



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




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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 永和豆浆** 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 <ul style="list-style-type: none"> 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
 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 <ul style="list-style-type: none"> 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)
 Samsung Multinational conglomerate	Major disruptions in its assembly lines due to the unavailability of products from Chinese suppliers	Developed internal lines of credit solutions <ul style="list-style-type: none"> 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)

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

Quickly restarted production in South Korea as component shortages eased

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?



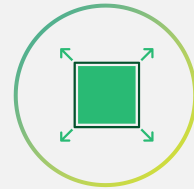
Engage as a partner

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

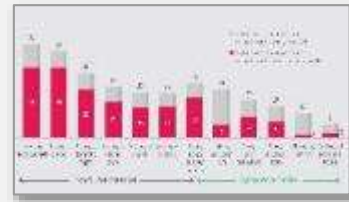
We can hit the ground running to achieve rapid impact

Proven suite of tools to implement from Day 1



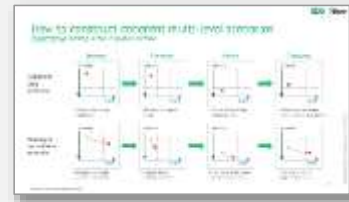
Checklists, benchmarks, remote best practices, industry-specific views, ...

E2E crisis management



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

COVID-19 Cons. sentiment



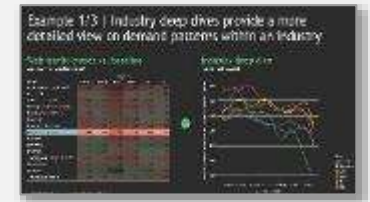
Robust framework to re-strategize for FY20-21, modeled at disease, economy, industry & company levels

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

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