



## Commercial excellence amid COVID-19 and after

### Beyond flattening the curve

How are companies influenced by the current crisis and what are their most common commercial challenges? How can commercial excellence play a crucial role in defining the right actions to mitigate and avoid negative impacts on bottom line results?

Only a few would have predicted that the cause of the next economic downturn would be a virus. Setting aside the human toll it is taking globally, the COVID-19 pandemic causes significant disruptions to the way businesses operate. The many unknowns surrounding the virus – such as the duration of its spread, the possibility of additional waves and the volatility of demand and supply – make it difficult for companies to adjust and plan for the future.

Rapid response to these new market conditions is required and product as well as service companies are forced to implement immediate measures. Apart from cutting non-essential costs, a strong emphasis is put on minimizing the impact on sales volumes. In order to attain this, companies often fall back on simple measures like lowering prices. Although these commercial tactics can generate short-term results, in the long run your margins as well as the value perception

of your products and services can be hurt significantly. At Deloitte, we strongly believe there are many commercial alternatives that can both safeguard short-term revenues and profit as well as move companies beyond flattening the curve by enabling long-term profitable growth. To help you navigate through these rough times, we gathered our experience into a concise recommendation, supporting you in making the right commercial decisions during and after the COVID-19 crisis.

# Current business challenges and opportunities

Since there is no one-size-fits-all strategy due to the differences in the geographical scope, business nature and level of maturity, every company needs to deal with the pandemic individually. Facing a collapsing demand, supply disruptions and grounded workforce, it may appear like battling at one too many fronts. Especially, looking at your commercial organization, there might be a few **key impacts** you will recognize.



**Volatile and uncertain demand.** E-commerce players are overwhelmed with a steep increase of demand for their services, whereas hospitality, travel, restaurant and retail industries have grounded to a halt. In addition, consumer preferences for products and services during COVID-19 pandemic keep on changing drastically. This is having a major impact on the competitive pressure within the market and consequently the focus put on pricing and sales.



**Disrupted supply.** The effects of the pandemic on supply chains are clear; quarantines and lockdowns lead to disruptions and workforce reduction is strongly affecting production levels. Consequently, influencing the commercial organization as limited supply requires key customer focus and the need for transparent communication.



**Reduced mobility.** Next to disrupted supply and demand, the COVID-19 lockdown measures have a major impact on the way companies are reaching their customers. They are forced to look for alternatives to the traditional channels and move promptly towards e-commerce in some cases.

Yet it is believed that regardless of the extensive negative impact, this crisis can be a unique opportunity to stress test the solidity of companies' business models, bring along **new opportunities** to change the path and explore new ways of operating.



**Virtual productivity.** As the coronavirus spreads, businesses and societies are relying upon new digitally enabled services and digital transformation. Therefore, virtual acceleration is on top of the commercial agenda. New ways of selling could be introduced as companies re-evaluate customer interactions. While an elevated level of digital engagement may subside once COVID-19 shows signs of containment, we expect some consumer and corporate behavior to be permanently altered.



**Customer centricity.** During an economic downturn customers tend to be risk-averse and value a sense of security, which should push companies towards a more empathetic approach. Pricing, like customer relationships, is a long game - know who your core customers are and defend them ardently. Especially now is not the time to lose your loyal customers to price slashing competitors. Building a solid relationship outlasting the crisis should be the interest of both parties.



**Data-driven decision making.** The COVID-19 crisis is being dubbed the first data-driven pandemic as it has brought an openness in sharing information between researchers worldwide, allowing governments and citizens to plan based on the latest information. Data collection is essential, but performance improvements and competitive advantage arise from analytics models that allow managers to predict and optimize outcomes.

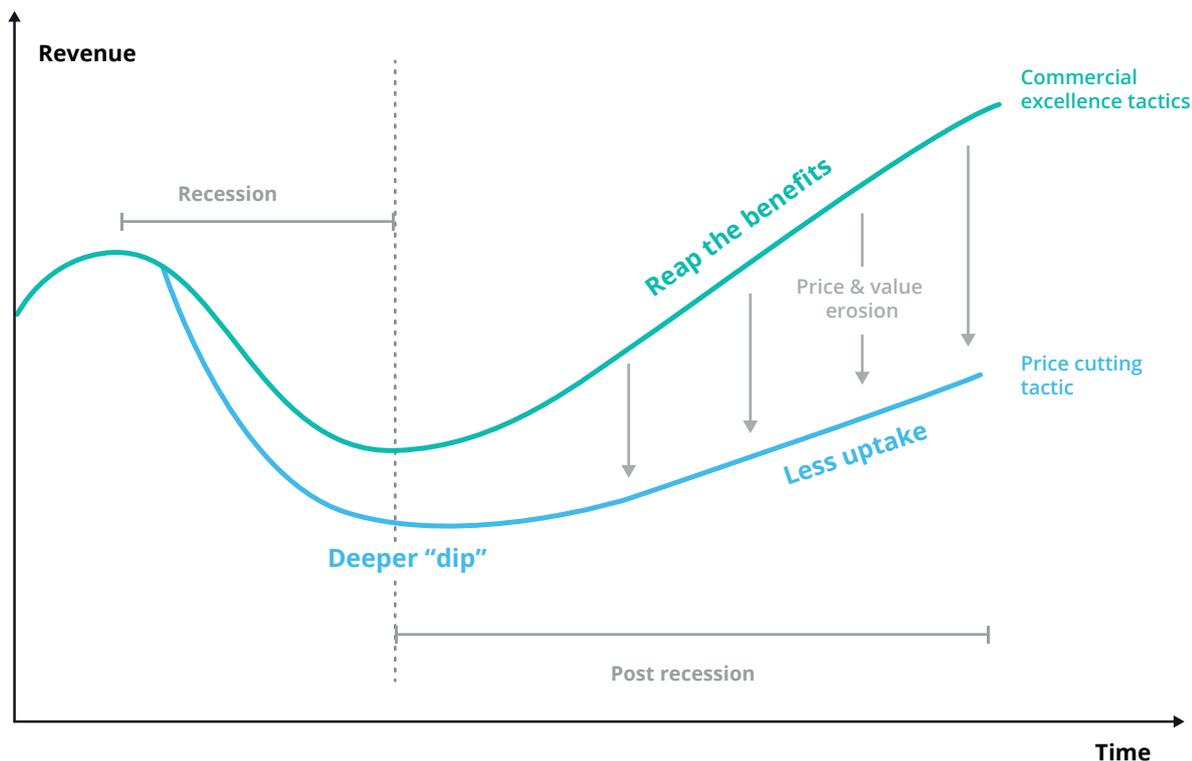
In short, the COVID-19 pandemic is bringing numerous challenges, but also opportunities for companies that can react quickly and take smart commercial decisions. In the below sections, we'll describe what is meant with "smart decisions" and the commercial benefits these can provide.

# Setting up for a commercial reboot

It is clear that 'cost management' should not be the only action to think about during and after the COVID-19 crisis. Pricing, as a subject to scrutiny, should be on the top of the priority list. Still, many companies opt for safeguarding their revenues by focusing on selling volume at whatever price it takes. This might sound like a short-term fix during the crisis, however can be the main cause of value leakage and become an impediment for post-crisis recovery. Moreover, it is important to keep in mind that in this crisis the main drop in demand is not caused by price increases, but due to the barriers created by the COVID-19 measures. Consequently, most price drops will not result in a significant volume increase.

Although cutting prices can be powerful when used intelligently and only in very specific cases (keeping boundaries of the applicable competition law in mind), we recommend companies to look at the broader commercial excellence landscape when defining tactics for mitigating the impact of COVID-19. It will not only allow them to reap more short-term benefits, but also set a solid basis for increased growth post recession.

The importance of full commercial preparedness and agility is stressed even further when looking back in time at the effects of past downturns. History has shown that companies who were able to maintain a positive growth in sales and EBIT margin during a downturn were able to gain an average competitive growth advantage of 14% compared to their peers. Consequently, this is illustrating the magnitude of difference a focused and well-managed commercial strategy during a downturn can have.



In summary, it is strongly recommended to put commercial excellence on the agenda besides strategic cost transformations. Consequently, the main question a company might face next is: how to ensure I am set-up for this commercial reboot and what concrete actions can I take right now? The aim of the following sections is to provide concrete and actionable answers to these questions.

# Using three lenses to guide your commercial decisions

Given the fast internal and external changes a crisis brings along, it becomes even more crucial for a company to focus its attention on what is important and aim for speed over elegance. Within the commercial excellence landscape, this translates to decision making with a very strong focus on key customers, products & services, and a clear attention to regional dynamics and timing.



**Customer focus.** In order to be able to focus your efforts on the key customers, you need to identify which ones are most value adding to your business in the short and mid-long term. For this, it is crucial to (re-) categorize them in relevant segments using key drivers such as profitability, loyalty, sales potential, risk profile and region. Having pinpointed these high value customers, they should be the main target for a loyalty strengthening campaign where you increase flexibility, enhance service delivery, ensure clear communication and provide 24/7 availability.



**Product & service relaunch.** During times of crisis there is a significant risk of seeing disruptive changes in your customers' needs. A popular example is the surge in consumer demand for basic necessities such as hand sanitizer and toilet paper resulting in a potential snowball effect further up the value chain. Consequently, a re-evaluation of the current product and service portfolio is paramount. Often, during and after a crisis, this will result in an increased shift towards your lower priced alternatives, differentiating products and specific unbundled services. To ensure a successful transition towards a more dynamic need- and service-oriented offering, getting transparency on the potential and cost of servicing your high value customers is crucial.



**Geographical focus.** The timing of the COVID-19 outbreak is differing significantly by regions and countries across the globe as well as their strategies of coping with it. Hereby, resulting in a highly complex global business landscape with very dissimilar local dynamics to which international companies need to respond quickly with different actions at different moments in time. Moreover, not only in times of crisis, but also during and after recovery it will be crucial to acknowledge this nuance of geography and timing.

Given the time pressure of the crisis, a full customer segmentation or cost-to-serve exercise will probably not be feasible for most companies. However, we believe that when evaluating an action or response to COVID-19, it will be essential to keep these three lenses consistently in mind.

## Defining & selecting the right actions

To support and enable companies in achieving commercial excellence during and after the COVID-19 pandemic, we have defined clear actions grouped around the key capabilities of a commercial organization. Besides focusing on the strategically essential topic of pricing, distinct guidelines are listed for better managing your products, sales, channels and partners during a crisis.

Moreover, multiple concrete recommendations can be found on how a 'Commercial Command Center' and data & analytics can serve as key business enablers during the COVID-19 pandemic. The following suggested actions and tactics should be considered as a checklist for companies to support them in taking all the necessary actions from a commercial point-of-view to minimize the impact of the crisis.





## Pricing tactics

Many companies make the mistake of using pricing as a key driver for demand by proactively lowering the prices of their products and services when a crisis hits. Although in some cases price-cutting can definitively help a company achieve its goals, we strongly recommend not going for price-cuts but approaching pricing more intelligently by first considering the following tactics.

- **Be transparent & socially responsible.** Make sure to be very transparent to the customer on your pricing strategy, clearly stress its temporary character and be socially responsible in setting prices. Especially, when opportunities arise like a demand surge for basic necessities, taking advantage with a significant price increase is not recommended. On the other hand, communicating clearly and acting socially responsible will allow you to build credit with your customers and further strengthen the relationship.
- **Assess commercial alternatives.** Assess offering commercial alternatives such as a cheaper substitute or an unbundled offering. This will further strengthen the customer loyalty due to increased flexibility as well as guard your prices.
- **Build 'low price' perception.** Leverage one or multiple of the following pricing strategies that can help to build a lower price perception for your customers without having to adjust your price points in the market:
  - Unbundle products and services
  - Provide discounts in kind (e.g. buy 2 get 1 free, samples, additional advice, etc.)
  - Go in low for the initial bid and then try to upsell (i.e. harpooning)
  - Introduce more advanced pricing models (e.g. pay-for-performance, subscription-based pricing, etc.)
- **Segment prices.** Where possible, aim to differentiate your prices between relevant segments taking into account the three lenses: (1) customer, (2) product & service, and (3) geography. In addition, proactively prepare a differentiated price increase plan for when the market recovers.
- **Increase the financial flexibility towards customers.** A key feature of a supplier that customers value highly during times of crisis is financial flexibility. Companies with a healthy financial buffer should take advantage of this by providing better payment terms to their high value customers and even temporarily cancel fees if needed.



## Sales engine revival

One of the biggest implications on a sales organization during the COVID-19 crisis is the inability for sales representatives to stay in close contact with their customers and accounts. Although the prohibition of physical contact is definitively contributing to this, we should also not underestimate how the switch in focus towards crisis management is increasing the barrier with your customers even further. Hence, the sales organization should direct its efforts even more on actively maintaining and strengthening the customer relationship. In order to support this, we recommend considering the following actions.

- **Focus sales efforts.** Keeping focus is a key tactic during crisis times. Within a sales organization, this can be in the form of spending more time in preparing key customer negotiations, setting up a detailed account plan and even involving executives for the highest strategic opportunities. Regularly reviewing and updating sales incentives will be essential to steer focus in the right direction and keep motivation high.
- **Develop remote selling capabilities.** Many countries are introducing strict travel regulations, which are affecting a lot of sales organizations that rely on the face-to-face contacts with their key customers. Although the value of close and personal customer contact can never be fully substituted, companies are looking for alternatives in the shape of virtually enabling tools and technologies. So, in order for sales to fully leverage these they will need to receive proper training on how to sell remotely as well as maintain close customer contact.
- **Ensure continuous inflow of leads.** As the crisis is negatively disturbing the demand for many companies, there is an increased risk of your sales force becoming idle. In order to avoid this from happening, even more effort should be directed at generating new leads. This can be accelerated by collaborating closely with marketing and organizing micro-campaigns aimed at cross-selling to existing customer and reaching out to inactive ones.



## Channel & partner upgrade

There are many examples of companies responding creatively to the limitations imposed by COVID-19. Especially, when we look at how some are able to overcome the barriers to the traditional channels for reaching their customers, for example through pick-up or via home-delivery. For most it is clear that this should be a high priority topic on the agenda of any company that wants to remain competitive during and after the COVID-19 crisis. When tackling the topic, we recommend keeping the following elements in mind.

- **Collaborate closely with the right partners.** When experimenting with alternative channels for serving your customers, make sure to be transparent and closely involve your strategic partners in this journey. This will allow you to strengthen their loyalty and trust as well as allow for combining forces.
- **Consider e-commerce channels.** While e-commerce channels could be the only alternative to retain sales in some markets, this strategic transformation should be thoroughly assessed on its short-term feasibility and value to your different customer segments. In parallel, a mid- to long-term strategy needs to be defined and executed to cope with any potential future pandemic outbreaks.



## Commercial Command Center

Agility is a key business success factor, especially during a time of crisis when the business environment is rapidly changing and companies need to respond quickly. This is specifically true when looking at a company's commercial organization. We recommend that companies struggling to rapidly convert their commercial decisions into actions should assess setting up a temporary Commercial Command Center (CCC). One of the main goals of the CCC is to centralize and accelerate commercial decision making and its execution. On top of that, it will take over part of the responsibility from sales to allow for less biased decisions as some sales representatives will struggle to respect the customer prioritization guidelines. When setting up a CCC, we recommend to take the following components into account.

- **Cross-functional stakeholders.** The CCC should be organized cross-functionally and involve key stakeholders from finance, procurement, operations, sales and marketing.
- **Commercial responsibility & coordination.** The CCC should be responsible for evaluating all key commercial decisions, such as high one-off discounts and assess the impact on the organization. Moreover, they should be coordinating all short and mid-term commercial actions identified to mitigate the impact of COVID-19. This includes updating and monitoring KPIs, proposing and testing alternative pricing strategies, supporting the lead generation engine, coordinating resource re-allocations and conducting commercial scenario analyses.
- **Close leadership contact.** The CCC should work closely together with the leadership, update them on a daily basis and involve them in strategically important commercial decisions. An example of this is deciding on the response protocols to scenarios identified during a scenario analysis exercise.



## Data & analytics

Knowledge is power, especially in the haphazardly changing environment the COVID-19 crisis brings about. Even though many of the market dynamics will be impossible to predict accurately, having relevant and frequently updated information at hand can make a key difference on the decisions you make. That is why we believe having strong data and analytics capabilities in place will play a strategically differentiating role during and after the downturn. To strengthen these capabilities a company can take many actions, but during times of crisis, we propose to focus on the following three actions.

- **Define relevant KPIs.** Knowledge is power, but only when you are looking at relevant information. Therefore, defining the right Key Performance Indicator (KPI) to track the dynamics within the market is essential. Notwithstanding the fact that every market will require its own relevant KPIs, there are a few commercial measures to always take into account, such as: market share, market prices, operating costs, volumes sold, discounts, etc.
- **Collect data & monitor daily.** When setting up a process for monitoring relevant information, a big challenge that many companies are facing is coping with the complexity and unwieldiness of their data management processes. Most of the time these companies experience a significant lag when trying to gather and consolidate relevant data points. However, as it is especially important during a crisis to have the latest updates readily available, some will have to resolve to a quick and dirty solution to ensure proper responsiveness. From this, a 'business continuity cockpit' should be built that allows to monitor a company's relevant business drivers.
- **Conduct scenario planning.** During uncertain times, scenario planning is of vital importance when making commercial decisions. It allows you to better prepare for different scenarios, stress test key revenue streams, and assess the potential impact on your P&L.

# Conclusion & Checklist

There is no doubt that these unprecedented times have a tremendous impact on business performance, requiring flexibility and promptly implemented measures. To support in this, we believe that commercial excellence should be on every company's agenda as a key strategic enabler to mitigate the negative impacts of COVID-19 and shape the business of tomorrow. To that end, we have listed the key actions every company should consider when defining their commercial response to the COVID-19 pandemic.

- **Focus on the right customers, the right products or services and the right geographies.** Times of crisis require companies to focus the attention and efforts even more on what is important. Hence, the main focus should be on keeping your high value customers close, providing them with the right products & services, and adjusting your strategy according to the specific dynamics of each region.
- **Communicate clearly.** Given the uncertain business dynamics accompanying the COVID-19 pandemic, one of the key priorities on every company's agenda should be to minimize internal and external uncertainty. To that end, clear and transparent communication to your employees, customers and partners is paramount, especially on topics such as changes to the commercial strategy and supply risks.
- **Leverage pricing intelligently and apply the right pricing tactics.** COVID-19 has a significant impact on demand and reducing your prices shouldn't be overused as a means to increase it. Instead by applying the right pricing tactics, you can minimize the impact without decreasing the value perception of your products.
- **Enable the salesforce to retain close customer relationships and keep the lead engine running.** Your sales force might be unable to physically connect with their customers. However, it's even more important today than before that they stay close to them, continue to generate leads and focus on the right customers. Here, the right technologies can play an important role for enabling and preserving those close relationships.
- **Set up a Commercial Command Center to accelerate decision making and execution.** During a crisis commercial decisions need to be made quickly and acted upon immediately. For many companies their current governance set-up does not enable this type of agile decision making and execution. Therefore, companies should consider installing a cross-functional Commercial Command Center that temporarily takes over the commercial decision making and coordination.
- **Install a business cockpit and monitor relevant KPIs.** To enable making the right decisions at the right time, companies should put sufficient effort in continuously collecting and consolidating the relevant information. However, if the current data & analytics capabilities are not adequate, a pragmatic alternative solution should be investigated that can serve the business needs during the crisis.



In **conclusion**, we believe that by consistently working on your commercial excellence – even during times of crisis – and persistently keeping in mind the three lenses (customer, product & service, geography) for guiding your decisions, the short-term commercial impacts of COVID-19 can be mitigated and, even further, will allow you to come out of the crisis with a head start.

# Contact

If you want to learn more about the Commercial Excellence practice within Monitor Deloitte and how our reboot program can help you accelerate in the short term with long term impact, please contact the authors.



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