



## Understanding the Sector Impact of COVID-19

### Consumer Products: Food & Beverage

As the effects of COVID-19 are felt around the world, Consumer Products food & beverage companies are facing significantly reduced consumption and supply chain disruption challenges. While at-home consumption has been showing a spike over the last two weeks, out-of-home consumption has come to a standstill. As out-of-home has historically generated the highest margin, this will have immediate impact on the P&L, albeit some suppliers are looking to mitigate this by diverting their supplies to retail stores. Agricultural output is depressed, supply chains are disrupted, largely due to rapidly changing consumer behavior and demand.

#### Potential long-term impact on Food and Beverage companies

Once the situation begins to normalize out-of-home consumption will pick up again, but it is unlikely to be enough to cover lost sales in the coming weeks/months. With an economic recession looming food & beverage revenues are likely under pressure. Food & beverage companies should revisit their sourcing strategies, rationalize their product ranges, and assess the resilience and agility of their supply chains as well as their route-to-market channels. E-commerce and distribution networks should be optimized and streamlined. Considering the impact of changing commodity prices and other costs-to-serve, as well as ways to increase demand, companies will be forced to revisit their pricing and promotion strategies.

#### Key questions executives and boards should be asking

- How do we guarantee/safeguard safety of our own people first?
- How do we best manage working capital and ensure access to cash in a prolonged period of disruption?
- How do we conduct and maintain supply chain risk mitigation assessment and interventions?
- How can we rapidly move supply to alternative route-to-market channels to safeguard revenues?
- How do we support our key customers/suppliers to fulfill demand in current high-peaks as well as partner to sustain their relations?

#### Practical next steps

Consumer Products leaders will be defined by what they do along the three dimensions to managing a crisis: Respond, Recover, and Thrive. While in the Respond phase these are some key next steps:

- Optimize flexible work arrangements for talent, including mitigating cyber risks as a result of working remotely
- Develop contingency plans for operational disruption in route-to-markets and supply chains
- Engage with key customers and suppliers to support business continuity

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



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