

C  VID 19

& **BUSINESS  
RESUMPTION  
PLAN**

bluepi



# Forward

The ongoing pandemic is one of the biggest threats to an already under pressure retail vertical around the world. At the end of last year, world monetary bodies were predicting a gradual global economic slowdown, but this pandemic applied sudden brakes and the world economy has come to a screeching halt.

According to a recent report by Retailers Association of India, around 25 percent of retailers would require a serious infusion of capital, to help them deal with the impact of the 21-day nationwide lockdown imposed to check the spread of coronavirus disease (COVID-19), else they would be out of business.

Since we started writing this paper, the lockdown in India has been extended by another 3 weeks. It has become clear that these are extraordinary circumstances, that would have a major impact on the economy for a longer period of time than originally anticipated..

Infact World bank has revised India GDP growth for 2020 to be in the range of 1.5% to 1.6%

The impact of the slowing GDP was also highlighted by the CMIE report, which says that the employment rate has fallen from 40 per cent in February to 26 per cent in April. With working age population of 1 billion a 14% decline means that around 140 million people have lost employment in the lockdown. (Source)

The impact of the disruption has been towards both, the supply and the demand side of the equation. While most of the world population is under some sort of restricted movement, at the same time layoffs and cost cuts are also leading to panic and long-reaching mindset changes.

At times like these, it is important that:

- We keep a constant vigil of the ever-changing situation
- Take stock of what is our current store, inventory, supplier positions
- Innovate and adapt
- Chart up a plan for post-COVID-19

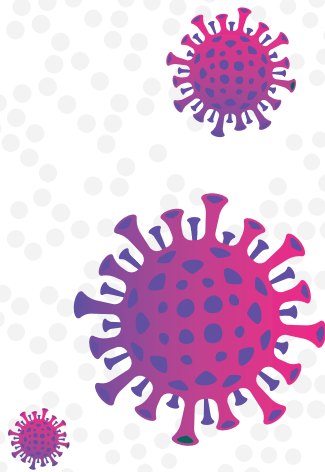
Out of these dire situations, new leaders will emerge, based on perception, ability to adapt and quickly respond in the coming days.



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According to recent reports, the residual impact of COVID-19 is expected to last for several months or even up to a year to completely normalize. In the meantime, our ability to get ready would be the difference between a quick recovery and a potential disaster.

Till the time we are under restrictive movement and lockdowns, the focus has to be on preparing the next steps and working a short to medium horizon business resumption plan, so that we are prepared when the markets open and move toward normalcy. Of course, as with any planning process, the idea is to prepare ourselves as best as possible, no plan can provide absolute certainty.



Here are a few important considerations to aid in the planning process.

## Immediate steps



Consider establishing a core team that can monitor, report and make decisions on the ground with agility as the situation unfolds. The worst thing at times like these is to leave a communication void with your team and other stakeholders. A core team can not only help us react quickly but can also make sure the messaging is consistent,



Evaluate suppliers who can deliver locally and efficiently. Central supply chains might need to evolve and start working in a distributed fashion. Distributed and redundant systems are more resilient and provide better fail-safe mechanisms.



Working capital needs to be the center of focus. When the markets open and start to normalize, we would need to have working capital sorted out to work with new realities of the market.



Repurpose product lines, if possible and if they are operational. For example, organizations have switched to creating essential items like face masks, hand sanitizers, even food items that have a longer shelf life and can be transported over long distances.

# Medium to long term considerations



For the medium to long term, the following areas must be evaluated:

## 1 Inventory position and liquidation strategy

Most of the brick and mortar stores are completely closed and if you are overly reliant on the physical stores, that means there would be a huge inventory stockpile at the stores, warehouses, and any other catchment areas.

When the markets reopen demand patterns are expected to vary significantly from how they were before the pandemic. For example, fast movement is expected in essential items whereas luxury items might move slower.

That is why it is important to have an accurate inventory position, which will allow us to match supply and demand. Accurate inventory information is in our opinion, the most important input to the business resumption plan.

## 2 Assortment mix

The changes in customer preferences would take a bit of time to normalize, which means that the assortment mix needs to be re-evaluated. Products that are expected to move fast might need to be prioritized whereas the orders for slow movers might need to be delayed or adjusted downwards.

One of the important factors to consider is how the assortment mix will need to change again, for the festive season, which is only a quarter away. This might mean ramping up production and logistics, to make up for the time lost during the lockdown.

Another factor that will impact the assortment mix in the medium term is the pent up demand. Since customers are delaying any discretionary expense, in our opinion, this pent up demand will start to play out in the next 6 to 12 months. Future demands might actually ramp up as compared to the previous years and would help us offset some of the downturn impacts. But to make the most of it, we need to have in-depth data on how our customer's shopping experience change, which products see increased uptake and which products see a downturn.

## 3 Inventory liquidation through promotions and discounts

In sectors like fashion, footwear and any other which has a high mix of seasonal merchandise, some of the inventory might need to be liquidated to improve the assortment mix and manage working capital.

As mentioned above the assortment mix is going to see a change for the rest of the year at least. This means that capital needs to be freed up and invested in areas of potential growth.

One way to free up capital is to liquidate the inventory through promotions when the market opens or another strategy can be to find a strategic partnership with online marketplaces.

## 4 Focus on digital marketing:

This pandemic has accelerated online orders, some channels have seen their demand double up. Although the demand right now is skewed towards food items and essential things like safety products & medicine, the customers gained on online channels are likely to be retained.

Digital marketing will continue to be critical even after the restrictions are relaxed. The outreach to customers to bring them back to the stores, information on any promotions or discounts and safety procedures will help normalize the customer behavior faster. This will definitely aid in online as well as in-store sales improving inventory turnover.

## 5 Data Analytics

The importance of access to real-time information is underscored by the current situation like never before. With state and federal governments thinking on their feet and making changes every day, access to lowest levels of detail for inventory, sales, customer service, and store operation is key to making quick business decisions.

Data-driven insights will, in fact, be essential to making prudent operational decisions and demand forecasts. When the markets open, the demand and supply will take some time to catch up, which essentially means short to medium period forecasts (weekly, monthly & quarterly) for products at each store, would be the key, and these forecasts also rely on the ability to collect and organize the customer, inventory, vendor and sales data.

If you do not have robust data analytics and forecast capability as of today, do plan to invest in this area in the medium term. A near real-time platform is what we should aim for, which can help us plan, measure and improve at a rapid pace.

## 6 Supply-side diversification

This is one of the long term factors that we need to look into. It includes both the merchandising strategy as well as the vendor selection. Retail organizations need to factor in the reliability and agility as key concerns, as a part of their vendor evaluation criteria.

To mitigate future risk, we need to broaden the vendor selection. Some of the scenarios and factors to consider for supply-side planning:

- Even if future endemics are localized to a state or city, how will our supply chain work in that scenario?
- Do we have over-reliance on a long-distance supplier, if so should we have some local alternatives?
- Which are the absolute critical components in our manufacturing process, or procurement process which can become failure points?
- Which vendors have been more agile and innovative during these lockdowns?

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## Finding value for customers

If we can find ways to contribute to the current needs of our customers, that would be really awesome and the ideal scenario. Even if we can not in the short term, we need to once again focus on the specific customer segments that we cater to and understand how their preferences change.

This also relates back to the customer information that we can collect and analyze as we go through the recovery period. For example, at least at the start, the customers might be more value-focused, given the economic weather or as discussed above their basket mix is bound to change for short to medium term.

Some of the points to consider

- What can we do today to deliver value to our customers and earn their loyalty?
- Which products and services from our portfolio are our customers prioritizing and which ones are they de-prioritizing?
- How can we reach out to our customers to convey the value?
- Are there communication lines open where customers can reach us?
- Is our front line team equipped to handle customer queries?
- Do we have a consistent communication plan for the customers?

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## Phased opening and resumption

When the markets start to open, we should already be prepared with our priority stores and products that we will focus on in the next 3 to 6 months. This downtime gives us an opportunity to plan a phased opening.

Normalization in terms of customer behavior and sales is still some time away, but in the meantime, we need to adapt and do the best we can.

- Some points to consider, with respect to phased opening:
- How do we ensure the safety of our staff and customers? The partial opening being planned might limit the number of people in the store.
- Which stores can be immediately opened considering constraints on staff, inventory, and location?
- Which products/items are expected to be in demand:
  - Immediately
  - In the next 3 to 6 months
  - Post 6 months
- What is the lead time and replenishment cycle for the priority items, can we reposition staff and other repurpose resources to help hasten the speed for priority items?

One of the important things to do would be to redo the expected ABC analysis for your inventory.



# **Business resumption plan checklist**

☐ **Working capital estimates for**

- ☐ 3 to 6 months
- ☐ 6 months to a year
- ☐ Special needs for the festive season

☐ **Inventory management**

- ☐ Ascertain priority items
- ☐ Plan for upcoming festive demand
- ☐ Liquidation plan through discounts, promotions, and strategic tie-ups

☐ **Operational**

- ☐ Identify Stores to open immediately
- ☐ Minimum staff required to be operational, contractual staff to be hired if needed.
- ☐ Safety assets like hand sanitizers, face masks, queue management mechanism to ensure social distancing.

☐ **Data aggregation and analytics, for**

- ☐ Inventory data
- ☐ Sales data
- ☐ Customer data
- ☐ Vendor performance data

☐ **Marketing**

- ☐ Focus on digital
- ☐ Communicate resumption plans, offers, promotions
- ☐ Communication message for customers
- ☐ Reach-out plan to the most valuable customers

☐ **Manufacturing & logistics**

- ☐ Ramp up plan for priority items
- ☐ Repurpose manufacturing line (if possible)
- ☐ Short term capacity, processing, and material requirements
- ☐ Medium-term capacity, processing and material requirements to cover festive demand

☐ **Logistic planning in case of a partial lockdown**

- ☐ Online presence
- ☐ Technical challenges and workaround
- ☐ Evaluate tie-up opportunities
- ☐ Long term roadmap for online presence

