



# **ACTION AND SUCCESS IN RETAIL AND CPG DURING THE COVID-19 CRISIS**



Today we find ourselves facing an incredibly difficult reality. The COVID-19 pandemic has had profound effects on people around the world and has had a devastating impact on the global economy. While nearly every industry is being forced to contend with rapidly shifting business landscapes, the retail and consumer packaged goods (CPG) industries are facing a dramatically reconstituted normal. Nonessential brick-and-mortar stores are closed, consumers' priorities and product demands have shifted overnight, and e-commerce (and DTC) has become the only option for hundreds of millions of people.

The pandemic's impact on the industry is exacerbated by ongoing uncertainty. How long will this last? How quickly can my business change? How drastic should my measures be? What will the industry look like once we get past this challenging time? Where do I even start?

The confluence of these developments has left retailers and CPG companies in one of two challenging situations: **(1) they are overwhelmed by increases in demand and shifts to new products or channels** or **(2) they are cut off from their usual revenue streams, forcing sales direct to consumers and online**. Below, we outline a plan for what each of these groups can do to improve their

opposing realities, as well as explain what all retailers and CPG companies can do in the next two weeks to immediately improve their business.

At SEI, [we are committed](#) to helping our clients rapidly adapt to [survive these difficult times](#) and come out the other side with a plan for the future. For retailers and CPG companies, this will involve making the right moves as quickly as possible. **This is not about perfection; this is about action and results.** Success will be dependent upon how quickly companies can execute plans to approach this moving target, this "new normal."

SEI is partnering with our clients to build COVID-19 task force teams that tackle near-term issues and structure medium-term planning. We are enabling retailers and CPG companies to implement rapid change now while keeping an eye on the future and the impact this all will have on consumer purchasing patterns once this difficult period concludes. Our [extensive retail and CPG expertise](#) in supply chain optimization, e-commerce, digital transformation, merchandise planning, customer service, data and analytics, change management, and business process optimization puts us in an ideal position to shepherd retailers and CPG companies through the economic upheaval triggered by COVID-19.



# IMMEDIATE CROSS-FUNCTIONAL ACTIONS FOR ALL RETAILERS AND CPG COMPANIES

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There are moves all retailers and CPG companies can make to realize immediate results within our new reality. Over the course of the next two weeks, companies should take action in the following areas for quick-turn success:

## Data & Analytics

Retailers and CPG companies can use data and analytics to develop an accurate, comprehensive view of the problems they are facing. How has your business shifted? What are your customers purchasing now, how much of it are they purchasing, and where are they purchasing it? Are you fulfilling these purchases at a reasonable pace? What are your inventory and planning levels? Where are your bottlenecks? Retailers and CPG companies need to measure, monitor, and visualize trends on all fronts in order to understand how to act as the current situation evolves.

## Rapid-Cycle Improvements

Once armed with data-driven insights, companies can course-correct through rapid-cycle improvements. Forecasts, inventory levels, and merchandising plans should be adjusted to align with fluctuations in demand. Retailers and CPG companies can reallocate and rebalance resources to drive efficiencies in high-demand areas from planning through distribution. They should prioritize the mitigation of supply chain bottlenecks and structure their planning around the 80/20 rule: zero in on the 20% of products that are driving their sales right now and focus their efforts on fulfilling that critical demand.

## Change Management

**Change management** — in short, putting plans in place to help your team adjust to change — is a necessary condition of survival in this constantly shifting landscape. Adept change management involves two key steps that, in tandem, will have an immediate near-term impact on organizational effectiveness:

**1. Emphasize concise, effective communication.** This communication should span business units and stakeholders to ensure a consensus develops around a unified message and plan. This plan will inevitably evolve as circumstances change, so committing to

regular communication with stakeholders is a must — if you leave employees guessing, their instinctual actions can create even bigger challenges to course-correct.

**2. Selectively train key teams.** Training key teams appropriately will create a nimble organization in which resources can be efficiently repositioned in response to shifts in demand. Training takes effort, but since retailers and CPG companies need to be able to lift and shift employees into new, unfamiliar functional areas in response to the pandemic, it is non-negotiable — and well worth the lift.

While taking the actions outlined above will produce immediate benefits for all retailers and CPG companies regardless of the specifics of their situations, there are also moves that will be particularly beneficial for retailers and CPG companies facing one of the two challenging situations mentioned at the top.



# ACTIONS FOR COMPANIES ACCOMMODATING OVERWHELMING INCREASES IN DEMAND

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Grocers, meal delivery services, manufacturers of essential CPG (household supplies, canned goods, and cleaning products), and some pure-play e-commerce companies are fortunate enough to be in the less dire of the two challenging situations precipitated by the pandemic. These companies are facing unexpected shifts in demand that they are unprepared to manage using their existing tools and processes. To rise to the challenge, these companies must optimize their operations in three key areas:

## Planning, Fulfillment, and Logistics

In times like these, it is essential for retailers and CPG companies moving high volumes to level-up their merchandise planning, inventory management, and order fulfillment processes. For a grocer, understocking staples is as much of an issue as sitting on a stockpile of goods with a dwindling shelf life. Finding the middle ground between these extremes can be difficult in times of highly unpredictable demand and panic buying, particularly without the proper order management system (OMS), warehouse management system (WMS), and inventory planning in place. Now more than ever, real-time inventory tracking systems that clear bottlenecks and ensure high-demand products have high availability and accessibility in the supply chain are imperative to success.

Companies must also address the myriad supply chain issues that are emerging in the wake of heightened demand. How does one move more inventory with less logistical support on an accelerated timeline? What quick-turn processes can be put in place to drive efficiencies and support the change in demand?

## Customer Service and Personalization

The COVID-19 pandemic has redefined retailers' and CPG companies' relationships with their customers.

In times of calm and crisis alike, the customer comes first — but in crises, consumers' brand preferences are tested. The stress on supply chains, inventory levels, and new engagements puts increased pressure on customer service functions. Requests for refunds, increased web traffic, lack of delivery windows, and low stock levels (the list, unfortunately, goes on) all create a deluge of outreach to customer support. Companies are finding themselves unprepared to meet the demands of this influx in customer engagement, and unsure of what their response should even be when unprecedented situations arise. In a crisis, critical customer support standards need to be indoctrinated, and rapid processes and use of supporting technologies are critical to addressing this change in pace. This functional area represents your brand to your most fragile consumer.

On top of these defensive plays, retailers and CPG companies need to go on the offensive when it comes to personalization and targeted outreach to their customers. Omnichannel marketing that promotes customer-specific offers (based on location, customer demographics, purchasing behavior, consumer preferences) and personalized engagement through email and on social media can attract customers and keep them positively engaged with your brand.

## Technology Utilization & Optimization

Retailers and CPG companies with steady cash reserves can address the challenges outlined above by fully embracing technology and digital change. Rapid deployments of existing technologies and Agile development of new technologies that are tailored to addressing the crisis are not panaceæ, but they can expedite companies' adaptations to new business realities. From improving e-commerce platforms and optimizing buy online, pick up in store (or parking lot) to refining inventory management and increasing personalization and customer support, retailers and CPG companies have a range of opportunities to leverage technical solutions to keep up with consumers' shifting behaviors.

While all eyes are seemingly on customers, it is equally imperative to ensure internal technology is set up to support remote work — with a watchful eye fixed on data privacy and security. This places technology at the center of companies' crisis responses.

# ACTIONS FOR COMPANIES ADJUSTING TO DECREASED DEMAND

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On the opposite end of the spectrum, heavily brick-and-mortar retailers and manufacturers of nonessential products find themselves in a challenging situation with even higher stakes. These companies are contending with drops in demand that are threatening their viability. To navigate these treacherous waters successfully, they must attend to many of the same areas their more fortunate counterparts must attend to, but with notably different priorities. **At-risk companies must optimize every ounce of demand their customers will afford while providing them with a buying experience that keeps them loyal during and after this challenging time.**

For instance, for struggling retailers and CPG companies, inventory management for online channels is non-negotiable when stores are closed and stock is shifting completely to site. Similarly, these companies must do everything in their power to optimize every aspect of their supply chains, as logistical inefficiencies are an area of waste that cannot be allowed when brick-and-mortar is down.

Companies with enough spare resources to invest in rapid technological evolution have the opportunity

to dredge new revenue streams in response to the COVID-19 pandemic. With the proper guidance and support, what was once a site driving only 5% of sales can be improved to support robust e-commerce capabilities and increased web traffic. Supply chains can be optimized to shift demand to e-commerce distribution centers and new options for customer engagement and purchasing — such as buy online, pick up in store lot — can be rapidly put into place.

Finally, some struggling retailers and CPG companies are facing the disheartening task of making cuts across their organizations. If a company needs to rationalize factories, vendors, or even associates, how can it do so in a way that keeps its critical operations intact? If it is forced to reduce its workforce, how can it minimize the adverse effects to its critical customer engagement functions? And how can it ensure that the employees that remain are equipped with everything they need to remain highly productive when [working from home](#)? These are devastating decisions that no executive wants to make, but they are decisions that at times must be made in order to secure the long-term futures of workers and customers.

## BUILDING A BRIGHTER FUTURE TOGETHER

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All companies — not just in retail and CPG — are combating a great deal of uncertainty. It has been three-quarters of a century since we experienced a global disruption like the one we are all facing today. It is scary and hard and sad; and outside of the risks to our jobs at the companies we love, we are facing an even more devastating impact on humanity.

SEI is committed to helping our clients [adapt to new business realities](#), but more importantly, we are committed to supporting people in every way we can. We are prepared to take on this challenge in [our](#)

[capacity as humans](#) as much as in our capacity as professionals. **We were founded on the ideas that people come first and collaboration drives excellence — never have these principles held more weight.** Let this challenge unite us as we solve what we can control together.

If there is anything we can do to help you, please reach out.

**Learn more about how SEI is responding to the COVID-19 pandemic.**

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