



FEATURE

# Executive voices on pandemic recovery

Five ways consumer companies are emerging stronger

Anthony Waelter, Stephen Rogers, Justin Cook, and Jagadish Upadhyaya

## Executives say the changes required by the pandemic may prove beneficial.

**A**MID THE FIRST months of COVID-19, executives in the consumer sector were driven to take previously unimaginable steps. They halted normal operations, shifted to remote work, and retooled supply chains, all while coping with massive changes in demand and consumer behavior. As they lead their businesses into the recovery phase, many executives see the steps taken so far as not only necessary in an emergency, but—to a certain extent—helpful for the underlying business in the long run. This is an extraordinarily challenging time. But industry executives say they see a path to a better tomorrow.

Since April, Deloitte has tracked consumer reaction to the pandemic across 18 countries through the [Deloitte State of the Consumer Tracker](#), providing valuable, longitudinal data.<sup>1</sup> Several months into the crisis, only half of US consumers feel safe going to the store, getting a haircut, or returning to their workplace. One in four consumers is worried about making upcoming monthly payments. Forty percent are putting off large purchases.

But consumer data provides only one perspective. To understand how businesses are viewing the pandemic and managing recovery, in-depth interviews were conducted with senior executives at US-based consumer businesses spanning automotive, consumer product, retail, and travel and hospitality companies (for details about the research approach, see sidebar, “Methodology”). The interviews were double-blind, leaving executives free to speak their minds. The process produced over 500 pages of transcripts, complete with invaluable quotes and turns of phrase that can sometimes convey what’s really happening right now better than a statistic.

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### METHODOLOGY

- Deloitte commissioned double-blind interviews with 28 senior executives—seven each across automotive, consumer products, retail, and transportation and hospitality—that were conducted during the June–July 2020 period.
- The executives lead companies with a minimum revenue of US\$500 million with most well in excess of US\$1 billion.
- Respondents’ leadership areas cover a broad range of responsibilities, including strategy, marketing, e-commerce, finance, operations, and supply chain, as well as heading business units or divisions (figure 2).

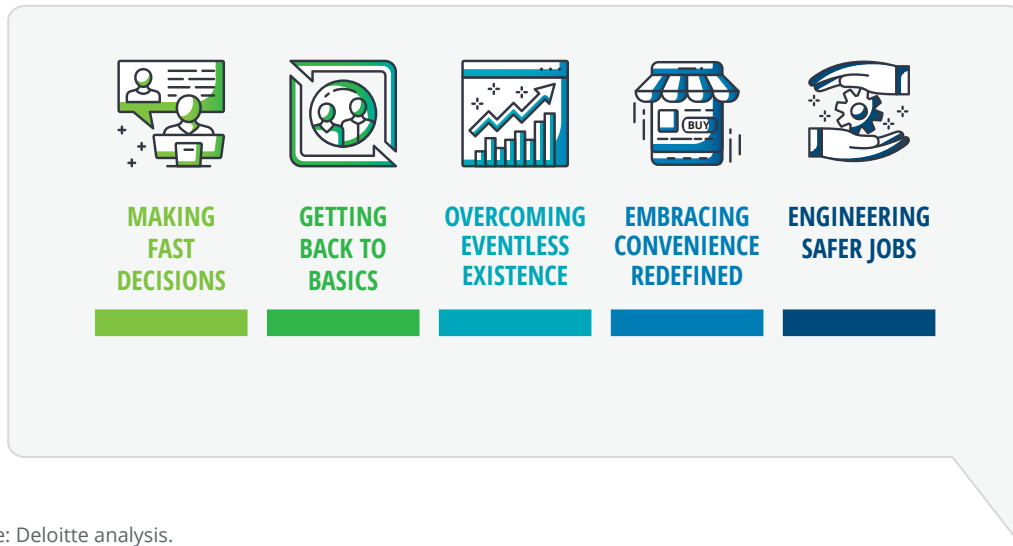
Five major themes emerged (figure 1) that are not only helping in recovery but also preparing the industry for success in the long run.

- Making faster decisions
- Getting back to basics
- Overcoming eventless existence
- Embracing convenience redefined
- Engineering safer jobs

We explain these themes in the voices of these consumer industry executives, using their **own words** whenever possible.

FIGURE 1

## Five ways consumer companies are emerging stronger



Source: Deloitte analysis.

### Making faster decisions



“One night you go to sleep, and the next morning you wake up and you’re in crisis management mode.”

COVID-19 could have created an impenetrable fog of war for decision-makers. **“There’s been lots of issues that we probably couldn’t anticipate. It’s been brutal.”** No one had experienced anything quite like it before and there was no handbook for what to do. Management teams were dispersed and working from home. The analytical tools that have become so important in decision-making were trained on historical trends that no longer applied. For instance, executives were seeing traditional indicators that drive their prediction models, such as GDP or housing starts, point one way when actual sales are headed the other. It was a recipe for decision paralysis.

But that didn’t happen. Instead, people **“are getting their work done. It’s been very efficient.”** To survive the pandemic, organizations

accustomed to highly structured management processes have had to shift on a dime, often overnight. They are **“stepping outside their silos to collaborate and move faster.”** Instead of flying in senior people to meet face to face for important decisions, the formality and calendar logistics are now out of the way. What is happening instead? Now, people jump into a video call, get the same information all at once, decide, set a course, and assign responsibilities for execution. **“For us, the shifts to work from home and using Microsoft Teams for meetings has been, I would say, fairly transformative.”** Operations with more sophisticated workflows put connectivity technologies to use as well. For example, production and design work continued in the automotive industry with expert guidance coming in virtually using augmented reality and remote collaboration tools for things such as **“build events where we’re building up a prototype vehicle.”**

**BEFORE: “Six different committees to get something approved.”**

**NOW: “You see the people [on video calls]. Quicker decisions.”**

Executives are relying on their judgment and instincts more than normal. They're listening to on-the-ground insights from their local and regional leaders. ***"We're actually connecting far, far more with people."*** They are also embracing an outside-in approach to find new sources of external data to make their analytics models more robust. This change in decision-making is transformative and one executive says he hopes it will last: ***"I think that's a good thing. I think the amount of connectivity we have and the dialogue that's taking place is good."*** Of course, the need for governance, transparency, and accountability in decision-making will persist as well.

## Getting back to basics



"You need to focus on some of the basic things."

To manage profitability and ensure availability, companies are narrowing their focus. They are ***"... getting rid of certain items that are just not driving the profitability. And we're quicker to make decisions there."*** For manufacturers, concentrating on the core means longer and more efficient production runs of fewer items. ***"I'm going to just knock out two of three pack sizes and just go with the one."*** For retailers, it is helping keep the most important items in stock.

***"Maybe all of these things that you're doing are not really that important. Maybe let's just focus on five out of the 15 items."***

Manufacturers and retailers were already interested in rationalizing SKUs but now, they say,

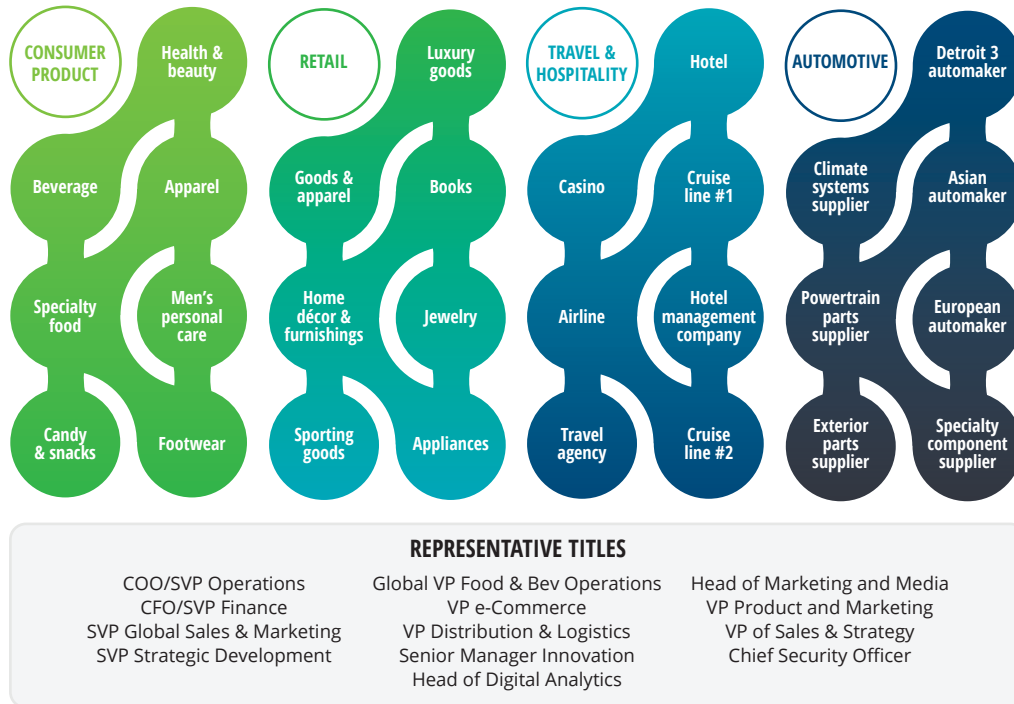
consumers are on board as well. Shoppers are ***"pantry-loading"*** often with, as one beverage executive puts it, ***"the simple pleasures, the simple luxuries."*** Consumers are not seeking variety. Executives report that staples and trusted brands are flying off shelves, while smaller and less-proven brands are being sidelined. A consumer product executive from a convenient meals firm said, ***"The branded stuff is growing faster than the small brands."*** Some of the shift is practical—someone working from home is still buying nightly face cream but has no need for on-the-town makeup. Or consider hospitality where midscale and budget-level accommodations are leading the recovery from an occupancy perspective.<sup>2</sup> Part of the trend is likely a product of consumer economic bifurcation. ***"Brands with lower prices are performing much better than higher-price-point items."*** A clothing retailer notes, ***"We know that our outlet brand [is] growing out of the park. Some of [our] higher end is having a much harder time."***

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But is there a longer-run catch to this core-only approach? At least for some sectors, product innovation is on the back burner. One health and beauty executive said, ***"It impacted our new product innovation launches,"*** and another from a snacks company noted, ***"It's affecting our innovation for the next year."*** When any kind of normal arrives, new or otherwise, will companies regret disinvestment in product innovation?

FIGURE 2

## Executives from diverse industries and businesses contributed to this study



Source: Deloitte analysis.

## Overcoming eventless existence



“... We’re doing a lot [of] digital marketing and forming different partnerships with a lot of different organizations that we otherwise would not have [done before].”

In consumer-facing industries, events have traditionally been centerpieces of major marketing campaigns, including for new product launches. With many events canceled, executives report having to shelve marketing campaigns built around them. How companies are reacting to this situation differs. Some executives say the best move is to **“hold onto the money until sports and concerts start up again.”** But most others are further expanding into digital. **“Focused efforts**

**by companies on digital marketing and e-commerce over the past few months have helped them survive, or even thrive.”** Some find this change refreshing. **“The online stuff is exciting,”** says a consumer products executive. **“It is almost like a new retailer, you have to create deals and use different search capabilities and offerings, just to make sure that you have the right assortment.”** Note, this scale of digital marketing is still new to many of these companies. **“We have to learn how to market there a bit better.”** One lesson in particular—how to make digital marketing work without overdoing it. **“We don’t have to hit customers with 10 emails a week.”**

**“We had all these things planned with the NBA, and the NFL, and March Madness that we’ve completely shelved.”**

The situation is more dire for companies where the in-person events themselves are a big demand driver. For the travel and hospitality industry, **“A convention or a big festival. All those were money makers, college graduations, etc. Right? Those have all been canceled for the most part at this point.”** To avoid **“going dark,”** they are trying to keep a conversation going with the consumer in several ways, including creating web videos to **“bring the cruise onboard experience into people’s homes.”**

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The automotive industry has had its own struggles without major trade shows taking place in-person. **“Canceled marketing events are going to hurt the new product development process.”**

## Embracing convenience redefined



“Everybody wants everything brought to them.”

Convenience for consumers has traditionally been about saving time and hassle. With the pandemic, that is changing. Consider that over half of consumers in a recent Deloitte study say they feel stressed shopping at the grocery store. Additionally, one in four says that items they intended to purchase are often or always out of stock.<sup>3</sup> Convenience in the age of COVID-19 has become more about safety and availability.

Consumer industry executives say they are responding to this change. They are, of course, investing in safety for the in-store context (e.g., plexiglass shields, spacing, outdoor seating, cleaning supplies to clean your own hotel room, etc.). The automotive industry is trying models where **“the dealers bring you the car”** to help avoid virus exposure. Retailers, including grocery stores, are offering “click and collect” options to avoid having to step inside. The staggering growth in revenue attributed to these options attests to their success.<sup>4</sup> **“When consumers know they can go on the app, order it, and then pull up, and have it delivered to their car. That convenience piece has definitely shifted.”**

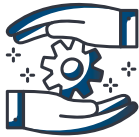
**“There are consumers that have changed the way they shop. For example, curbside pickup or buying online, shifting from a retail presence.”**

In addition to safety, omnichannel availability is likely to be of value to customers over the long-haul. One retailer says, **“There are opportunities on the web side to integrate with the stores for omnichannel. So curbside pickup, buy online, pick-up in store. We’re [also] launching shipping from store.”** Manufacturers and brands are playing their own role in increasing access.

**“We’ve actually seen a lot of growth in our DTC channels. In our direct to consumer or e-commerce channels. Which has offset any of the reduced sales in our mass retail channel.”** Those companies that were prepared are doing well. **“Our e-commerce business is up. You start talking about silly numbers. Depending on the week, we’re up 350%, 600%.”** Those who have been slow to invest previously have new urgency. **“It really put a fire under us to get those technologies in place.”**

In the case of automotive, one executive sees these same shifts taking the industry in a direction it needed to head anyway. ***“One is online purchasing for sure. The other one is a negotiation free selling, which is a real stigma in my industry. And then the third one is the ability for a consumer to complete the process online, which is impossible today. And all of those will be accelerated.”***

## Engineering safer jobs



“Well, could we potentially, in a weird way, help employee safety by automating?”

Employers moved quickly to ensure employee safety--deploying a combination of protective safety equipment and rigorous safety protocols. ***“We went through every single job in the company.”***—tightening processes, eliminating unnecessary touchpoints, and, where possible, simplifying jobs. In travel and hospitality, they implemented ***“new protocols for entering places of work, along with training and education ...”*** A consumer product manufacturer said, ***“I think the main thing we’re trying to do is our safety measures at the plants. I mean, that’s the biggest thing for us.”*** For an automotive company, a sense of responsibility for keeping workers safe extended throughout their entire supply chain. ***“From parts suppliers around the world that keep our plants running to the actual plant workers. We have a responsibility to our dealer network to make sure they’re healthy and can remain healthy when it comes back to whatever the new normal is going to be.”*** And there are further examples of taking care of employees where they are struggling most. ***“... We take care of our people and we try to keep them somewhat whole during this whole process, financially ...”*** But there is a cost

associated with these measures. ***“You have to pay for those things. [For] many of them, like employee masks and/or gloves, there’s no option.”***

***“Right now, we’re just trying to focus on doing the best we can to make our facility as clean and as safe for our associates that we have here.”***

For certain employees, staying safe by working from home is likely the most significant change. And it is not ending anytime soon. As one retail executive puts it, ***“We’re not opening our offices. We’re not requiring anyone to come in until 2021. And quite honestly, that’s a moving target.”*** They say, ***“Work from home allows us to be more flexible, more nimble.”***

An automotive executive added more specifics. ***“We’ve noticed that about 30% of our workforce get work [done] as effectively and efficiently from home [as at] the office. As a result, I think you’ll see a lot of people transition, a lot of businesses transitioning to working from home. I think they’ll save some costs eventually, they’ll save time, and they’ll be more efficient.”***

Work from home is not without its problems. As one apparel executive relates, ***“It’s very challenging for my role to get in and work on our new items, because we’re not allowing people beyond production to get into the plants.”*** Or, when the time comes, there is the potential difficulty in convincing employees it is safe to come back. ***“One of our challenges right now is really attracting and getting labor back into the facility.”***

Executives are discussing automation in the name of safety, not just efficiency. If one way to improve safety is to reduce employee-to-employee contact, then some companies see having fewer employees as a means to accomplish that goal. An executive

summarized the safety problem, ***“You have 20 people involved in this process that need to touch or be in close quarters in a manufacturing facility.”*** With COVID-19, companies are already looking at ***“all kinds of different automation efforts”*** and other ways to get by with fewer employees. ***“I think that the new efficiency model is going to be businesses will learn to operate with fewer staff members and will not call back all staff members.”*** The long-term effect would be unmistakable—safer but fewer jobs.

## A matter of perspectives

Interviewing executives across four consumer business sectors added a vital industry perspective to an ongoing examination of how the consumer is responding to the pandemic. In the process, we surfaced an area of potential disconnect between their two views.

For the consumer, the COVID-19 pandemic is first and foremost a health crisis. Our own survey<sup>5</sup> shows that, while consumers are worried about their financial well-being, they are even more concerned with their physical safety. They have essentially told us that, until their safety and well-being are assured, they will be reluctant to return to the normal activities of daily living—which obviously affects consumer spending.

The executives interviewed might be underestimating consumer health priorities. A majority emphasized consumer pocketbook issues. They see consumers trading down to save, buying in bulk, and limiting their purchases of unfamiliar brands. The resulting strategies are a mix—offering value and safety at the same time. Perhaps businesses are focused on things they can better control. Or perhaps they are looking ahead to where the

consumer will be if a vaccine is made available quickly or if the financial crisis gets even worse. The point is that businesses should recognize this disconnect. They should certainly do all in their power to keep the consumer safe but also plan their forecast and strategies with the knowledge that consumers will likely, at least in part, stay on the sidelines until the virus is fully controlled.

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### The road ahead

Based on the five trends we identified through the experiences of the executives interviewed, the businesses that will do best through this period of recovery and move on to a state of thriving are more likely to be those that are:

- **Thinking fast and acting fast:** Continue to use technology and take advantage of the silo-breaking freedom of being away from the office to make fast decisions. But take steps to ensure proper governance and accountability are still being maintained.
- **Seeing in the dark by looking outside-in:** Find external sources of predictive data to reality check potential phantom trends in your own data and add resiliency to your analytic models.
- **Getting back to basics for a stronger foundation:** Narrow the focus to the most important core offerings to help ensure



availability and profitability as well as better meet the current preferences of consumers. At the same time, prepare for the future by maintaining some level of product innovation.

- **Dialing up digital:** Build the omnichannel experience and safe access that customers are seeking, which can also help companies to successfully pivot back and forth using different

channels as demand warrants. This can also decrease dependence on major events and create new ways to engage with consumers.

- **Engineering wellness:** Remake jobs and work processes to be safer for employees and consider where automation can increase safety as well as efficiency.

## Endnotes

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