

AlixPartners
Disruption
Insights

**NEED TO KEEP
UP WITH AN
UNPREDICTABLE
AND EMPOWERED
CONSUMER?**

Agility is the answer

Stakeholder management in
a COVID-19 disrupted world

When it really matters.

The world has been encouraged by recent news on vaccines. Consumer-facing businesses, in particular, are looking forward to a return to more stable normal—even if that is much changed—after a year of unprecedented disruption.

However, between that promise and today, we must negotiate a difficult winter. ECB President Christine Lagarde has warned Europeans to expect a 'start-stop' recovery until a vaccine is widespread, and Fed Chairman Jerome Powell said in congressional testimony that the recovery in the US is slowing. Lockdowns will likely remain a fact of life across many parts of the world into the new year. This will challenge businesses for months to come. In this second in a series of articles on the ongoing challenges of managing stakeholders in a COVID-19 disrupted world, we look at that most critical of groups: customers.

STAKEHOLDER MANAGEMENT IN A COVID-19 DISRUPTED WORLD

	SOCIETY	INVESTORS	SUPPLY CHAIN	CUSTOMERS	EMPLOYEES
STAGE 1	<p>RESPONSIBLE:</p> <p>The company is viewed as doing the right thing without regard for financial consequences. They put health, safety, and social responsibility above other considerations.</p>	<p>VIALE:</p> <p>The company will not default; it has taken steps to maximize liquidity and has alternatives to call upon if needed.</p>	<p>FUNCTIONAL:</p> <p>The Supply Chain is working. Products and services are available (almost) regardless of cost, using extraordinary measures (air shipments, repositioning inventory, etc.) if required.</p>	<p>SAFE AND AVAILABLE:</p> <p>Customers feel safe availing themselves of a good or service. They do not feel at risk in a physical environment, and they feel that their data and financial information is secure when transacting in a remote environment.</p>	<p>SAFE AND CARING:</p> <p>The company is seen as concerned about health, diversity and well being and is taking care of its people.</p>
STAGE 2	<p>COMMITTED:</p> <p>The company is viewed as serving employees, customers, and other stakeholders in a balanced and thoughtful way. It considers the complex and often conflicting obligations it has and demonstrably seeks to strike the best balance possible.</p>	<p>STABLE:</p> <p>The cash crisis has passed. The company has sufficient cash flow, can meet its obligations, and if stressed by unforeseen challenges, can react quickly with options. The company is positioned to take market share.</p>	<p>RELIABLE:</p> <p>Goods and services are available when and where customers want or need them on a consistent basis and without extraordinary or heroic measures. Customers and suppliers do not need to be concerned and their trust is reflected in sales.</p>	<p>RELEVANT AND NEEDED:</p> <p>Now that the 'newness' of the situation has worn off, the product or service is a part of the normal course of customers' daily habits. If it was part of their lives pre-COVID, it still is. If COVID caused a customer to trial the good or service, it has now moved into their normal.</p>	<p>PROACTIVE AND CREATIVE:</p> <p>The company is leading and influencing direction, not just reacting to outside factors.</p>
STAGE 3	<p>LEADING:</p> <p>The company is seen as a positive change agent. It is recognized as a voice of reason and wisdom in guiding positive change in its industry, wider commerce, and the world at large. Seen as promoting social cohesion and reducing societal inequalities.</p>	<p>OPTIMIZED AND FLEXIBLE:</p> <p>The company has driven its cost of capital down to appropriate levels while having a plan for best, most likely, and worst-case scenarios. It has explained this to all appropriate parties and inspired confidence. It has articulated a growth plan that is logical and supported.</p>	<p>ADAPTABLE AND REDUNDANT:</p> <p>There is a viable plan for key things that could go wrong such as the unexpected shutdown of a location or a key supplier. While this flexibility has a price, the supply chain is lowest appropriate cost, adjusting for risk.</p>	<p>VALUABLE AND ALIGNED:</p> <p>The confidence crisis has passed, and customers have choices. But they do not exercise them because they view the product or service, and the company providing it, as part of a valued relationship.</p>	<p>EXCITING AND GROWING:</p> <p>The company is positioned to grow and prosper. Its people feel secure in their roles, and personal prospects are bright.</p>

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Many disruptive trends have been accelerated by the pandemic. One of the most pervasive has been changes to consumer behaviors, particularly their empowerment through technology to demand what they want, when and how they want it. These self-centric consumers have been driving the explosive growth in everything from entertainment streaming to omnichannel shopping to direct-to-consumer brands—growth which has accelerated exponentially during the pandemic. And while we know this immediate crisis will pass, disruption is here to stay.

Retailers, in particular, are struggling to respond. Online shopping nearly doubled in 2020 to 20% of all US retail sales at the end of the 3rd quarter from 11% at the beginning of the year (and double that in some categories like apparel). We're seeing similar trends in the UK, where online grocery shopping, for example, has doubled from 7 to 8% of sales to about 15%.

Customers have higher expectations from retailers than ever before regarding omni shopping. For example, 37% of customers now use curbside pickup for online orders, up from just 1% a year ago. Our research shows that as retailers' online penetration grows, their operating profits shrink, given higher costs of online fulfillment and omnichannel investments. As a result, 29 retailers in the United States have filed for bankruptcy this year, and a record 25,000 bricks-and-mortar stores are expected to close.

But while the pain has been widespread and all retailers have been forced to transform, some have performed better than others. Those that entered this year further along their transformational journeys, who were already making investments in an enhanced omnichannel experience and digital capabilities, were better placed to respond to this massively disruptive event. Similarly, those retailers who could make predictions and were prepared to move with agility and creativity could respond at speed to rapidly-shifting consumer behaviors and industry trends.

Indeed, this agility is what sets apart all best-in-class businesses this year—not just in retail. Evidence shows that consumer products companies that could shore up supply chains and maintain inventory on shelves were rewarded with increased brand loyalty. In an industry decimated by travel restrictions and virus concerns, Airbnb was able to pivot from its core offering of accommodations in tourist centers to providing rural escapes to locked-down urban-and suburbanites. Over the summer, its share of domestic users increased by almost 45%.

The beauty industry, which has historically relied on in-store trials, was particularly challenged during the pandemic. In response, personal care and beauty retailer Sephora acted with agility to predict and respond to consumer and industry changes during this period. It found new ways of connecting with customers, including virtual consultations and an expanded use of virtual reality applications, and new ways of meeting customer expectations for convenience, including its collaboration with Instacart for same-day delivery.

Most companies recognize the importance of agility, but what does this mean in practice? In our experience, there are three major and measurable components:

1 BREAK DOWN SILOS
Obstacles to cooperation, transparency and communication abound. But when incentives are shared and aligned, and teams talk to each other openly, decisions can be made quickly and smartly.

2 EMBRACE SPEED OVER PERFECTION
Disruption is accelerating and relentless, which necessitates an equally relentless focus on speed to execution and getting the product to the customer at the right time. Swift execution, coupled with continuous improvement, beats waiting for perfection and being late every day of the week.

3 ACCELERATE INSIGHTS
Historically, consumer-facing businesses are rich in consumer data but poor in deriving insights and implementing changes based upon them. Investing in predictive modeling, artificial intelligence, and consumer insights are absolute necessities in today's world. In an environment in which historical patterns no longer predict the future, these have become the essential tools for demand modeling and business planning.

By investing in these three areas, companies can enhance their agility and respond to the rapidly-shifting demands of their empowered customers. Doing so will not only enable you to navigate through the current crisis but position you for the reality of a disrupted future.

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About us

For nearly forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges—circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring, and risk mitigation.

These are the moments when everything is on the line: a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference; it's how we do it.

Tackling situations when time is of the essence is part of our DNA, so we take an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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