

Reemergence: Preparing for the New Abnormal

Matt Katz, Managing Partner; Chris Ventry, VP; and Andrew Solar, Director

COVID-19 has shocked the retail and consumer world. For some, an entire season (or two) of merchandise has gone unsold in brick-and-mortar stores across the globe, unallocated in distribution centers, and even left half-produced in factories up the supply chain.

Customers have experienced their own disruption: day-to-day lives, school schedules, employment, finances, and health. For many, any concept of shopping has shifted from consumption to sustenance.

For leaders of retail businesses, the unease, unknowability, and pressure are just as fraught. Stores are shuttered, corporate personnel and sales associates have been furloughed or fired. Inventory is aging, capital is expended without the revenues to match, and day-to-day activities are being run remotely with varying degrees of success. In this state, retailers can't expect to simply flip a switch and turn things back on.

Unlike 2008 where there were structural economic issues, this is a health crisis that has caused economic turmoil and is driving social change. Winners will recognize that even though they may have had healthy businesses prior, they need to re-emerge with new operating models.

Some leaders stare into screens, waiting for a starting gun to go off to tell them that it's time to return to normal. Others are keeping an ear to the ground for new and different opportunities, and in the best of cases, looking for ways to help meet the unfamiliar, variable, and sometimes unpredictable needs of a country in crisis. The most successful are acting like wartime generals, focusing on what they can control, actively risk-adjusting plans, and creating strategic mechanisms for further adjustments.

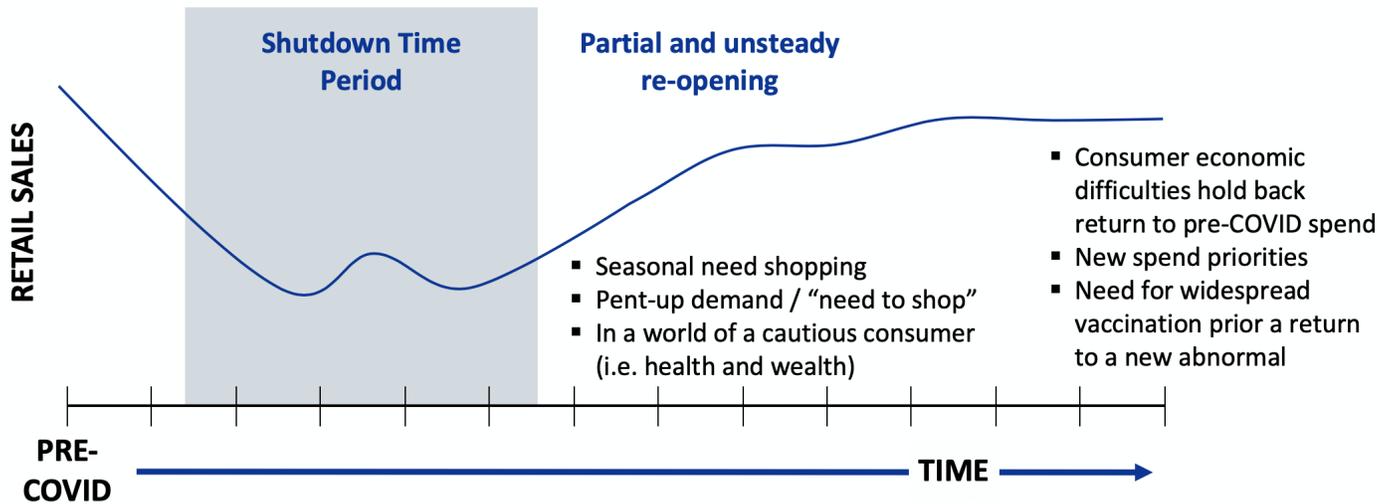
One thing is certain: there will be a post-pandemic era, and preparation for this "New Abnormal" must start now.

Preserving Cash and Cutting Expenses is Not a Plan

Now is not the time to stand still. "Reemergence" will not be uniform or consistent. It will be a fit of starts and stops. Leaders need to prepare for inconsistent state-by-state and county-by-county opening rules and regulations; and a customer base that will have a varying degree of consumption appetite.

SSA & Company has been actively assisting our clients work through their current sales and EBITDA forecasts, creating cash preservation strategies, tweaking inventory plans, and negotiating rent payments — successfully kicking the can down the road.

But now is the time to plan for "reemergence" and re-opening. It is time to prepare an actionable playbook for the uncertainty ahead. Not just in the C-Suite, but across the organization.



Prepare for a Long Battle for Predictable Economic and Customer Indicators

Reemergence will come along with a struggle to understand the economy, new competitors, and consumer indicators. Executives will need to address these unfolding developments in stages, and adjust operating models and expectations, as a period of continued constraints and barriers to economic operation and normal daily life is accompanied by uncertainty and heightened safety concerns.

Reemergence will surely come with bumps in the road, and impasses and inconsistencies across regions and geographies. It will take some doing for consumer confidence to rebound, given the current restraint being exercised is in part due to loss of discretionary consumer income.

	Flatten the Curve	Re-Emergence	Future State
Description	<ul style="list-style-type: none"> ▪ A period of continued constraints and barriers to business and economic operation and daily life 	<ul style="list-style-type: none"> ▪ Social and economic uncertainty that will be frustrating, inconsistent in nature, and non-uniform geographically 	<ul style="list-style-type: none"> ▪ A post-virus world made possible due to widespread vaccination, continued testing, and global adoption of risk-mitigating measures
Consumer Attitude	<ul style="list-style-type: none"> ▪ Marked uncertainty and heightened concerns around safety and preparedness 	<ul style="list-style-type: none"> ▪ Consumer confidence rebounds to some extent and with exceptions, consumers exercise restraint and defer purchase of big-ticket items 	<ul style="list-style-type: none"> ▪ People return to daily routines but with a renewed health cautiousness with some habits now ingrained into normal routines
Key Business Concerns	<ul style="list-style-type: none"> ▪ Employee safety, cash preservation through elimination of variable cost and discretionary spend 	<ul style="list-style-type: none"> ▪ Return supply chain to post disruption efficiencies, implement new strategic priorities, re-hire and re-train teams, re-value inventory, re-think real estate footprint and negotiate lease changes, regain existing customers and gain market share from others 	<ul style="list-style-type: none"> ▪ Continue to invest in innovation, evaluate and future proof long-term business plans

Through this time, retail leaders will need to keep their eye on returning their supply chain to new, post-disruption efficiencies; rehiring and retraining employee teams, revaluing inventory, rethinking their real estate footprint, and... regaining their existing customers. It's going to be an uphill climb to reach a post-virus world and a return to daily routines and reinvestment in innovation.

Executive Focus – Leadership Agility

SSA & Company is helping the C-Suite focus energy and attention:



Questions to Address in Your Playbook

Key questions need to be answered across the organization:

CEO

- Do we have the team? Is the team that we have the right team for the future?
- Was the path that we were on the path to the future?
- How can we steal share?
- How can we create an agile and adaptive workforce?
- How to prepare for a 2nd contagion in Fall/Winter? How do we make our business more agile to
- What did we learn from our time away? What practices do we put in place for the future?
- How clear is our LT vision of where we want to be? How do we accelerate our digital transformation to match?
- Do I need to re-think my organizational structure?
- What new products and/or categories should we be tackling given the learned consumption patterns of COVID-19?

CFO

- What will operating with limited stores and potentially reduced hours feel like? Can we cover additional costs?
- What additional costs need to be added to ensure that stores are clean and safe?
- How will customer pay for goods? What 3rd party companies can help with contactless payment? What flexible financing options will be required?
- What impact will income compression have on retail customers (socio-economic differences)?
- How do we liquidate inventory effectively? Without hurting the brand? Internally, through discount partners, internationally?
- How do we handle order adjustments, cancels, rewrites?
- How do we value the inventory that we currently have?
- How can we re-negotiate real estate and leases?

COO

- What lasting impact will this have on consumer purchasing dynamics?
- What lasting impact will COVID-19 have on supply chains and sourcing decisions? (e.g. will customers demand traceability or favor locally sourced goods)
- How do we reconfigure our DC's to handle this "lights down/lights up" approach?
- Do we have operating teams set? How do we retire them?
- Do we have sourcing and production ready to go?
- Should we have 100% redundant supply chain in place (e.g., mills, manufacturing, shipping, etc. across more than one geography)
- Return to regular delivery standard?
- How to regain customer trust in stock levels?
- How do I move through my ageing inventory without diluting new arrivals?
- Will there be a need to invest in health screening technologies at corporate HQ, DC and/or stores?
- Should the office layout change? Will cubicles replace open seating?
- Should work hours be staggered?

RETAIL

- How do we staff a store for decreased foot traffic?
- Are limited hours feasible? Alter operating hours to allow for proper safety and hygiene protocols?
- How can we ensure proper social distancing?
- What are the procedures we need to put in place to ensure a clean and virus-free environment?
- How do you deal with old product? Consolidate, value, sell, trade, pack/hold?
- Should there be a return to top-up shopping versus bulk buy – impact to inventory, shopper visit frequency, loyalty programs, etc.?
- Do we have the right store base and/or locations?
- Should we reconsider role of retail footprint – pop-up shops, limited inventory showrooms, greater reliance on ecommerce, etc.?
- How do we negotiate lease changes?

MERCHANDISING

- Which products and categories need to be grown/shrunk?
- How do we price and promote?
- Does our good/better/best pricing strategy need adjustment?
- How do we deal with aged inventory without damaging the brand and value of new product?
- Has our customer base changed?
- Has our competitor matrix changed?
- Do we need to change purchase orders for greater ecommerce sales?
- Will product need to be packaged for hygiene requirements?

MARKETING

- What long term impact will decisions made during COVID-19 have on the Company's brand position (e.g., customers may view large scale headcount reductions unfavorably)
- Social responsibility and community increases in prominence since the onset of COVID19 – what role will it have in the future of role of brands?
- How, what and when do market?
- What do we need to do to retain our current customers?
- How can we acquire new customers?

TECHNOLOGY

- What technology changes need to be made? Potentially contactless checkout, augmented reality shopping, live customer service chatbots?
- How do we execute health check scanning for Corporate HQ, DC, stores?
- How can we ensure the organization has embraced a digital future?
- What needs to be in place to support future disruptions? Future remote work requirements?
- How can we sprint to digital – enable future periods of remote workforce, video & communication capabilities, technology and hardware upgrades?

HUMAN RESOURCES

- How do we rehire? How do we re-train?
- What positions are most important to fill?
- What are the on-going hygienic requirements to keep workforce safe?
- What happens to workers if schools do not open?
- Do we need to provide childcare?
- Will health care coverage change?
- Do we change vacation and sick-day allowances?

SSA & Company Can Help

SSA & Company is helping retailers re-invent, re-focus, and re-energize their businesses.

We are working with our clients to write their playbook:

- Establishing war rooms
- Creating risk-adjusted plans and a mechanism to continually adapt
- Re-inventing operating models
- Providing data access to distributed teams
- Marshalling distributed workforces and cohesion across teams and teamwork
- “Winning from Home” with distributed workforces
- Assisting with the sprint to digital
- Ensuring cash availability and capital deployment are aligned to probably start-stop-start road ahead

The companies who will succeed are those who’re acting like wartime leaders, focusing on what they can control, and building operating models with agility and flexibility. These leaders are already working on what they need to do to improve their outcomes, and with it, recapture and even steal market share.

Let SSA & Company help you reemerge

About the Authors

[Matt Katz](#), Managing Partner, heads the Retail & Consumer Packaged Goods and Private Equity practices at SSA & Company. He can be reached at mkatz@ssaandco.com

[Chris Ventry](#), Vice President, is a member of the firm's Retail & Consumer Packaged Goods practice. He can be reached at cventry@ssaandco.com

[Andrew Solar](#), Director, is a member of the firm's Private Equity team. He can be reached at asolar@ssaandco.com

About SSA & Company

[SSA & Company](#) brings strategies to life. We are a global management consulting firm that transforms companies to enhance business outcomes, including growth, profit, and capability. We deliver lasting results by combining digital, analytics, and operations expertise. This approach helps clients thrive in the business of today and tomorrow.

SSA & Company is part of G100 Companies, a private partnership of businesses that deliver solutions, advice, and forums on the issues that matter most to CEOs of the world's leading companies.