Around the globe during the pandemic, grocery and food retailers are responding to an unprecedented demand that strains the entire ecosystem. As social distancing and shelter in place orders cascade, more customers from all demographics, especially 50+, have shifted to digital and delivery. In reaction to the uncertainty, grocery customers anxiously fill their carts (both physical and virtual) with food and other necessities, ushering in a new normal for food retail that may become permanent. Once the situation normalizes, food retailers will look to recover and thrive by transforming the ecosystem, realigning the supply chain, and redefining resiliency.

**Practical next steps:**

Leaders will be defined by what they do along the three dimensions to managing a crisis: **Respond**, **Recover**, and **Thrive**. Some key next steps include:

- Establish a crisis response team with clear decision-making rights on critical questions (i.e. store closures, workforce policies, etc.)
- Provide clear and confident messaging to associates around the importance of their safety; ensure HR leaders have elevated role to address critical needs
- Evaluate Tier 1 and Tier 2 suppliers and potential for supply chain disruptions across categories

**Key questions executives and boards should be asking:**

- How do we safeguard our associates, keep them informed, and protect against labor shortages? Can we work with food service companies and restaurants to tap their workforce?
- What steps are we taking to minimize supply chain risk and disruptions? Do we need to go directly to producers for key categories? How do we safeguard against price gouging from suppliers? How prepared are we to resume normal operations?
- How prepared are we for longer-term shifts in consumer behavior and channel preference? What changes should we make to our mid-pandemic and post-pandemic assortment strategies? Are we harnessing our customer data to make informed decisions?
- How do we best manage working capital and ensure access to cash in a prolonged period of disruption? What are the anticipated implications for regulatory, tax, or financial reporting?
Potential long-term impact on retail food & grocery sector:

- **Permanent Behavior Shifts to Online and Delivery Across Customer Segments** – The disproportionate impact of the virus on those 50+, has brought a surge of older, first-time users to online grocery and delivery models. This behavior shift for some older consumers will persist post-pandemic as they embrace the frictionless way to shop popularized by younger shoppers.

- **Supply Chain Realignment and Innovation** – The sudden shift in channel preference coupled with stockouts and a lack of capacity from e-commerce grocery players has created an environment poised for innovation, disruption and new entrants. Supply chains will need to be realigned as longer-term changes settle in post-pandemic.

- **New Understanding of "Essential" Workers** – Ensuring the health and continuity of the food supply chain during the outbreak has created a new class of “essential” workers. From store associates to truck drivers, the food workforce is now on the front-lines. As a result, supply chain security, vendor relationships, and workforce management have become even more critical, not only to retailers, but to governments and society as a whole.

- **Sustained Category Changes** – We learned from the SARS epidemic and behavior in China that health and hygiene is a sustained habit shift post epidemic. We may see continued demand for 24+ months after the epidemic in categories such as yogurt, vitamins, disinfectants, personal care, toiletries, and sanitizers. Coupling the plethora of data retailers gain from business operations with predictive modeling may help to inform decisions in a future crisis.

- **Corporate Citizen Leadership** – As the data shows the vulnerability of the over 60 population to COVID-19 around the globe, grocery retailers reacted by establishing designated hours of operation for seniors, leading the way for other essential businesses to do the same. This demographic was also the largest new users of ordering online. Post-pandemic presents an opportunity to continue to connect with these consumers as well as creating protocols in times of crisis focusing on the customer of one.

- **Social Capital & Loyalty through Social Media** – As fear of the unknown grabs hold of the consumer psyche, social media becomes a powerful tool to communicate with customers and associates in the face of a hyper-dynamic situation. The social capital from trust and goodwill gained in a time of crisis may have long lasting effects on customer loyalty. Post-pandemic food retailers may want to consider how they further leverage social media platforms as part of crisis communications.

- **Navigating Regulatory, Tax, and Financial Reporting** – Business entities must carefully consider their unique circumstances related to conditions that may result from the outbreak of COVID-19. Each business may be challenged in different ways, and functions may need to address a variety of regulatory, tax, accounting, reporting, and internal control challenges.

For additional steps that companies should consider taking, visit [www.deloitte.com/covid19-resilient-leadership](http://www.deloitte.com/covid19-resilient-leadership).

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