

SAP HELPS

Helping **Consumer Products** companies
react to the covid-19 crisis

April 2020

THE BEST RUN





“For all of us at SAP, our vision to help the world run better and improve people’s lives has never been more important than in this current moment. We remain focused on our people, our customers, and our communities. Together, we will persevere.”

Christian Klein
CEO SAP SE

Not only is COVID-19 impacting employees, demand and supply, it may also reshape longer-term consumer preferences

Large differences in impact

Consumer companies are being deeply affected by the COVID-19 crisis, but the impact on their business and operations varies depending on the product line and customer segment being served.

Food

One of the first visible signs of the crisis was the sight of queues developing in front of grocery stores as consumers sought to stockpile items such as food and sanitary products. This demand spurt cascaded to food processors who needed to quickly ramp up deliveries and production. But at the same time, companies also needed to adjust ways of working and curtail contact in factories and distribution centres to minimize employee transmission risk. And they needed to activate contingency plans to ensure continuity, both of supply and workforce. As the public finish their build up of safety stocks, demand will inevitably revert to the mean. However if lockdowns are successively loosened and then reapplied, supply chains will remain volatile and prone to bull-whip effects. Equally challenging for companies may be maintaining reliable supplies as the lockdown limits agricultural activity, such as the harvesting or transportation of certain fruits and vegetables, and companies are forced to seek alternative sources or ingredients in other markets.

Beverage

The introduction of social distancing and lockdowns has had a huge impact on beverage companies. With restaurants and bars shutdown overnight, higher margin, on-trade, demand has fallen sharply. Beverage companies also needed to rapidly reconfigure their supply chains to handle this extreme shift in demand. The longer term viability of some of their on-trade customers is also in question: bars and restaurants are not typically well capitalized and, despite government support schemes,

many may not be able to withstand a longer disruption. Prolonged social distancing measures may engrain consumption patterns, with the risk of permanent shifts of volumes to supermarkets resulting in a structural decline in margins.

Beauty & Personal Care

For personal care companies the impact is quite mixed – depending on the sub-sector. As toilet paper became a visible symbol of consumer panic, manufacturers of hygiene and sanitary products have, like food processors, also faced a demand spurt and also had to embed new operational procedures and contingency plans to keep factories going.

The continued focus on handwashing has pumped up demand for hand sanitizers, soap and complementary products such as hand cream. Companies producing pain relief products or health supplements have also benefited. As these personal hygiene habits and raised health awareness will likely persist, this demand is unlikely to abate soon and indeed may well lead to product premiumization.

Many observers also see the crisis as a catalyst for increased consumer awareness on aspects such as product origins, ingredient and manufacturing safety and transparency. Brands will likely face increased pressure to convey safety, longevity and efficacy.

To avoid distrust, companies will need to carefully monitor changes in consumer sentiment and educate consumers on the steps they are taking to meet these changes.

Although different consumer products companies and sectors are being affected in different ways, it's clear that, at least in the short-term, companies need to address employees, customers and supply chains.

“It's going to take action from everyone in society to overcome this challenge, and we are ready to play our part and fight this together.”
Alan Jope, CEO Unilever

Help with employee welfare, engagement and readiness

Employees are impacted

In many consumer companies, the crisis has split employees into two distinct groups – those who are needed on-site in factories and distributions centers to ensure vital production continues, and those in functions such as sales, planning and administration, which to a greater or lesser extent, can be performed remotely.

Both groups are impacted. With schools closed and vulnerable people asked to 'self-isolate', many employees face an extra care burden on top of their daily work and need to balance both. Those employees who continue to work onsite are concerned about safe working conditions being maintained. They can be challenged by increased workload, as they need to deal with changed production flow, are supported by fewer colleagues or need to perform new and often unfamiliar tasks.

Employees who now need to balance work life and home life, may feel isolated from their colleagues and be required to complete tasks remotely that would be far more effectively done in a face-to-face setting. Many may be or feel underutilized. Finally employees may be anxious regarding the long term impact of the crisis on their employer's viability or on their own employment security.

How companies can respond

To maintain morale and effectiveness, it is important that companies actively engage with their workforces for regular feedback – both on individual welfare as well on how they are practically adapting to remote working. Companies can then adapt their communication and responses to the real concerns of their workforce rather based on hunches or limited visibility.

Companies can also use any free capacity to up and re-skill employees. In normal times, this is often an area that gets too little attention. Not only will such measures recoup part of the productivity loss, but it may imbue employees with a sense of purpose and lift morale. And as a visible consequence of the crisis is the acceleration of digital transformation, companies should seek to prepare for this next phase.

Companies who must cope with demand spikes or absences through illness will need processes and systems to be able to efficiently recruit and onboard contingent labor or locate workers with specific expertise that is in high demand.

SAP Helps Care for Employees



Monitor Employee Wellbeing

[Remote Work Pulse](#)* is a free and automated feedback solution from SAP Qualtrics, the leader in experience management. It gives you the insights you need to keep teams informed and focused.



Help Employees Cope

Access free ready-to-watch video-based courses from [SAP Litmos Training Content](#)* library until the end of June 2020 to help teams and leaders find ways to cope with unexpected environment changes and work effectively, no matter where they are.



Enable Employees to Prepare Their Future

Access free, from any device the award-winning [open SAP](#)* platform that provides Massive Open Online Courses to anyone interested in learning about leading technologies, the latest innovations, and the digital economy.

*For an overview of the latest offers and expiry dates, please visit www.sap.com/covid-19

Help with consumer experience, loyalty and market shifts

Consumer experience and trust

The disruption brought by COVID-19 is a testing time for consumer products companies to retain the trust and loyalty of their consumers. Companies need to go the extra yard to live up to the brand promises made in 'normal' times to serve consumers – including those who may be less active and profitable than in normal times.

How companies can respond

Anticipate consumer needs will change in unforeseen ways

Every brand has a unique relationship with their consumers, and each week spent in a new “normal” will see consumers engage most with the brands that are truly listening.

As behaviours accelerate to digital channels, the ability to listen, understand, and act in real time is now a key competitive advantage.

Companies should leverage experience management tools that ensure data are collected in a compliant manner, consumers are not being approached for data already collected and the insights can be easily actioned.

Foresee acceleration in online buying due to social distancing practices

The current climate has tested all the seams of the omni-channel experience. The ability to provide a truly unified consumer experience across retail partners, marketplaces, and direct to consumer channels has become critical. As consumers shift more spend to online channels, Brands must find new ways to engage and transact with consumers directly to protect margins and grow the top line.

SAP Helps Care for Consumers



Use the free pre-built COVID-19 [Brand Trust Pulse*](#) to understand rapidly evolving consumer sentiment and benchmark your brand against the most important drivers of trust. Prioritise actions that build trust during the COVID-19 crisis and beyond.



SAP can help companies secure the scalability and continuity of online commerce by redeploying to cloud which generally helps to reduce Total Cost of Ownership and can potentially be done in weeks. Within 10 days, an SAP CX expert can [future-proof your e-Commerce platform](#). Actual scope of services will depend on each customer situation.

*For an overview of the latest offers and expiry dates, please visit www.sap.com/covid-19

Help address supply chain volatility and improve resilience

Demand volatility & supply chain disruptions

Demand volatility has created intense stress for consumer products companies. Stockpiling by customers in some areas has led to sudden spikes in demand and stock-out situations. In other areas, demand has either fallen significantly due to lockdowns or buyers' strikes, or moved to online retailers and channels.

Demand-side volatility is also being made worse on the supply side by a combination of limited raw material availability, reduced manufacturing capacity and disruption of shipping to major markets. Retailers or wholesalers may then either start over-ordering or cancelling orders – which likely amplifies the effect upstream through the bullwhip effect. In some cases, existing inventories may cushion in the short term, but ultimately the supply and demand imbalance will need to be managed.

Trade management discussions, which typically comprise the majority of key account manager and retail buyer conversations, are likely to give way to basic, survival-mode supply concerns.

How companies can respond

With the crisis and the ensuing volatility expected to last for months, consumer products companies need to address short term continuity while also taking measures to increase supply chain resilience.

To secure continuity, companies should engage with upstream partners to understand their supply chain and workforce disruptions so as to anticipate and take action to alleviate or mitigate. Companies may also need to seek alternative sources of supply to eliminate bottlenecks and improve the reliability of supply.

Companies should also increase their focus on structurally improving resilience. They need networks that exchange demand, inventory, manufacturing information with supply chain partners and tools to give them quick visibility into supply chain issues, support rapid impact analysis, and help orchestrate responses.

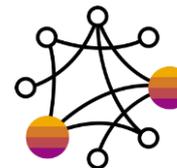
To ensure demand fulfilment, companies need to be able to access and leverage joint capacity, including third-party on-demand logistics providers or flexible, less-than-truckload distribution options. Agility with logistics must become the norm, and companies will need to rapidly be able to move inventory around their own network or out of customer warehouses if needed elsewhere.

SAP Helps Supply Chain Continuity



Anticipate and Mitigate Issues

Helps organizations understand how the COVID-19 situation and associated supply chain disruptions are affecting their suppliers. Free access to [Supply Chain Pulse](#)*



Connect Buyers and Sellers

Post your sourcing needs and get quick answers from suppliers who can deliver. Free access to [SAP Ariba Discovery](#)* on the largest global supplier network for immediate use.



Gain Visibility across the Supply Network

[SAP Supply Chain Planning as a Service](#)* is available 90 days for Free.

With this offer, our partners can help customers leverage cloud to quickly load critical data and provide instant visibility to how demand is matched across a supply network.

*For an overview of the latest offers and expiry dates, please visit www.sap.com/covid-19

WANT MORE INFORMATION?

Please click on the link below if you would like more information on practical help from SAP to tackle the Covid-19 crisis

[Click here](#)

ANY QUESTIONS?

For questions related to this document please contact your SAP representative or industryvalueadvisory@sap.com

www.sap.com/contactsap

© 2020 SAP SE or an SAP affiliate company. All rights reserved. (06/2020)

No part of this publication may be reproduced or transmitted in any form or for any purpose without the express permission of SAP SE or an SAP affiliate company.

The information contained herein may be changed without prior notice. Some software products marketed by SAP SE and its distributors contain proprietary software components of other software vendors. National product specifications may vary.

These materials are provided by SAP SE or an SAP affiliate company for informational purposes only, without representation or warranty of any kind, and SAP or its affiliated companies shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP or SAP affiliate company products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.

In particular, SAP SE or its affiliated companies have no obligation to pursue any course of business outlined in this document or any related presentation, or to develop or release any functionality mentioned therein. This document, or any related presentation, and SAP SE's or its affiliated companies' strategy and possible future developments, products, and/or platform directions and functionality are all subject to change and may be changed by SAP SE or its affiliated companies at any time for any reason without notice. The information in this document is not a commitment, promise, or legal obligation to deliver any material, code, or functionality. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. Readers are cautioned not to place undue reliance on these forward-looking statements, and they should not be relied upon in making purchasing decisions.

SAP and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP SE (or an SAP affiliate company) in Germany and other countries. All other product and service names mentioned are the trademarks of their respective companies.

See <http://www.sap.com/corporate-en/legal/copyright/index.epx> for additional trademark information and notices.

THE BEST RUN

