Crisis communication initiatives between South African retailers and their stakeholders during COVID-19

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ABSTRACT

Research purpose: This paper explores how companies in the South African retail sector are reporting to their stakeholders across communication channels during the COVID-19 lockdown period with a focus on the financial implications the pandemic has had on the retail sector. The study examines how companies use different communication platforms to provide stakeholders with material information about how the effects of the pandemic on the retail sector are being managed and what communication platforms are available.

Motivation for the study: Recognising the topical nature of COVID-19, it is important to establish how companies are responding to this crisis and what communication channels are being used to disseminate information to stakeholders. This study provides an emerging COVID-19 communication matrix which can be used to assess a company's response to the pandemic and communication strategies which are prevalent. This will allow companies to identify and use different strategies based on their governance and communication objectives. It will also provide a framework from which further research can be conducted on communication strategies and, ultimately, lead to the integrated report and disclosures pertaining to the impact of the pandemic.

Research design, approach and method: This paper utilises a mixed approach to explore how companies in the South African retail sector report to the stakeholders across primary and secondary channels of communication.

Main findings: Retailers which have suffered the greatest decline in market capitalisation over the lockdown period can employ three different reporting strategies. The first entails an adaptation and conformance strategy. The second strategy limits the extent of reporting targeted at financial capital providers on the primary platform in favour of disclosures targeted at the general body of stakeholders to maintain confidence. The third strategy is described as a wait-and-see approach. For companies which have suffered the lowest decline in market capitalisation, the objective is to keep a low profile.

Practical/managerial implications: The level of reporting across communication channels selected during a crisis will impact the company's transparency and accountability to stakeholders and its ability to achieve the desired legitimacy outcome.

Contribution/value-add: Organisations can use the emerging COVID-19 communication matrix as a starting point to understand which communication strategies can be employed during a crisis.

Keywords: COVID-19; retail sector; stakeholder communication; legitimacy

ACKNOWLEDGEMENTS

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In terms of support, a fiscal and monetary package valued at roughly ZAR800bn was announced. This is being funded by (1) reallocating from non-urgent and non-priority projects, (2) providing government guarantees, (3) transferring money from social security funds, (4) borrowing additional funds and (5) altering interest rates (National Treasury SA, 2020). By 11 May, over R11bn had been paid under the Temporary Employer/Employee Relief Scheme (TERS) (Department of Employment and Labour, 2020). From a retail sector perspective, this funding will support companies through distress funding, tax reliefs, labour and employment benefits for retrenched employees, Block Exemptions to provide payment holidays/rental discounts for tenants, as well as bridge financing and loans for qualifying companies (White & Case LLP, 2020). The companies within the ambit of this study will have access to these financial relief measures which will assist in bridging the liquidity constraints during the lockdown regulations and support companies, however, liquidity and going concern issues will still be prevalent.

Table 2 provides a breakdown of how the R800bn will be utilised. Over 72% of the package will not require direct cash disbursements. This also reduces the administrative burden (and costs) required to operationalise the package. More detail on the allocation will only be available when the Finance Minister tables his updated budget in Parliament .

TABLE 2
BREAKDOWN OF SA'S FISCAL AND MONETARY RESPONSE TO COVID-19

Allocation	Amount (ZAR million)	Percentage
South Africa Reserve Bank interventions	300 000	38%
Credit guarantees scheme	200 000	25%
Job creation and support for SME and informal businesses	100 000	13%
Tax and other levy payment holidays	70 000	9%
Vulnerable household support (6 months)	50 000	6%
Wage protection (UIF)	40 000	5%
Health and frontline services	20 000	3%
Municipality support	20 000	3%
Total	800 000	

PRIOR RESEARCH AND THEORY

Different theoretical frameworks have been applied when examining how organisations faced with a crisis communicate with their stakeholders. Examples include attribution theory (Coombs, 2007a), framing theory (Benford & Snow, 2000) and, building on these, situational crisis communication theory (SCCT) (Coombs & Holladay, 2002). The latter is concerned with how different communication strategies are employed to manage views and expectations. The objective is to 'shape attributions of the crisis, change perceptions of the organization in crisis and reduce the negative effect generated by the crisis' (Coombs, 2007b, p. 171). Legitimacy theory provides a related framework.

Legitimacy theory has been used extensively to explain how companies internalise and respond to adverse facts, circumstances and conditions to ensure the continued support of powerful constituents (e.g. Patten, 2002; Cho, 2009; Vourvachis, Woodward, Woodward & Patten, 2016; Dube & Maroun, 2017; Corazza, Truant, Scagnelli & Mio, 2020). The theory has been used extensively by business researchers to examine how companies vary their communication with stakeholders, paying particular attention to the nature, scope and extent of disclosures included in annual, sustainability and integrated reports (De Villiers & van Staden, 2006, De Villiers & Maroun, 2018). As a result, legitimacy theory is well suited for exploring how companies are using details on their corporate webpages and SENS announcements when faced with the effects of the COVID-19 pandemic and the resulting lockdown.

Legitimacy theory in brief

Legitimacy is 'a generalised perception or assumption' that an organisation's actions resonate with a socially constructed value system and are, as a result, desirable or appropriate' (Suchman, 1995). Legitimacy rests heavily on subjective and collective assessments of powerful stakeholders so legitimacy is best described as socially constructed

(Ashforth & Gibbs, 1990, Corazza et al., 2020) and is the result of an informal contract between companies and their stakeholders (Deegan, 2002; Maroun 2017).

Legitimacy theory can be viewed from an institutional or a strategic perspective. The former frames legitimacy as a product of deeply held beliefs, cultures and values over which an organisation may have little control (Meyer & Rowan, 1977, DiMaggio & Powell, 1983; Corazza et al., 2020). In contrast, legitimacy can be interpreted as a type of strategic resource which can be managed to gain and maintain the support of key constituents (Suchman, 1995). Corporate reporting is a key part of this process.

Application of legitimacy theory to corporate reporting

Like SCCT, legitimacy theory suggests that an organisation can manage what and how it discloses information to stakeholders to inform, iterate or change their perceptions, especially when dealing with a crisis (O'Donovan, 2002; Brennan & Merkl-Davies, 2014; Beck, Dumay & Frost, 2015; Corazza et al., 2020). For example, after the Deepwater Horizon disaster in 2010, affected organisations increased the number of environmental disclosures dealing directly and indirectly with the disaster in an effort to allay stakeholders' concerns, appear responsive to the environmental damage and avoid a loss of public confidence (Summerhays & De Villiers, 2012). The same reporting strategy was followed by organisations implicated in the Exxon Valdez (Patten, 1992, 2002) and Erika (Cho, 2009) oil spills in 1989 and 1999 respectively. Similarly, in the aftermath of the Marikana crisis in 2012, Lonmin has relied extensively on its corporate reports to communicate regret for the loss of life and explain to key stakeholders how it managed the effect of the crisis (Dube & Maroun, 2017).

Using additional disclosures in the primary reports issued to stakeholders to communicate how an organisation is responding to a crisis is common when dealing with the most influential constituents. The aim is to lower information asymmetry and ensure maintaining confidence in the organisation by providing detailed and timely disclosures which directly address adverse facts or circumstances (De Villiers & van Staden, 2011; Cho et al., 2015). In other instances, an organisation may choose to limit the extent of reporting to avoid additional scrutiny or inadvertently highlighting deficiencies in how material problems are being managed (Deegan, 2002; Cho et al., 2015; Dube & Maroun, 2017; Corazza et al., 2020).

For example, Vourvachis et al. (2016) find that airlines limit the details and extent of reporting dealing with aviation disasters as part of a legitimisation strategy based on denial or marginalisation of negative events. De Villiers & van Staden (2006) and Dube & Maroun (2017) show how mining companies provide fewer details on environmental and social interventions to avoid drawing attention to non-financial problems which have not already attracted the attention of powerful stakeholders. Similar results are reported when examining the disclosures of multi-national oil and gas companies (Cho et al., 2015) and the quality of environmental reporting dealing with greenhouse gas emissions (Pitrakkos & Maroun, 2020).

In general, a careful balancing act is required which entails a trade-off between the amount of information communicated to stakeholders and where that information is disclosed. For example, De Villiers & van Staden (2011) and Cho et al. (2015) explain how financial information is a primary concern for influential stakeholders (including investors and lenders). Consequently, when faced with a crisis, disclosures deal predominantly with economic considerations and are concentrated on the primary communication platform such as the annual report, integrated report or investor updates. (see also Tregidga, Milne & Kearins, 2014; Dube & Maroun, 2017). Environmental and social disclosures are not, however, excluded because other stakeholders will expect, at least, some information on non-financial metrics. This information is communicated on secondary platforms such as corporate webpages and reports published separately from the annual or integrated reports (De Villiers & van Staden, 2011). The objective is to satisfy the expectations of less influential stakeholders, such as NGOs and civil society, for information on social and environmental performance while not providing too much detail to primary stakeholders as this may obscure or contradict communications on financial performance.

A similar process may be at work when it comes to how South African companies are engaging with their stakeholders on the implications of COVID-19. As discussed in Section 2, the ongoing pandemic is having a significant impact on the

FIGURE 1
COVID-19 COMMUNICATION MATRIX

		Stakeholder group	
Communication platform		Most influential – financial capital providers	Less influential – other stakeholders
	Primary	Disclosures focused predominantly on financial implications	
	Secondary		Disclosures dealing with the broader governance implications of the issue

local economy with the food and retail sector being particularly hard-hit by lockdowns and social distancing requirements. To maintain stakeholders' confidence in how organisations are responding to the health crisis, companies can be expected to report more frequently on COVID-19 issues. Figure 1 provides the proposed stakeholder communication model.

While codes on corporate governance call on organisations to treat economic, environmental and social issues as having equal prominence (see, IIRC, 2013; IOD, 2016, GRI, 2016), the emphasis is usually on financial concerns (Milne, Tregidga & Walton, 2009, Tregidga et al., 2014; Maroun, 2017). Consequently, providers of financial capital are regarded as the primary stakeholder group and we expect companies to provide more details on the financial impact of COVID-19 and related mitigation strategies to these stakeholders on the primary communication platforms, such as official announcements posted with the JSE. Information on the broader governance implications is likely to be focused at the secondary group of stakeholders and provided on platforms such as company webpages (De Villiers & van Staden, 2011; Zhou, Simnett & Green, 2017).

METHOD

This paper uses a mixed approach to explore how companies in the South African retail sector report to the stakeholders on the impact of COVID-19. Retail companies listed on the Johannesburg Stock Exchange were aggregated by sub-sector including beverages, food and drug retailers, food producers, general retailers and personal goods. In total, 44 companies were identified and included in the final analysis. Content analysis is used to provide a detailed and systematic approach to the contents of the stakeholder crisis communication analysis in order to identify trends in the communication method. A quantitative aspect was incorporated into the study through analysing share price movements and frequencies of disclosures made by companies via communication platforms. The study retains a qualitative and exploratory focus, seeking to describe the communication methods and analyse the content of this developing phenomenon.

Data were collected in two phases. First, changes in the market values for the retail sub-sectors are computed and used to provide a sense of the financial impact of COVID-19. Second, COVID-19 communications per SENS announcements and company webpages are analysed.

The prior research usually regards financial statements (De Villiers & van Staden, 2011) or integrated reports (Atkins & Maroun, 2015) as the primary basis for formal reporting to primary (financial capital providers) stakeholders. Not all of the companies under review had prepared their latest financial statements and integrated reports when COVID-19 lockdowns were announced. Consequently, SENS announcements were analysed because these are an official basis for reporting to stakeholders and regulated by the local stock exchange. Consistent with the prior research, webpages are treated as a secondary communication platform (De Villiers & van Staden, 2011; Zhou et al., 2017).

Data were analysed using interpretive text analysis as not all the content was presented in a consistent format. The method was also suitable for dealing with disclosures which varied significantly in terms of content and structure (Beattie, 2014, Guthrie, Petty, Yongvanich & Ricceri, 2004). Paragraphs were used as the unit of analysis, rather than individual words to avoid misinterpreting context or meaning (ibid).

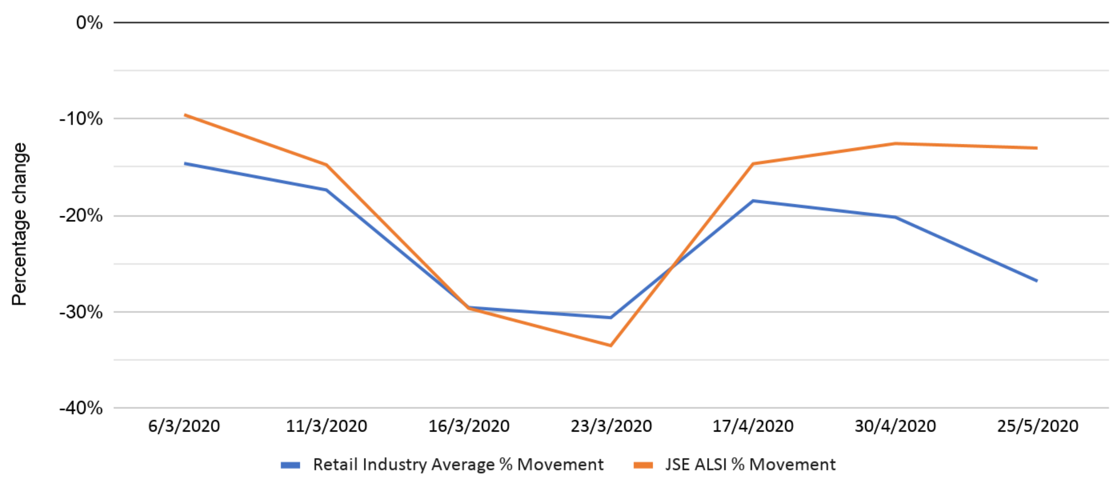
SENS announcements were downloaded from the JSE and coded according to content. Examples of codes include details on dividends, financial results, donations, credit rating, COVID-19 updates, operational updates, and compliance with the Companies Act (2008) other regulations. Corporate webpages were analysed similarly. The disclosure codes were recorded on a theme register and aggregated by principle/theme. The frequencies of disclosures themes were recorded. To retain an exploratory focus, scientific text analysis and inferential statistics were not run ; instead, companies were ranked according to the amount and type of information provided on COVID-19 and the platform used to disseminate that information (SENS announcements or webpages). A 2 x 2 matrix (as presented in Figure 1) was used to differentiate COVID-19 reporting by the South African retail industry. Results are also presented graphically and include details on changes in share value to highlight the associations between financial impact and stakeholder communication on COVID-19.

The data collected were reasonably accurate with regards to the characteristics of the entities being studied as the share price was obtained from reputable sources whilst the SENS announcements and corporate webpages were directly analysed from the relevant sources and coded into specific categories (validity). The data were also consistent across the entities which allowed for patterns to be identified in communication strategies among the retail companies under investigation (reliability). Because of the fact that both primary and secondary sources of communication methods were used in conjunction with the share price movements of the entity, this allowed for the sources to be triangulated into distinct categories for each entity, enhancing the validity and reliability of information. As this was an exploratory study, there was no inherent confirmation bias present and companies were objectively assessed by more than one researcher. Results were compared and any differences were discussed among the researchers and then resolved. The final data were grouped into communication categories. This process was also subject to review by the research team to ensure consistent allocation. As all of the data were subject to review and all of the differences resolved, intercoder reliability was not tested statistically. The study focuses on retail entities listed on the JSE which ensures that the data published is valid and reliable.

RESULTS

To evaluate the immediate financial impact of COVID-19, the researchers tracked changes in the share prices from the fixed point of 13/1/2020 for the 44 retail sector companies over the period outlined in Table 1. These are compared with changes in the JSE All-Share Index (ALSI). Refer to Figure 2.

FIGURE 2
PERCENTAGE REDUCTION IN SHARE PRICE



The trend in the retail industry is consistent with the overall market movements. The JSE ALSI and Retail Industry Average dropped by 10% and 15% respectively from 13 January 2020 to 6 March 2020 when the first case of COVID-19 was noted in South Africa. The indices recorded their lowest values on 23 March 2020 with the announcement of the country's national lockdown. There is some recovery from 23 March 2020 to 17 April 2020 but both the JSE ALSI and retail companies under review were trading at a lower value than at the beginning of the year, indicating that a full recovery has not occurred.

From 17 April 2020 to 25 May 2020, the retail industry average falls further while the JSE ALSI remains relatively flat and stable. Between 17 April 2020 and 30 April 2020, the lockdown was extended. Only essential services continued to operate, including food producers. At this point, the initial stockpiling of essential goods taking place at the start of the pandemic subsided. The initial spike in demand was short-lived and, as the market adjusted for the impact of the extended lockdown on long-term consumer spending, by 30 April 2020 market capitalisations declined 20% from the initial point of 13 January 2020.

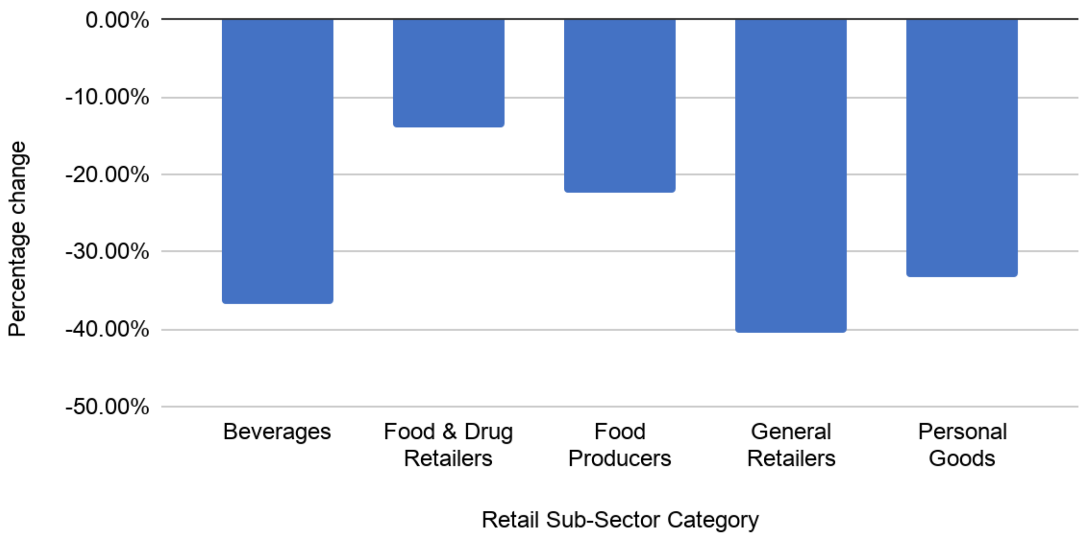
From 30 April 2020, there was a relaxation of some restrictions, particularly with regards to online sales of certain items. This allowed retailers with online sales platforms to trade more actively. A reduction in disposable income, coupled with a negative market outlook, resulted in a further devaluation of the share price with the retail sector trading at a reduction of 27% of the value on 13 January 2020.

It is difficult to distinguish between the final impact of COVID-19 and the credit rating downgrade by Moody's on 27 March 2020. It should, however, be noted that Standard & Poor's and Fitch had already downgraded South Africa to junk status in prior years, with the move by Moody's largely anticipated by the capital market. Alsakka & Gwilym (2011) note that the impact of a change in rating agencies' outlooks is greater than the actual rating changes with Kraussl (2005) finding that a rating change which has already been anticipated by a market results in a lower impact on asset prices. This is also supported by recent studies (see Poon & Shen, 2020), where agencies provide forward looking outlooks in advance, allowing the market to anticipate and react to changes before these take place. This naturally reduces the impact when the credit rating does take place. As a result, the effects of COVID-19 on the JSE ALSI and retail industry average per Figure 2 is probably more pronounced than Moody's final decision to downgrade South Africa to sub-investment status.

Figure 3 shows the total movement in the average share prices from 13 January to 25 May per retail sub-sector.

Only essential goods and services could be supplied between 27 March and 30 April. The beverages, general retailers and personal goods sub-sector were the most adversely affected. The relaxation of some lockdown measures did not result in a recovery for these sub-sectors. Food producers and food and drug retailers have continued to operate during the lockdown and, as a result, have reported a lower reduction in share prices .

FIGURE 3
SHARE PRICE MOVEMENT PER SUB-SECTOR

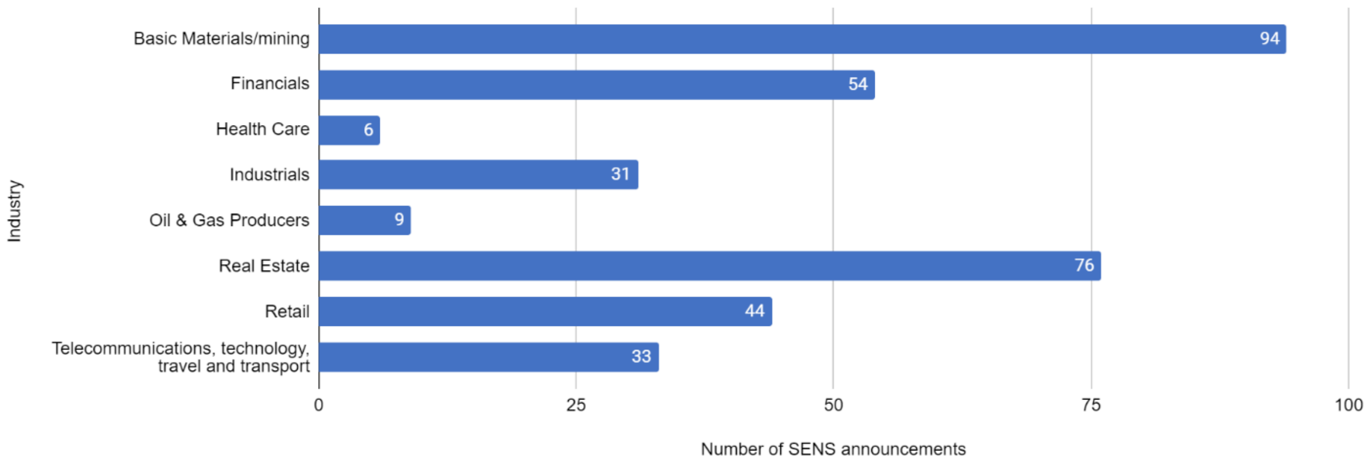


SENS announcements

As discussed in Section 2, companies use their integrated and sustainability reports to explain how they are responding to social and environmental disasters (Patten, 2002; De Villiers & Maroun, 2018). They can also use their webpages, social media and press releases to keep stakeholders informed (Zhou et al., 2017). SENS announcements offer an additional platform for disseminating information formally and quickly to the capital market. They are a quick and effective means of updating market participants on important developments which can affect an organisation's share price.

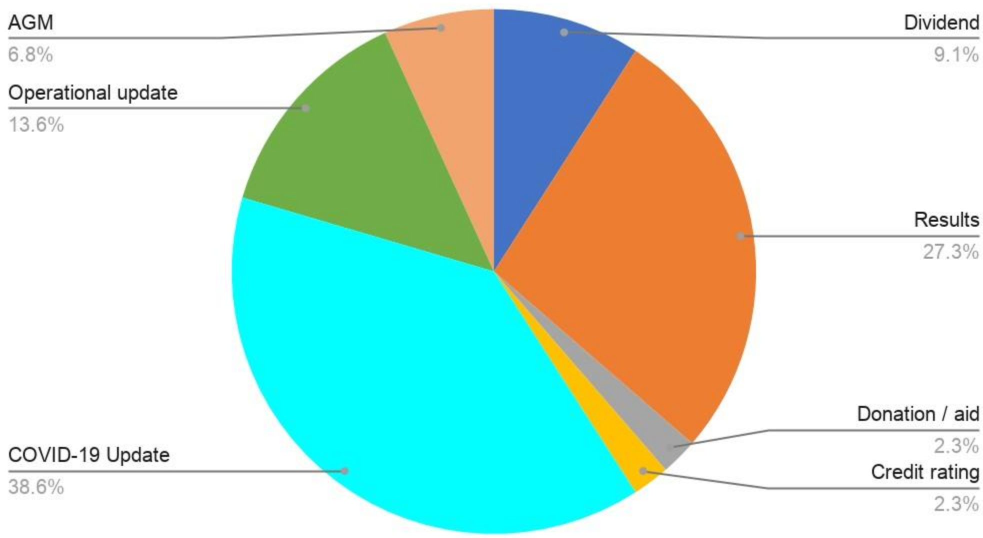
Twenty-three of the 44 retail companies issued SENS announcements dealing directly or indirectly with the implications of COVID-19. Figure 4 shows that companies in the basic materials and mining sector posted the greatest number of SENS announcements (94) followed by real estate (76) and financial services (54). The retail sector posted 44 announcements.

FIGURE 4
SENS ANNOUNCEMENTS PER INDUSTRY



Per Figure 5, financial results were reported in 27% of the announcements. Similarly, operational updates accounted for 14% of the SENS posts. These posts excluded references to COVID-19. Just under 10% of the announcements dealt with dividend and annual general meetings.

FIGURE 5
CORE THEMES IN THE SENS ANNOUNCEMENTS

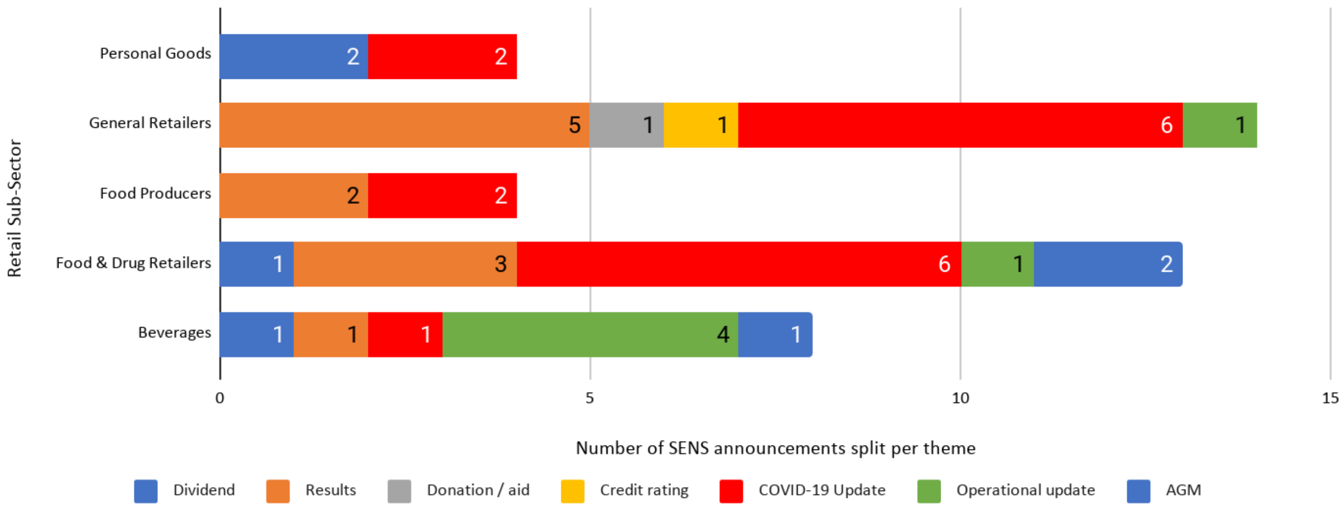


Approximately 40% of the SENS announcements provided updates on the pandemic and details of its impact on the respective businesses. Examples included :

- updates on the impact of COVID-19 in the context of current trading performance and market conditions in light of the pandemic and its impact on costs, liquidity, debt covenants, working capital, strategic initiatives, supply chains and prospects (Bid Corporation; Super Group; Imperial Holdings; Woolworths; Famous Brands; Massmart; Mr Price; Distell Group);
- safeguards to be implemented to curb the spread of the virus at operations functioning over the lockdown (Tiger Brands; Famous Brands; Woolworths);
- details on how online channels were being used to service customers and ensure the continuation of operations (Woolworths; Massmart; Distell Group) and
- donations provided to specific COVID-19 relief funds.

Announcements dealing specifically with COVID-19 were complemented by information on the indirect impact of the pandemic. Common examples included dividend policy revisions, postponements of annual general meetings (AGMs) and delays in publishing financial results. This platform, as a result, primarily contains information focused on financial providers of capital assessing the financial implications. SENS announcements by sub-sector are reported in Figure 6.

FIGURE 6
RETAIL SUB-SECTOR SENS ANNOUNCEMENTS PER THEME

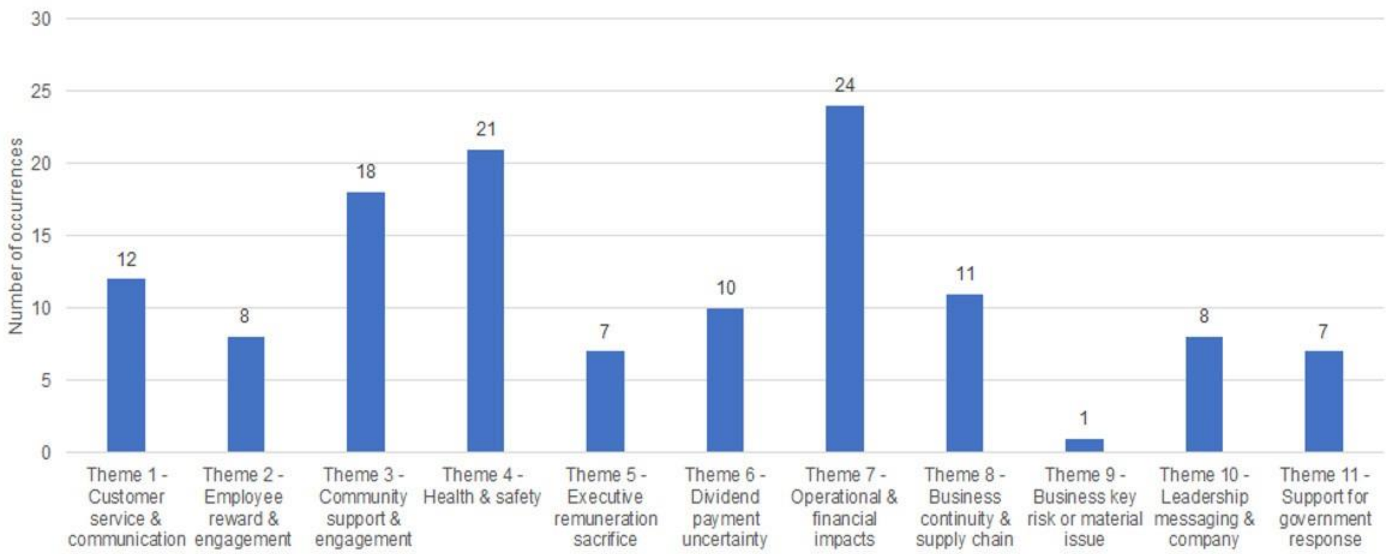


General retailers (who also noted the largest decrease in the average share price per Figure 3) released the highest number of SENS announcements. Food producers and personal good retailers released fewest announcements. For companies forced to suspend operations over the lockdown, there is relatively little to report to stakeholders and SENS announcements deal primarily with administrative and general financial issues such as the logistics for AGMs and the publication of financial results which would have been released notwithstanding the pandemic. In contrast, general and food and drug retailers provided more details dealing specifically with COVID-19. These companies continued to operate over the full period under review and reported lowest decline in share prices (see Figure 3) but, at the same time, are exposed to the immediate operational risks associated with the spread of the virus. To keep stakeholders informed, they provide more detail on how their operations and supply lines have been impacted by the pandemic and on the steps being taken to protect the health of staff and customers.

Webpage details

Coding of company webpage content revealed 11 broad themes dealing directly or indirectly with COVID-19. The frequency of disclosures per theme is reported in Figure 7.

FIGURE 7
WEBPAGE COVID-19 THEMES ACROSS RETAIL STUDY GROUP



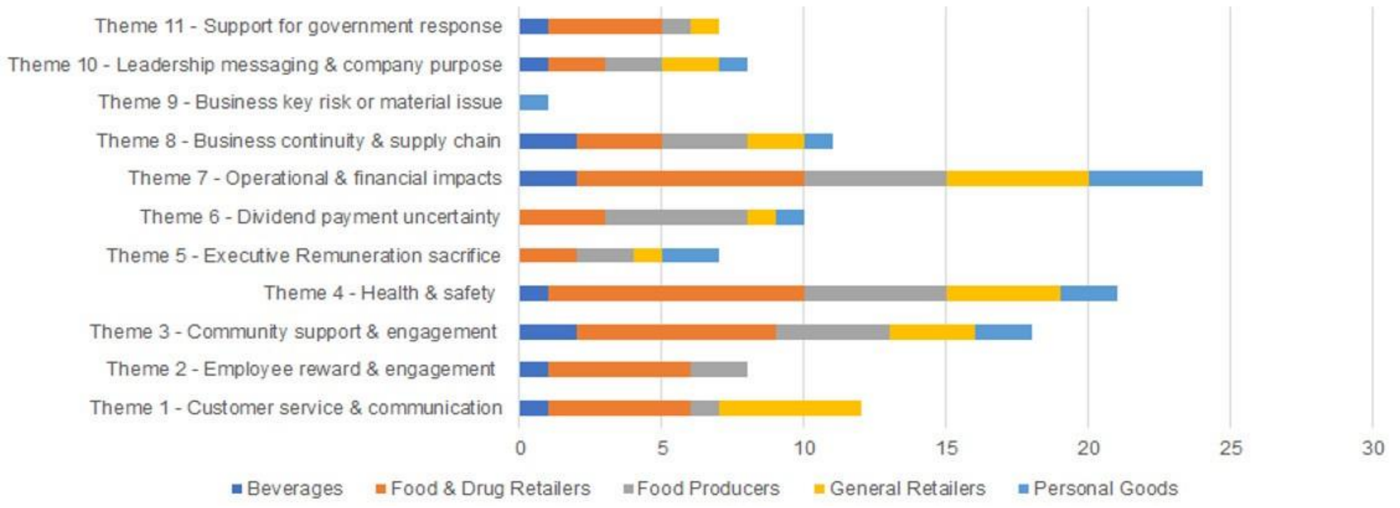
Theme 7: operational and financial impacts recorded the highest frequency of disclosure (19%). Despite SENS announcements dealing with the economic implications of the pandemic, webpage content is also focused on financial capital providers (see Dumay et al., 2016). Disclosures dealing with health and safety are the next most common theme (Theme 4 which is 17% of total disclosures). Companies are trying to reassure stakeholders that steps are being taken to prevent the transmission of COVID-19 to employees and customers. Approximately 14% of the disclosures discuss community support and engagement (Theme 3) which demonstrate how retail companies are working to reduce the impact of the pandemic on employees, their families and the most vulnerable members of society.

There was only one instance where COVID-19 was identified as a material business risk

(Theme 9) probably because many organisations were, at the time of collecting data, still trying to assess the impact of the pandemic on their business models. Nevertheless, this theme was covered by the SENS announcements (Section 5.1) suggesting that the analysis of how COVID-19 is affecting business operations is being aimed at providers of financial capital rather than the general body of stakeholders.

Figure 8 shows the frequency of disclosure themes per sub-sectors. All sub-sectors reported on matters such as business continuity, financial impact, health and safety and community engagement to, at least, some extent. Food and drug retailers show a high frequency of disclosures particularly with regards to health and safety as they have been required to operate throughout the pandemic. Detailing the safeguards is paramount to maintaining the public's trust in their products. This is followed by the food producers and general retailers whose public presence (via secondary platforms) was high throughout the pandemic. Personal goods, with a limited presence during the lockdown, have least disclosure on webpages as updates were dependent on when they could reopen.

FIGURE 8
COVID-19 WEBPAGE THEMES BREAKDOWN PER RETAIL SUB-SECTOR

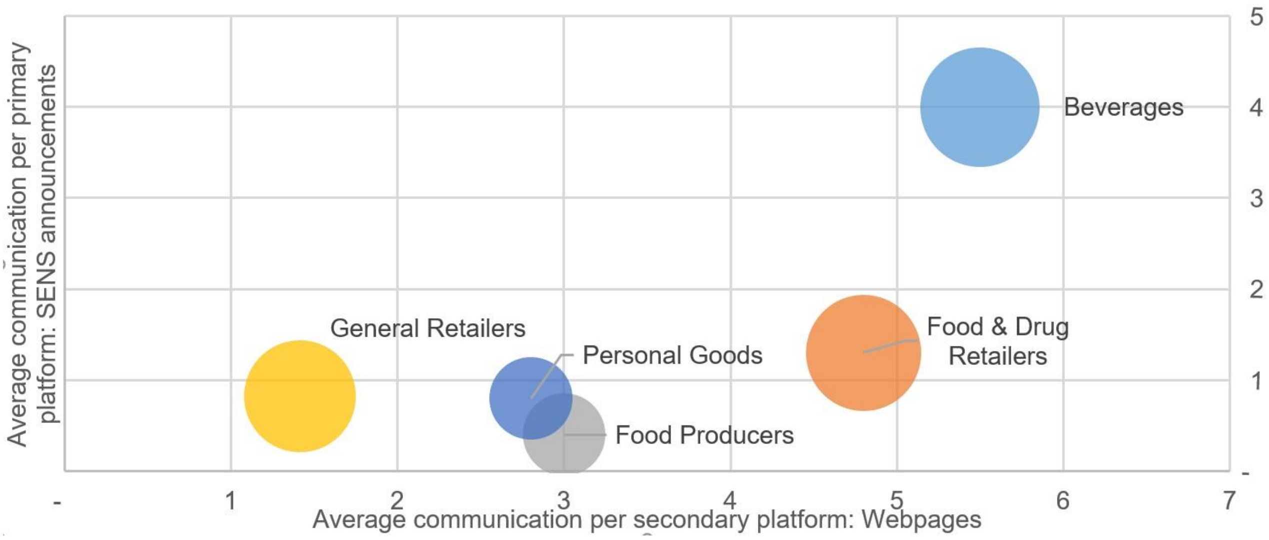


The relationship between financial impact and reporting to stakeholders

Figure 9 highlights the relationship between the average number of SENS announcements (y-axis) and webpage disclosures (x-axis) per retail sub-sector. The overall reduction in market capitalisation is depicted by the size of each sub-sector's plot.

Beverages reported the largest reduction in share value and has also reported most information to stakeholders on both primary and secondary platforms. Given the direct and material impact of COVID-19 on the sector's economic viability, an avoidance strategy cannot be used to deal with the pandemic (consider Patten, 2002; Dube & Maroun, 2017). The organisations must respond by reassuring investors and other stakeholders that steps are being taken to ensure business continuity. At the same time, there is considerable uncertainty about how to manage the short-, medium- and long-term implications of the lockdowns (Atkins, Doni, Hassan & Maroun, 2020). Companies in the sub-sector respond with a broad reporting strategy which signals that they are trying to manage the crisis proactively and are ready to adapt as circumstances change. SENS announcement and webpage content cover many issues, such as the changing financial and operating plans; ensuring the health and safety of employees; community engagement and customer service (see Suchman, 1995; Deegan, Rankin & Tobin, 2002; Maroun, 2017).

FIGURE 9
COVID-19 IMPLICATIONS ON RETAIL SUBSECTOR AND RELATED COMMUNICATION



Food and drug retailers also report an above-average decline in market capitalisation, all the same, their operations are impacted less adversely than companies in the beverages sub-sector because they have been able to operate throughout the lockdown. In the context of less uncertainty, food and drug retailers do not rely on SENS announcements to keep financial capital providers updated to the same extent as do companies in the beverages sub-sector. Webpage content focuses on matters such as employee health and safety and other operational considerations which are important for mitigating the cost of conducting business during the pandemic. Companies must acknowledge COVID-19 as a material but non-recurring challenge which requires, at least, some reporting to stakeholders. Given the magnitude of the pandemic, denying its relevance to an organisation's business model will be ineffective for maintaining legitimacy. At the same time, a balance must be struck between communicating effectively and creating doubt. On one hand, food and drug retailers must demonstrate that reasonable steps are being taken to keep employees, suppliers and customers safe while operations continue during the lockdown. On the other, maintaining the primary stakeholder group's confidence in the ability of the organisations' managers to identify and mitigate financial risks is imperative (see De Villiers & van Staden, 2006; Cho et al., 2015; Maroun, Usher & Mansoor, 2018). As a result, SENS announcements targeted at financial capital providers are de-emphasised while reporting on secondary platforms targeted at the broader stakeholder committee is increased.

Personal goods and food producers reported the lowest decline in market capitalisation because of COVID-19. Given their relatively stronger position, they adopt a strategy which limits the extent of reporting on both the primary and secondary communication platforms. With the consequences of the pandemic for the South African economy still unclear, too much reporting may attract unwanted scrutiny or be misinterpreted as an indication that underlying challenges in the two sub-sectors are more severe than stakeholders have assumed (see Suchman, 1995; De Villiers & van Staden, 2006; Maroun, 2017; Corazza et al., 2020).

Finally, general retailers follow a similar reporting strategy to personal goods and food producers despite an above average decline in market capitalisation. They had the lowest average level of disclosures on the primary and secondary platforms of all the sub-sectors. This is probably because the general retailers include organisations which have had operations completely suspended by the lockdown. Despite the direct economic consequences of the pandemic, the companies have little choice but to wait for business to resume before the impact of COVID-19 can be determined. Rather than adding to existing concerns, the companies take a conservative 'wait-and-see' approach to their reporting and communication with stakeholders.

SUMMARY AND CONCLUSION

COVID-19 has had an immediate and material economic impact on the South African retail sector. At the time of writing this paper, there are indications that lockdown measures will be relaxed but consumer spending is expected to remain depressed and long-term economic recovery will be slow (Deloitte, 2020). In the context of increased uncertainty associated with the pandemic, local retailers have taken different approaches when reporting to stakeholders. Reporting strategies via communication channels are summarised in Figure 10.

Retailers which have suffered the greatest decline in market capitalisation over the lockdown choose from three reporting strategies. The first entails reporting broadly on primary and secondary platforms in terms of an adaptation and conformance strategy. The second limits the extent of reporting targeted at financial capital providers on the primary platform in favour of disclosures targeted at the general body of stakeholders. This is designed to maintain confidence. The third is described as a wait-and-see approach and is most common among entities which have been unable to operate during the lockdown. For companies which have suffered the lowest decline in market capitalisation, the objective is to keep a low profile. Reporting on both communication platforms is limited as this may result in unwanted or unexpected attention from investors and other stakeholders.

The results show how retail companies report in SENS announcements and on corporate webpages which provide important insights into the strategies being used to manage legitimacy. In addition to being an important means for marketing their offerings, the reporting to stakeholders via the communication platforms is also important for understanding how companies present themselves to their stakeholders.

FIGURE 10
EMERGING COVID-19 COMMUNICATION MATRIX

<table>
<tr><td rowspan="3">COVID-19 impact</td><td></td><td>Narrow coverage</td><td>Broad coverage</td></tr>
<tr><td>Lower than average</td><td><u>Food producers, personal good producers</u>
• Strategy – keep a low profile
• Limit reporting on primary and secondary platforms</td><td></td></tr>
<tr><td>Higher than average</td><td><u>Food and drug retailers</u>
• Strategy – maintain the confidence of primary stakeholders
• Limit reporting on the primary platform to avoid concerning investors and creditors
• Increase reporting on secondary platforms to reassure stakeholders that steps are being taken to keep employees, suppliers and customers safe

<u>General retailers</u>
• Strategy – wait and see
• Limit reporting on primary and secondary platforms</td><td><u>Beverages:</u>
• Strategy - adapt and conform
• Report broadly on primary and secondary platforms
• Keep all stakeholders informed of challenges to signal that the organisation is ready to respond to the crisis</td></tr>
</table>

The following managerial implications of the study are noted:

- From a theoretical point of view, the study offers a framework for researchers to explore the communication methods and strategies available in a crisis and, specifically, looks at the initial ramifications of the COVID-19 pandemic. This study can be expanded in terms of the period under review, the various levels of lockdown, as well as incorporating different sectors of the JSE.
- The study highlights the initial financial implications of the pandemic and how stakeholder communication strategies are pertinent. From a practical perspective, entities are able to identify the extent of the impact of COVID-19 on their business (with this study using share price movements as a proxy for financial impact) to determine which communication strategy can be appropriate in line with their governance and strategies and determine which strategy can be appropriate. Entities can also identify different strategies used within the retail sector and assess whether or not these are suitable based on their underlying legitimacy objectives. Stakeholders have an expectation to be informed on the company's response to the crisis and to have relevant and reliable information provided.
- Entities will have an obligation to inform stakeholders about how the pandemic has impacted operations and future viability. This will ultimately have implications on the direction of the disclosure in the integrated reports and will reflect on the transparency and governance processes of the entity.

This paper has explored a developing framework on the initial communication strategies of entities within the South African retail sector and their stakeholders during the COVID-19 lockdown period. The research outlines the financial impact of the pandemic on the sector and how retail companies use different communication platforms to provide stakeholders with material information on how the effects of the pandemic are being managed. The long-term impact of COVID-19 on the retail sector remains to be seen. The financial, social, environmental and governance implications of the pandemic will need to be studied in conjunction with how COVID-19 changes consumer behaviour to appreciate more fully how pandemics alter the retail sector.

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