

strategy&

Part of the PwC network

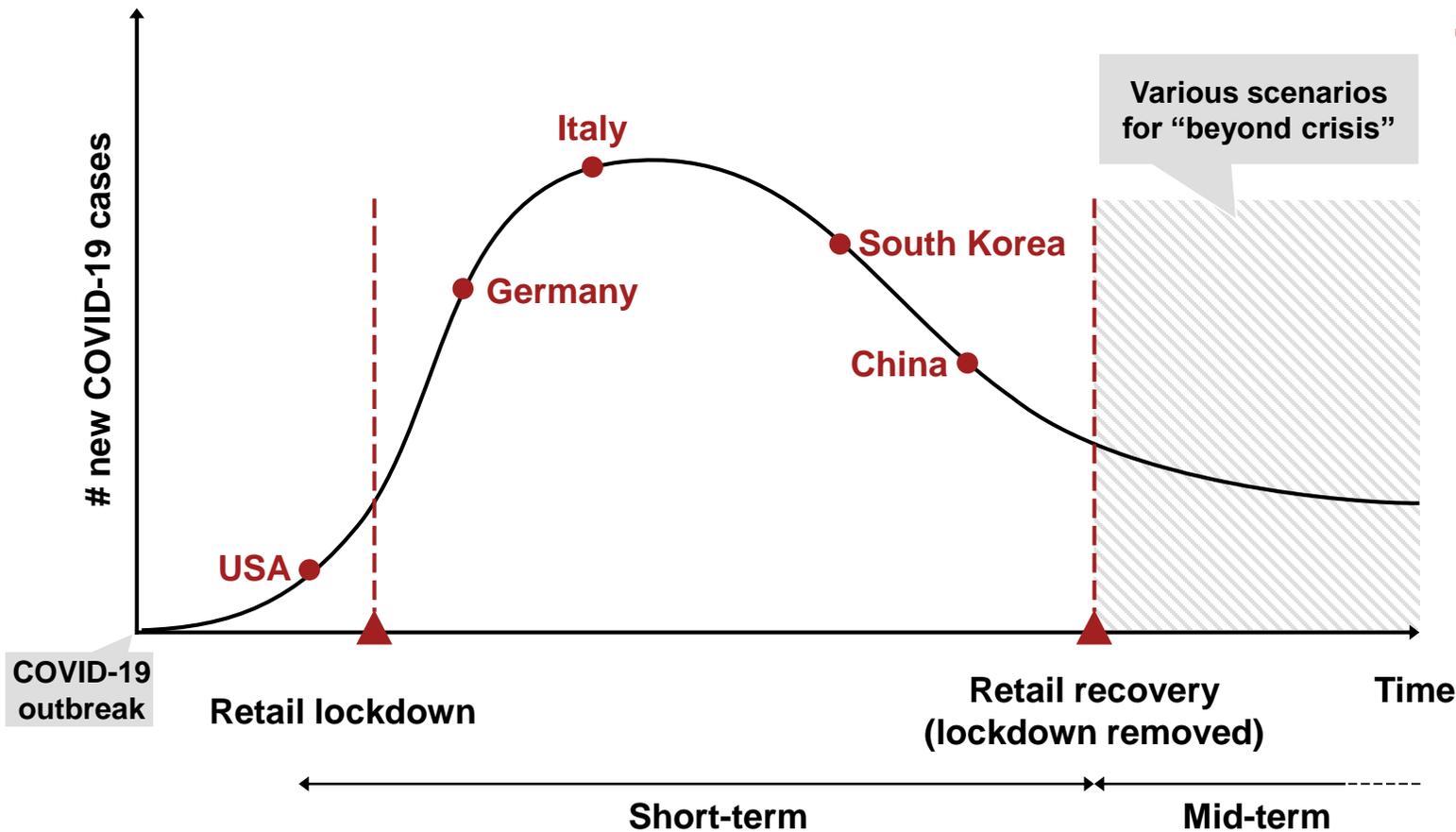
How retailers can manage and recover from COVID-19

Strategy& Retail & Consumer Team
April, 2020



While Asia is moving towards recovery, the impact of the COVID-19 crisis arrives in European and American retail

Current state of the COVID-19 crisis



Observations

- **Similar patterns in most countries:** Rapid exponential growth followed by a slowdown due to effective countermeasures
- **Impact for retailers materializes once countermeasures begin** (mandatory or voluntary, e.g. lockdown of stores/ quarantine)
- **European retail sector is just at the beginning/ peak**, while retailers in China and South Korea move towards recovery

The crisis impacts retailers' supply chains from different angles

Supply chain impact from COVID-19

Obstructed logistics

Increased hurdles to transport goods over long distances or internationally through **border closures** (long traffic jams) or **shut down of logistics hubs** (e.g. harbors, airports)



Constrained/ shut down suppliers

Change in **supplier reliability** as a result of short-time work, sick workforce, or factories being closed
Entire **supply chains broken** due to country lockdowns, missing raw materials, longer lead times, etc.



Disrupted demand

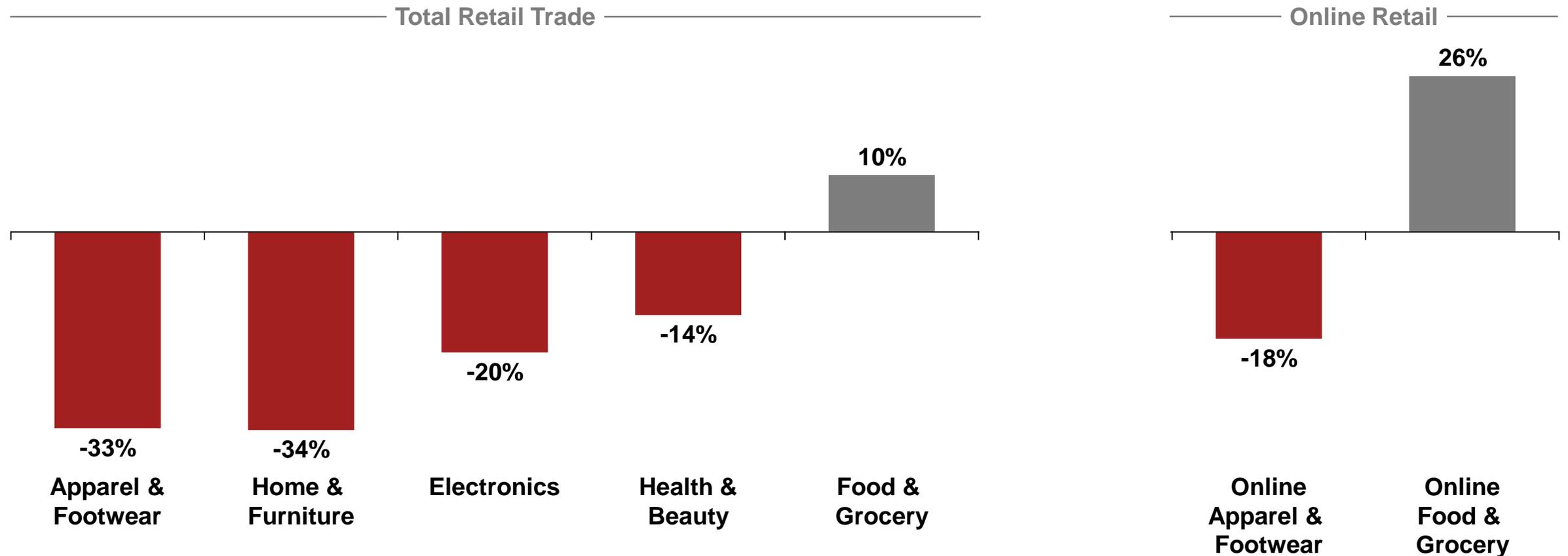
Change in customer demand with **spikes for certain products** (e.g. sanitizers & masks, long lasting staple foods) and **lack of demand for others** (e.g. travel accessories, fashion)



In addition, a sales decline can be observed across categories – most evident in clothing, household goods and furniture

Sales impact from COVID-19 – China's retail sales development

Retail sales per category, in % accumulated growth, as of February 2020



Overall, the COVID-19 impact depends on the category focus and the sales footprint of retailers

Sales impact from COVID-19 – Sales footprint and category focus

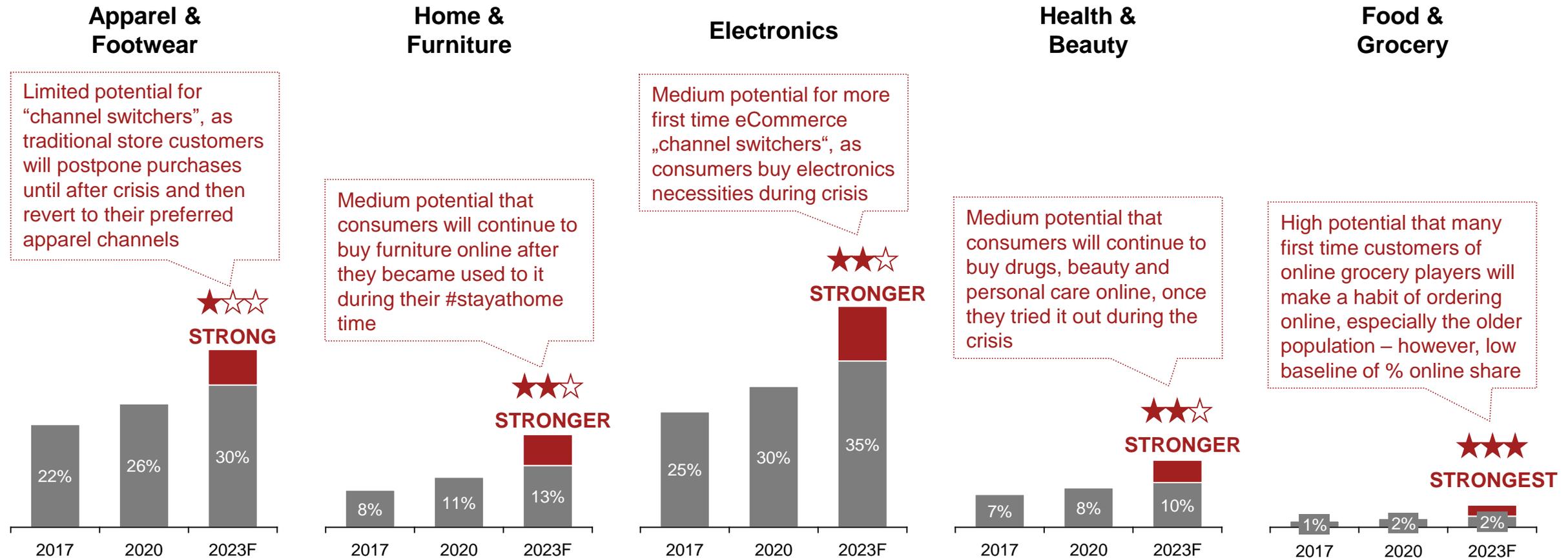
FOCUS OF THIS REPORT

	Apparel & Footwear	Home & Furniture	Electronics	Health & Beauty	Food & Grocery
<p>Mainly Brick and Mortar ... face sharp sales decline due to lockdown restrictions and/or missing consumer footfall in non-grocery categories</p>	<p>“Store lockdown”</p> <ul style="list-style-type: none"> › Severe impact, with 70–100% reduction in sales › Need for short-term measures to ensure business continuity 	<p>“eCommerce shift”</p> <ul style="list-style-type: none"> › Reduction in consumer demand, and/or shift to online channel › Need for eCommerce operations in “crisis mode” 			<p>“Grocery panic”</p> <ul style="list-style-type: none"> › Change in demand patterns › Risk of supply chain disruptions › Need to stabilize operations
<p>Omni-Channel ... struggle with the rapid move towards the online channel and need to ensure eCommerce operations are in “crisis mode”</p>					
<p>eCommerce Pureplay ... can partly capture lost sales from brick and mortar, but deal with atypical demand patterns (e.g. sanitizer, health products)</p>					

As we emerge from the crisis, COVID-19 will continue to boost eCommerce as consumers will stay with the online channel

Sales impact from COVID-19 – Outlook on Germany’s E-commerce development

Online share per category, in % of total sales, 2017, 2020, 2023F



While the crisis task force acts short-term, the management team should think ahead to leverage potential opportunities

Recovery phases and key objectives



Non-food retailers leverage opportunities from COVID-19 across four areas

Possible key areas for action and exemplary levers

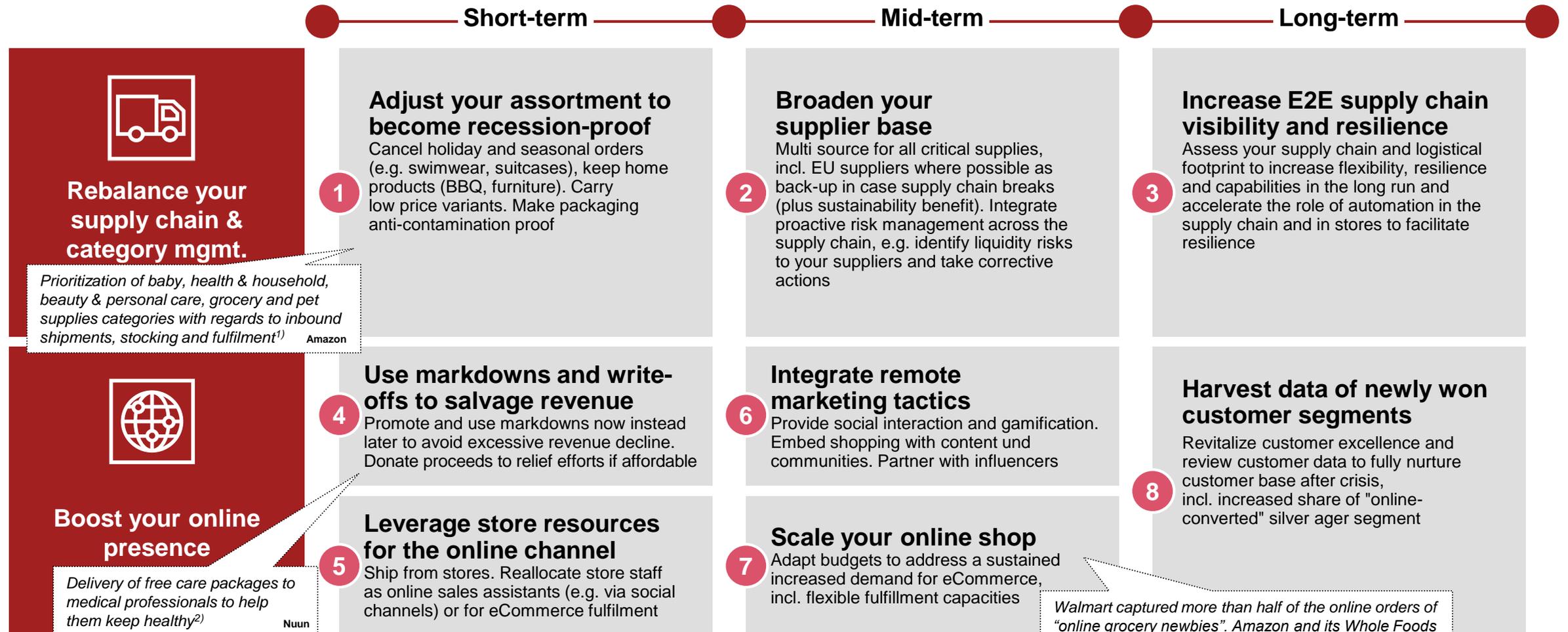
General overview –
not all levers applicable to all retailers



Area	Short-term	Mid-term	Long-term
Rebalance your supply chain and category mgmt.	1 Adjust your assortment to become recession-proof	2 Broaden your supplier base	3 Increase E2E supply chain visibility and resilience
Boost your online presence	4 Use markdowns and write-offs to salvage revenue 5 Leverage store resources for the online channel	6 Integrate remote marketing tactics 7 Scale your online shop	8 Harvest data of newly won customer segments
Ensure organizational fitness	9 Accelerate cost and cash containment	10 Re-align organization 11 Implement continuous cost improvement	12 Transform operating model
Prepare for tomorrow	13 Assess the market for M&A or verticalization opportunities		14 Digitize your business processes 15 Go asset-light

Mitigate supply chain and operations risks, rebalance marketing and shift sales to online

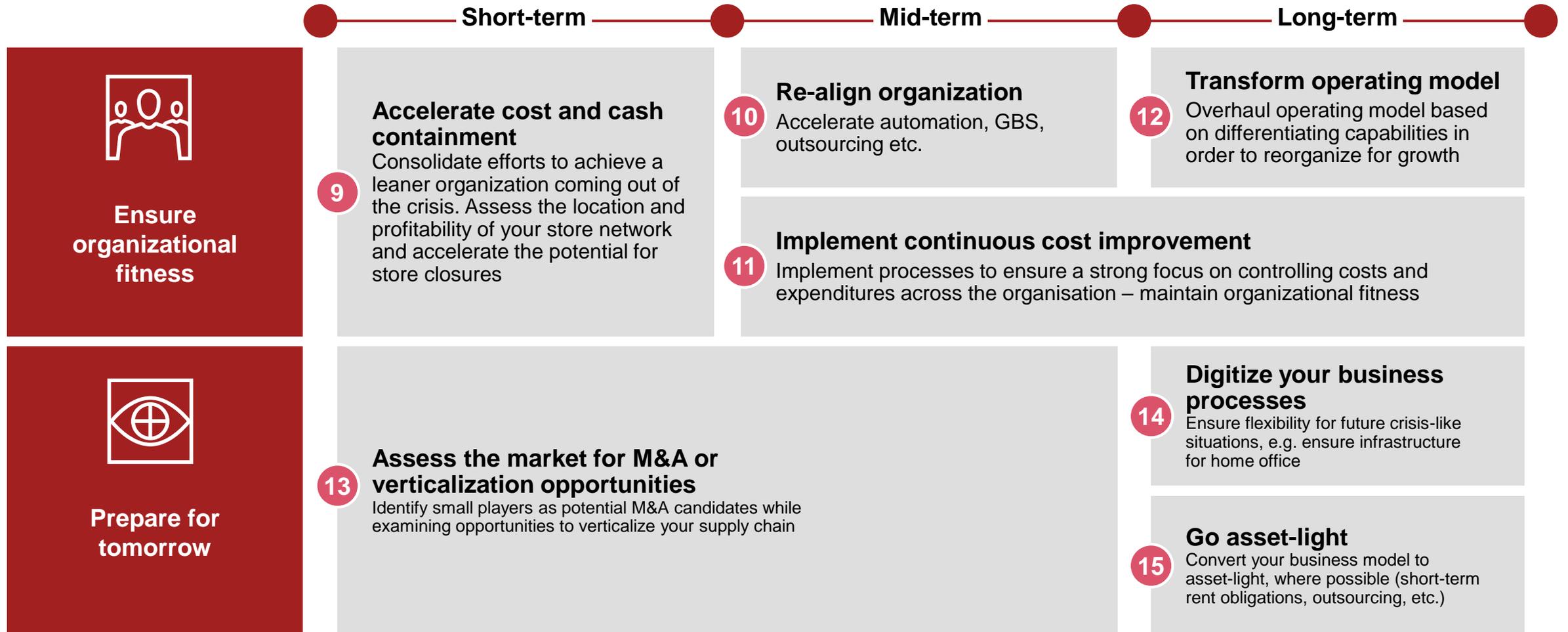
Key areas for action: Details (1/2)



1) <https://techcrunch.com/2020/03/17/amazon-limiting-shipments-to-certain-types-of-products-due-to-covid-19-pandemic>
 2) <https://www.klaviyo.com/blog/communication-empathy-coronavirus-customer-marketing>
 3) <https://www.digitalcommerce360.com/2020/03/19/coronavirus-is-changing-shoppers-relationship-with-grocery-retailers>

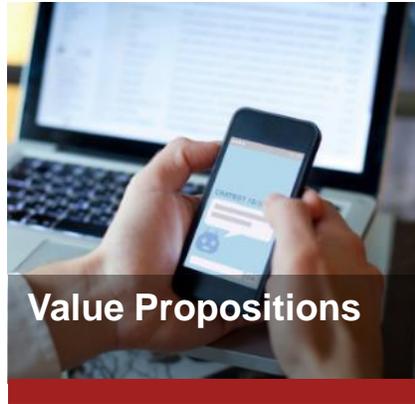
Accelerate restructuring to enable you to think ahead for your long-term strategy

Key areas for action: Details (2/2)



We are there to help you capture your opportunities

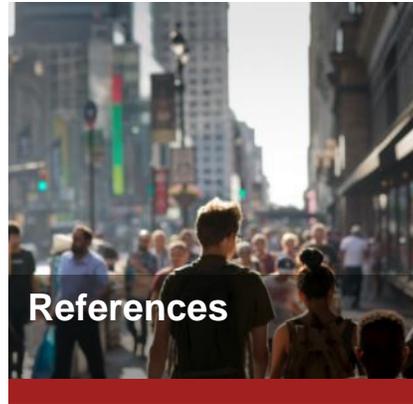
How we can help



Value Propositions

We focus on **five industry-wide** distinct Retail & Consumer **value propositions**:

1. Direct-to-consumer
2. Omni-channel
3. Supply chain & operations strategy
4. Target operating model design
5. Business-led IT transformation



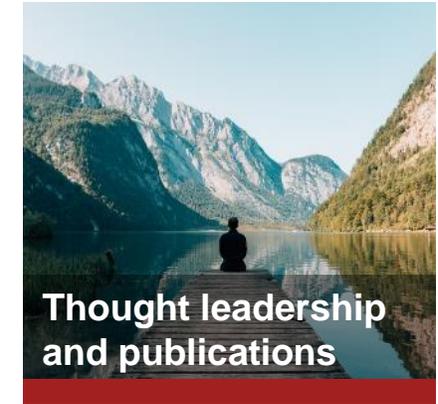
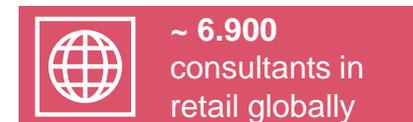
References

We have **vast experience** in value creation initiatives for **leading, global retailers and brands**



Retail & Consumer Team

We have a **global Retail & Consumer practice** with dedicated regional teams. We promise our clients international teams assembled to best meet their needs, foresight backed by in-depth industry knowledge, strong functional capabilities and broad global reach



Thought leadership and publications

We have developed several **thought leadership publications**, providing valuable insights for our clients



Capabilities-Driven Strategy and Growth



Fit for Growth*

In case of questions or feedback, do not hesitate to contact us



Stefan Eikermann
Senior Partner



Reinhard Vocke
Partner



Willibald Kofler
Partner

Contact details

- Phone: +49 211 3890110
- Mobile: +49 170 2238110
- Email: stefan.eikermann@strategyand.de.pwc.com

- Phone: +49 211 3890303
- Mobile: +49 172 2022336
- Email: reinhard.vocke@strategyand.de.pwc.com

- Phone: +43 1 51822906
- Mobile: +43 664 5152906
- Email: willibald.kofler@strategyand.at.pwc.com

Thank you

strategyand.pwc.com

© 2020 PwC. All rights reserved.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see pwc.com/structure for further details.

Disclaimer: This content is general information purposes only, and should not be used as a substitute for consultation with professional advisors.

For immediate crisis management support, please refer to the following documents

Supporting documents (German)



[Link: Business Recovery Services](#)
Rapid responses for crisis management



[Link: COVID-19 crisis management](#)
Scenario planning, checklists, support options