

# COVID-19 Webinar – Institut du Commerce

Plan Now for the recovery – Retail and Consumer Products

April 8<sup>th</sup>, 2020



# Going forward, there are **3** possible scenarios

## Shock and recovery

1



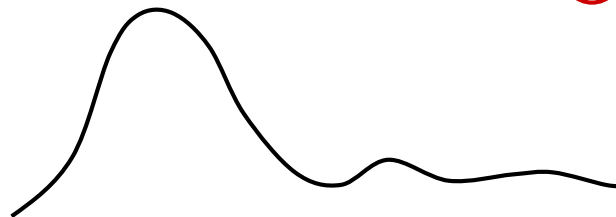
Suppression cycle followed by mitigation

Lockdown will be successful and will reduce virus transition

After control, countries would adopt efficient mitigation measures that will avoid the return of the virus and allow economy to normalize

## Extended suppression followed but controlled mitigation

2



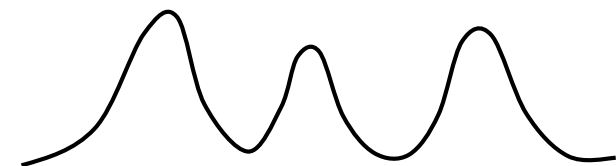
The outbreak takes much longer to be controlled

Current suppression measures would not be enough to slow down the curve and/or other focus will appear. A more severe lockdown measure would be taken at a later moment allowing to regain control.

After control, countries would adopt efficient mitigation measures that will avoid the return of the virus and allow economy to normalize

## Sequence of suppressions due to lack of control

3



Multiple outbreaks & suppression cycles

After controlling the first cycle of the outbreak, transmission will quickly rebound when interventions are relaxed

Mitigations measures won't be effective to keep contamination at low levels. Second cycle will be less intensive than the first one, but will still slow down the economy

Number of new cases

What we need to believe?

# CEOs and leadership teams must simultaneously balance multiple priorities

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**Act Now** to protect  
and run the business today

**Plan Now** to retool the business for the future

**Protect**

**Recover**

**Retool for  
the new world**

How do I ensure the **safety**  
of my people and **continuity**  
of the business?

How do I prepare to quickly **mobilize** my  
people, re-establish consumer relevance,  
and reactivate supply chains?

What is the hypothesis for **how the  
industry evolves** and how do I adapt  
propositions, capabilities, ways of working?


How can I **manage** an unprecedented amount of **change** over the coming months?

How can we **systematically learn** as an organization from this ‘forced experiment’?




# What we are seeing...

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- **Almost exclusive (appropriate) focus on “protect” priorities (Safety & Security; Business Continuity)**, placing a heavy load on many people, but leaving some under-utilized and drifting; **very little focus yet on plan now for “recovery” and “retool for the new world”**
  - **“Top down” points of view driven by macro considerations** (e.g., stimulus, vaccine timing, social distancing vs. herd immunity etc.) leading to almost daily revision of scenarios
  - **Sometimes too much optimism in scenarios** – not sure everyone is testing their liquidity and supply chain for real downside scenarios
  - **Difficulty in stepping back**, limited time to reflect deeply on the **profound changes** that are occurring and how they will **affect your business in the long term**
  - **Not enough focus on culture, connectivity, affiliation and human “touch”**. Not enough attention to the sponsorship spine and social elements of team interaction

# COVID-19 will have a lasting impact on the Retail sector


## Fundamental changes could characterize the “new normal”

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**Consumer:** Acceleration of shifts and divergence in cohort behavior

  - Step change in online usage habits
  - Increased importance of value; heightened price sensitivity
  - Increased attention to health, sustainability
- 

**Channel:** Fundamental channel/format reset

  - Expected shake-out/consolidation in offline and online channels
  - Only differentiated banners will return
  - New alternative business models will continue to emerge
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**Supply Chain:** More resilient, local and flexible

  - Assortment reset and “hero SKU” obsession
  - New trade-offs between on-shore and off-shore sourcing
  - Acceleration in automation
  - Increased focus on safety, more redundancy, less “optimized”
- 

**Operating Model/Ways of Working:**


  - Increase in work from home and flexible work arrangements. Less travel
  - Fundamental reset of store operations and cost structure (opportunity to zero-base post-crisis)
  - Crisis anticipation and response in a much more uncertain, polarized world

## Potential Implications for Retailers


- Revisit assortments and product/price architecture
  - Invest in own brands
  - Future-proof online (economics, capacity)
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- Prune the portfolio of assets
  - Invest in differentiation
  - Experiment with new business models (“be your own disruptor”)
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- Reduce assortment complexity
  - Reset sourcing/manufacturing footprint
  - Invest in automation
  - Make different efficiency/safety trade-offs
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- Leaner, frontline-led operating model
  - Resilient, more agile businesses
  - Increased focus on risk management (cyber, health, safety, ethics, ...)

# COVID-19 will have a lasting impact on the Consume Products sector


## Fundamental changes could characterize the “new normal”

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**Consumer:** Acceleration of shifts and divergence in cohort behavior

  - Step change in online usage habits
  - Increased importance of value; heightened price sensitivity
  - Increased attention to health, sustainability
- 

**Channel:** Fundamental channel/format reset

  - Expected shake-out/consolidation in offline and online channels
  - Only differentiated banners will return
  - New alternative business models will continue to emerge
- 

**Supply Chain:** More resilient, local and flexible

  - Assortment reset and “hero SKU” obsession
  - New trade-offs between on-shore and off-shore sourcing
  - Acceleration in automation
  - Increased focus on safety, more redundancy, less “optimized”
- 

**Operating Model/Ways of Working:**

  - Increase in work from home and flexible work arrangements. Less travel
  - Fundamental reset of marketing operations and cost structure (opportunity to zero-base post-crisis)
  - Crisis anticipation and response in a much more uncertain, polarized world

## Potential Implications for Consumer Products

- Brands with renewed purpose; link between Food and Health
- Revisit price/pack architecture
- Re-invent media mix (assets, personalization, flexibility, channels)
- Renewed commercial and Route-to-Market models, reduced salesforce, new contact models
- Partnerships with new platforms
- Engage in D2C
- Reset manufacturing footprint
- CapEx and investment; insource/outsource
- Distribution and logistics than can efficiently deliver small drop sizes
- Less real-estate
- Leaner Operating Models (esp. in Marketing), more agile businesses
- Increased focus on risk management (cyber, health, safety, ethics, ...)