

COVID-19 Crisis Response:
Food Retail Perspective
Based on the current situation in Italy

VALUEMENT GROUP



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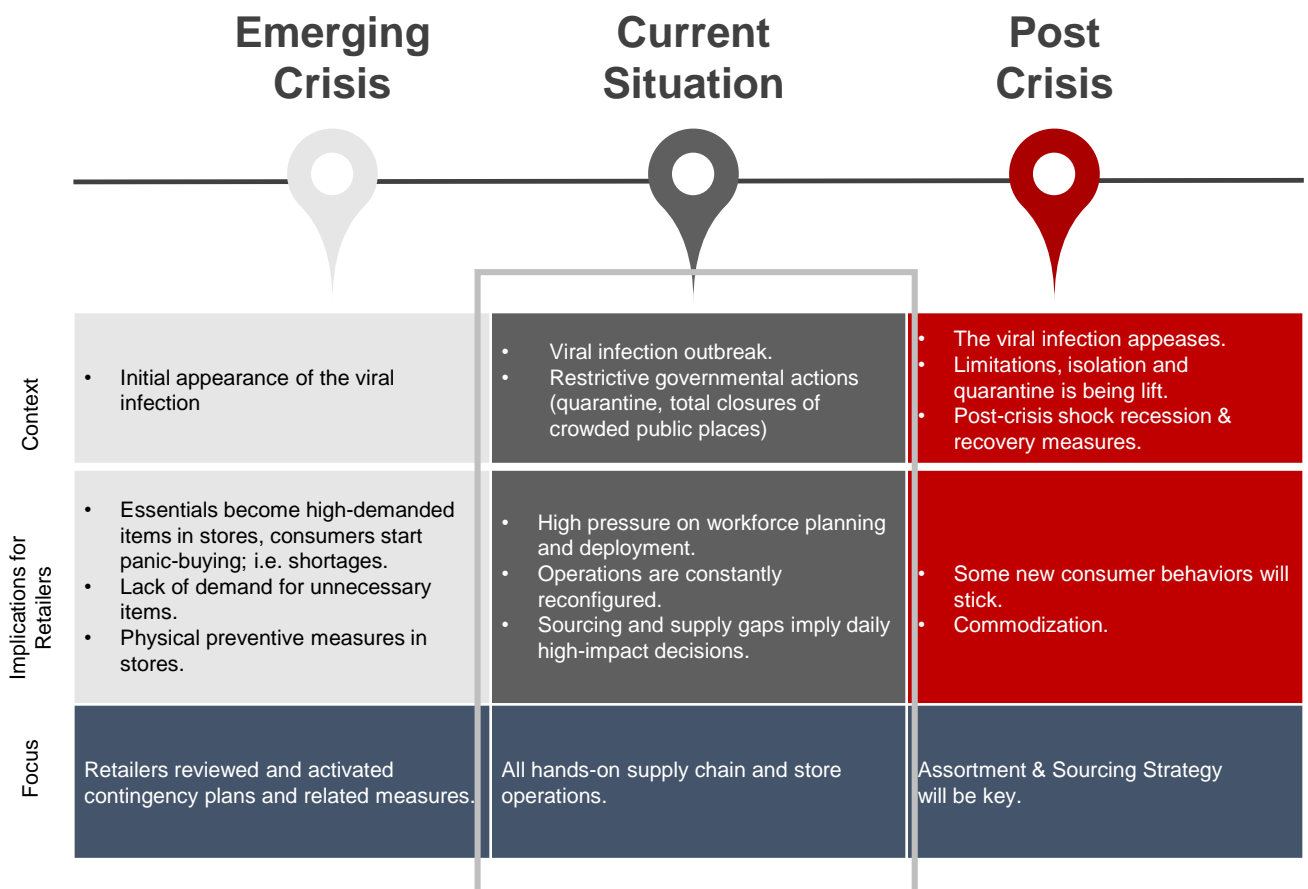
While in recent times we did not experience a crisis similar in magnitude as COVID-19, retailers can use both lessons from the past (i.e. 2002-2003 SARS outbreak), and current success stories from other geographies, such as Italy, to adapt their business realities.

The past few weeks have shown us that consumers are being forced to dramatically change their buying behaviors leading to disruptions in normal trends: panic buying, stockpiling or changes in demand. This triggers bottlenecks and shortages for physical stores and online deliveries.

Food retailers have quickly adapted and are continuously updating and executing contingency plans to equally protect employees, customers and suppliers. All supply-chain actors managed to mobilize staff and to keep operations not only afloat, but to an incredible level, considering the context.

And while now it is vital to keep operations at peak capacity to respond to existing demands and responsibilities, retailers will shortly need to shake and reconsider their pre-crisis competitive advantage strategies.

Our brief material in the next page focuses on the realities of these days and presents a few guidelines for Food Retailers by function.



Strategy & General Direction

- ✓ Constantly integrate feedback from operations and clients.
- ✓ Focus on health, availability, cash.
- ✓ Prepare for new habits and online adoption.

Supplier

Warehouse & Hubs

Stores

Customers

Buying

- ✓ Focus on ensuring continuity of supply by being flexible and looking for alternative buying sources. Increase listing of substitute products for commodities (increase width for this categories of products).
- ✓ Promotions have limited to no priority.
- ✓ Anticipate together with suppliers new distortions in demand. Their marketing and research teams may already conduct simulations in order to predict future consumer behavior.
- ✓ For items prone to stockpiling a sharp drop in sales growth might happen (home hygiene, staple products). Be prepared for promotions for these items and in the same time focus on fresh products.
- ✓ Reconsider commercial strategy for non-food items in the medium term. Consumer behavior will change. In the meantime, reallocate non-food personnel to food operations.

Supply Chain & Replenishment

- ✓ Tier 1 suppliers face pressure from all retailers to deliver since they have a mature supply chain. Constantly communication on demand and capacity. Coordinate with buying.
- ✓ Since deliveries have increased in volumes and frequency, goods receipt processes will have to be done mostly in good faith.
- ✓ Warehouses are most likely reorganized in terms of spare capacity and auxiliary areas, so make sure that employees are constantly reminded that safety is number one.
- ✓ Continue looking for vendor delivery points within existing store network. Reroute where possible or keep as crisis situations in case warehouse needs to be shut down temporarily.
- ✓ Take all responsibility for F&R activities from stores (where possible) and override after coordinating with regional operational managers and category managers.
- ✓ Remember to be flexible on service levels, it is an unusual time for your vendors.

Store Operations

- ✓ Conduct goods receipt in good faith but stay on top of quality controls.
- ✓ Increase frequency of stock monitoring activities for essential products.
- ✓ Reallocate human resource to essential departments or protected cash registers.
- ✓ Limit number of customers in store depending on sales area.
- ✓ Split workforce in 2 weeks shifts without direct contact.
- ✓ Consider making traffic volumes live so that clients can spread their shopping outside their usual times and areas.
- ✓ Continuously follow and act upon new health and safety recommendations.
- ✓ Arrange essential products at hand and customer flow. Pack pre-weighted fruits and vegetables, where not available.
- ✓ Prepare crisis packs ready-for-sale.

Headquarter

Finance & Control

- ✓ Consider cash flow risk and develop cash-focused scenarios.
- ✓ Anticipate financial impact of higher shrinkage % in accrual process.

Human Resources

- ✓ Contingency plans for changes in work structure.
- ✓ Deliver clear and timely guidance to operations to ensure safety and compliance.
- ✓ Implement bonus scheme for frontline personnel.

IT

- ✓ Scale up e-commerce systems & cloud resources.
- ✓ Activate Disaster Recovery Site and distribute processing.
- ✓ Focus on Business-critical information system (Cash registers, Inventory and Supply chain) and increase backup frequency.

Merchandising

- ✓ New layout proposal to optimize time spent with finding essential products.
- ✓ Transform low traffic (non-food) areas into temporary stock storage areas. Or, free up space for clients.

NFR Sourcing

- ✓ Increase relations with current suppliers and prospect additional new suppliers for increased demand items. Help direct sourcing where possible.

Compliance & Legal

- ✓ Prepare for authorities' involvement with legal & compliance requests based on the State of Emergency.

Marketing

- ✓ Conduct campaigns for preventive measures and responsible shopping.
- ✓ Halt promotional materials delivery.

CSR & Communication

- ✓ Affiliate with actions and initiative groups involved in crisis aid.