

Retail Industry: Taking Advantage of The Pandemic Through Sheer Guts and Innovation

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Abstract- The Retail Industry particularly grocery and supermarket in the Philippines is a multi-billion-dollar business comprises of various major brand retailers in the land. This is one of the celebrated industries where you can see competing supermarkets in every block of every major city both rural and urban across the archipelago amassing a total of 10000 listed stores (circa 2018).

The Retail Industry, just like any other industries, suffered and hampered their growth. However, since they are considered essential, they have been able to bounce back. E-commerce played as a major contributor in the retail industry. It plays a pivotal role in lessening the potential harm of business loss brought by the pandemic. Many establishments were forced to shut down their operations in compliance to the quarantine measures by the draconian approach of the government. E-commerce is not relatively new in the artillery of the retail industry but it has made the industry more resilient in order to cope up with the restrictions in order to continue to provide their services to the consumers and public.

From the time of writing, the purpose of this study is to evaluate the resilience and competence of the Retail Industry in which the old brick and mortar no longer applies and how by thinking out of the box, innovation and creativity arises in order for businesses to thrive specially those who are just starting to build their names and brand.

I. INTRODUCTION

Amidst the on-going pandemic early 2020, one retailer braved the storm and launched an Initial Public Offering (IPO) on the hype of the global crisis brought by COVID-19. MerryMart Consumer Corp offered a PhP 1.00 per share (May 27 to June 5 offer date) to seek investors. Despite the pandemic-stricken nation clouded by risk of economic recession, MerryMart

soared as one of the actively traded stocks rising 50% more from its IPO of PhP 1.00 per share on its debut in the Philippine Stocks Exchange (PSE) last June 15, 2020 into PhP 1.50 per share. Philippines's capital market ventures remain strong and cohesive posting 7,080.62 (December 2, 2020) vs 2019 of 7,815.26, falling short of only 9.4% given with the adversity of the global pandemic.

On a global scale, equity capital markets grew by 56% from 6,100 issuance compared to 2019 wherein IPO was about 25% (\$222B in 2020) as investors are optimistic on future growth opportunities of these companies in the global setting.

In relation to the Philippine economy, the companies that conveniently and took risk to raise funds through stock market are: Converge ICT Solutions, Megawide Construction Corp (Megawide), San Miguel Corp. (SMC) and MerryMart Consumer Corp. (MMSC) along with Cemex Philippines (CEMEX), AC Energy Philippines (AC Energy), Century Properties Group (CPG), Altus Property Ventures Inc. (APVI), and Ayala Land AREIT Inc. in 2020.

II. BACKGROUND OF THE COMPANY

MerryMart Grocery Centers Inc. ("MMGC"), a subsidiary of MerryMart Consumers Corp. ("MM"), is one of the fastest growing retail supermarkets in the Philippines today. MMGC is focused on franchising which enables traditional and local supermarkets to be converted using the brand in order to be relevant and keep up in the competition from transitioning traditional retail to modern retail in the next coming decades while retaining their ownership by being a franchisee. Following the footsteps of its parent company - Injap Investments Inc., MerryMart is looking into positioning its brand of retail supermarket by opening 1,200 stores in 2030 with a revenue of PhP 120B.

MerryMart has three (3) retail formats to cover all grocery categories starting from small (MERRYMART STORE), medium (MERRYMART MARKET) and large (MERRYMART GROCERY).

MerryMart opened its first store located at the Ground Floor of Double Dragon Plaza, DD Meridian Park, Bay Area, Metro Manila last April 29, 2019.

III. FINANCIAL MERITS

The following are financial ratios computed from Appendix A and B (see Income Statement and Balance Sheet):

- Quick Ratio is 1.24

$$fx = (Current\ Asset - Inventory) / Current\ Liabilities$$

Measures the company's capacity to its current liabilities. When quick ratio is higher than 1, this means it owns more quick assets than current liabilities.

- Debt to Equity Ratio is 0.8

$$fx = Total\ Liabilities / Shareholders\ Equity$$

Anything lower than 1 is good; D/E of 2 or higher is considered risky; if negative, the company has more liabilities than assets.

- Working Capital Ratio is 2.09

$$fx = Current\ Assets / Current\ Liabilities$$

Working capital ratio is a measurement of company's liquidity to pay its obligations. 1.5 to 2 ratio is interpreted that the company is in a solid financial ground in terms of liquidity, however, a higher ratio above 2 is not necessarily considered to be better.

- Price to Earnings Ratio is 618 (at PhP 6.18 per share as of Dec. 29, 2020)

$$fx = Share\ Price / Earnings\ per\ Share$$

P/E ratio is the relation between a company's share price and earnings per share (EPS).

- Earnings per Share is 0.01

$$fx = Net\ Income / Outstanding\ Shares$$

EPS indicates how much money the company for each share of its stock, a higher EPS indicates greater value which means investors will pay more for company's

share if they think the company has higher profits relative to its share price.

- Return on Equity Ratio is 2.53%

$$fx = Net\ Income / Shareholders\ Equity$$

ROE shows how well the company manages the capital shareholders invested, the higher the ROE the more efficient the company's management is generating income and growth from its equity financing.

- Profit Margin is 1.40%

$$fx = Profit / Revenue$$

Profit margin for supermarket plays around 1-3% and shows how much money is the business is making.

IV. COURSE OF ACTION

Pandemic brings out every ounce of creativity from us and in businesses as well. Survival is the most common response whenever we face consequences threatening our very existence, it's either you sink or you swim and this has been the approach of MerryMart on how they combat the disruption of pandemic in their business:

- Dark grocery or *dark stores* is a retail space that does not cater in-store shopping but rather created exclusively to fulfill online orders. MerryMart pioneered and adapted this concept together with FoodPanda Philippines (Panda Mart) as their delivery service provider in order to fulfill the grocery needs of every household affected by the pandemic in compliance with the government's drive to lower down the cases through series of lockdowns. A 15-minute grocery delivery service that will cover grocery items, personal care essentials and other fast moving consumer goods catered by two "invisible" stores situated in Makati and Manila City.

- The revolution of modern grocery – the drive thru. One lawmaker, proposed pick up points and drive thru services in response to the alarming and growing cases of COVID-19 in the country. Rep. Niña Taduran of ACT-CIS party-list that despite the social distancing measures being observe during shopping, it is still highly possible to

contract the virus and such giving birth to this new concept. Opened on January 2021, MerryMart's first drive thru store was opened in Iloilo City in response to the "new normal" and will be situated in major thoroughfares as expansion begins throughout the country.

CONCLUSION

This pandemic became the turning point of every business in order for them to make their companies thrive and become future-proof. The ability to rise above the situation and trailblaze an ingenuity and creative thinking brought by this global crisis is how

will differentiate and sets them apart ahead of the competition.

The retail industry, continues to be resilient as more and more have been exploring the e-commerce. Partnerships and ventures became more formidable than ever before in order to fulfill the need because of this disruption.

The new normal set a beginning of new standard in exploring uncharted areas in business. Those unable to adapt closes, but whoever accept and face the challenge of this crisis, survives.

APPENDIX

A. Income Statement

Item	2017	2018	2019	2020
Sales/Revenue	1.76B	2.12B	2.5B	3.44B
Sales Growth	-	20.28%	18.24%	37.38%
Cost of Goods Sold (COGS) incl. D&A	1.71B	2.04B	2.41B	3.28B
COGS Growth	-	19.47%	18.09%	35.98%
COGS excluding D&A	1.71B	2.04B	2.4B	3.22B
Depreciation & Amortization Expense	1.22M	1.37M	18.4M	61.65M
Depreciation	1.22M	1.37M	18.25M	58.13M
Amortization of Intangibles	-	-	149.94K	3.52M
Gross Income	48.46M	72.12M	88.37M	155.19M
Gross Income Growth	-	48.84%	22.54%	75.61%
Gross Profit Margin	-	-	-	4.51%
SG&A Expense	13.1M	6.74M	44.72M	147.26M
SGA Growth	-	-48.56%	563.72%	229.29%
Other SG&A	13.1M	6.74M	44.72M	147.26M
Other Operating Expense	6.86M	7.46M	(2.86M)	(15.77M)
Non-Operating Interest Income	48.08K	49.65K	109.99K	5.77M
Interest Expense	-	-	6.65M	12.55M
Interest Expense Growth	-	-	-	88.63%
Gross Interest Expense	-	-	6.65M	12.55M
Pretax Income	28.55M	57.98M	39.97M	16.92M
Pretax Income Growth	-	103.09%	-31.06%	-57.66%
Pretax Margin	-	-	-	0.49%
Income Tax	8.55M	17.38M	11.96M	(31.32M)
Income Tax - Current Domestic	8.76M	17.71M	18.89M	3.98M
Income Tax - Deferred Domestic	(212.92K)	(336.13K)	(6.93M)	(35.3M)
Consolidated Net Income	20M	40.6M	28.01M	48.24M
Net Income	20M	40.6M	28.01M	48.24M
Net Income Growth	-	103.02%	-31.01%	72.23%
Net Margin Growth	-	-	-	1.40%

Net Income After Extraordinary	20M	40.6M	28.01M	48.24M
Net Income Available to Common	20M	40.6M	28.01M	48.24M
EPS (Basic)	0	0.01	0	0.01
EPS (Basic) Growth	-	107.69%	-31.48%	72.97%
Basic Shares Outstanding	7.59B	7.59B	7.59B	7.59B
EPS (Diluted)	0	0.01	0	0.01
EPS (Diluted) Growth	-	107.69%	-31.48%	72.97%
Diluted Shares Outstanding	7.59B	7.59B	7.59B	7.59B
EBITDA	29.72M	59.29M	64.91M	85.36M
EBITDA Growth	-	99.53%	9.47%	31.50%
EBITDA Margin	-	-	-	2.48%

B. Balance Sheet

Assets

ITEM	2017	2018	2019	2020
Cash & Short Term Investments	19.81M	20.91M	270.31M	940.64M
Cash & Short Term Investments Growth	-	5.52%	1192.86%	247.99%
Cash Only	19.81M	20.91M	270.31M	940.64M
Cash & ST Investments / Total Assets	8.63%	6.26%	30.04%	27.06%
Total Accounts Receivable	1.65M	4.75M	40.5M	196.49M
Total Accounts Receivable Growth	-	188.47%	752.09%	385.14%
Accounts Receivables, Net	1.65M	914.42K	8.82M	13.75M
Accounts Receivables, Gross	1.65M	914.42K	8.82M	13.75M
Other Receivable	-	3.84M	31.69M	182.74M
Accounts Receivable Turnover	1,068.18	445.37	61.8	17.5
Inventories	202.16M	270.45M	184.24M	746.02M
Finished Goods	202.16M	270.45M	183.42M	737.57M
Progress Payments & Other	-	-	823.03K	8.45M
Other Current Assets	-	-	62.68K	19.22M
Miscellaneous Current Assets	-	-	62.68K	-
Total Current Assets	223.62M	296.11M	495.12M	1.9B
Net Property, Plant & Equipment	4.97M	29.01M	340.06M	1.31B
Property, Plant & Equipment - Gross	10.91M	36.32M	356.41M	1.35B
Land & Improvements	-	-	-	146.61M
Other Property, Plant & Equipment	8.89M	10.48M	86.62M	372.29M
Accumulated Depreciation	5.94M	7.31M	16.35M	41.02M
Intangible Assets	-	7.2M	14.61M	42.91M
Net Other Intangibles	-	7.2M	14.61M	42.91M
Other Assets	-	-	41.67M	174.71M
Total Assets	229.67M	333.74M	899.81M	3.48B
Total Assets Growth	-	45.31%	169.62%	286.31%

Liabilities & Shareholders'

Equity

ITEM	2017	2018	2019	2020
ST Debt & Current Portion LT Debt	-	-	163.14M	489.52M
Short Term Debt	-	-	150M	450M
Current Portion of Long Term Debt	-	-	13.14M	39.52M
Accounts Payable	106.18M	92.34M	106.16M	319.26M

Accounts Payable Growth	-	-13.03%	14.96%	200.74%
Income Tax Payable	5.14M	19.16M	37.78M	-
Other Current Liabilities	75.11M	137.74M	60.68M	120.13M
Miscellaneous Current Liabilities	75.11M	137.74M	60.68M	120.13M
Total Current Liabilities	186.43M	249.25M	367.76M	928.92M
Long-Term Debt	-	-	117.48M	626.32M
Long-Term Debt excl. Capitalized Leases	-	-	-	250M
Non-Convertible Debt	-	-	-	250M
Provision for Risks & Charges	3.6M	4.26M	6.2M	8.02M
Deferred Taxes	(1.08M)	(1.42M)	(8.35M)	(44.28M)
Deferred Taxes - Debit	1.08M	1.42M	8.35M	44.28M
Other Liabilities	-	-	300.13M	1.38M
Other Liabilities (excl. Deferred Income)	-	-	298.75M	-
Deferred Income	-	-	1.38M	1.38M
Total Liabilities	190.03M	253.5M	791.57M	1.56B
Total Liabilities / Total Assets	82.74%	75.96%	87.97%	45.01%
Common Equity (Total)	39.64M	80.23M	108.24M	1.91B
Common Equity / Total Assets	17.26%	24.04%	12.03%	54.99%
Common Stock Par/Carry Value	1.25M	1.25M	1.25M	379.75M
Retained Earnings	38.39M	78.98M	106.99M	146.83M
Total Shareholders' Equity	39.64M	80.23M	108.24M	1.91B
Total Shareholders' Equity / Total Assets	17.26%	24.04%	12.03%	54.99%
Total Equity	39.64M	80.23M	108.24M	1.91B
Liabilities & Shareholders' Equity	229.67M	333.74M	899.81M	3.48B

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