**Coronavirus (COVID-19): retailers and suppliers’ learnings from China, South Korea and Italy**

On Wednesday 18March we were invited to join a webinar organised by France-based Institut du Commerce (Trading Institute) and global consulting firm Bain & Company on the Coronavirus (COVID-19) crisis management.

During the webinar, Bain & Company shared learnings from previous crisis in China and South Korea, as well as the current developing situation in Italy to help French retailers and suppliers about how they can manage their operations in the short and medium terms.

We want to acknowledge the work done by Bain & Company and its willingness to share learnings in these challenging times. Below are the main points and key learnings highlighted during the webinar:

**How to look at this crisis?**

It’s key to understand there are three phases:

* **Phase 1 – Emerging situation:** the virus is present but has not yet impacted a large part of the population. Most people’s everyday life seems to be normal; governments have not taken any action yet. Overall, the population thinks “it’s just a flu”
* **Phase 2 – Rapid escalation:** the virus spreads quickly. Governments take restrictive actions to contain the virus, including closing non-essential stores and the complete lockdown of regions or the entire country.

Retailers and suppliers’ operations are strongly impacted in the beginning of this phase. Retailers remaining open must cope with panic buying (stockpiling but also stronger demand induced by people now eating (more) at home), how to protect their teams and adapt their business and operating models. Retailers forced to close must focus on protecting cash.

*As of 20 March, most of Europe, parts of the US, Canada and some South American countries are in this phase. The UK is one of the last major markets not yet in Phase 2.*

* **Phase 3 – Recovery and beyond:** the situation progressively gets back to a ‘new normal’. Lockdowns are stopped, stores start to reopen, and people start to go out again. Some trading relationships between suppliers and retailers could have been affected.

*As of 20 March, China and South Korea are the only two markets approaching this phase. However, even here, this needs to be taken with caution as some new cases, imported from abroad are leading to coronavirus to reappear*

**Key take outs from Phase 2:**

Bain & Company shared key action points it applied in Italy and China with retailers and suppliers.

* Rapidly mobilise an emergency response team
* Protect employees and shoppers
* Put all operations in crisis mode
* Save cashflow to cope with the situation for the next few weeks
* In the middle of phase 2, it’s highly important to start planning for the end of the crisis and anticipate phase 3 as much as possible
* Communicate and collaborate with governments, between suppliers, between retailers. Yesterday’s competitors are now partners helping each other’s supply and deliveries.

**Action plan for retailers**

* **In-store operations**: focus on protecting your employees’ health and safety. Limit the number of shoppers in-store. Rethink opening hours to allow more time for shelf stacking. Create dedicated hours for elderly and disabled people. Ask shoppers to book a time slot to do their shopping in-store.
* React and adapt to staff shortages, up to 50% of employees might not come in. When several stores are operating in the same area, consider closing some to better manage and maintain a smaller number. Similar actions should be considered for ecommerce
* **Supply Chain:** ensure continuity of supply. Work with local and potentially new suppliers. Assortment should be simplified; larger packs could be considered. Adjust promotional plans and liaise with suppliers
* **Online fulfillment:** ecommerce is in very high demand and faces staff shortages too. Try to scale up these operations as much as you can. On 18 March, delivery lead times were around eight to 10 days in France.Consider transforming stores to dark stores. Staff from closed stores and non-essential stores might be available to support ecommerce operations, liaise with other retailers
* **Distribution centres and logistics:** adapt operations by identifying the key areas of risks. Collaborate as much as possible with suppliers but also with your competitors. Increase the flexibility of your supply chain and mitigate impact to transport. In China and Italy, some trucks were blocked at the entrance of a region due to stricter lockdown. This can happen in Europe too, isolating distribution centres from stores and dark stores, make sure to closely monitor the evolution of lockdown

**Prepare for the end of the crisis:** save as much cashflow as possible by reducing some costs, postponing investments and liaising closely with banks. In Phase 3 revise 2020 strategic priorities, bear in mind that some shoppers’ behavior will change, there will be a ‘new normal’.

**Action plan for suppliers**

* **Adjust your production capability:** closely monitor the rise of demand for specific categories. Focus on key products and organise production around these. Consider producing more larger packs and on-line pack formats at the beginning of the crisis. Explore producing other products that are in high demand even if it’s not your core business. This will enable factories to remain open.
* **Transport to store:** this can become a challenge due to the lack of staff. Consider partnering with other companies that might have had to close as non-essential. Make sure health and safety is maintained.
* **Trading relations:** remain as close as possible to customers to ensure the continuity of supply. Control pricing and reduce promotions levels to save cash. Put retail in contact with wholesales, consider direct to store deliveries. Reorganise your teams to make sure they are allocated to departments that need more staff.
* **Marketing:** focus on online and digital with an adaptation of the message

Overall, the supply chain needs to evolve with new partnerships and collaboration between all suppliers and retailers. Competition should be put to one side for the foreseeable future. These are challenging times, but it’s important to bear in mind that in the past strong economic times followed these types of crisis.

Thank you to Marc-André Kamel and Joëlle de Montgolfier from Bain & Company and Institut du Commerce for organising the webinar and sharing these highly useful learnings with the industry.

**Looking for more insight?**

Get the latest insights on [**Coronavirus (COVID-19)**](https://retailanalysis.igd.com/Trends/Coronavirus-COVID-19) to help your business understand what the food and grocery industry is doing around the world to address the evolving pandemic.