



COVID-19: Planning for the uncertain

Best-practices & learnings from over the world

30 MARCH 2020



BCG's approach to handling impact of COVID-19



Now: Tackle immediate priorities

Max 2-3 weeks¹

Mobilize "war room"

Protect employees and customers, control the narrative

Ensure business continuity

Stop gap measures as necessary (e.g. sourcing, mfg., distribution)

Establish visibility

Setup a digital control tower, track critical KPIs, monitor disruptions



Near-term: Prepare for the rebound, Seek advantage in adversity

3-6 months¹

Fortify liquidity & profitability
Manage cash; Rationalize costs for resilience; explore M&A moves

Reinforce supply
Re-establish availability, strengthen supply network

Seize demand recovery
Protect customer base; maintain or grow wallet share

Re-strategize FY20-21
Build agile scenario-based plans; re-configure workforce to deal with uncertainty

Accelerate digital transformation
Sales, service & fulfilment; Ways of working



Medium-term: Plan for the new reality post crisis

Beyond 3-6 months¹

Reinvent self: 'Win in the new reality'
Re-define purpose, act to win

Reimagine business possibilities
Identify behavior shifts - Adapt offerings & fulfilment models; Accelerate digital
Capture new white spaces; Consider inorganic moves
...and more

Restructure: Build resilience
Protect against future shocks; Build 'firm of the future'; Scale new ways of working

1. Timelines indicative: Linked to stage of crisis in each market and level of impact on each industry

Globally, companies have risen to the crisis with quick, decisive actions along 3 dimensions



Now: Tackle immediate priorities

Max 2-3 weeks¹

 **Mobilize "war room"**
Protect employees and customers, control the narrative

 **Ensure business continuity**
Stop gap measures as necessary (e.g. sourcing, mfg., distribution)

 **Establish visibility**
Setup a digital control tower, track critical KPIs, monitor disruptions



Near-term: Prepare for the rebound, Seek advantage in adversity

3-6 months¹

 **Fortify liquidity & profitability**
Manage cash; Rationalize costs for resilience; explore M&A moves

 **Reinforce supply**
Re-establish availability, strengthen supply network

 **Seize demand recovery**
Protect customer base; maintain or grow wallet share

 **Re-strategize FY20-21**
Build agile scenario-based plans; re-configure workforce to deal with uncertainty

 **Accelerate digital transformation**
Sales, service & fulfilment; Ways of working



Medium-term: Plan for the new reality post crisis

Beyond 3-6 months¹

 **Reinvent self: 'Win in the new reality'**
Re-define purpose, act to win

 **Reimagine business possibilities**
Identify behavior shifts - Adapt offerings & fulfilment models; Accelerate digital
Capture new white spaces; Consider inorganic moves
...and more

 **Restructure: Build resilience**
Protect against future shocks; Build 'firm of the future'; Scale new ways of working

1. Timelines indicative: Linked to stage of crisis in each market and level of impact on each industry

Several strong examples of quick actions across each of these areas

Mobilize "war room", protect employees



- SUPOR 苏泊尔** Early procurement of preventative equipment
- HUAZHU 华住酒店集团** Crisis task force met daily to review procedures and guide
- GOODYEAR** Childcare assistance for employees in critical roles
- 华住酒店集团** App to communicate with employees and franchisees
- Uber** 14-day sick paid leave to drivers who need to quarantine
- Meizhou Dongpo 梅州东鹏** New training for employees to take up temporary jobs

Ensure business continuity



- SAMSUNG** Offered \$2B for suppliers in loan and cash payments
- 康师傅** Daily review of supply & demand, anticipated stock-outs; joint-dispatch to support distributors with own logistics
- HYUNDAI** Cancelled overtime to preserve stock of impacted parts
- zinghome 自如** Converted offline store sales people to online
- 林清轩** Redeployed sales effort to online for B2C and B2B
- PEACETREE 太平鸟** Online flash sales, diverse online shopping scenarios

Fortify liquidity & profitability



- QANTAS** CEO giving up salary for remainder of FY; exec pay cuts
- 伊莱伊** Dynamic budget allocation depending on regional needs
- 高家德信** Negotiated for zero, partial or deferred rent payment



Companies created leadership teams, prioritized employee safety and measures to stabilize morale

Select examples

Company & Country	Situation	Response to COVID-19
 Huazhu Hotel management company	With 6.000 hotels in 400 cities ensuring a quick response required a decentralized approach with strong leadership	Adopted a bottom-up and top-down approach <ul style="list-style-type: none"> Created a crisis task force that met daily to review procedures and issued top-down guidance for entire chain Ensured timely and correct information delivery to employees using internal information app Reduced human-to-human contact via self check-in; offered rooms for quarantine purposes
 Meizhou Dongpo Restaurant chain	Revenues declined by 80% and suffered RMB 70mn losses in booking cancellations from ~43,000 people in China	New training for employee to take up temporary jobs <ul style="list-style-type: none"> Shared idle employees with Online to Online (O2O) retailers in need of labor; re-trained employees for picking and packaging duties
 Supor Cookware and small appliances company	Company needed a safe work environment for employees which required clear, consistent direction	Created clarity and security for employees <ul style="list-style-type: none"> Instituted specific operational guidelines and procedures for employees <ul style="list-style-type: none"> Instructions for limiting exposure while dining in canteens Emergency plans for abnormal situations

Impact

90% of Hotels remained open amid crisis with a peak of more than 50,000 stays in one day

Supported hundreds of employees to find temporary jobs in the Online to Online (O2O) sectors keeping people employed and productive

Well prepared for a timely resumption of work, reopening some production lines in the second week of February.



Companies created innovative financial solutions as a response to COVID-19

Select examples

Company & Country

Situation

Response to COVID-19



BOE Technology

Display maker of LCDs and OLEDs

Despite the special government permit to keep normal operations, limited on-site personnel limits operations

Issued bonds to maintain cash flows

- Issued “virus bonds” to maintain cash flows throughout its network of affiliates to keep operations going
- Reduced capacity for its Wuhan production line
- **Diverted production to production plants with less disruption** to the supply chain and workforce



Xijiade Dumplings

Xijiade is a dumplings chain across China

Regional shutdown and quarantine mandate reduced ability for restaurants to continue operating through delivery or similar mechanisms

Managed cash flow and cost level

- **Negotiated for zero, partial or delayed rent** payment while stores are closed for business
- Encouraged all store owners, partners and regional managers to communicate with landlords on the severity of the outbreak



Yili

China's largest dairy company

Supply chain, logistics issue amidst travel restrictions and shutdowns

Optimising resources to limit financial blow

- **Updated budget allocation** dynamically depending on regional needs, recovery rate
- Rapidly relocated resources from the most affected areas
- Used a **segmented approach to supply chain optimisation**, based on infrastructure, recovery dynamics and salesforce density

Impact

The impact has not yet been quantified or communicated

Monitored cash flow closely, set the threshold for early warning, and adjusted short and long term cash mgmt. and planning

Impact yet to be assessed



Companies actively managing supply chain risk, financial instruments to ensure business continuity

Select examples

Company & Country

Situation

Response to COVID-19



Master Kong

Instant noodle and beverage producer

Logistics capacity highly constrained, causing challenges to distributors

Adjusted sales channel to manage supply chain

- Company was able to adapt its supply chain via a **continuous tracking of retail outlets'** re-opening plans
- Conducted **joint-dispatch to support distributors, using its own logistics company to help**

Impact

Recovered its supply chain by more than 50% just a few weeks after the outbreak
Supplied 60% of the stores that were reopened during this period



Hyundai

Automotive manufacturer

Strong supply chain disruption particularly from Chinese parts suppliers with expected production loss of +100 000 units this year

Agile supply chain sourcing to South East Asia

- Cancelled overtime rush in some of its factories to preserve the stocks of impacted parts
- **Increased the supply of parts from South East Asia** (particularly where Hyundai has partners)

Quickly restarted production in South Korea as component shortages eased



Samsung

Multinational conglomerate

Major disruptions in its assembly lines due to the unavailability of products from Chinese suppliers

Developed internal lines of credit solutions

- Offered up to USD 2.1 billion for suppliers in loans and cash payments to prevent production halt
- **Moved manufacturing operations of some of its high end models to Vietnam** (previously made in Korea)

Announced **funding support to partner companies** to stabilize operations during the post-virus crisis and aims to maintain investments to strengthen leadership in the market



Companies capturing upsides in different sales channels

Select examples

Company & Country

Situation

Response to COVID-19

Impact



Lin Oingxuan

Cosmetics company that adopts traditional Chinese medicine

Company was forced to close 40% of its stores during the crisis, including all of its locations in Wuhan, China

Shifted sales channel mix

- To meet consumers' needs Lin Qingzuan rapidly redeployed sales efforts to new online channels both in B2C and B2B enterprises

Sales in Wuhan achieved **200% growth** compared to the prior year's sales



PEACE BIRD

Women urban fashion brand

Region shutdown declined the traffic to offline stores with sales affected

Accelerated online sales

- Created diverse online shopping scenarios
- WeChat members received special offerings
- Online flash sales: 90% off flash sales on WeChat Mini Program

Daily **revenue per store exceeds 8M RMB** with 80% of sales from existing customers and 20% from new customers



ZINGHOME

Household products and furniture company

Limited offline store sales due to COVID 19 required company to quickly establish online presence using existing personnel

Enhanced online customer acquisition

- Converted offline store sales people to online
- Provided 3rd party digital sales tools linking with WeChat Enterprise Account

Acquired **20k new customers in 7 days** and increase online offerings from 300 to 3000 to meet customer preferences

How can BCG help you?



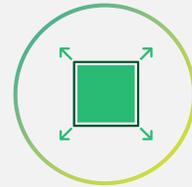
Engage as a partner

We will partner with you in getting the rapid response team kick-started with an agile working model



Plan for the unknown

We will drive a scenario wise assessment of company's exposure & outline mitigation roadmap



Support on immediate priorities

We will work with you to deep-dive on critical priorities to layout a detailed action plan



Capitalize on emerging opportunities

We will work with you to scan for emerging new opportunities (M&A, diversification) to enable acting early



Bringing best-practices to you

We will bring in the latest learnings and best-practices from around the world

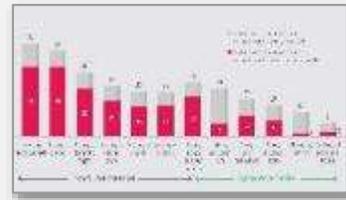
We can hit the ground running to achieve rapid impact

Proven suite of tools to implement from Day 1



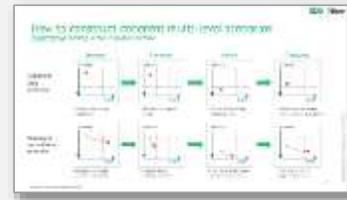
Checklists, benchmarks, remote best practices, industry-specific views, ...

E2E crisis management



Up-to-date research & insights on consumer sentiment w.r.t COVID-19

COVID-19 Cons. sentiment



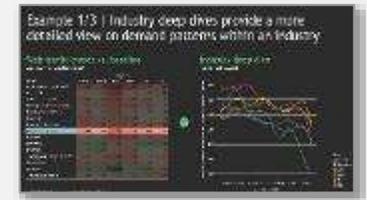
Robust framework to re-strategize for FY20-21, modeled at disease, economy, industry & company levels

Agile Strategic Response & Scenario Planning



Cash office setup, Cash management framework, 100+ proven levers to scale and sustain results

Liquidity & cash management framework



Day-to-day global demand signals across CPG, T&T, F&L Retail, and others

Demand Sentinel

COVID-19 Disclaimer

The situation surrounding COVID-19 is dynamic and rapidly evolving, on a daily basis. Although we have taken great care prior to producing this presentation, it represents BCG's view at a particular point in time. This presentation is not intended to: (i) constitute medical or safety advice, nor be a substitute for the same; nor (ii) be seen as a formal endorsement or recommendation of a particular response. As such you are advised to make your own assessment as to the appropriate course of action to take, using this presentation as guidance. Please carefully consider local laws and guidance in your area, particularly the most recent advice issued by your local (and national) health authorities, before making any decision.

Disclaimer

The services and materials provided by Boston Consulting Group (BCG) are subject to BCG's Standard Terms (a copy of which is available upon request) or such other agreement as may have been previously executed by BCG. BCG does not provide legal, accounting, or tax advice. The Client is responsible for obtaining independent advice concerning these matters. This advice may affect the guidance given by BCG. Further, BCG has made no undertaking to update these materials after the date hereof, notwithstanding that such information may become outdated or inaccurate.

The materials contained in this presentation are designed for the sole use by the board of directors or senior management of the Client and solely for the limited purposes described in the presentation. The materials shall not be copied or given to any person or entity other than the Client ("Third Party") without the prior written consent of BCG. These materials serve only as the focus for discussion; they are incomplete without the accompanying oral commentary and may not be relied on as a stand-alone document. Further, Third Parties may not, and it is unreasonable for any Third Party to, rely on these materials for any purpose whatsoever. To the fullest extent permitted by law (and except to the extent otherwise agreed in a signed writing by BCG), BCG shall have no liability whatsoever to any Third Party, and any Third Party hereby waives any rights and claims it may have at any time against BCG with regard to the services, this presentation, or other materials, including the accuracy or completeness thereof. Receipt and review of this document shall be deemed agreement with and consideration for the foregoing.

BCG does not provide fairness opinions or valuations of market transactions, and these materials should not be relied on or construed as such. Further, the financial evaluations, projected market and financial information, and conclusions contained in these materials are based upon standard valuation methodologies, are not definitive forecasts, and are not guaranteed by BCG. BCG has used public and/or confidential data and assumptions provided to BCG by the Client. BCG has not independently verified the data and assumptions used in these analyses. Changes in the underlying data or operating assumptions will clearly impact the analyses and conclusions.



[bcg.com](https://www.bcg.com)