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# How Consumer industry can manage and recover from COVID-19 (Japan)

Strategy& Japan / R&C Team  
June, 2020



# Where are we now?

- COVID-19 is the most significant challenge in a generation for consumer-facing businesses
- In recent weeks, domestic consumer goods companies and retailers have worked tirelessly to feed the nation and look after staff and consumers
- They must now turn to the future and take actions for mid- to long-term growth even under uncertain situations

# Agenda

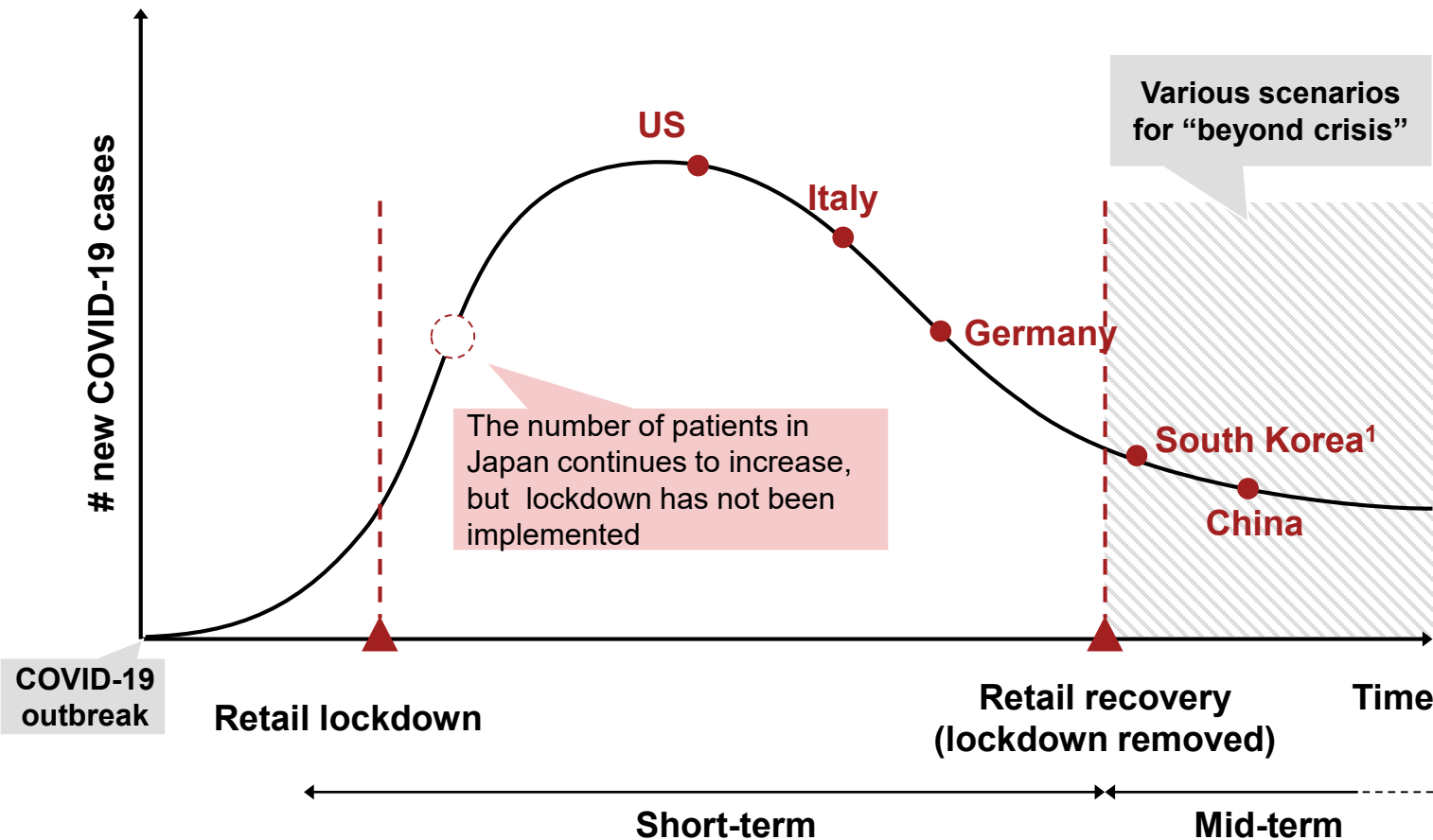
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## **1. The impact of COVID-19 on Consumer and Retail industry**

2. How Consumer industry can develop competitive advantages under 'New Normal' in Japan

# 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 (as of mid-April)



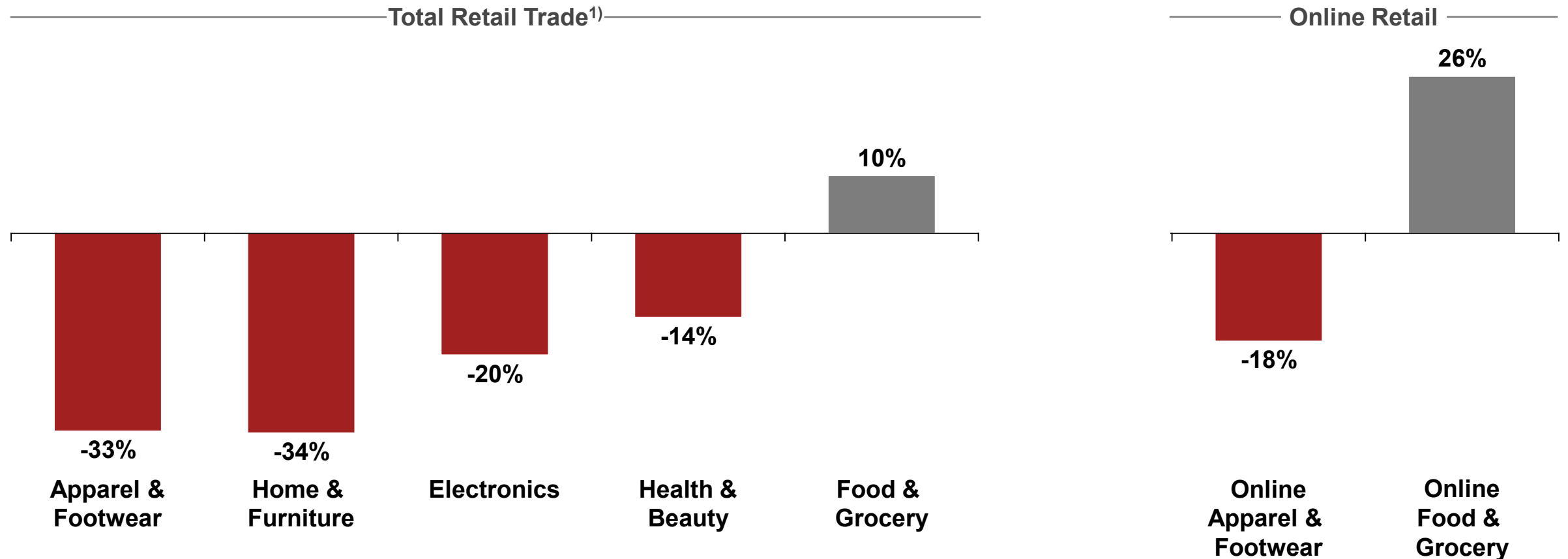
## Observations

- **Similar patterns in most countries:** Rapid exponential growth followed by a slowdown due to effective countermeasures
- **Impact for retailers materializes once countermeasures begin**
  - European retail sector is still affected, while retailers in China and South Korea move towards normal operations
  - Lockdown has not been implemented in Japan, but the number of patients is increasing, **Japan retail sector is affected just at the beginning** by #stayathome or remote working
- Note that it is necessary to assume the possibility of lockdown again even after the lockdown is released once

# In China, increasing of food sales and online shifts are remarkable, while non-commodity goods sales are declining

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

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



1) Including online retail  
Source: Chinese National Bureau of Statistics, Strategy& analysis

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

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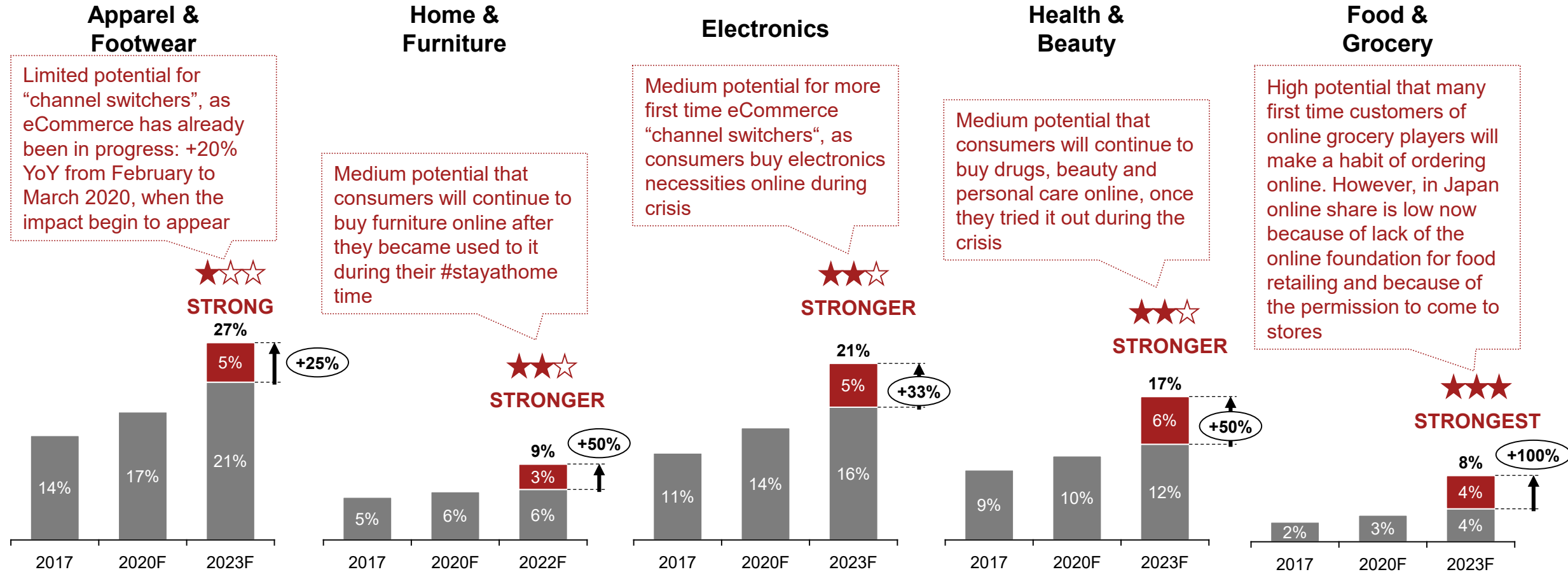
## Sales impact from COVID-19 – Sales footprint and category focus

|  | Apparel & Footwear  | Home & Furniture   | Electronics | Health & Beauty | Food & Grocery  |
|--|---|--|-------------|-----------------|---|
| <p><b>Mainly Brick and Mortar</b><br/>... face sharp sales decline due to lockdown restrictions and/or missing consumer footfall in non-grocery categories</p>         | <p><b>“Store lockdown”</b></p> <ul style="list-style-type: none"> <li>› Severe impact, with 70–100% reduction in sales</li> <li>› Need for short-term measures to ensure business continuity</li> </ul> | <p><b>“eCommerce shift”</b></p> <ul style="list-style-type: none"> <li>› Reduction in consumer demand, and/or shift to online channel</li> <li>› Need for eCommerce operations in “crisis mode”</li> </ul> |             |                 | <p><b>“Grocery panic”</b></p> <ul style="list-style-type: none"> <li>› Change in demand patterns</li> <li>› Risk of supply chain disruptions</li> <li>› Need to stabilize operations</li> </ul> |
| <p><b>Omni-Channel</b><br/>... struggle with the rapid move towards the online channel and need to ensure eCommerce operations are in “crisis mode”</p>                |   |  |             |                 |   |
| <p><b>eCommerce Pureplay</b><br/>... 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 Japan's E-commerce development

Online share per category, in % of total sales



■ = Indicative additional online share due to changed buying behavior after Covid-19 crisis  
 ☆ = Evaluation of increase rate against conventional forecast

Source : Euromonitor, Ministry of Economy, Trade and Industry "Market research on electronic commerce", Strategy& analysis

# Agenda

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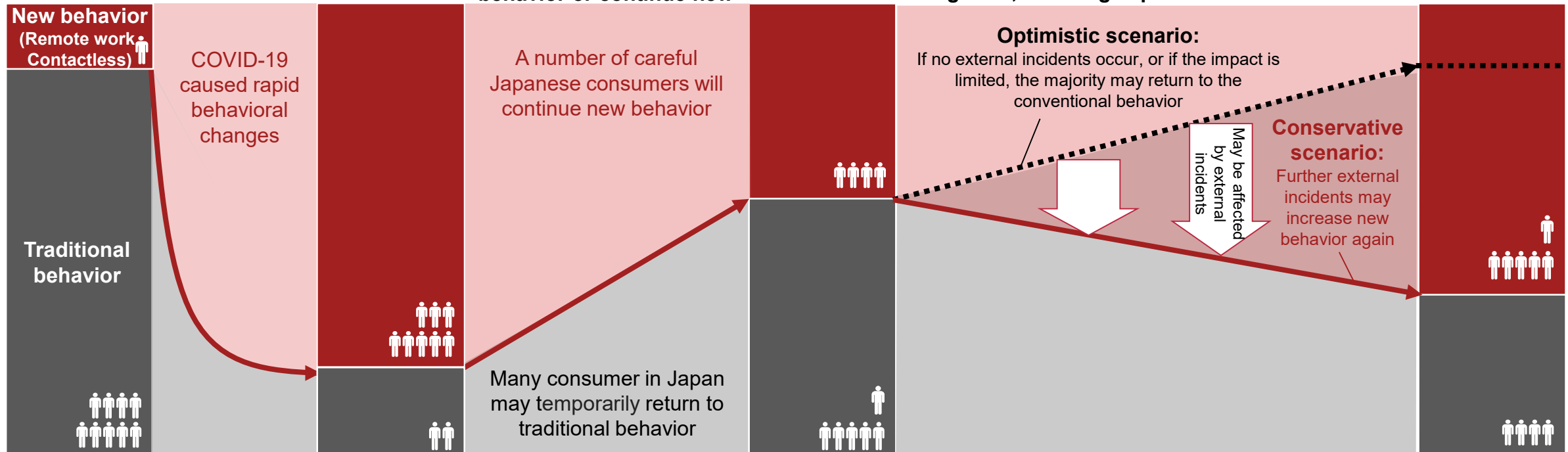
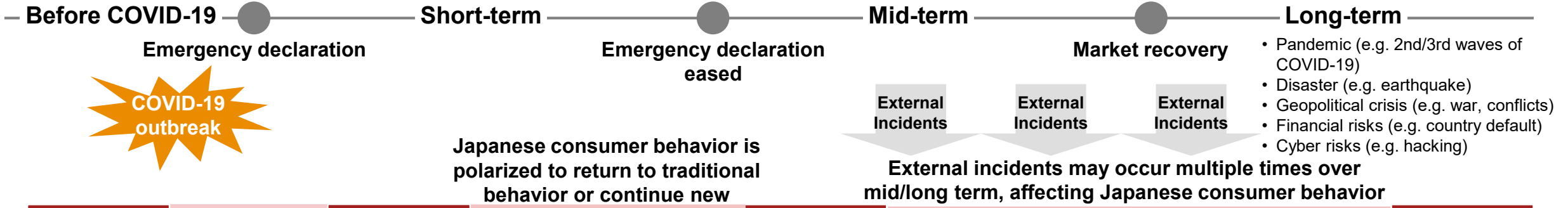
**2. How Consumer industry can develop competitive advantages under 'New Normal' in Japan**



# Management has to be prepared for the scenarios where the impact of COVID-19 is not temporary

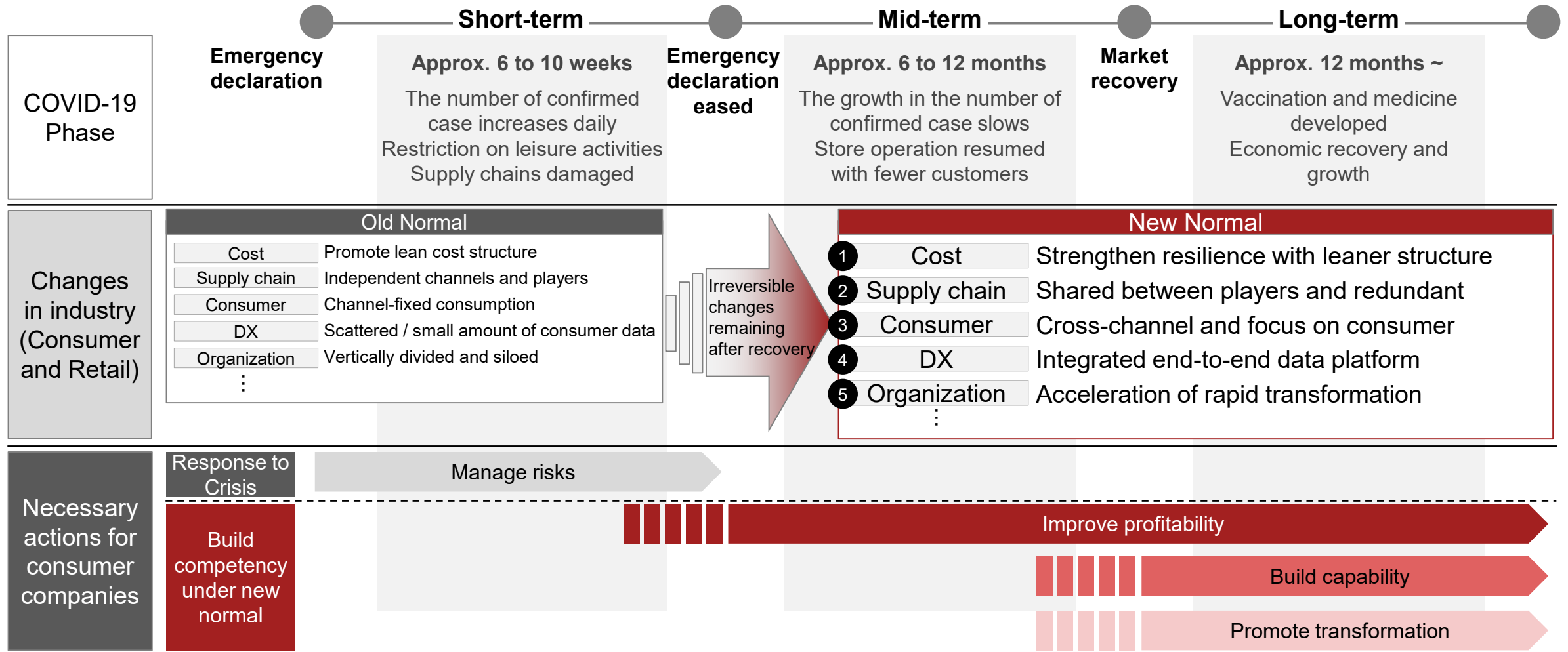
## Assumed Scenarios of People's Behavioral Change in Japan

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# Companies must respond not only to short-term crisis but also to 'New Normal' to establish long-term competitive advantages

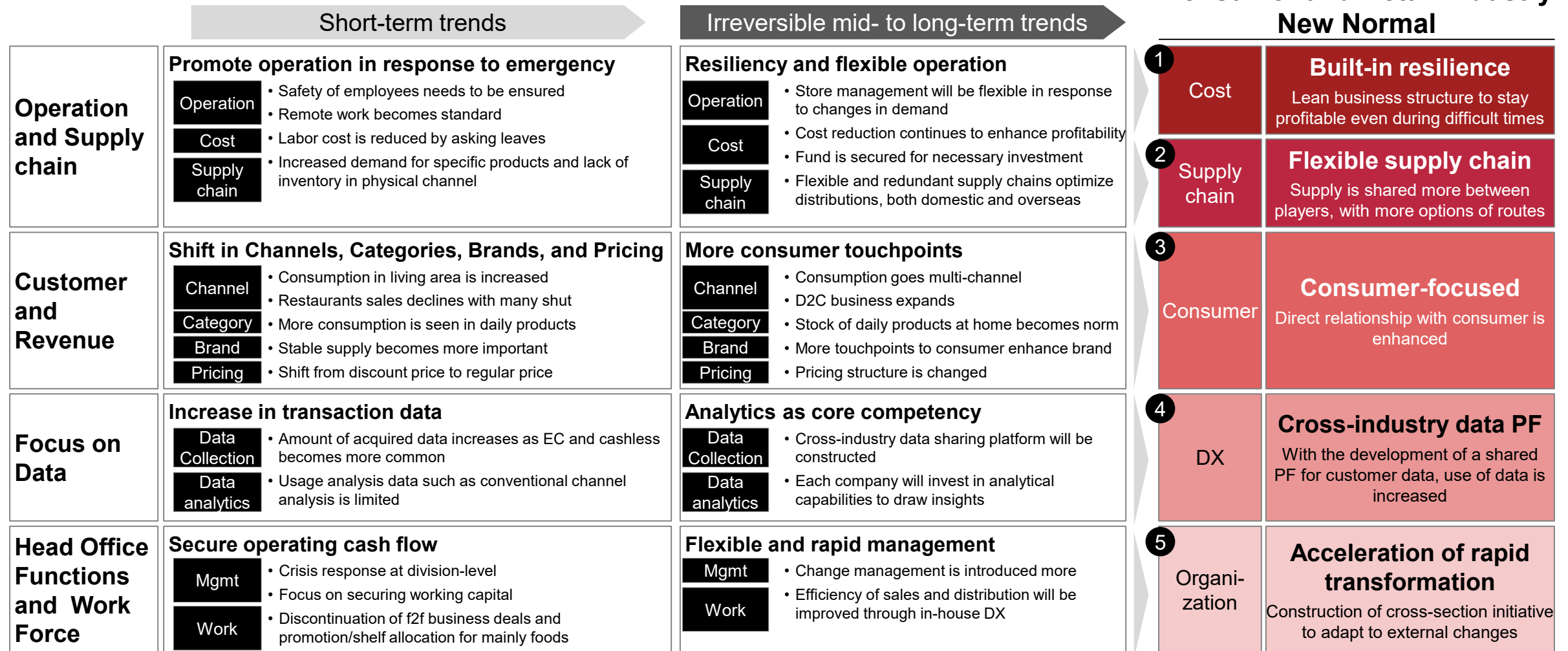
## Changes in Japanese Consumer and Retail industries and actions to be taken by enterprises



# Changes including consumer lifestyles and channel shift may remain for mid- to long-term as 'New Normal'

## Trends in Japanese Consumer and Retail industry

■ : Elements of trend



# Lean organization with data analytics capability gains competitive edge under 'New Normal' of post-COVID-19

## Process to reinvent business in post-COVID-19 environment in Japan

### Consumer and Retail industry



# Need to develop business transformation focused on consumer for rapid changes

- Consumer and Retail industries in Japan have been improved the value proposition based on lifestyle or needs of conventional Japanese consumer. Also, some companies have leveraged business in Japan to expand overseas
- Now, rapid changes caused by COVID-19 may irreversibly remain for mid- to long-term as 'New Normal', so that companies should prepare for drastic changes under the uncertain future
- In particular, Consumer industry should focus on changes of Japanese consumer attitudes and shopping behaviors, and redefine relationship with them or value proposition. Then, they should see where to invest to drive profitable growth, where to reallocate costs and how to develop innovation
- Strategy& have been supporting our customers in Japan by leveraging our many years of experience in Consumer and Retail industry and our global network. We will set up a discussion about the action priority and the execution plan adjusting to your business, so please feel free to contact us

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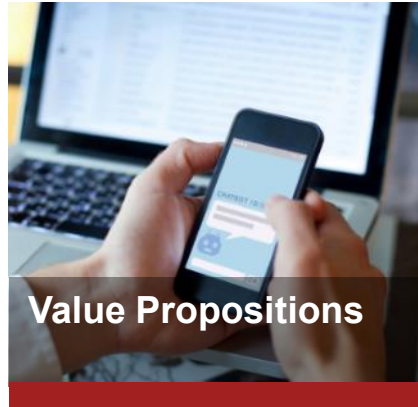
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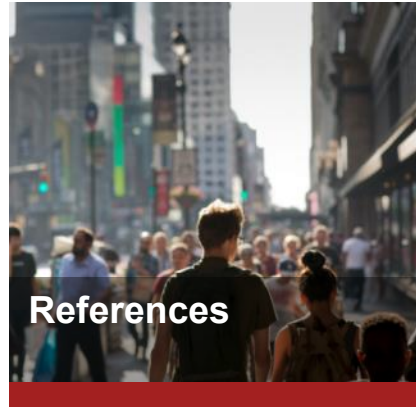
# We are there to help you capture your opportunities

## How we can help



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

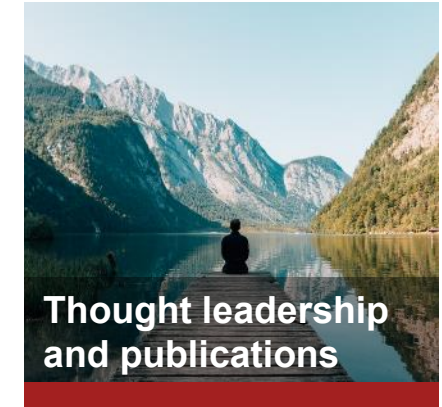
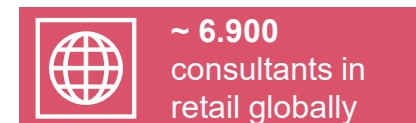
1. Direct-to-consumer
2. Omni-channel
3. Supply chain & operations strategy
4. Target operating model design
5. Business-led IT transformation



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



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



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



Capabilities-Driven Strategy and Growth



Fit for Growth\*

# Thank you

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