



CONSUMER SECTOR TRENDS

Groundwork Intel
May 2020



Groundwork Intel

Key Emerging Themes

KEY THEMES



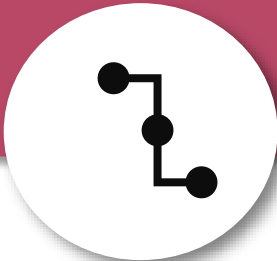
**OPERATIONAL
OVERHAUL**



**MANAGING
HUMAN
CAPITAL**



DIGITIZATION



**SUPPLY CHAIN
REVIEW**





OPERATIONAL OVERHAUL

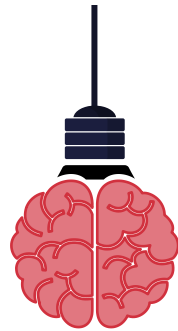
Covid-19 pandemic has severely disrupted the operating model of the consumer goods manufacturers.

- Consumer products companies are feeling intense pressure and operational stress
- Companies need to have a solid contingency plans in place to address the crisis arising due to covid-19 pandemic to ensure business stability and operational effectiveness

Factors that would need aggressive rethinking are:

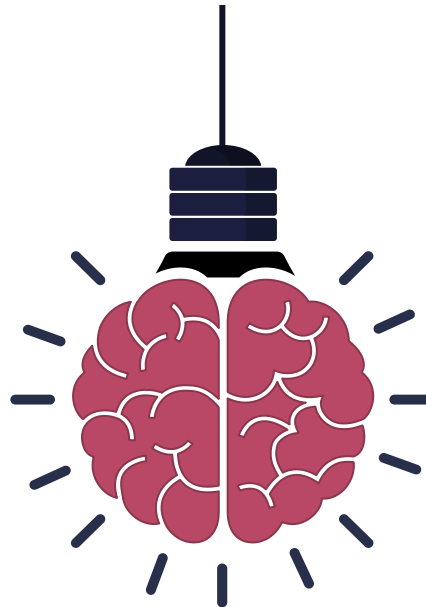
Brand

In this volatile situation, the customers are very sensitive. Brands need to build and maintain trust to engage and maintain customer loyalty



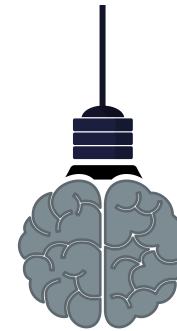
Contingency Plan

Setting up a team with direct reporting to the senior management. Responsibilities will primarily be to assess the impact of covid-19 and suggest corrective actions



Convenience

Convenience services such as home delivery, online shopping etc. will most significantly be valued by the customers

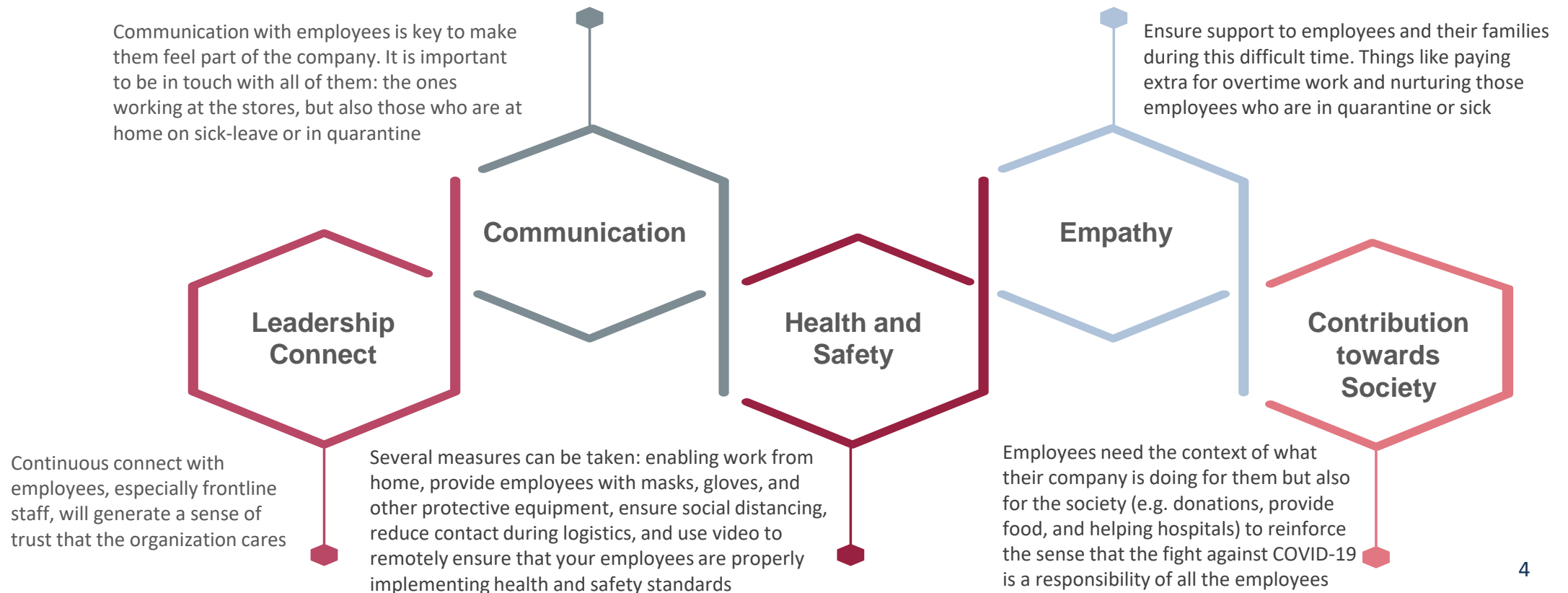




MANAGING HUMAN CAPITAL

It is extremely critical for the consumer products company to protect the health and safety of its employees. When employees settle into a work-from-home routine, it's important for leaders to actively foster engagement and productivity in the daily lives of employees

Some areas where leadership can play a critical role in building employee trust and engagement are..





DIGITIZATION

Consumer companies are emphasizing and **building digital capabilities to efficiently serve its customers**, from e-commerce to marketing to new ways of working

Companies are **revisiting company operating model** to adjust to the new normal— including virtual meetings, more flexible work-from-home practices, and tech-enabled key account management and sales activities— could lead to lower travel expenses

CPGs are also looking into **manufacturing site optimization and automation** to be able to produce with less manpower. The digitizing of manufacturing sites and integration to other digital systems can be key

China's online retailers saw a growth of between 200 and 600 percent in demand during the outbreak

Even before the pandemic, Chinese consumers already ranked among the world's most digitized. But the health scare pushed them even further into the digital realm as everyone stayed indoors. Most retailers either closed all or some of their brick-and-mortar outlets, with store traffic estimated to have collapsed by as much as 80% earlier this year.

Expectedly, fresh food and other groceries were among the standout categories, benefiting from a boom in online orders

- **MissFresh**, the top domestic e-grocer, saw its sales soar by 350% during the Lunar New Year holiday, compared to the same period a year earlier
- **Alibaba Group** and **JD.com** clocked in growth of 220% and 470% on their online supermarkets, respectively
- **Carrefour** expanded its delivery service coverage to a 10-kilometer radius due to surging demand – the French retailer's vegetable orders skyrocketed by 600%

Moreover, sectors not traditionally associated with online marketplaces – including agriculture and automotive – also jumped onto the digital bandwagon.

- **Pinduoduo** saw its sales of farming products soar by nearly 1,000% in February 2020





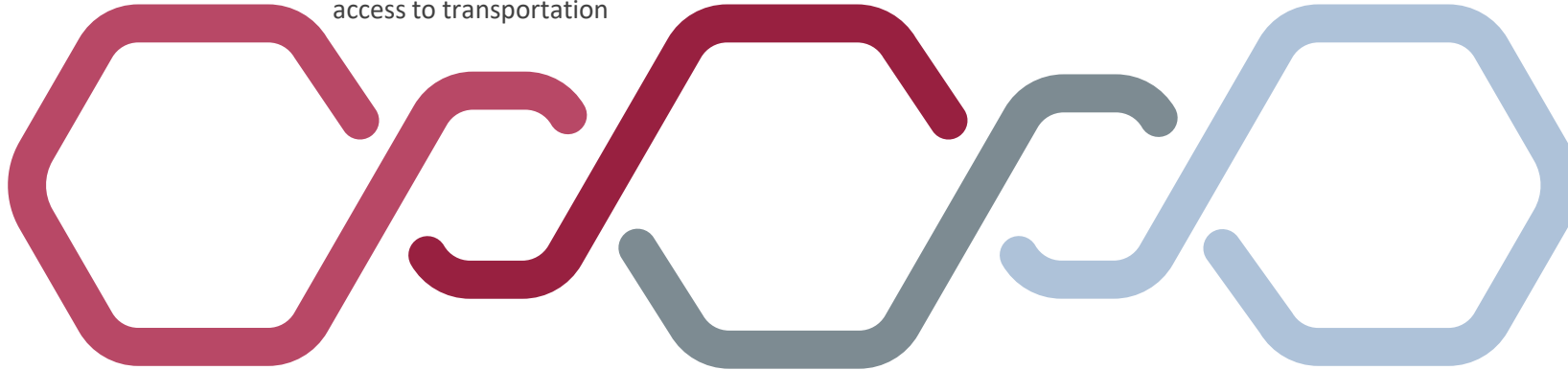
SUPPLY CHAIN REVIEW

SUPPLY CHAIN GAPS

Companies are determining **supply chain's weakest links** in terms of resiliency—workforce, raw materials, packaging, warehouse space, health/sanitary supplies, access to transportation

DIVERSIFY

Splitting production across countries, plants and teams, ensuring that, in cases of rapid outbreak/transmission, business-critical tasks are uninterrupted



CONTINGENCY PLANS

It is critical for CPGs to define contingency plans to **secure continuity of supply**. Ensure availability of factory and warehouse personnel for daily work, while enacting safety protocols at plants and taking precautionary measures to protect employee health

PRODUCTION ADJUSTMENT

Adjusting production plans based on:

- **Product category exposure.** Scale up for high demand categories; slow down for categories with a temporary decline
- **Channel mix (distribution) exposure.** Accelerate production of SKUs and formats required for areas w/ surging demand (online, hypermarkets, warehouse clubs, etc.). Decelerate production for products where there is strong exposure to out-of-home channels, shifting mix to products and packages suited for at-home consumption.

RAW MATERIAL

Staying close to **raw material suppliers**, vigilantly watching for increasing lead times is another step taken. CPGs are also implementing contingency plans for **alternative raw materials**/input sourcing (or excess sourcing in advance of production) should raw material production facilities grind to a halt. Assessing production and supply not just for first-level suppliers but also second- or third-tier suppliers—your suppliers' suppliers—to the extent possible



Thank You!



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