



Understanding the Sector Impact of COVID-19

Consumer Products: Non-Food

Because the COVID-19 crisis started in China, the production hub of the world for electronics, footwear, apparel, and other non-food products, Consumer Products companies are facing serious disruption in the supply of raw materials, critical components, and finished products. The peak of COVID-19 in China was in parallel with Chinese New Year, and this has softened the impact as inventories had been built up because of the national holiday. Demand for electronics, hygiene, and specific sports categories is high, and consumers are shifting to online. Demand for luxury goods has fallen sharply.

Potential long-term impact on Consumer Products Non-Food companies

A short peak in consumer demand is likely in certain categories once the situation starts to normalize. However an economic recession looms as consumer spending is expected to decrease in the medium term. Consumers will continue to shift to online sales which will require Consumer Products companies to revisit their B2C strategies.

As (and when) manufacturing capacity returns to normal levels a backlog of orders will need to be cleared, putting further pressure on supply chains. As a result alternative sourcing options will need to be explored. 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 prepare for long-term shifts in consumer behavior and channel preferences?

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
- Optimize e-commerce and customer/channel strategy

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For additional steps that organizations should consider taking, visit www.deloitte.com/covid19-resilient-leadership



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