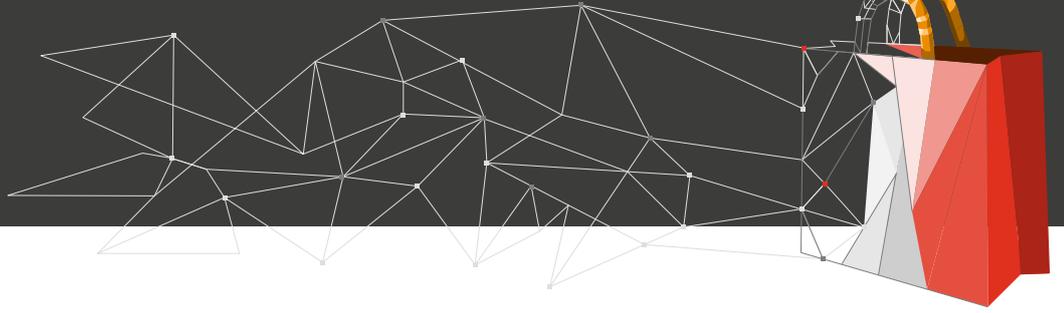
A large, 3D-rendered shopping bag is positioned on the right side of the page. The bag is primarily red and white, with a yellow handle. It is set against a background of a city street at night, with a network of white lines and nodes overlaid on the scene. The bag is the central focus of the graphic design.

# Where next for retail and consumer?

How the retail and consumer industry can  
reboot for a post-COVID-19 Australia

2020



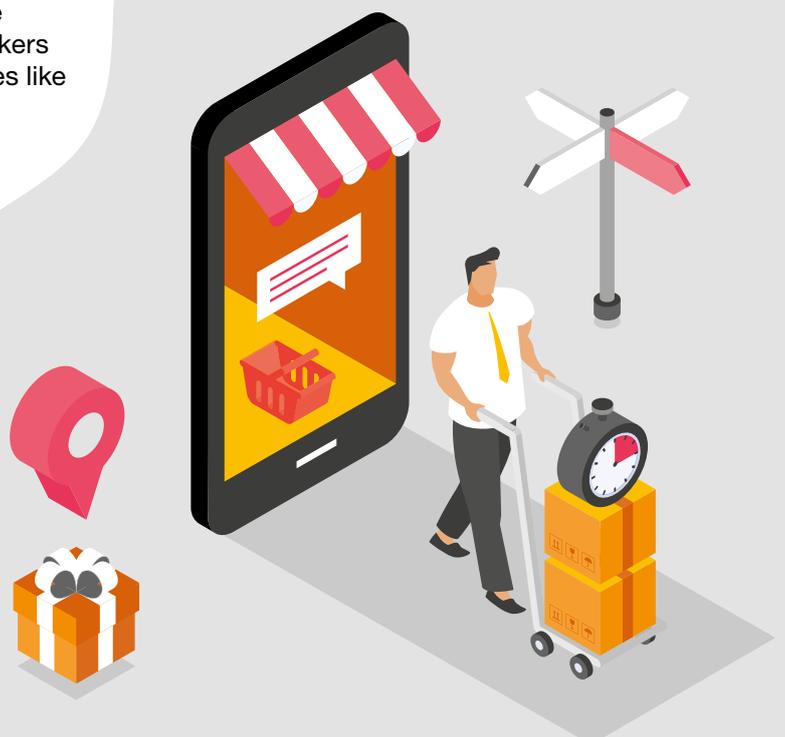
## 01 Overview

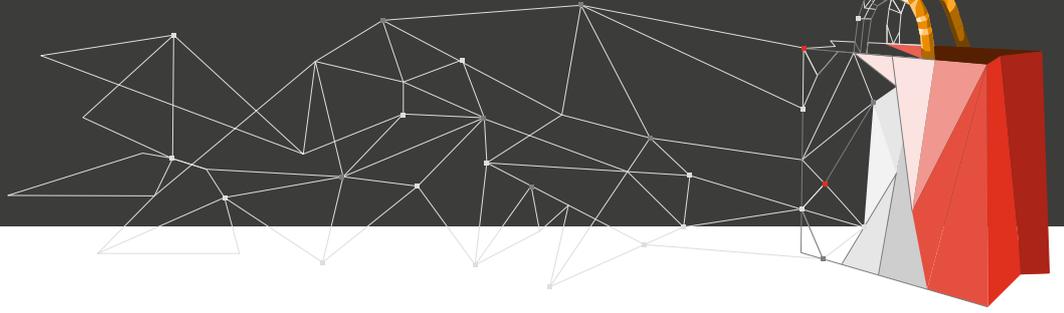
**COVID-19 has and will continue to change the world. The challenge for any government or business is to understand what happens the day after tomorrow. What are the possible exit points from this crisis? And what might those mean for Australia's retail and consumer goods industry? This PwC snapshot offers insights into the serious choices executives need to make to ready and equip their businesses, products and services for a post-COVID-19 Australia.**

Annually, the Australian retail industry represents c. \$300 billion (2019<sup>1</sup>) of consumer spending. Overall, the retail sector contributes with c. \$75 billion gross value added (GVA) (2019<sup>7</sup>) and the consumer goods sector with c. \$40 billions GVA (2019<sup>7</sup>) and provides 15-17% (2019)<sup>2</sup> of Australian jobs. Consequently, state and federal governments are deeply concerned about the health of this industry. Retail and consumer goods will be critical indicators for the health of the Australian economy as a whole.

Few industries are as immediately impacted by a change in household consumption as retail and the consumer goods sector. The COVID-19 lockdown not only affected consumer sentiment but also led to a real reduction in household incomes, resulting in a shift and overall drop in consumer spending. Traditional non-discretionary categories like food and sanitary flourished in a frenzy of panic buying and continued to benefit from restaurant closures. Hitherto assumed discretionary categories like furnishing, electronics, and DIY surged as workers stayed home. And truly discretionary categories like most apparel were hit the hardest.

Three areas were under particular pressure during the lockdown: physical stores, digital infrastructures, and supply chains. Retailers decided to close stores to follow lockdown restrictions, protect their workforces and reduce costs, leading to significant financial impacts for commercial landlords. As consumer spending shifted online some retail websites buckled under a surge of online traffic, laying bare weaknesses in their digital infrastructure. While some retailers benefited from being able to cancel orders before their suppliers in China returned from lockdown, others faced issues with delays along international and national trading routes. The shift to online highlighted further weaknesses in the fulfilment, from warehouse through to parcel services, leading to significant delays.





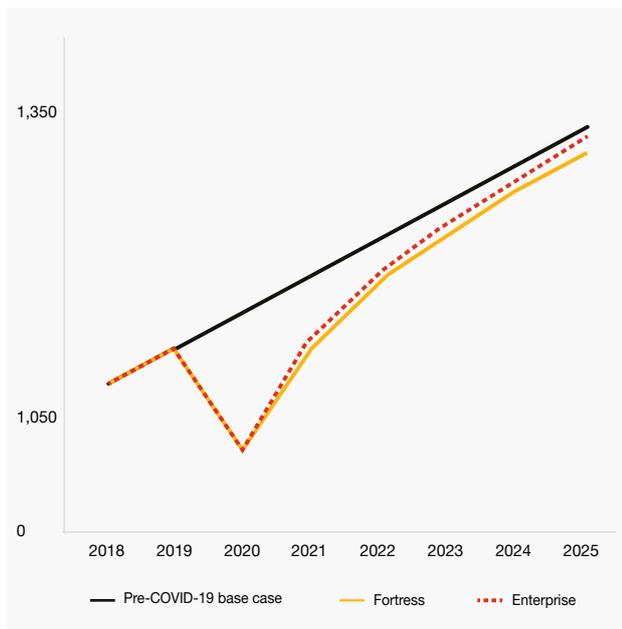
## 02 Household consumption

**PwC expects overall Australian household consumption to take a significant dip of 8-11% in 2020 and only expect to see a recovery to pre-COVID-19 levels towards the beginning of 2022. Australian credit card data for May 2020<sup>3</sup> highlighted a plunge of more than 10% in household consumption and the impact was greatest on specific retail and consumer goods segments. While grocery retailing is up, primarily driven by increased food and beverages retailing, most of the other purchases are down drastically.**

The impact for the industry could have been more severe as consumer spending was significantly reduced by the introduction of JobKeeper (~60% of Australian businesses registered<sup>5</sup>), one-off stimulus payments (expected to be received by 6.5 million people<sup>6</sup>), and the offer for households to defer mortgage payments (taken up by 1 in 10 mortgage holders). If restrictions continue beyond the end of government support programs, PwC expects consumer spending to decline further.

The shape of the recovery of household consumption will depend on many factors. PwC's Australia Rebooted series compares two scenarios: one scenario featuring sustained high levels of government intervention (Fortress Australia) and a another scenario where private industry carries the burden of driving growth as we exit the crisis (Enterprise Australia). PwC's modelling suggests a similar trajectory for both scenarios in the short term and for Enterprise Australia to be superior in the long run, returning Australian consumption to its pre-COVID-19 trajectory by 2025.

**Figure 1**  
Household consumption, by scenario, 2018-2025, \$ billion<sup>4</sup>



**Table 1**  
Credit card expenditure change, spending in the fortnight ending 01 May 2020 compared to 2019<sup>3</sup>

Consumption category	Spending
<b>Food</b>	+5% ▲
Food goods (e.g. grocery stores)	+22% ▲
Food services (e.g. restaurants)	-29% ▼
<b>Alcoholic beverages</b>	-12% ▼
Alcohol goods (e.g. bottle shop)	+25% ▲
Alcohol services (e.g. pubs)	-71% ▼
<b>Apparel</b>	-50% ▼
<b>Personal care</b>	-41% ▼
<b>Household furniture &amp; equipment</b>	+35% ▲

<sup>1,2</sup> Australian Bureau of Statistics 2019

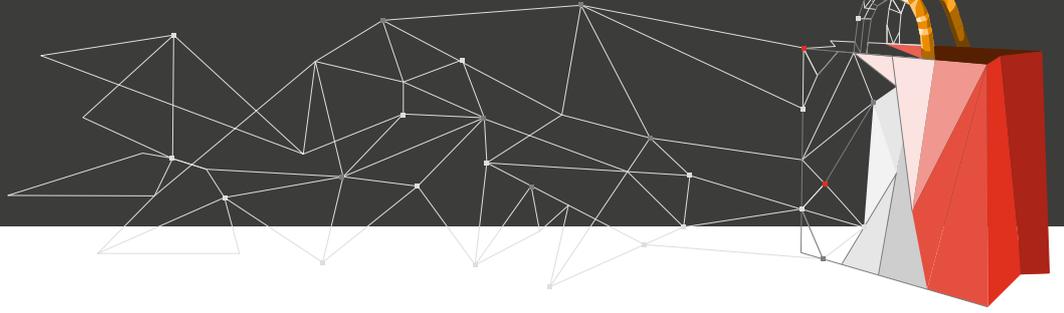
<sup>3</sup> CommBank credit card spending data, 01 May 2020

<sup>4</sup> PwC Analysis 2020

<sup>5</sup> Australian Bureau of Statistics (61% of businesses registered or intended to register for the Job Keeper Payment, as of 28 April 2020)

<sup>6</sup> The Conversation 2020

<sup>7</sup> PwC Analysis

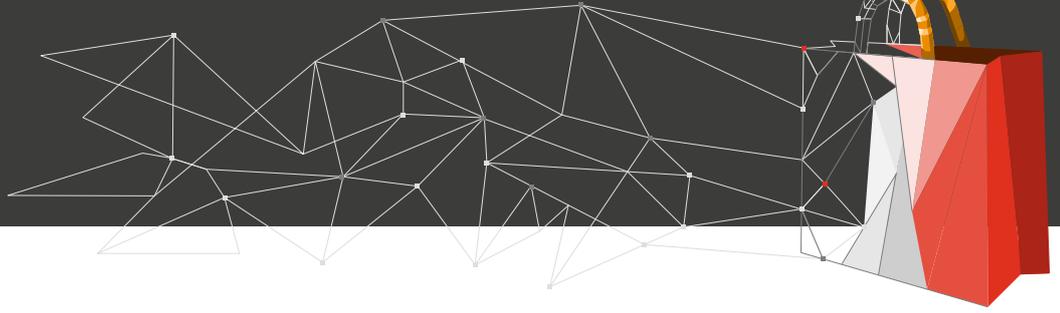


## 03 Forces of change

### Key challenges and implications

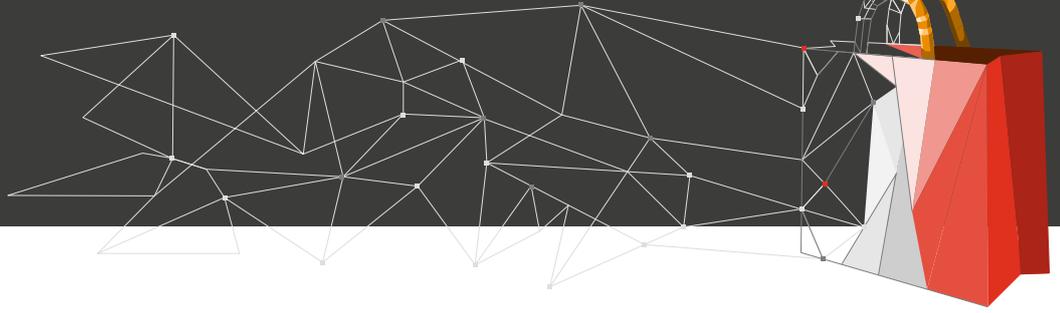
Within this rapidly changing public and private environment, PwC distilled nine forces of change that may shape the post-COVID-19 recovery phase of the Australian economy. These nine forces originated from observations of trends that are emerging in the country and worldwide and on discussions with industry leaders and government experts. The objective was to pinpoint which factors will impact Australia's future most - and to show how decisions made today could shape the economy of tomorrow. For the retail and consumer goods sector, three additional factors were identified that may also shape the industry.

Forces	Key implications	Core challenges
 <p><b>Government involvement</b></p>	<p>In the height of lockdown, government refrained from shutting down shopping centres and retail outlets to avoid further harming the sector. Retailers had to decide individually whether trading was viable and whether team members and shoppers could be sufficiently protected.</p> <p>The national wage subsidy scheme, JobKeeper, likely saved many retailers from immediate collapse.</p> <p>Rent support schemes further eased financial burdens as retail and commercial tenants who qualified for JobKeeper could stop trading and halt rent payments without facing enforcement actions.</p> <p>Most critical regulation going forward will be social distancing rules that will shape the face of Australian retail for the foreseeable future and will also have significant impacts on consumer goods production.</p>	<ul style="list-style-type: none"> <li>• Duration of JobKeeper scheme and lease regulation will determine short-term financial viability of many retailers</li> <li>• Social distancing rules will likely reduce traffic while incurring additional costs</li> </ul>
 <p><b>Debt and capital</b></p>	<p>In recent years, retail debt levels increased amid acquisitions, investments in store refurbishments and online channels. Thin operating margins put retail businesses into immediate distress once traffic and sales drop.</p> <p>Also, consumer goods businesses face relatively high debt levels driven through acquisitions and product investments.</p> <p>Combined with the government's stimulus package, the banks also provided loan deferral and repayment moratoriums out to September 2020. PwC expects to see an increase in business failure when these programs come to an end later this year.</p>	<ul style="list-style-type: none"> <li>• Debt burdens reduce the flexibility for retailers and consumer goods businesses alike</li> </ul>
 <p><b>Consumption behaviour</b></p>	<p>While being upheld in the short term through government intervention, consumption will see a stark drop in 2020 and a slow recovery. Australians will spend less and differently.</p> <p>Hospitality lockdown, working from home, and personal service restrictions will likely benefit food, office supply, and beauty products in the mid- to long-term. True discretionary categories like apparel may not see pre-COVID levels for a while.</p> <p>Consumers will likely become more cost conscious and may seek promotions, shift to cheaper product alternatives or increase their spending in discount retail stores.</p>	<ul style="list-style-type: none"> <li>• Reduction in consumer spending</li> <li>• Shift in consumption categories</li> <li>• Increased price sensitivity</li> </ul>



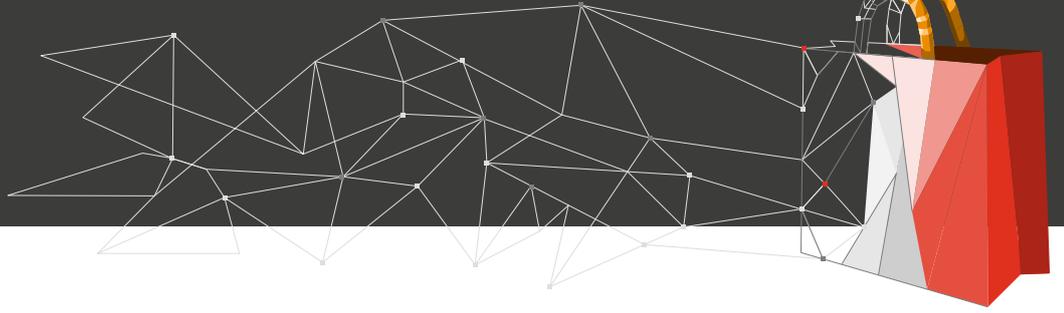
Forces	Key implications	Core challenges
 <p><b>Accelerated digitisation</b></p>	<p>The lockdown led to a surge in online sales. Channel choices are oftentimes habitual and social distancing rules and concerns about personal safety will likely lead to sustained online shopping behaviour.</p> <p>While online retailers welcomed the shift, some multi-channel retailers' online platforms and supply chains buckled under the unexpected demand.</p> <p>As demand shifts to online, consumer goods businesses may need to reconsider pack sizes to provide 'online-ready' products.</p>	<ul style="list-style-type: none"> <li>• Scalable online platforms</li> <li>• Flexible online supply chains</li> <li>• Tailored product offerings/pack sizes</li> </ul>
 <p><b>Disrupted working environment</b></p>	<p>Working from home will play a sustained role for store support centre roles in retail. However, retail operations and manufacturing require physical presence. Both need to ensure adherence to health regulations.</p> <p>Physical retail channels may never look the same with stricter social distancing rules. Store managers will need to regulate the number of customers, the distance between them, and the hygiene of fitting rooms and trolleys. Expected lower levels of foot traffic may make parts of the store footprint unviable.</p> <p>Food production facilities (especially in the meat industry) emerged as potential breeding grounds for COVID-19 clusters. Producing businesses will be challenged to keep staff members safe at all times.</p>	<ul style="list-style-type: none"> <li>• Working from home arrangements for store support teams in retail</li> <li>• Safe working environment with consumer contact</li> <li>• Supply of personal protective equipment</li> <li>• Social distance rules in stores</li> </ul>
 <p><b>Resilient supply chains</b></p>	<p>COVID-19 disrupts supply chains end-to-end, both offline and online. Australian retail relies heavily on imports (e.g. 15% in \$130b food sector, 50% in \$30b apparel). COVID-inflicted disruptions in sourcing countries and along trade routes will affect local availability.</p> <p>During 'panic buying' grocery retailers struggled to fill shelves to meet consumer demand. A combination of supply issues, transport capacity, and regulation around night deliveries had to be overcome to reinstate availability. Retailers will need to invest in more flexible supply chains to sustain future swings in demand.</p> <p>The upsurge in online demand led to significant delays both due to capacity issues in warehouses and in delivery services. Expected higher levels of online trade will require improvements in online supply chains.</p>	<ul style="list-style-type: none"> <li>• Supply guarantee</li> <li>• Store delivery and replenishment</li> <li>• Online supply chain improvements</li> </ul>





Forces	Key implications	Core challenges
 <p><b>Industry consolidation</b></p>	<p>The Australian retail sector was already struggling before COVID-19. 2020 saw the collapse of some iconic Australian retailers. The expected drop in consumer spending (especially in discretionary categories) will put further pressure on the sector.</p> <p>Australian consumer goods businesses saw significant consolidation and international acquisition in recent years. Depending on the performance of the Australian economy and the viability of local business, international consumer goods groups may decide to divest their Australian arms to focus on their core regions.</p>	<ul style="list-style-type: none"> <li>• Increased competition through online businesses</li> <li>• Increased international competition</li> <li>• Increased strategic partnerships</li> </ul>
 <p><b>Tax reform</b></p>	<p>Higher government debt levels may lead to a heightened pressure for additional taxes. Some tax experts are already calling for an increase to GST.</p> <p>Further segment-specific taxes like alcohol excise rates may impact the economics in some industries.</p>	<ul style="list-style-type: none"> <li>• Potential taxation system changes</li> </ul>
 <p><b>Migration</b></p>	<p>Many roles in the sector rely on migrant workers. Furthermore, migration plays an important role in the growth of an otherwise mature retail sector. A short-term drop in migration due to closed borders may lead to both a shortage in talent and slower sector growth.</p> <p>Australia will remain a desirable destination to live and work, with potentially even increased migration levels if the country stays on top of COVID-19. Targeted migration could fill potential skill-gaps in the retail and consumer industry.</p>	<ul style="list-style-type: none"> <li>• Access to migrant workers</li> <li>• Growth outlook</li> </ul>

Additional factors	Key implications	Core challenges
 <p><b>Marketing and communications</b></p>	<p>In times of financial distress businesses look for opportunities to reduce expenditure. Marketing and media budgets can typically be reduced easily to offer immediate financial relief.</p> <p>Experiences from the GFC indicates that crises are not the time to reduce marketing spend. Retailers and consumer goods businesses alike have the opportunity to outpace competition through a continuation of targeted marketing spend.</p>	<ul style="list-style-type: none"> <li>• Reduced marketing budgets</li> </ul>
 <p><b>Reduction in national and international tourism</b></p>	<p>The travel and tourism industry is an important direct and indirect contributor to Australia's economy. A significant share of Australian retail relies on both international and domestic travellers.</p> <p>Australian luxury retail is very much driven by international travellers. While direct and indirect export may compensate for some lost sales, luxury retailers will likely see sustained sales drops.</p>	<ul style="list-style-type: none"> <li>• Loss of consumers and revenue</li> </ul>
 <p><b>Export restrictions</b></p>	<p>Retailers and consumer goods businesses that expanded beyond borders are faced with potential demand issues in their international markets and face border restrictions. Especially for Australian food businesses, export is an important contributor, representing 65% of revenues.</p> <p>Lower migration and international student numbers may impact Australian retailers as the Daigou market may dry up.</p>	<ul style="list-style-type: none"> <li>• Relationships with key trading partners</li> <li>• Competitiveness of the Australian Dollar</li> </ul>



## 04 Scenarios

### Potential implications

**The forces of change could play out in a variety of ways. The future of Australia's economy will ultimately depend on government, business, and community actions. This uncertainty makes life difficult for executives who face serious choices with potentially far-reaching consequences. To inform these tough decisions, PwC has modelled two scenarios that could be envisioned for the Australian economy as the industry emerges from the mobilisation phase of COVID-19. PwC has taken a medium-longer term view to assess the possible impacts of COVID-19.**

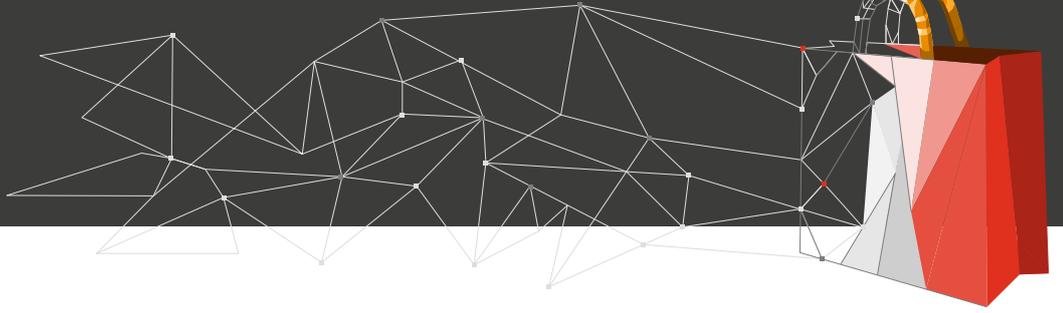
The recovery of the retail and consumer goods sector mainly depends on: (a) consumer incomes and sentiment, (b) global demand for Australian products, (c) Australia's mid-term growth (in a world of slowed migration), and (d) Australia's ability to attract international tourism amid travel restrictions. With the expected prolonged recovery phase, the overall forecast for the industry is bleak.

#### Main implications

PwC estimated the economic implications and the main impacts COVID-19 and different recovery scenarios could have on the industry. The base case represents a move back to pre-COVID regulation and market dynamics. 'Fortress Australia' assumes a continuation of strong government regulation while 'Industrial Australia' puts the recovery in the hands of Australia's enterprises.

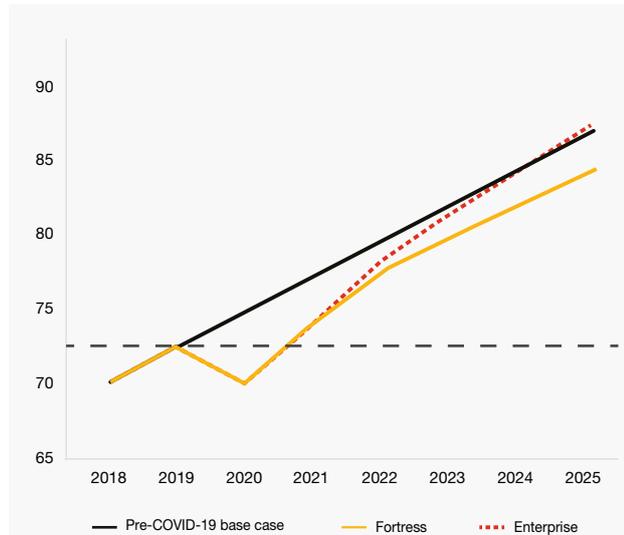
PwC believes that while heavy government involvement was critical in the short term to secure the survival of businesses, a prolonged government involvement in the 'Fortress Australia' scenario will lead to a slower recovery. This is especially driven by government border restrictions for both import and export trade. Enterprise Australia allows more international trade and investment and will see a faster recovery. That said, in both scenarios the retail and consumer goods sector is expected to see prolonged challenges.





## Impact on gross value added (GVA) by scenario and R&C sub-sector, 2020-2025, \$ billions<sup>1</sup>

**Figure 2**  
Retail sector GVA by scenario, 2018-2025, \$ 19-20 billion



### Fortress Australia

#### Description

Characterised by insular decision-making and high levels of government intervention in industry.

#### Main impacts

**Government regulations** targeted towards protecting the retail sector and consumer goods producing industries (e.g. high levels of protectionism on imports and exports)

**Continued closure/limitation of international borders** resulting in a significant reduction in tourism and consequently retail spend

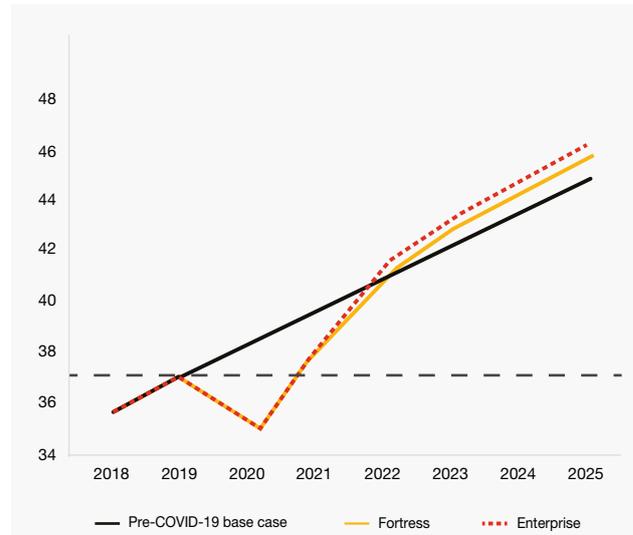
#### Retail sector:

- No mid-term recovery to pre-COVID levels expected
- Collapse of foreign retailing due to significant reduction in tourism and migration
- Increased consolidation in retail landscape due to financial hardships of traditional retailers, though increased regionalisation with niche opportunities around local grocery and consumer goods supply

#### Consumer goods sector:

- Recovery to pre-COVID levels in 2022
- Sector recovery driven by increased competitiveness of domestically manufactured consumer goods (e.g. textile, clothing, footwear) due to import protectionism

**Figure 3**  
Consumer goods sector GVA by scenario, 2018-2025, \$ 19-20 billion



### Enterprise Australia

#### Description

Where private industry carries the burden of driving growth out of the crisis and governments tighten their purse strings.

#### Main impacts

**Government regulations** eased on a large scale

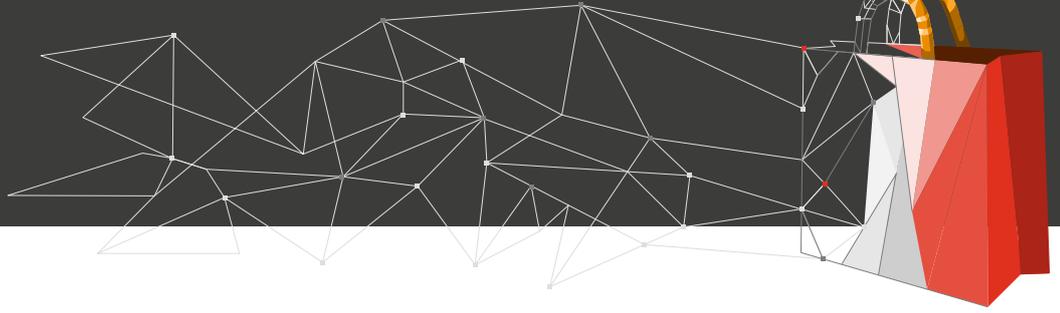
**Increased foreign direct investments (FDIs)** including potential foreign takeovers of undervalued retail and consumer goods businesses, seeking consolidation on a global level

#### Retail sector:

- Recovery to pre-COVID levels in 2024
- Fast opening of international borders and little protectionism drive foreign retailing as well as increased international online retailing demand
- Domestic retail predominantly driven by increased grocery retailing (shifted consumer behaviour, initiated through lockdown period)

#### Consumer goods sector:

- Recovery past pre-COVID expectations around early 2022
- Strong growth driven by eased export regulations, bolstering international exports of domestically manufactured food products (Australia to become the "food bowl" for entire South-East Asia)

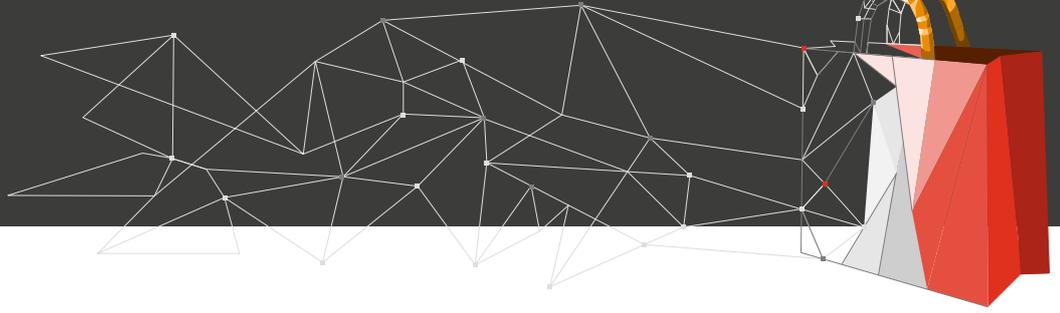


## Retail sub-sector impact expectations<sup>1</sup>

While recovery paths will differ across retail and consumer goods businesses, PwC expects significant differences between retail categories. Overarchingly, PwC anticipates four different category trajectories. Certain non-discretionary categories like food and health will likely benefit sustainably as restrictions on hospitality and working from home sustain and the lockdown has shaped cooking at home habits. Categories like office, furniture, and electronics, that were critical to support working from home, will benefit from a short-term spike, but likely return to pre-COVID-19 levels in the mid-term.

Recover Path by Categories	Expected recovery path	Relevant segments	Drivers	Relevance of pricing	Relevance of recovery scenario (Fortress vs Enterprise Australia)
	Continue on new heights ▲▲	Non-discretionary (e.g. food, health, sanitary)	Longer-term demand increase due to sustained hospitality restrictions and working from home	<b>Medium</b> - Discount stores will likely see a spike; full assortment grocery will likely see a move to cheaper alternative products	No difference
	Short-term growth spike ▲	Short-term non-discretionary (e.g. office, furniture, DIY, electronics)	Short- to mid-term growth spike expected due to sustained working from home	<b>Low</b> - While consumers may be increasingly seeking bargains, PwC is not expecting a down trading in these categories	No difference
	Rebound post lockdown ■	Short-term discretionary (e.g. beauty)	During lockdown plunge with fast to rebound expectations due to increased personal care/ beauty focus	<b>Medium</b> - Smart pricing importance to tap on 'sweet price spot' balancing increased willingness to spend on personal care vs. lower average disposable income	No difference
	Prolonged impact with slow recovery ▼	Long-term discretionary (e.g. apparel)	Reduced apparel consumption likely to be continued mid-term with shift in customer awareness towards 'true' sustainability and more conscious apparel spending	<b>High</b> - Consumers will likely seek more value for true discretionary categories (increased sustainability focus on apparel consumers' agenda)	Possible advantage of Fortress Australia, driving increasing competitiveness of retailers with domestic products due to import protectionism



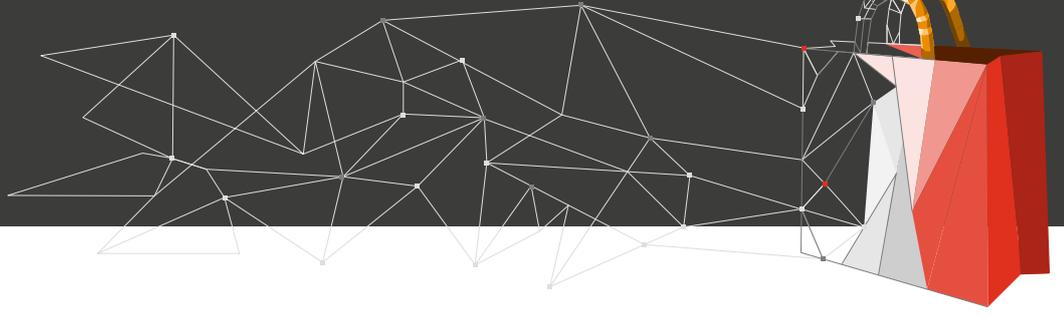


## Consumer goods sub-sector impact expectations

While recovery paths will differ across retail and consumer goods businesses, PwC expects significant differences between consumer goods categories. Overarchingly, PwC anticipates three different segment trajectories.

Domestic producers of food products with a retail focus will likely benefit as restrictions on hospitality and working from home sustain and the lockdown has shaped cooking at home habits. Export-focused businesses might face increased challenges, at least in the mid-term, due to increased border controls and the danger of global trade tensions resulting in tightened foreign import regulations.

Recover Path by Categories	Expected recovery path	Relevant segments	Drivers	Relevance of pricing	Relevance of recovery scenario (Fortress vs Enterprise Australia)
	Benefit from lockdown 	Domestic food and beverage producers with retail focus	<ul style="list-style-type: none"> <li>Increase in demand for local products</li> <li>Higher health consciousness</li> </ul>	<b>Medium</b> - Discount stores will likely see a spike; full assortment grocery will likely see a move to cheaper alternative products	No difference
	Rebound post lockdown 	Export-focused food and beverage producers and selected non-food producers (esp. beauty and cosmetics)	<ul style="list-style-type: none"> <li>Demand drops due to challenging demand in foreign markets and border controls</li> </ul>	<b>High</b> - Potential increase in foreign import regulations and border controls to cause margin pressure/ outpricing	Possible advantage of Fortress Australia as a scenario bolstering competitiveness of domestic producers
	Prolonged impact with slow recovery 	Selected non-food producers (esp. apparel) and food and beverage producers with foodservice focus	<ul style="list-style-type: none"> <li>Dropped demand due to hospitality restrictions - not compensated by delivery</li> <li>Dropped demand due to reduction in discretionary consumer spending</li> </ul>	<b>High</b> - Balancing increased margin pressure of retailers with consumers' willingness to pay for good quality	Possible advantage of Fortress Australia as a scenario bolstering competitiveness of domestic producers



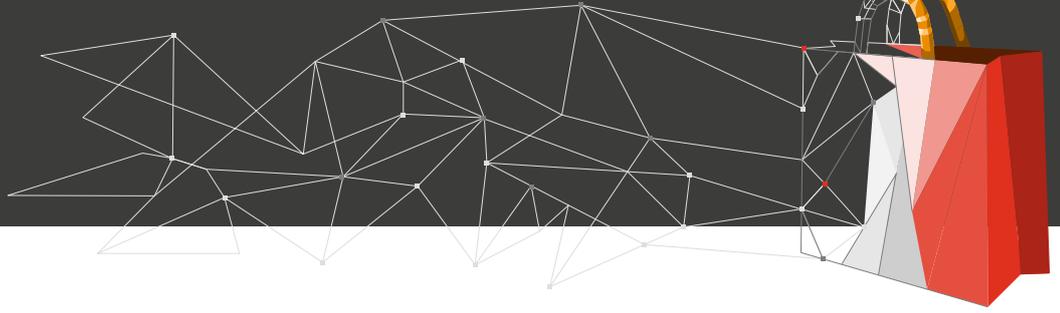
## 05 How to respond

**There's no one, easy solution to the situation Australia finds itself in. Whichever approach Australia takes is likely to incorporate elements from each of the forces of change and scenarios. With this in mind, the scenarios and forces of change are as important as the economic outcomes modelled. Decision-makers should use them to understand the key links which will have ramifications for their businesses, products and communities in a post COVID-19 economy. This understanding will guide the direction and focus of recovery plans.**

### Responses to forces of change

The Australian retail and consumer goods sector will need to act swiftly and decisively to respond to emerging trends brought on or accelerated by COVID-19. To keep afloat, or even emerge stronger, players in this sector need to consider how to manage the decreased demand, navigate regulation changes, optimise their product offering, bolster their digital customer interface and supply chains, and protect their workforce.

Trend	Potential responses
 <b>Government involvement</b>	<ul style="list-style-type: none"> <li>• Anticipate potential changes in regulations and government involvement to minimise impacts</li> <li>• Strengthen relationship with state and federal government directly or through lobby groups to influence decision-making and successfully rally for positive regulatory outcomes</li> <li>• Ensure adherence to social distancing rules to ensure sustained license to operate</li> </ul>
 <b>Debt and capital</b>	<ul style="list-style-type: none"> <li>• Reduce cost structure by increasing efficiency and automation levels, and minimising product costs to combat potentially increased taxes</li> <li>• Refinance debts, taking advantage of low interest levels</li> <li>• Creative and consensual restructuring of debts and other liabilities</li> </ul>
 <b>Consumption behaviour</b>	<ul style="list-style-type: none"> <li>• Rethink adoption of product range to reflect consumer requirements for local products and cheaper alternatives</li> <li>• Physical retail businesses to investigate responses to 'win back' customers post-lockdown</li> </ul>
 <b>Accelerated digitisation</b>	<ul style="list-style-type: none"> <li>• Any retailer will need to double down on digital service offerings</li> <li>• Consumer goods businesses should balance their exposure to physical outlets - (this is possible through partnerships - it's not necessarily essential to set up bespoke B2C platforms)</li> </ul>
 <b>Disrupted working environment</b>	<ul style="list-style-type: none"> <li>• Assess opportunities for automation in stores to reduce costs and comply with social distancing</li> <li>• Evaluate the viability of the existing store footprint in light of reduced consumer spending and an expected shift to online</li> </ul>
 <b>Resilient supply chains</b>	<ul style="list-style-type: none"> <li>• Build upstream supply chain resilience by assessing the flexibility of existing sourcing contracts and approach suppliers to manage future demand swings</li> <li>• Professionalise downstream supply chain by ensuring frictionless last-mile delivery</li> <li>• Optimise working capital management (e.g. dynamise inventory levels due to potential demand shifts, automate accounts receivable and accounts payable management to optimise cash flows and strengthen relationships with key strategic suppliers)</li> <li>• Evaluate opportunity for local sourcing over imports</li> <li>• Bump up online supply chain to remain competitive in post-COVID environment</li> </ul>



Trend	Potential responses
 <b>Industry consolidation</b>	<ul style="list-style-type: none"> <li>Identify potential acquisition targets complementing existing product offering</li> <li>Radically restructure and reduce fixed cost base to better mitigate margin pressure</li> <li>Consider partnerships and joint ventures</li> </ul>
 <b>Tax reform</b>	<ul style="list-style-type: none"> <li>Monitor and assess potential impacts from long-term changes in the taxation system closely (e.g. GST or alcohol taxation reforms)</li> </ul>
 <b>Migration</b>	<ul style="list-style-type: none"> <li>Develop long-term recruiting and capabilities strategy to leverage potentially increased (skilled and unskilled) migration as future recruiting window of opportunity</li> </ul>

Additional factors	Potential responses
 <b>Marketing and communications</b>	<ul style="list-style-type: none"> <li>Carefully assess marketing and spending while ensuring sustained share of voice in the market (in downturns, media supply is likely outstripping advertiser demand, driving down prices with the opportunity to cheaply grow share of voice in the market)</li> </ul>
 <b>Reduction in national and international tourism</b>	<ul style="list-style-type: none"> <li>Identify international e-commerce/export opportunities to attract international shoppers</li> <li>Rebalance volume and sales expectations between locations to reflect national tourism patterns</li> </ul>
 <b>Export restrictions</b>	<ul style="list-style-type: none"> <li>Intensify domestic growth opportunities (e.g. by catering for an increased consumer demand in domestic/local and sustainable products with an up-pricing potential)</li> </ul>

## Examples observed in the industry so far

The COVID-19 pandemic has prompted retailers across the country to improve supply and demand management capabilities, allowing for faster responses to increased volatility in consumer demand.

### Australian retailer



When the COVID-19 crisis hit at the end of March 2020, an Australian retailer closed its stores and stood down 10,000 staff. Experiencing an 800% uplift in online sales over the Easter period, the business re-hired 2,000 to balance the added demand for online.

### Australian grocery retailer

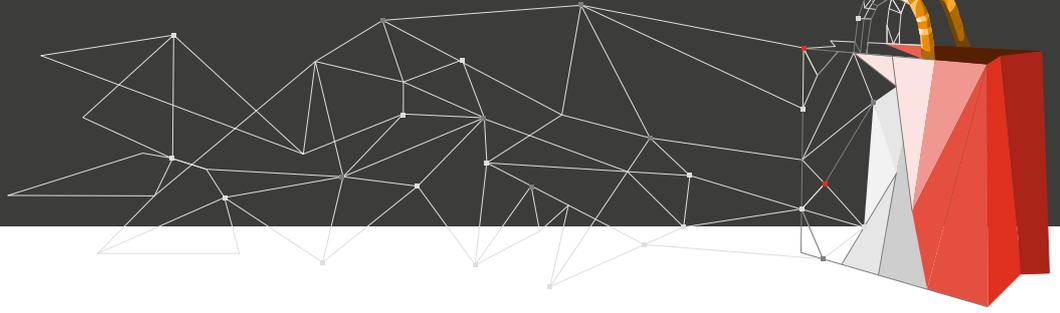


With increased pressure on its supply chain as a result of the COVID-19 pandemic, an Australian grocery retailer implemented an online payment platform. The tech uplift allows the business to automate and control rate and timing of cash flows to the entire supplier base. This also enables the business to manage due dates dynamically, eventually not only optimising working capital but also deepening relationships with key strategic suppliers (e.g. paying suppliers sooner).

### Global consumer goods company



A global consumer goods company managed a remarkably positive recovery performance, especially in the Chinese market. The fast recovery was enabled by an early restoration of operational capabilities (rapid implementation of safe working environment) and rapid activation plans boosting online sales (+52% compared to previous year), amongst others, strongly engaging in big online shopping events in China.



## 06 Emerging stronger

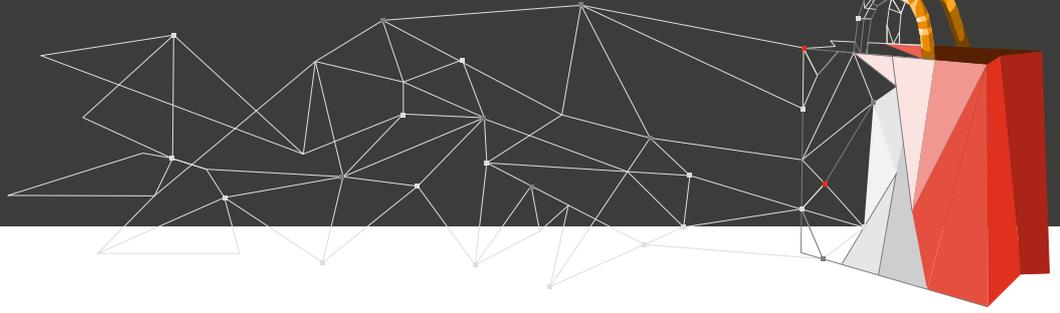
**In the middle of a crisis, when everyone focuses on survival, it may be a stretch to see the upside and the potential to emerge stronger. However, history shows that from every crisis, winners and losers will emerge. Obvious lines of delineation between both are along retail categories and price segments as highlighted in the previous chapter. However, also within each of these trajectories there will be winners and losers and it is during the crisis that the winning and losing paths are defined.**

During the global financial crisis, two investments stood out as drivers for sustained success. Businesses that continued spending on technology and marketing emerged stronger, in the long run in comparison to their counterparts that reduced investments in these areas.



In the current environment, PwC sees five elements as absolutely crucial to emerge stronger:

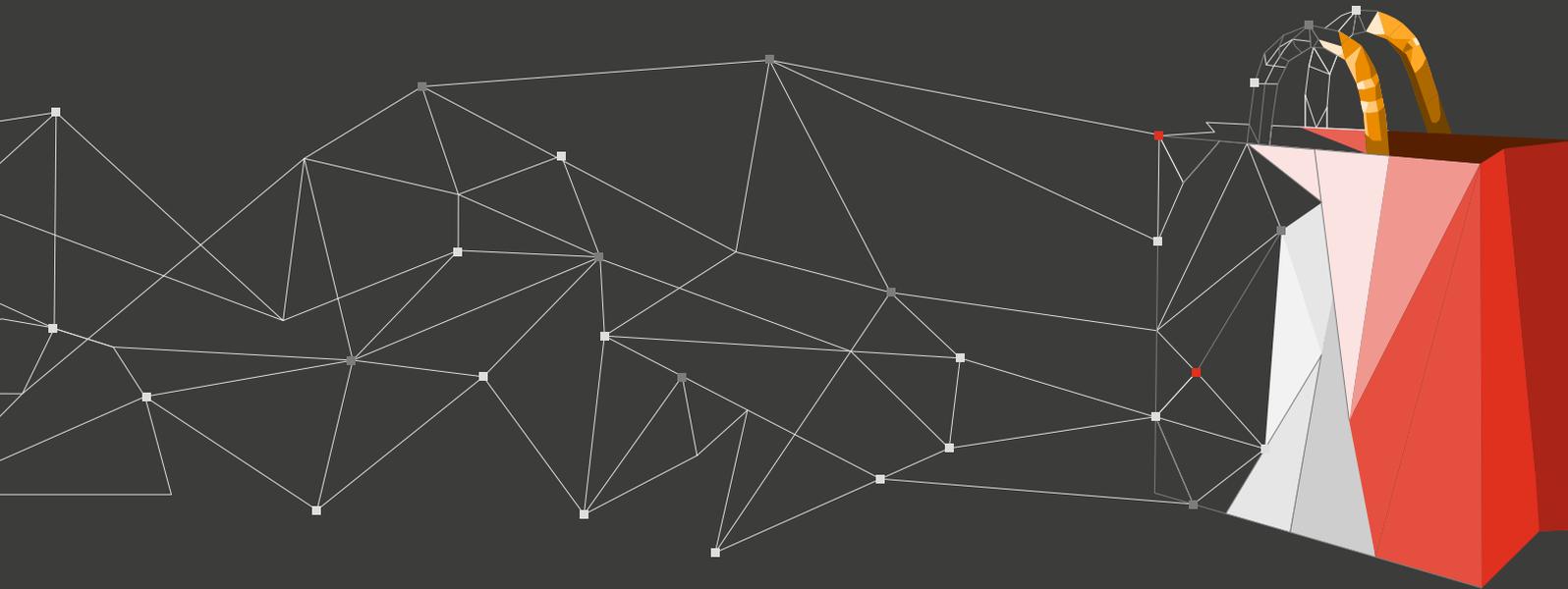
- **Digitisation:** Digital capabilities emerged as a powerful force during COVID-19 from early on, whether in the shape of spiked online demand or video conference and messaging platforms for working from home
- **Safe physical environment:** Keeping team members and consumers safe in physical retail and production environments will be crucial for economic reasons but also from a reputational and responsibility perspective
- **Product and pricing:** Consumers will seek out bargains and cheaper alternatives. Retailers and consumer goods businesses need to be cautious not to create a new normal with extended promotions despite high inventory levels
- **Resilient supply chains:** Producing, moving, and trading goods is and will remain the core of the industry. However, the paths to consumers will likely change and supply chains will need to become more adaptable and resilient to demand swings
- **Organisation:** The sector is inherently reliant on sizable workforces. Employers have a responsibility to treat their team members fairly, especially in crises. At the same time, business leaders may need to make tough decisions to ensure long-term viability



## Prepare, respond and emerge stronger

Horizon	<b>Immediate</b> Next 6 months	<b>Medium term</b> 6 months to 2 years	<b>Long term</b> 2+ years
Key challenges	<ul style="list-style-type: none"> <li>• Spike in online demand</li> <li>• Strict social distancing rules</li> <li>• Consumer focus on non-discretionary spend</li> <li>• Current inventory in stores, warehouses and en route</li> <li>• Temporarily idle workforce</li> <li>• Ramp-down of JobKeeper program</li> <li>• Short-term liquidity constraints</li> </ul>	<ul style="list-style-type: none"> <li>• Spike in online demand</li> <li>• Strict social distancing rules</li> <li>• Consumer focus on non-discretionary spend</li> <li>• Current inventory in stores, warehouses and en route</li> <li>• Temporarily idle workforce</li> <li>• Ramp-down of JobKeeper program</li> <li>• Short-term liquidity constraints</li> </ul>	<ul style="list-style-type: none"> <li>• Sustained changes in shopping behaviour(esp. role of channels, product/pricing expectations)</li> <li>• Continued industry consolidation (focus on strategic consolidations)</li> <li>• Potential changes to taxation system</li> </ul>
Focus areas	<ul style="list-style-type: none"> <li>• Bolster digital and supply chain online performance</li> <li>• Negotiate rent payments with landlords</li> <li>• Re-open safe physical store environments and production facilities</li> <li>• Ensure in-store and online availability</li> <li>• Manage workforce around JobKeeper</li> <li>• Optimise working capital management (i.e. short-term liquidity)</li> </ul>	<ul style="list-style-type: none"> <li>• Upgrade technology and supply chains for online</li> <li>• Assess viability of store and production footprint</li> <li>• Secure operational continuity through refined office, production and store concepts</li> <li>• Review and expand supplier relationships (e.g. increase local sourcing)</li> <li>• Manage workforce and consider minimum viable organisational approaches</li> <li>• Restructure debts and manage liquidity</li> </ul>	<ul style="list-style-type: none"> <li>• Define sustained channel and product strategy with long-term growth, also considering inorganic growth</li> <li>• Seek strategic long-term partnerships (e.g. with tech firms or competition) to ensure sustained growth and digital capabilities</li> <li>• Monitor potential effects due to changes in taxation system closely</li> </ul>





## Contact us to find out more

During these challenging times, PwC can access and share data and insights to stress test your scenario planning and inform your strategic decision-making. Our purpose is to build trust in society and solve important problems. Get in touch to find out more.



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