



Channel Shift: Prioritizing Digital Commerce

Navigating the human and
business impact of **COVID-19**

March 2020

We're all in this together

COVID-19 has turned into a global crisis, evolving at unprecedented speed and scale. It is creating a universal imperative for governments and organizations to take immediate action to protect their people.

Self-quarantine. Social distancing. Community spread. As the growing COVID-19 global pandemic makes these formerly obscure terms everyday words, the impact on customers is profound and the impact on the economy unknown.

The changes to commerce we present and explain—set in motion by the crisis but sure to outlive it—represent the start of something new.



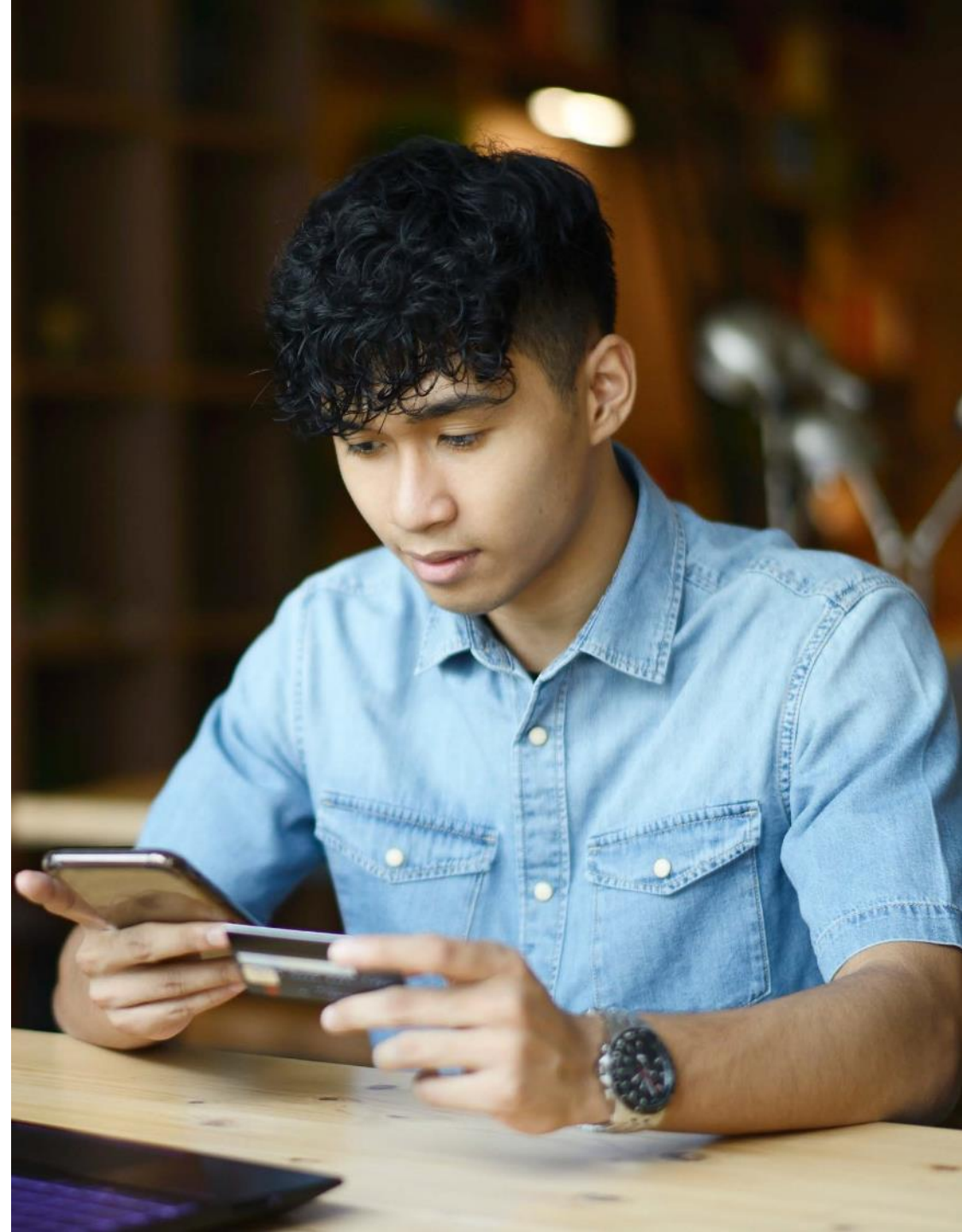
Digital Commerce Now

Commerce—online and offline —has been upended.

Both Direct-to-Consumer and B2B organizations are scrambling to meet immediate and emergency needs.

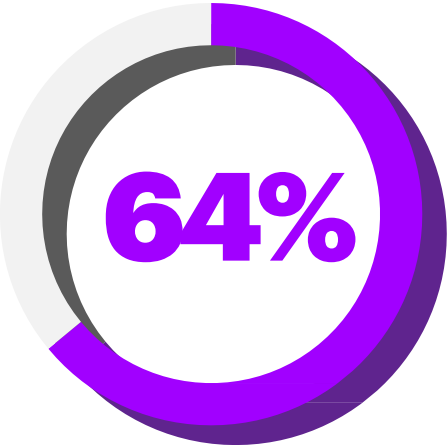
In particular, those who have viewed digital commerce as a secondary channel now need to reorient every aspect of their business towards a digital commerce mindset.

There exists an opportunity to double-down on digital commerce, expanding existing offerings and creating new lines of service.

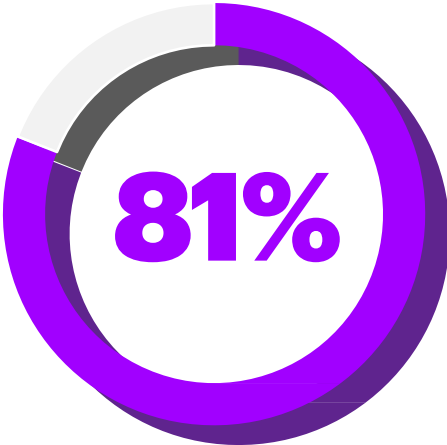


For customers, the most immediate impact is fear, not just for their personal health but also for the economic impact

Health Concerns

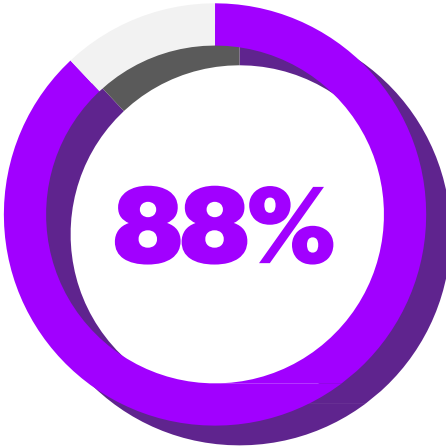


Of consumers are fearful for their health.^[1]



Of consumers are fearful for the health of others.^[1]

Economic Concerns



Of consumers are worried about the impact on the economy.^[1]

Source: Covid-19 Consumer Pulse Research, 2020.

More than ever, commerce experiences need to demonstrate customer value across:

TRUST

Quickly establishing trust with new customers and extending the brand affinity that has been earned with existing customers will be critical in these uncertain times. Even one miss on product availability, pricing or shipping dates could break that bond of trust with your customer that will persist into the post quarantine economy.

CONVENIENCE

Surrounding the commerce experience is becoming critical to customer decision-making. Households are in many cases trying new, innovative services for the first time. Drop-off and pickup services, fresh produce purchasing, and farm-to-table assortments, for example, will become standard commerce expectations into the future.

RELEVANCE

becomes particularly critical during times of volatility: Personalizing how you engage with customers will pay dividends into the future. For example, the effects of deeply understanding your customers' historical preferences, physical limitations (ie: rural vs. urban) and being able to assist with suitable replacement items or replenishment options will be magnified during this period of scarcity and uncertainty.



New habits and behaviors
are forming that in many
cases are not likely to go
away after the crisis passes

**“Short-term
investments will yield
long-term returns; this
crisis is the jumpstart
of a new wave of
commerce innovation.”**

John Zealley
Senior Managing Director,
Accenture Interactive

We need to act Now to prepare for the Next



Questions we need to be asking **Now**

The answers to these—and the individual pathways to execute solutions—will vary from business to business, based on geography, industry, size and progress on the road to full digital commerce transformation, among other factors.

How do I **REASSURE** my customers and employees during this uncertain time?

How do I **STABILIZE** digital operations with frictionless transactions and the capacity to handle increased demand?

How do I **RECONFIGURE** my products, services, and markets and establish new partnerships and ecosystems to retain new and existing customers?

Reassure your **Customers** and **Employees**

There is unprecedented confusion on what, where and how to buy things and – with many causes for lack of trust, from price-gouging to misinformation to complete inability to find essentials – people are gravitating towards companies and brands that are truthful, transparent and, most importantly, driven by a clear purpose.

These principles extend both through the consumer channels and how they engage with retailers, as well as into Business-to-Business relationships and how companies work with their distributors, wholesalers, or manufacturing direct suppliers.

We've seen many situations where businesses and others have risen to the occasion so far.



What's Going On

With things changing daily, frequently updated communications are critical for customers and employees alike. And businesses are ensuring they bring a consistent message across all channels and touchpoints. Some are also opening up new channels of communication and preparing to welcome whole new audiences. Miss Fresh, an online retailer in China, claims it has experienced a 237% increase in users aged 40 and older since the outbreak began. [1]

- **New consumers digitally engaging with your brand will bring about a different set of expectations and new opportunities to build trust and relevance**
For example, advanced search capabilities with features like dynamic assortment creation allow users to define their own product experience. Listening and tracking items of scarcity and providing suitable replacement options or accurate replenishment timeframes, or pulling from alternate inventories and providing drop-ship services, can deliver a differentiated level of customer service and convenience.
- **Beyond unpredictable sales through unpredictable channels, direct-to-consumer companies must contend with other unknowns, like new buyers in a household**
With a lack of historical data to guide decisions, what to do next can be unclear. Brands are listening harder and tapping into social and customer data to understand emerging needs and using this as a catalyst to deepen relevance and personalize their commerce operations. Grocery stores across the world are shifting the way they work to accommodate the needs of customers. Tesco's are now opening stores for an hour earlier on Sundays for NHS staff only, after a video of an exhausted nurse crying that she couldn't get produce to stay healthy went viral. [2] And Woolworths in Australia has a seniors-only shopping hour. [3]

Spotlight: B2B

In B2B, with the unpredictability in the product supply chain and distribution channels, manufacturers are looking to expand their strategy to move closer to end consumers

Solely relying on indirect channels to meet customer needs is no longer sufficient. As with retailers, the distribution and wholesale channels will likely also struggle to manage inventory levels and promise dates. Increasing drop-ship and inventory on demand capabilities will allow all companies to take direct control of the relationship, taking advantage of new distribution models that are quickly arising. Adidas in China, for example, plans to clear excess inventory using its own channels for the rest of 2020; these moves will have implications for their distribution networks around the world.[3]

- **Many organizations have offered crisis-related accommodations to their customers that show true empathy about the hardships faced by so many.**

This can be seen at banks in Europe such as the Royal Bank of Scotland and Lloyds, which are stepping in to support those affected by COVID-19 by postponing mortgage payments and offering financing for small businesses. ^[1] And grocery stores around the world are establishing special hours for vulnerable shoppers, from Iceland and Sainsbury's in the UK to HEB in the US and Mexico; In Spain, Carrefour is prioritizing deliveries for seniors. ^[2]

- **And companies are also looking at how they can help broader communities**

Scholastic, for example, the children's education publisher, is now providing free online learning tools for kids in response to widespread school closures. ^[3] French luxury goods conglomerate LVMH switched over its factories from making Christian Dior perfume to hand sanitizer almost overnight. ^[4]

Purpose First

Some companies are straying outside of their core business models and repurposing their assets to assist the greater human cause.

American Airlines, for example, is redeploying empty passenger planes as freight carriers to get medical supplies and other time critical products to other parts of the world. ^[5]

Formula 1 is refocusing their engineering capabilities to make ventilators ^[6], and ABInbev is using waste alcohol to make hand sanitizers. ^[7] In the vein of "purpose first" thinking, businesses that find themselves with excess capacity can think through how to act as distributors of products into new channels.

How to respond

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Reassess your employee and customer policies in line with your brand purpose and values

Define your role on how you can help people in this time of crisis. This could be as simple as re-thinking your corporate policies to make them more relevant in today's world. Suspending refund exchange windows, for example, when customers are having a harder time keeping up with daily life. Perhaps allow inventory priority to the vulnerable or locations more directly impacted by COVID-19.

Rally leaders around consistent communication

Establish strong communication governance, guiding principles and tone. Leaders throughout the organization need to be in sync. Create the feedback loop so you can pivot and progress with pace.

Identify opportunities to provide special assistance to key communities

Every channel, touchpoint and piece of content matters. Brands need to do an experience audit to make sure that they are sending a consistent and reassuring message, building on customer confidence and deepening trust. For example, parents with infants will have different questions and concerns than those with high-schoolers or grandparents who are empty-nesters. Be helpful and let them know the precautions that you have undertaken to protect peoples' safety and be sure to rework your service content to ensure it continues to be relevant. An example of a company learning from previous epidemics is Alibaba, which launched a special senior-friendly version of its Taobao shopping app in 2018 with large print and a function that allows children to pay for their parents' shopping. ^[1]

Initiate an audit of your commerce experience to ensure it properly represents your brand

Realizing that commerce has become your primary channel in which to do business, you must ensure that the commerce experience is more than a transaction engine for goods and services: It needs to appropriately represent your brand position and what you stand for as a business.

Establish a Responsive listening and Center

Businesses that are keeping up with their customers are scaling rapid response capabilities properly, by asking the right questions, analyzing the data, and then meeting customers where they are by acting on real-time predictive insights. And by putting this listening infrastructure in place now, businesses will be able to adapt practices over time, making them more relevant and connected to their customers on an ongoing basis.

Stabilize your digital channels, platforms and infrastructure

Imagine the accelerated demand of Cyber Monday, every day for the foreseeable future. The latest figures from the USDA's Economic Research Service found that in 2018, food purchased away from home in the US accounted for 54% of total food expenditure.^[1]

With the closure of cafes, restaurants, bars and hotels and the grounding of airlines, much of this demand will need to be met by the grocery sector, online. That's the new reality as mass quarantines and unpredictable retail stock availability cause online commerce to skyrocket. While this represents an opportunity to grow revenue, attract new customers and drive channel shift, it depends on digital channels and capabilities having appropriate scale and stability to handle the crush. Businesses must flex quickly to capture the opportunity, and systems must be prepared to withstand the increased loads.



What's Going On

- **Demand is surging**
Chinese digital commerce giant Alibaba's online supermarket Hema reports that orders were up 220% year-over-year during Chinese New Year, when the virus initially spread.^[1]
- **Businesses who have an established digital commerce presence are rapidly assessing if their platforms and infrastructure can support these huge surges in demand**
They are leveraging advanced monitoring tools, attempting to anticipate unplanned loads and smooth out system responses.
- **Surges have put a spotlight on automation and intelligence capabilities in their retail supply chain, or product supply chain for B2B companies**
Volatile spikes and unpredictable demands, without the ability to rapidly adapt and adjust the supply side, are driving longer lead times, product outages, and inability to provide accuracy for promise or availability dates. Direct-to-customer toilet paper brand "Who Gives a Crap" recently sold out across the UK, US, and in Australia after sales jumped 1000%.^[2] Unfortunately, it often takes unforeseen events like the COVID-19 pandemic to serve as a catalyst to revisit legacy technology investments and commerce business processes.

Digital Commerce

Yet for many, especially B2B companies, digital commerce has not been a primary driver of business. And they are realizing that their digital channels and platforms are not equipped for this huge surge in demand. They need to establish the fastest route to building out a scalable digital commerce presence.

How to respond

Stabilize your digital channels, platforms and infrastructure

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Establish a Virtual Control hub

Supported by rapidly putting together a cross-functional team to tackle critical business issues and monitor KPIs, clear ownership of responsibilities established and members empowered to drive the response end to end. This virtual war room will not only allow you to more aggressively handle the current chaos in the digital commerce marketplace, but it will lay the foundation for a “Commerce Control Tower”.

Test your platforms and infrastructure resilience

Optimize existing platforms and scale them quickly to support new demand levels, whether from traditional data centers or cloud-hosted platforms. Enable turnkey monitoring tools that offer clear insights into customer experience and sound alerts when there are bottlenecks or other site performance issues.

Run a UX Customer Journey assessment

Optimize the customer’s path to purchase or other task completion. This is a quick and efficient way to improve customer satisfaction and boost online revenue. For example, UK online grocer Ocado introduced a “virtual queuing system” to help manage demand as its site experienced a reported 1000% increase in traffic. ^[1]

Conduct a Marketing ROI assessment to optimize channel mix & redeploy investments

Effectively meet shopper lifestyles and take advantage of current dynamics in online ordering, in-store pick up vs. in-store purchase. Where can enhancements be made across segment/audience targeting to reach new and emerging segments?

Re-establish supply chain visibilities and KPIs

[Bring early visibility to bigger downstream issues.](#) This will allow teams to focus on the more immediate and critical bottlenecks, as well as lay the groundwork for exploring more modern Applied Intelligence and Automation solutions in the long term. This applies not only to B2C, but to B2B’s that are being greatly disrupted by factory slow-down due to workforce furloughing or redeployment.

Reconfigure & extend your products, services, merchandise, partnerships and ecosystems

The COVID-19 pandemic is rapidly accelerating the digital commerce pivot globally. The digital commerce acceleration will force business to revisit and even reimagine their digital strategy in the interest of capturing new marketplace opportunities and fair share of new digital customer segments.

With the closure of retail establishments, and the disruption of supply chains, the rules for merchandise and inventory have fundamentally shifted. Historical data on what sells online vs. offline is out the window. Companies now have a lot of inventory that they are sitting on in retail outlets that they need to figure out how to get online.



What's Going On

- **Hoarding and low inventory levels**
have led to things like price gouging. Consumer Product companies need to manage the economics of digital commerce, which can be more challenging in some industries, like grocery, than others, with margin on individual items and minimal cart sizes needed to break-even. We are seeing a reemergence of age-old delivery systems like the “Milkman,” with companies like Picnic in the Netherlands who are operating regular routes vs on-demand delivery. [1]
- **New markets and ecosystems are opening up**
Local delivery start-ups are gaining momentum. iOS downloads of Instacart more than doubled in the week of March 8th and the company is seeing 10x sales growth, a combination of increased demand from both existing and new customers. [2] In addition, some businesses are unlocking their transportation capabilities for others to use. Leaders have to assess how they redeploy their workforce from working retail to enabling digital commerce.
- **Businesses will be forced to revisit their customer engagement strategy**
Irrespective of the business model organizations operate in, companies must relook at engagement plans and the sophistication of their digital commerce channels.
- **Companies are rebalancing their merchandising**
to new customers and adopting new mindsets to ensure relevance. IKEA, the giant Swedish home-furnishing company, for example, is staying relevant by pivoting to offering content to customers about how to create a better working environment at home. [3]

Spotlight: B2B

Within B2B, social distancing and travel restrictions that limit traditional high-touch sales processes have accelerated a need for “low or no-touch” purchasing. Businesses that have historically invested in digital commerce sales tools will likely have an easier time adjusting to the Quarantine Economy, and those that have only made moderate strides to digitize will be more greatly disrupted. For example, traditional autoauction houses are shutting down, and on-line auctions are becoming the norm—even in a reduced volume business, those that are digital prepared are seeing increases.

- **Groceries, restaurants and other food outlets**
are shutting down in-house operations and moving to strictly curbside pick-up and takeout and delivery options, with Starbucks being one of the first big brands to embrace this change.^[1]
- **Workforces are being redeployed**
In China, the first country hit by the pandemic, some of the fastest-recovering companies have been the ones who have anticipated how business might change. For example, 40 different restaurant, hotel and cinema chains reconfigured their staffing setup to free up a large share of a workforce that was no longer needed for its usual purpose. The alliance of chains then shared those employees with the Alibaba-owned Hema, a “new retail” supermarket chain, which was in urgent need of delivery workers due to the sudden spike in online purchases.^[2]
- **Brands are getting closer to the new demand cycle to rebalance inventory**
Master Kong, a leading instant noodle and beverage producer, reviewed business dynamics and metrics daily and reprioritized efforts accordingly. The company successfully anticipated hoarding and stock-outs, and it tilted its focus away from offline, large retail channels to O2O (online-to-offline), digital commerce and smaller stores.^[2]
- **Manufacturing is also stabilizing operations amid big demand shifts**
Amazon temporarily suspended all non-essential shipments from independent merchants to its warehouses until 5 April 2020 as it prioritizes household staples, medical supplies and other high demand products.^[3]

B2B commerce solutions have matured significantly in the past decade in many areas: contract and account management, product management, integrated customer insights and next best action, convenience tools around repeat purchases, shipment and logistics scheduling, order routing and approvals, credit limits, and group purchasing management functions, to name a few.

Despite this progress, B2B organizations have been slow to migrate to a digital commerce first approach for a variety of reasons. They lack willingness to disrupt existing vendor relationships and have not done the organizational change management required to pivot your buyers to be digital first customers. Given today’s unanticipated but universally impactful circumstances, now may be the right time to revisit larger B2B commerce initiatives, like pivoting workforces and the nature of customer engagement toward the inevitable digital first approach.

How to respond

Stabilize your digital channels, platforms and infrastructure

NOW

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Build your virtual aisle with an assortment assessment

Look for inventory that can be moved quickly and efficiently online from your offline locations. Analyze the delta between what you offer and what the public needs to outline strategic areas to address next. Serve existing customers with their adjusted needs as well as new customers with new products.

Run workforce utilization assessment

Understand where you need to balance capacity and skills with new demand in order to be proactive, not reactive. Analytics that will help companies understand where they need to move should be deployed now, including call center, triage, and proactive reach-out.

Develop rapid content creation solutions

Your digital shelf and product catalogue must be refreshed with all the key product information, including features, ingredients, imagery and more so that it is as good — or better — than the physical shelf. Additionally, you will need to do multivariant testing to optimize for different customer Segments.

Reexamine Pricing and Promotions Program Analytics

Determine if opportunities exist to optimize investment in couponing and price promotions across key customers and regions. Understand where discount levels are necessary due to shifts in elasticities, and if pricing levers need to be adjusted in the short term to take advantage of changes in consumer shopping dynamics.

Deploy off-the-shelf or out-of-the-box solutions

Quickly establish an online channel. Alternatively, extending sales through marketplaces like Amazon, WalMart, or eBay can be a quick way to drive incremental revenue and create new long-term revenue streams. If it's your first digital marketplace endeavor, be sure to focus on high-impact products that are easily fulfilled.

Extend your distribution partner ecosystem

Assess the distribution methods that are quickly being adopted to ensure you are adapting to remain relevant. Explore new partners and distribution networks for national and local delivery. And look at new partners for local delivery, like Uber, Instacart, Task Rabbit and Shipt.

Evaluate new immersive media opportunities

Identify areas where physical “high-touch” sales is still the norm, and look at ways of digitally automating or replicating the experience. US Apparel retailer Alice and Olivia is now offering personal shopping via facetime. ^[1]

We'll leave you with this message

We understand that this is an overwhelming situation for both consumers and organizations.

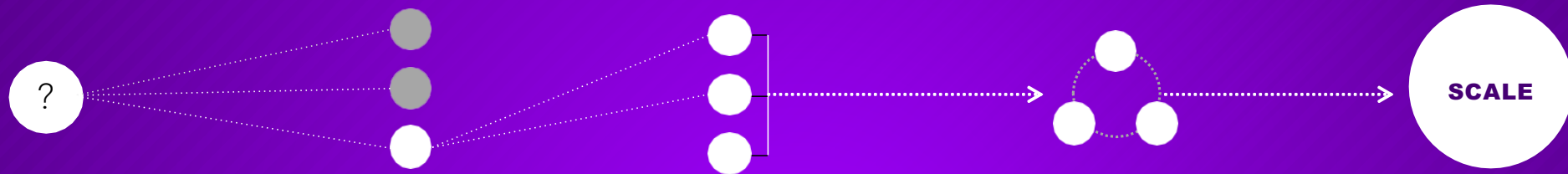
We do know for certain that business as usual has been disrupted significantly, and in many cases, permanently.

Yet, there is an opportunity to double down on digital commerce as customers rapidly change their shopping patterns and habits. As organizations adapt, their watchwords must be trust, relevance and convenience.

We are here to help.



How Accenture can help you prepare for the Next



Within 24 hours: Rapid Customer & Channel Immersion

Rapid cross functional-style assessment of current issues, shifting consumer patterns, value chain breakage/pain points.

Identify critical individuals to give missing details on the major issues across the value chain.

Within 72 hours: Product Strategy & Prioritization

Rapid cross functional-style assessment of current issues, shifting consumer patterns, value chain breakage/pain points.

Identify critical individuals to give missing details on the major issues across the value chain.

Within 5 days: Product Teams Deployed

Initial pilot plan established at the conclusion of Week 1 sprint. Deployment of MVP in Initial Channel(s) (i.e. "Hub") with minimum required features to test strain on systems.

Identify marketing needs to drive awareness and demand

Within 14 days: Optimization

Analyze data from MVP based on initial consumer response and strain on existing supply chain or systems. Dependencies outlined and optimized. Prepare for full launch at the conclusion of Sprint 2.

Next: Scale & Sprint

Scale the launch of the successful pilot product/channels.

Begin the next sprint based on the prioritized backlog.

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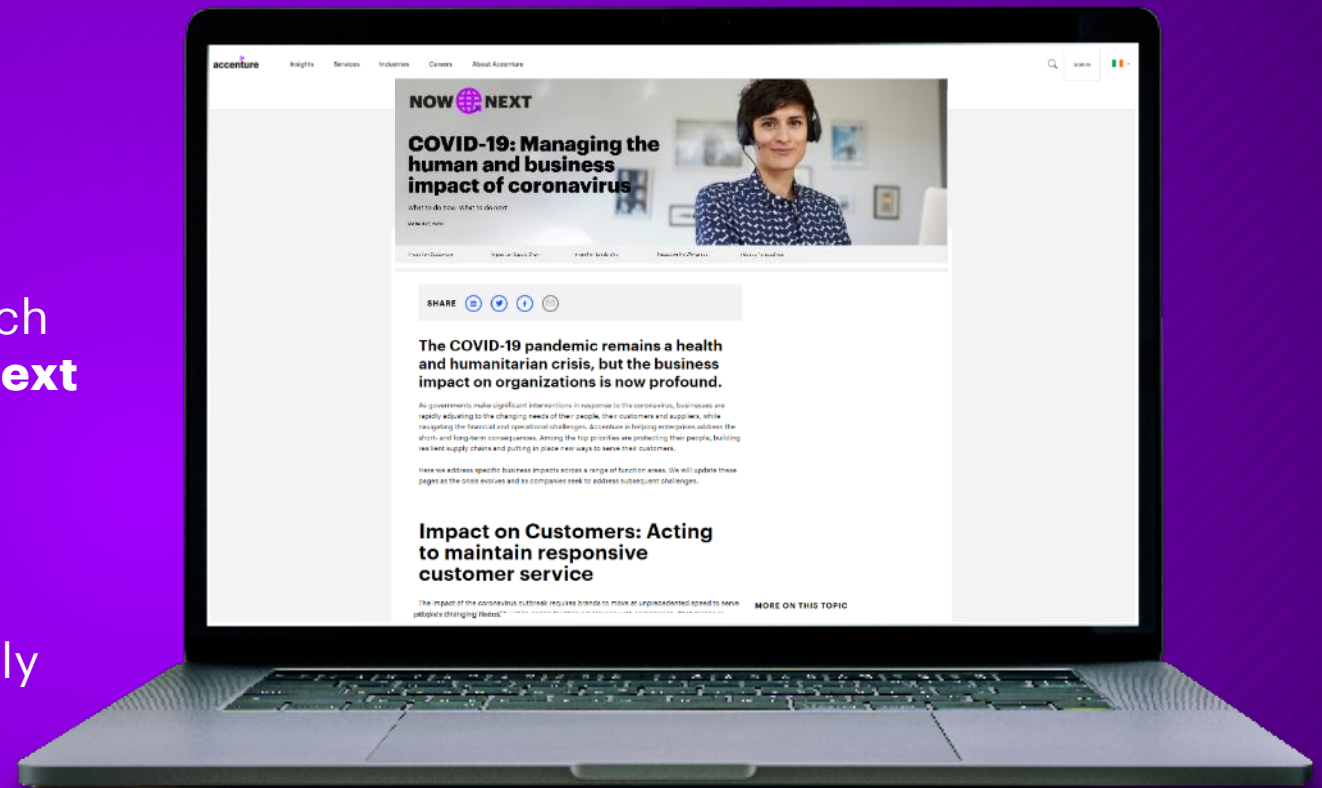
If you need help or advice in relation to this please contact digitalcommerce@accenture.com

To help our clients navigate both the human and business impact of COVID-19, we've created a hub of all of our latest thinking on a variety of topics.

Each topic highlights specific actions which can be taken **now**, and what to consider **next** as industries move towards a new normal.

From leadership essentials to ensuring productivity for your employees and customer service groups to building supply chain resilience and much more, our hub will be constantly updated. Check back regularly for more insights.

[VISIT OUR HUB HERE](#)



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