



YOU RULE

The 4 Phases Of COVID-19's Business Impact on CPGs

Planning for and meeting demand in the face of a natural disaster is nothing new for many Grocery, Drug and Mass retailers or their CPG partners. However, the largely unexpected impact of COVID-19 and its global ramifications have drastically altered consumer behavior and purchasing patterns. These events have triggered unforeseen changes to business operations from supply chain to shelf for many in the industry.

To assist in navigating this landscape as we move beyond the frenzy toward a "new normal," RSi has adopted the Four Phases of Crisis Management, applying its basic tenets to what our industry should expect in the coming months and years.



Mobilize (measured in days)

The "Mobilize" phase is most associated with the time when many at-home consumable CPGs saw sales skyrocket by 100-200%+. A variety of measures were established during this time – daily visibility from upstream supply chain down to store-level sales; extensive communication across their business, with their retailer partners and their vendors; and more importantly, workplace safety.



Mitigate (measured in weeks)

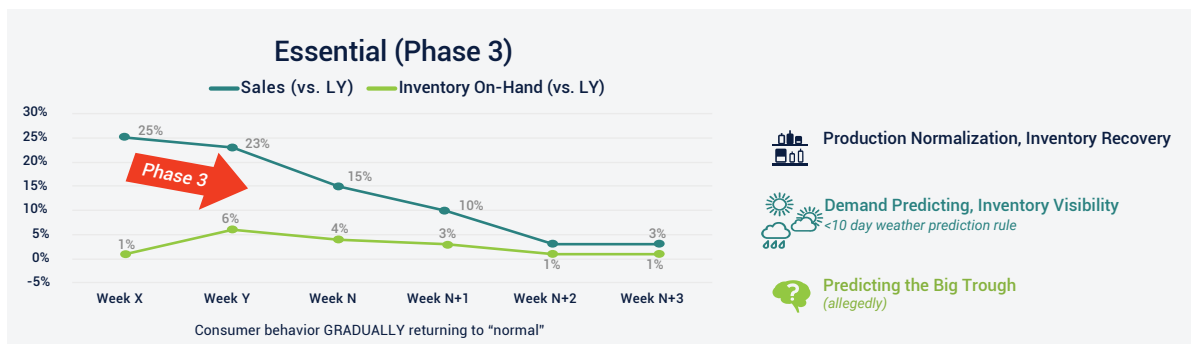
The "Mitigate" phase is characterized by the time period that while total sales are still up, volatility isn't as rampant, and most categories have begun to see sales stabilize – in this instance, for many goods readily consumed at home it's around +50%. These CPGs are beginning to flex production up, position their limited on-hand inventory, and work through appropriate allocation with retailer partners. Their main focus should be fully understanding what inventory their retailers have and deciphering what the underlying true demand is, as it's still changing.



Recover (measured in months)

Entering the "Recover" phase, CPGs will be normalizing production levels, more closely matching those expected longer term, and seeing their inventory recover. At this stage, we strongly urge CPGs to have a strategy for demand prediction, utilizing store inventory visibility to prepare for the "new normal." As consumers venture back out in greater numbers, there will be a draw down on demand, and CPGs will need to predict how fast this demand will decrease.

The big question will be: How do you predict that demand? Through historical data, consumption, or shipments as in the past? These data points will only get you so far and with high levels of inaccuracy. Predicting ongoing demand becomes similar to predicting the weather – very difficult, and nearly impossible to do with any level of confidence more than 10 days in the future.





Repair (measured in years)

The timing for “Repair” will be when the shelves are full, consumer demand has normalized, and the store looks perfect, but don’t be fooled – there’s still plenty more work to be done to repair practices that drive our business in the long term.

Promo execution and new item launches will come back into focus. For an extended time, consumers won’t be responding to promotions as they would have in the past, and retailers and manufacturers aren’t managing those promotions like they would have in the past either – if they’re even running any. This means there’ll be plenty of work to be done to figure out how to get back to excellent promotional execution.

There will also be a push to tackle best practice concerns that were set aside over the past several months. Store shelves may be full, but are the correct products on the shelf? Store compliance and On-Shelf Availability will be front and center. Current estimates for on-shelf availability rates at this time are 85% to 90% but could very well be lower. Also, we’ll need to repair computer assisted ordering issues and associated spikes in phantom inventory, along with store ordering issues brought about by chronic D-Voids linked to necessary store compliance improvements.

Solving these issues and repairing the damage that has been done is far from easy and will take a concerted effort over multiple years, but it is possible!

Key Takeaways:

CPGs and Retailers across the globe have a long road ahead to manage their business through the pandemic and into repairing the supply chain in the years ahead, but there are numerous positives for those companies that handle the upcoming months well.



The next 3 years looks excellent...

for CPGs, particularly big brands. The longer people are at home, the more they will consume at home; getting back to the simpler values that tend to resonate with many iconic brands.



The remainder of 2020 and 2021...

are going to be tricky. The supply chain and retail execution sides of the business will have their work cut out for them, but it will be worth it!



The biggest “winners” will be...

the CPGs who flawlessly execute across all 4 phases.

To learn more about how RSi can help you focus on what matters most throughout the 4 Phases of COVID-19 and beyond, contact marketing@retailsolutions.com. We also invite you to visit www.RetailSolutions.com.