



A&M SERVICES

A&M CUSTOMER DEMAND SCENARIO PLANNING

WHAT IS YOUR CUSTOMER DEMAND LANDSCAPE GOING TO
LOOK LIKE POST-COVID?

Re-assessing the 'new' future

COVID-19 has changed the world as we know it, with irreversible impacts on businesses and the economy. The immediate reaction to maintain profitability through the crisis has been cost-focused – stop discretionary spending, ramp down production and services, temporarily reduce labour force until markets begin to emerge from lockdown.

But focusing on cost conservation means missing the opportunity to leverage the crisis for a commercial reset. Before reaching for the scissors, it is imperative to take a step back and assess what your top-line scenario may look like in a post-COVID world.

This is where A&M's customised Customer Demand Scenario Planning comes in. Previous budgets and financial analyses will not be accurate going forward because the landscape on which these forecasts were based has shifted. As a result, companies will need to take a fresh look at how customers may behave, which product and service offerings will be most affected, and what that means in terms of allocating resources, adjusting supply chains, and conserving cash.

Econometric forecasts are a useful beginning as they provide a general flavour for the potential shape of market decline and recovery, but most companies will need a more customised view of their potential customer demand and competitive position post-COVID.

A&M's Commercial Operations team have been working with our clients to prepare them for the re-emergence from lockdown. With our Customer Demand Scenarios approach, we have helped clients map their likely customer demand, understand their competitive landscape, and focus on the reset of levers that place them in a more advantaged position as markets re-emerge.



Why Is Customer Demand Scenario Planning crucial to post-COVID planning?

Customised Customer Demand Scenarios are a critical first step for any crisis and post-crisis planning to provide visibility into potential future revenue streams and the best paths to profitability.

To preserve cash and long-term solvency, many companies are feverishly working through their cost base to identify where to eliminate expense, either temporarily or permanently.

But the map to manufacturing and supply chain efficiency improvement, doing more with less general and administrative expenses, reduction in the product portfolio, or commercial team restructuring cannot be created without an accurate picture of the customer demand and competitors' potential reactions to changes in the market.

Customer Demand Scenario Planning should be the first step to any post-COVID transformation



Through Customer Demand Scenario Planning, A&M has provided our clients with important answers to crucial questions that are a precursor to re-emerging from the COVID lockdown period in a strengthened competitive position.

These questions include:

- How will the number of customers change – will you have more or fewer customers than before?
- What will be the purchase demand for different segments of your customer base – are they going to buy less or more?
- Will the mix of products and services customers purchase change – will they trade down to cheaper alternatives or stop buying particular ranges of products and services?

- How will customer purchasing behaviours be altered – will they buy your products or services through different channels, will e-commerce and/or digitally-enabled sales be a temporary phenomenon or a permanent one? Is it possible that parts, or all, of some channels, will close indefinitely?
- What will be the regional impacts – how will your customers by region be affected differently, both behaviourally and potentially due to changes in regulations?

The outputs from the above are inter-related, complex, and will trickle down to the bottom line. Re-assessing your top-line potential through Customer Demand Scenario Planning will reduce company risk as performance improvement, operating model and M&A post-COVID recovery initiatives are undertaken.

A&M's approach to Customer Demand Scenario Planning – more than just a model

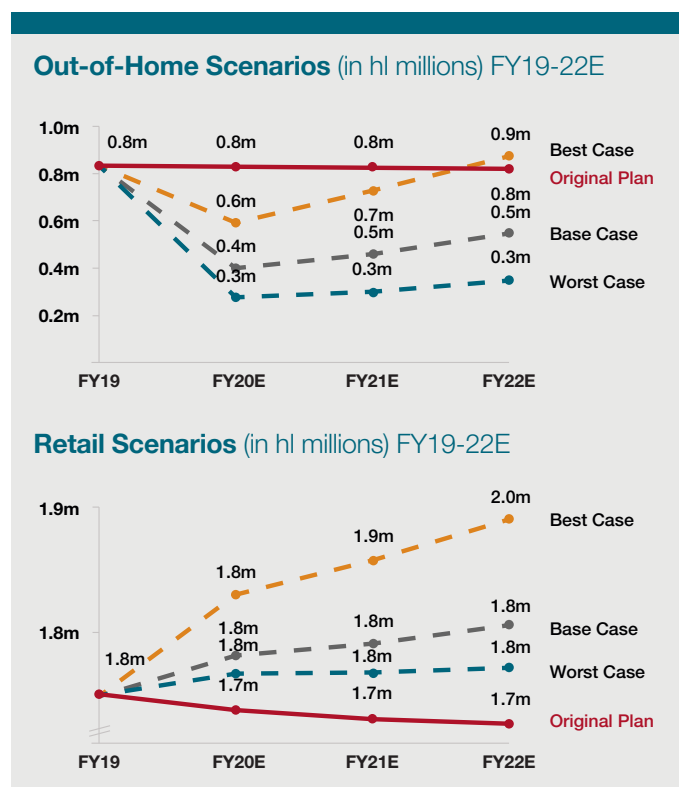
A&M's Customer Demand Scenario Planning provides a tailored customer demand landscape for our clients, including an up-to-date market and sales forecast, and anticipated opportunities to 'reset' the organisation to maintain, and even win, market share after the lockdown.

Our approach is customised for each client, providing a detailed picture of:

- The likely state of the client's market – recovery prospects, channels impact, demand trajectory.
- Competitor strengths, weaknesses to leverage, as well as intelligence regarding their plans for post-COVID re-emergence.
- A range of likely customer demand projections – base, worst, best cases, projections by segment, by channel, by customer.
- A short list of levers that will preserve pre-COVID share and potentially drive growth in an uncertain market.



Client example – Customer demand projections are the first step of scenario planning efforts



Our Customer Demand Scenario Planning goes beyond typical market assessments and forecasts by combining a granular market view and forecast, with real-time intelligence and expertise that may otherwise be inaccessible for clients.

This real-time intelligence goes beyond market models, identifying where competitors may be weak as they prepare to emerge from lockdown, and where our clients have a competitive advantage that can be leveraged as part of a larger plan of transformation.

The result is a company-specific customer demand scenario and commercial attack plan for recovery through to the 'new normal'. This plan will then inform organisational initiatives such as target operating model adjustment, operational rightsizing, portfolio management, carve-out or acquisition potential, amongst others.

Our continuing advice to clients is to combine resource conservation with the opportunity to reset for the future. But the starting point should be a picture of market and customer demand.

Client case study

A European non-alcoholic beverages manufacturer has been facing significant challenges due to the COVID-19 crisis, with channels closed down and product categories in free fall or facing shortages. Marketing budgets had to be slashed, there were fewer customers to serve, and social distancing enforcement disrupted production and supply chain operations.

A&M worked alongside management and the client’s finance team to build a new Customer Demand Scenario, beginning with an updated series of market forecasts, that could guide the company’s COVID recovery plan. We developed multiple scenarios over three time-periods – the lockdown, the recovery and the ‘new normal’, and overlaid these assumptions with a landscape of future consumer sentiment impacts and potential competitive reactions and weaknesses to leverage.

Our efforts highlighted areas of growth and decline that may otherwise have been unpredictable, providing visibility into the required product mix, operating model, pricing and supply adjustments necessary to not just survive COVID, but to emerge from this crisis as a stronger player in the market.

As a result of the scenario planning process, immediate critical changes were identified, and implementation initiated. These initiatives included:

- 1 A plan for portfolio optimisation – discontinuing brands that were facing declining profits or weren’t likely to be resilient through the crisis.
- 2 Operating model design adjustments – to preserve resources in crucial positions and streamline those that may play a less relevant role in the future.
- 3 Re-allocation of brand support resources and surgical reduction in marketing and innovation budgets.
- 4 Efficiency improvements in the supply chain to take account of social distancing measures.
- 5 Rationalisation of SKUs to refocus on those more popular with channels most likely to survive in the short- and medium-term.

As a result, the company was able to respond far more quickly to the crisis than its competitors and establish itself with an action plan to all stakeholders.

Customer Demand Scenario Planning driven adjustments – example

Market & Portfolio Rationalisation

‘Moved the Needle’ for brands that were approaching rationalisation or had high enough exposure to the OOH channel:

Brand	Initial View	Post Scenario-View
Lemon Syrup drink	Reposition	Exit
Sports drink	Potential Exit	Exit Immediately
Premium Cola	Maintain	Exit

Price & Promotion Spend review

Adjusted price pack architecture by channel based on consumer demand; revised zero based commercial investment (trade & ATL/BTL):




A&M: LEADERSHIP. ACTION. RESULTS


A&M has worked with some of the largest European and global organisations to stabilise financial performance, transform operations, catapult growth and accelerate results through decisive action. When traditional improvement activities are not enough, A&M’s restructuring and turnaround heritage brings fact-based, action-oriented leadership to transformation and delivers rapid results.

Our professionals have held both commercial and operational leadership roles and have a proven track record in leading businesses through uncertainty and tough, complex situations. To learn more about our expertise and to understand the full scope of our work in Commercial Operations, please get in touch with one of our key contacts.


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ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to make change and achieve results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services.

With over 4,500 people across four continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, help organisations transform operations, catapult growth and accelerate results through decisive action. Comprised of experienced operators, world-class consultants, former regulators and industry authorities, A&M leverages its restructuring heritage to turn change into a strategic business asset, manage risk and unlock value at every stage of growth.

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