cooking oil, sugar, condiments, and snacks or bakery products. For other products, small- and medium-sized food companies and large corporations together provide more than 50 percent of the share of those foods to the retail shops.

Figure 1. Supplier options across all types of food products sold by urban food retailers, percent of food products sold



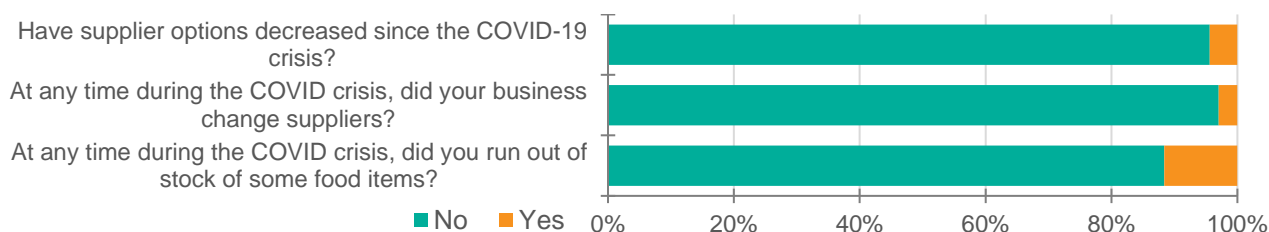
Source: Late July 2020 round of urban food retailers survey. Observations: 440 food retailers.

We explore three possible avenues of the impact of COVID-19 crisis on small urban food retailers through its effects on their options for suppliers – the number of suppliers, changes in suppliers

¹ Masias, I., J. Goeb, I. Lambrecht, M.K. Maredia, and K.Z. Win. 2020. *Monitoring the Impact of COVID-19 in Myanmar: Urban Food Retailers – early July 2020 survey round*. [IFPRI Myanmar SSP Policy Note 24](#). Washington, DC: International Food Policy Research Institute (IFPRI)

during the crisis, and shortages of food items in stock. Overall, the urban food retailers we surveyed had not experienced any major supply side shocks in terms of these three effects (Figure 2).

Figure 2. Effect of COVID-19 crisis on supplier options and food stock inventory, by percentage share of food-shop combinations

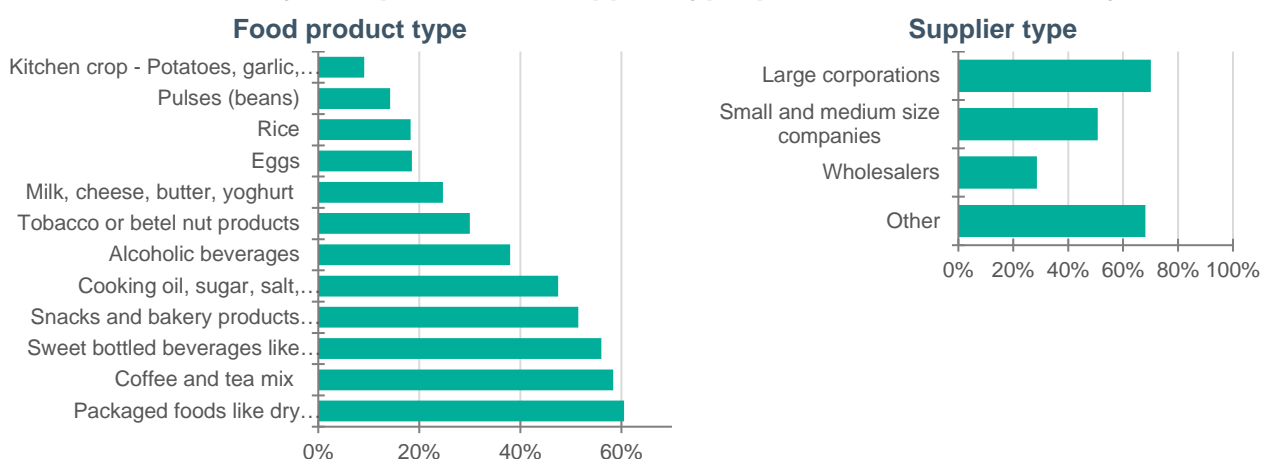


Source: Late July 2020 round of urban food retailers survey. Observations: 440 food retailers.

Aggregating across all food categories reported by the 440 retailers surveyed, across these 2,823 food-shop combinations, less than 5 percent were reported to have experienced a decline in the number of supplier options or to have required a change in suppliers at any time during the COVID-19 crisis. However, 12 percent of these food-shop combinations experienced an inventory shock at least once, being unable to restock items quickly enough to keep pace with demand. The most common food items for which inventory shocks were experienced were packaged foods, such as noodles and canned goods; snacks and bakery products; and cooking oil, sugar, and condiments. For these three food categories, 25, 20, and 12 percent of shops reported running out of stock of these items at least once during the crisis, respectively. For all other food types, less than 10 percent of shops reported this issue. No shops reported ever being out of stock of tobacco, betel nut, or alcoholic beverages.

To assess the number of suppliers a retail shop might choose from to procure different types of food and the extent to which these options were affected by the COVID-19 crisis, we asked about the number of supplier from which they bought common items under each food category before the COVID-19 crisis and whether those options had changed since the crisis began (Figure 3).

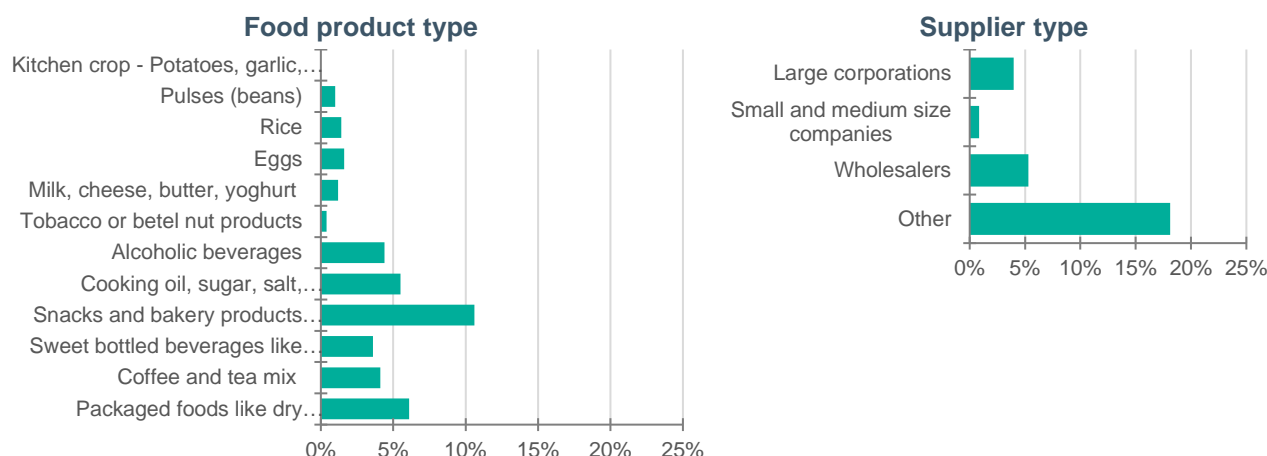
Figure 3. Food retail shops reporting having more than one option for suppliers before COVID-19 crisis, by food product and supplier type, percent of retailers surveyed



Source: Late July 2020 round of urban food retailers survey. Observations: 440 food retailers.

Before the crisis, shops generally had more supplier options for processed and packaged products, e.g., dry noodles, coffee and tea, bottled beverages, cooking oil, sugar, and condiments, than for unprocessed or fresh products, e.g., kitchen crops, pulses, rice, and eggs. Whether these options declined after the COVID-19 crisis began varied by food category (Figure 4). The food categories with more supplier options initially saw a greater decline in the number of suppliers since the onset of the COVID-19 crisis.

Figure 4. Retailers reporting a decline in supplier options since the COVID-19 crisis, by food products and supplier type, percent of retailers surveyed



Source: Late July 2020 round of urban food retailers survey. Observations: 440 food retailers.

In terms of supplier type, shops reported that before the crisis they had more options to buy food products from large corporations and from small- to medium- sized food companies than from wholesalers (Figure 3). This reflects a correlation between the importance of different supplier types for specific products in the supply chain. Shops that purchased food products from the 'other' category, such as millers and traders, experienced a relatively greater decline during the COVID-19 crisis in the number of suppliers than did shops that primarily relied on food companies and wholesalers for their supplies (Figure 4). However, note that these other types of suppliers provide less than 5 percent of the products sold by small retailers (Figure 1). Overall, small-scale urban food retailers experienced quite negligible supply chain shocks during the COVID-19 economic crisis.

Effects of the COVID-19 crisis on credit that suppliers avail to food retailers and that food retailers extend to customers

In general, urban retail food shops in Yangon and Mandalay receive very few products on credit from their suppliers, so there has been little impact on this practice during the COVID-19 crisis. Only 3 percent of shops reported acquiring food supplies on credit and 5 percent reported acquiring non-food products on credit in the last month in which they acquired these products (Table 1). For food products, the practice varied by supplier type, with a greater percentage of both wholesalers and "other" types of suppliers providing products on credit than small- to medium-sized food companies and large corporations. Compared to the same time in 2019, most shop owners reported no change in the share of food and non-food products they acquired in 2020 on credit.

Table 1. Retail food shops obtaining food and non-food products on credit from suppliers

Obtained supplies on credit last time acquired supplies from . . . , % of retailers	Large corporation	Small or medium size company	Wholesaler	Other supplier	Food products from any source	Non-food products from any source
	2.7	0.9	4.2	7.2	3.2	4.6
Share of suppliers offering products on credit is . . . compared to same time in 2019, % of retailers?	Higher		Lower		Same	
	Food products	Non-food products	Food products	Non-food products	Food products	Non-food products
	0.4	0.0	3.4	5.2	96.2	94.8

Source: Late July 2020 round of urban food retailers survey. Observations: 440 food retailers.

The practice of selling food products to customers on credit was much higher than procuring products from suppliers on credit. Almost 14 percent of retail shops reported selling products to customers on credit before the COVID-19 crisis (Table 2). This percentage increased slightly to 15 percent in the month prior to the survey. Across all shops, the average share of total sales extended by retailers to their customers on a credit basis was just 3.4 percent. However, among those that offered products on credit to customers, this percentage as a value of total sales was 22 percent.

Table 2. Retail food shops that sold products on credit to customers and changes compared to same time in 2019

Before COVID, did you sell any products on credit, % of all retailers?		Last month did you sell any products on credit, % of all retailers?		
Yes	No	Yes	No	
13.6	86.4	15.2	84.8	
What % of total sales last month was on credit?		For retailers selling on credit, compared to same time in 2019, is share of total sales on credit . . . , %?		
All retailers	Retailers selling on credit	Higher	Lower	Same
3.4	22.1	16.4	13.4	70.2

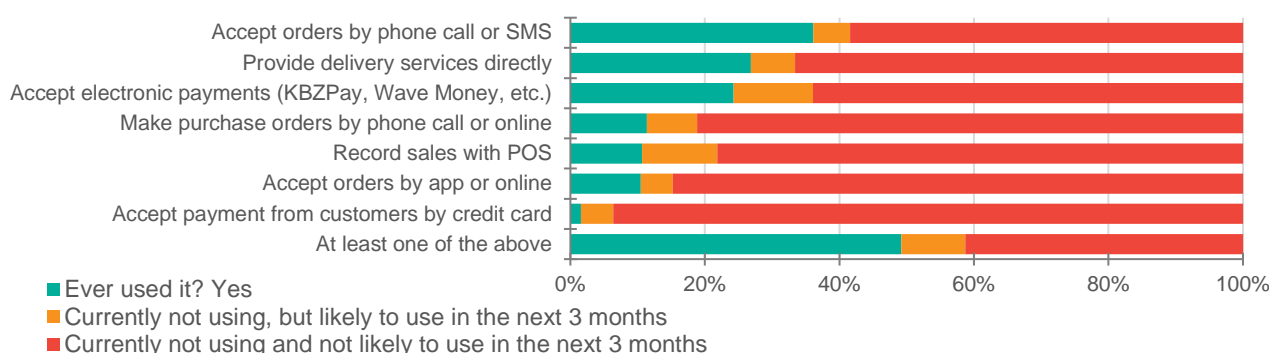
Source: Late July 2020 round of urban food retailers survey. Observations: all retailers – 440; retailers selling on credit – 67.

Among the 67 shop owners or managers that sold products on credit to customers, 16 percent reported that the share of their sales made using credit in 2020 (post-COVID) was higher than in 2019. For these retailers, among the reasons given for doing so was a need to maintain or increase their customer base. In contrast, for those retailers offering less credit in 2020, fear of customers not repaying the credit in a timely manner was a main reason for their making a lower share of their total sales on credit.

Effects of the COVID-19 crisis on the use of modern technologies and practices

To obtain a more comprehensive picture of technology use among urban food retailers, we asked respondents about their adoption of different types of digital, mobile phone, and internet-based technologies and delivery services. Figure 5 shows the prevalence of and prospects for use of different types of technology and services by retail food shops in Yangon and Mandalay.

Figure 5. Use of technology-based services by retail food shops in Yangon and Mandalay, prevalence in July 2020 and prospects for adoption, percent of retailers



Source: Late July 2020 round of urban food retailers survey. Observations: 440 food retailers. POS = point of sales payment recording system; SMS = “short message service”, i.e., text messaging.

The most widely used practice by these retail shops is the use of voice calls or text messaging features of mobile phones to take orders from customers – 36 percent of shops now use this practice,

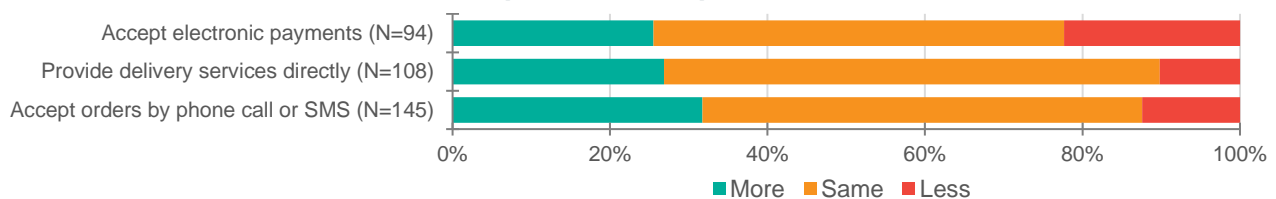
with 5 percent planning to begin doing so in the next three months. Over one-quarter of shops provide delivery services directly to customers, most of whom likely placed their orders over the phone. A slightly smaller share now accept electronic payments through KBZPay, Wave Money, or other payment system. About 10 percent of shops reported using web-based or other digital technologies in other ways, such as for placing purchase orders, recording sales with a point of sales (POS) system, or accepting orders through a mobile phone app. Accepting payments from customers by credit card was the least used practice. On the positive side, the near-term prospects and trends in adoption look encouraging for several of these technologies. For example, 11 percent of retailers indicated that they were likely to adopt accepting electronic payment and recording sales with a POS system in the next three months (Figure 5).

In our sample, about half of the shops surveyed had never used any of the technologies or practices listed in Figure 5, 16 percent had used one, 14 percent had used two, and 20 percent had used 3 or more. Ten percent of respondents indicated that they were currently not using any of these technologies or practices, but were likely to start using one of them in the next three months – an encouraging trend.

However, 40 percent of retail shop owners or managers who were currently not using any of the technologies or practices said they had no plan to do so in the next 3 months (Figure 5). Among the reasons for not using these technologies or services, the most common offered was ‘no need for it’, cited by over three-quarters of non-users. Since retail food shops are ubiquitous in urban areas and sell common products that people can purchase easily, there may not be much need for mobile phone-based ordering or delivery. Lack of awareness, lack of knowledge regarding use of the technologies, and labor shortages also were cited as reasons by 10, 4, and 3 percent of respondents, respectively.

To assess the impact of the COVID-19 crisis on the use of such modern technologies and services, we asked respondents about their current use of the top three reported compared with in 2019 at around the same time. Just over a quarter of current users indicated that they were using these technologies and practices more, 10 to 20 percent indicated that they are using them less, while most indicated that they were using them at the same rate as last year (Figure 6). Among the top three technologies and practices, accepting orders by phone call or text messaging saw the largest increase post-COVID.

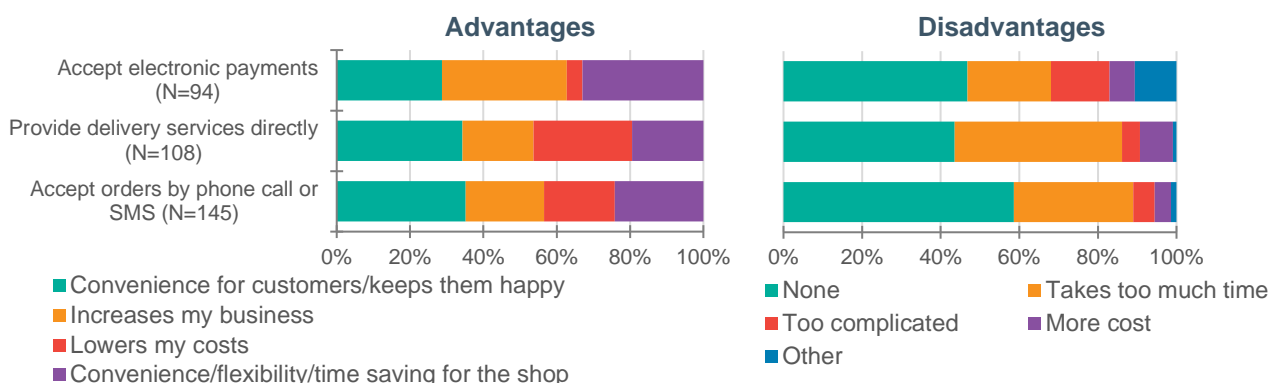
Figure 6: If now using a specific technology or service, how does current use compare to use in 2019 at around same time, percent of respondents



Source: Late July 2020 round of urban food retailers survey. SMS = “short message service”, i.e., text messaging

To understand what motivates shop owners to use these technologies and practices and what might lead them to be hesitant to do so, we asked respondents to provide one main advantage and one main disadvantage of using the top three most used practices. Respondents cited ‘convenience for customers and keeping them happy’ as the main advantage regarding providing delivery services to customers and accepting orders by phone call or text (Figure 7). For accepting electronic payments, shops cited increases in business, convenience and flexibility, and time saving as the main advantages. The cost lowering effect was cited as an advantage by a relatively greater percentage of respondents for providing delivery services than for the other two digital or phone-based services. This is surprising because delivery services require labor, which adds to costs.

Figure 7. Advantages and disadvantages of using three technologies or services from the perspective of food retailers currently using them, percent of respondents

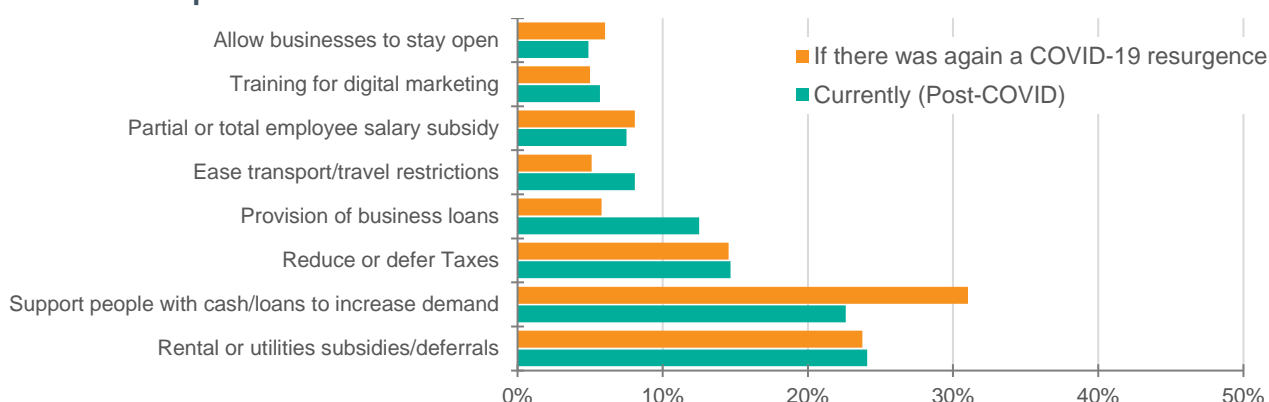


Source: Late July 2020 round of urban food retailers survey. SMS = "short message service", i.e., text messaging

Preferred policy responses to support urban retail food shops

To understand food retailers' perspectives on how the government can help them cope with the COVID-19 economic crisis, we asked respondents to select their two most preferred government policy responses from the eight options listed in Figure 8. Five of the options had been presented in a similar question in the first round of the survey – reduced taxes, supporting households with cash or loans, easing transport restrictions, providing business loans, and allowing businesses to stay open during a lockdown. In this second round we added three options – providing rental or utility subsidies or deferrals, providing full or partial employee salary subsidies, and providing training in digital marketing. Another difference in the second round of the survey was that the question was asked under two scenarios – policies to help small retail businesses deal with the current situation (as in round one of the survey) and policies government should take if there is a resurgence in COVID-19 infection rates (a new addition). Mean results for the top two selected options for these scenarios are presented in Figure 8.

Figure 8. Policies through which government can help retail food shops under the current situation or under a COVID-19 resurgence, percent of retailers mentioning option among their two top choices



Source: Late July 2020 round of urban food retailers survey. Observations: 440 food retailers.

The preferences for food retailers as to how government can best help them were split across the eight options – no one option was most preferred by a majority of respondents. However, there are clear preferences for a sub-set of these options. Providing subsidies or deferrals to retail shops for rental or utility payments was cited as the preferred measure for 25 percent of respondents regarding ways in which government can help small retail shops deal with the current situation. However, if

there is a resurgence of COVID-19 cases, almost one-third of retailers recommended government 'support people with cash or loans to increase demand' as the most preferred method of government support. Rental or utility subsidies were the second most preferred policy option under the future resurgence scenario, cited by 25 percent of respondents, followed by tax reductions and partial or total employee salary subsidies. To deal with the current situation, cash or loan support to people and households was the second most preferred policy option, followed by tax reductions, and the provision of business loans. In the first round of the survey, tax reduction was selected as the most preferred policy option, followed by cash or loan support to households and business loan provisions. However, in the second round when it was presented as an option, rent and utility subsidies or deferrals was the top choice.

Summary and recommendations

In the second round of the urban food retailers' survey, we focused on assessing the impact of the COVID-19 crisis on supplier options, credit extended and availed by retailers, and the use of modern technology and practices. We also extended the policy preference question from the first round with some additional policy options. Our results suggest that small retail food shops in Yangon and Mandalay were not significantly affected by major supply side disruptions, including any decrease in suppliers from which to procure food or significant shortages of food stocks to sell to consumers. This is a success for Myanmar and points to the resiliency to short-term shocks of the downstream part of the food system. At this time, there are no policy recommendations to offer on this theme, except the suggestion that government should continue to support supply chain actors, especially, wholesalers, small- to medium-sized food companies, traders, and millers, to ensure that the wide varieties of food products that they handle continue to flow to consumers. However, although our survey shows that supply chains were functional in delivering most products to retailers during the COVID-19 crisis, there may have been adverse price effects. We plan to explore these further in a later survey round.

Second, our results reveal the retailers or their customers experienced no major credit shocks. The practice of obtaining food products from suppliers on credit or extending credit to consumers is not widely prevalent in the retail food sector. However, 5 percent of retailers cited business loan provision as a preferred measure of government support to the sector under current conditions. Thus, we recommend including food retailers in government loan programs specifically designed to respond to the COVID-19 economic crisis.

Third, our findings suggest that the urban retail food sector is slow to modernize. Most retailers find the use of modern technology, such as mobile phones, apps, electronic and credit card payment systems, and delivery services, unnecessary for their business. Lack of awareness and lack of knowledge regarding how to use or otherwise participate in modern business methods also came up as more minor constraints. Some retailers cited digital marketing training as a preferred method of government support. There may be a role for the private sector, e.g., mobile phone companies or the banking sector, to fill this niche and for the government to support efforts to modernize the retail food sector in order to usher in greater efficiency and resiliency in the system. It is encouraging to note that investments in electronic platforms are a big part of the government's response under its COVID-19 Economic Relief Plan (CERP).²

Supporting people and households with cash or loans to increase consumer demand and reducing taxes continue to be the methods of government support to this sector preferred by food retailers. Additionally, in this survey round, many respondents highlighted the value of government

² Government of the Republic of the Union of Myanmar. (2020). *Overcoming as One: COVID-19 Economic Relief Plan*. Nay Pyi Taw: Government of the Republic of the Union of Myanmar.

providing rental and utility subsidies as a way in which it can help small food retailers. Thus, we recommend that government extend the CERP policies that defer or waive taxes and exempt lease payments – CERP Actions 2.1.3 and 2.1.4, respectively – to include small food retailers in the current situation as well as in the future if there is a resurgence of COVID-19 in these cities.

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