

Family Business Re-Landing

Reboot business on social distancing phase: how to face revenues resilience

Sharing Thoughts and concrete actions to implement

Milan, 12th May 2020

Digital Transformation for Shut-in Economy Business Re-modelling



The second phase - "The Voice of Retailers"

In these months of lockdown and sacrifice, the second phase does not seem to meet the needs of retailers and restaurateurs who has seen fading the possibility of business recovery

They said to be "exasperated" by the situation



As advisors, we know our customers' issues and support them in understanding specific business impacts (Grocery, Fashion, Ho.re.ca., Malls, etc.)

We are therefore monitoring the current situation, analyzing the multitude of regulatory inputs - and the socio-medical guidelines – for promptly responding to the emerging threats

A strong effort has been produced over the last month for delivering a consistent Marketing & Digital Transformation footprint for supporting players to adapt business models to social distancing paradigm

IT IS TIME TO REBOOT THE BUSINESS

KPMG Thought Leadership on Covid - 19 impacts and solutions



Covid-19: come garantire
sicurezza e continuità di business
nelle aziende industriali



kpmg.com/it

COVID-19 and social distancing impact on
Retail Customer Experience:
KPMG vision & approach for Large Retail Chains

Digital Transformation for Shut-in
Economy Business Re-modelling



Paper on Covid – 19 and
social distancing on
**Retail Customer
Experience: KPMG
Vision & Approach** for
Large Retail Chains

Operating guide that
outlines **7 tips** and a set
of **targeted actions** to
react toward Covid -19
outbreak (Phase 1)

**Webinar for Confimprese
associates** on enabling
services and digital
technologies to define **new
Retail Experience Models**

Social distancing and
new Retail Experience models:
Enabling services and digital technologies

Digital Transformation
for Shut-in Economy
Business Re-modelling



Webinar (12nd May) on
**Reviving family
businesses in Covid – 19
era**, rethinking the **business
model**



Il family business ai tempi
del COVID-19

Come trasformare i rischi in opportunità.

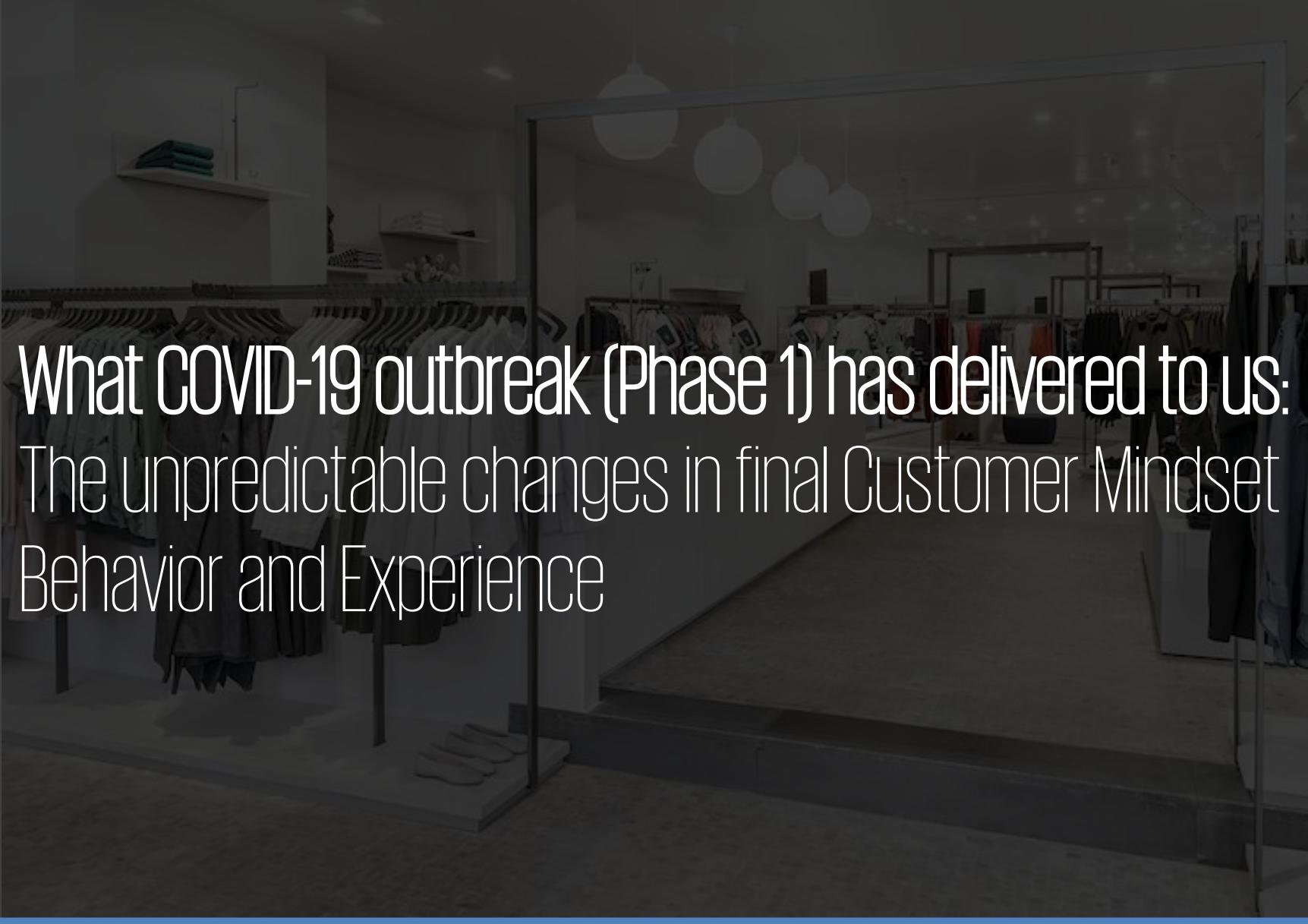
Webinar, 12 maggio 2020 – Ore 14.30

Registrati!

Agenda

SHUT-IN ECONOMY AND BUSINESS REMODELLING:

**How Customer
Experience and
Operational Models
should evolve to
support business
continuity**



**What COVID-19 outbreak (Phase 1) has delivered to us:
The unpredictable changes in final Customer Mindset
Behavior and Experience**

Italian people are still worried about Covid-19 outbreak and spending time away from home...

Even if the Italian government has given way to **Phase 2**, freeing Italians from the lockdown, **people are still pessimistic** about the economic recovery and the end of COVID-19

EVEN IF...



the number of deaths and **active cases per day is decreasing** day by day and the government has established the **end of lockdown** and the **start of a Phase 2**

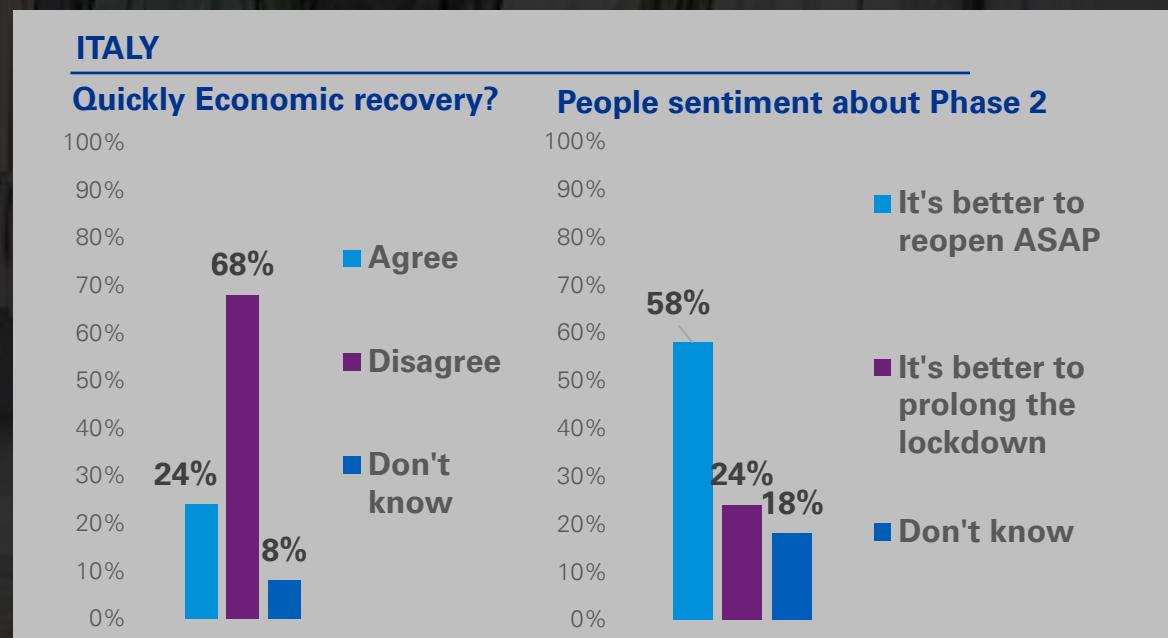
PEOPLE ARE STILL...



96%

...worried about **personal impact of COVID-19**, believing that will **last well beyond two months** before routines can return to normal

... **cautious about spending** and are cutting back on non-essentials, because of the belief that their **finances will be impacted for more than 2 months**



- **There is a widespread perception that economic recovery will be quite long**
- **There is no consistency in the perception of people about impacts of the crisis, therefore different engagement models have to be set up according to segmentation** (eg pessimistic people have to be engaged with different levers respect to optimistic ones)

...and their purchase propensity is changing

REBOOT

Will spend as much as
before the outbreak



Will buy what he didn't during the phase
I, but with focus on savings



Will spend more than before
the outbreak



Won't be able to spend as much as
before the outbreak



REQUEST TO COMPANIES

Click&Collect: buy online and pick
up in store



Special offers & Promotions



Deliveries & Guarantees on
hygiene



Hygiene in the point of sales

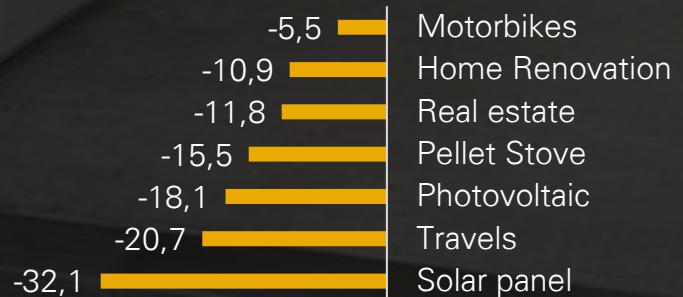
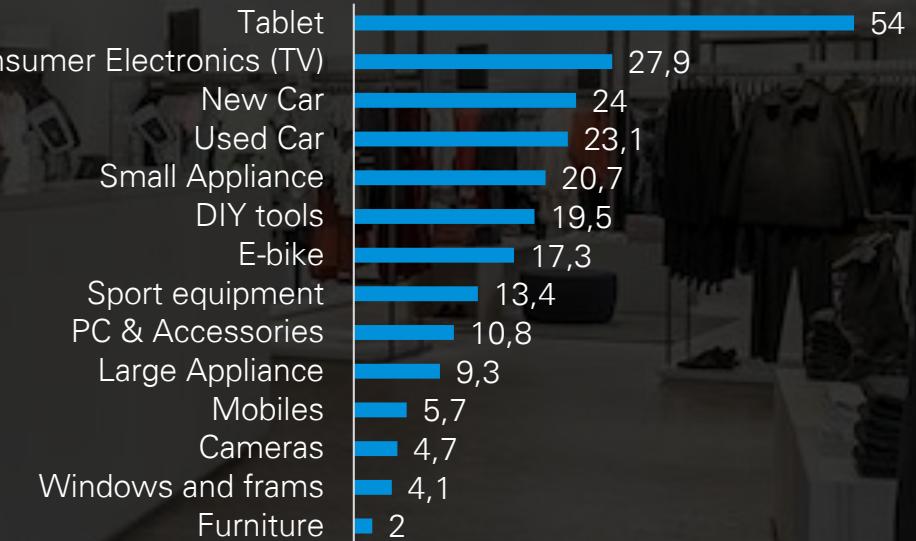


Less use of **Cash**



PURCHASING PROPENSITY VARIATIONS

APRIL vs MARCH 2020
% Surely YES/Probably YES



Retail Stores Customer current Pain Points to address



Need Awareness

The customer gains awareness of a brand-new collection exposed in a shopping window of the city centre store



Boutique/Store Visit

The customer decides to get informed about the new collection and enters the store



Fitting

The customer evaluates the items of the collection he/she is interested in, with the help of a dedicated sales person



Decision & Purchase

The customer selects the item/s he/she prefers the most and ends his/her in-store shopping experience by paying at the cash desk



After Sales

The customers packs up the products purchased in his/her wardrobe and starts to wear some of them



Limited opportunities to **walk around shop windows** for getting aware of products and reduction of occasions for **impulse social/releasing buying events**



Potential **queue** outside the shop and **longer waiting time** to be assisted by store employee and walking through aisles may be **time-inefficient** for customers and **exposure to risk**
The items the customer was looking for may be **not available**

CUSTOMER PAIN POINTS



Fear of getting in touch with **potential infection sources / need of sanitization** (eg people, dresses, accessories,...)



Queue at the cash register for payment - potentially exposed to risks



Customers sensible to **perceived or real disservices**, with high probability of posting **complaints on social media** and generate **falls in Brand-reputation**



Customer behaviour is changing towards a more experienced online channel

A recent Statista survey covering attitudes to the coronavirus across various affected countries shows that **we can expect an increasing trend towards ordering goods online** that consumers would usually buy in stores



E-commerce growth

Due to the impossibility of getting out of the house, because of **fear of the virus and lockdown**, consumption has revamped an old ally: digital. From PC, from tablet, especially from mobile device, the consumer **has found the answer in e-commerce**.



2020 Trend

It is very likely that these changes **will continue even when the emergency will be subsided**, because the attitude of consumers to resort to e-commerce for their purchases is consolidating.

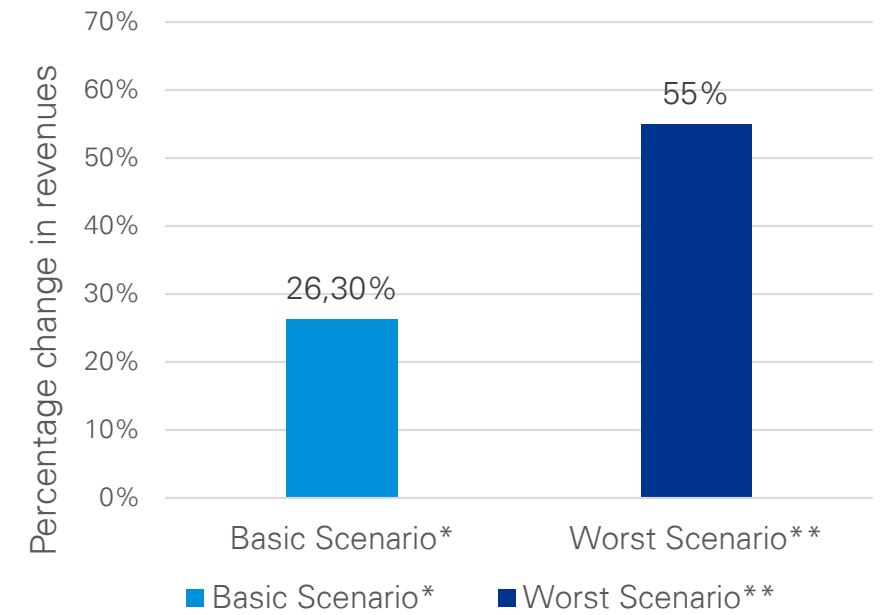
In the basic scenario, in 2020 in Italy the percentage of **increase in revenues for e-commerce will be around 25%**



New Adopters

The increase of e-commerce will be also possible thanks to the new adopters: **75% of online purchaser seems to be new to e-commerce**

Industry experiencing an increase in revenues from e-commerce due to impact of Coronavirus (COVID -19), in Italy in 2020



*Basic scenario: the emergency will last until May 2020 and other two months will be necessary to go back to the normality.

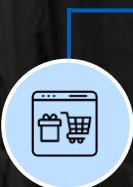
**Worst scenario: the emergency will last until December 2020 and other six months will be necessary to go back to the normality. Additionally, there will be the complete closing of borders among the European countries

On-line Customer current Pain Points to address



Browsing and Discovery

The customer goes online and start to look at the product he would like to buy



Complex & not fully personalized interactions for non digital-savvy people (in terms of offer, product ranges, purchasing modalities ,delivery time slots)



On-line Purchase

The customer select the product he wants to buy and proceed with the online payment



Be sure to buy **the right size/ right product**
Ineffective **quality of the photos**, contents depth, width and consistency



Order Fulfillment

The customer is informed about the shipment of the product, he can track it and he finally receives the product at home



Longer / not respected **delivery times** (especially for upcoming sales period)



After Sales

The customer try on the product he received and starts to war/use it



Unclear procedures for product return
Higher **sensitiveness to disservice perception**, causing complaints on social media and falls in brand-reputation



As a result of Phase 1 in Customer perspective: the unpredictable channel shift

COVID-19 impacts are foreseen to enlarge consumer demand to the online channels. This may irreversibly change customer behavior, as once people get into the habit of shopping online it is hard to get away from it. The Italian market is then finally ready to embrace the Optichannel paradigm, reshaping the offer dynamics through a multi-channel orchestration

		BEFORE	NOW	TOMORROW
PHYSICAL STORE		<p>Experiential cornerstone where to:</p> <ul style="list-style-type: none">• Take the adequate time while shopping• Enjoy multiple touchpoints with the brand• Look for diversion and get away from indoor activities	<p>Mandatory stop where to:</p> <ul style="list-style-type: none">• Get products which, for multiple reasons, cannot be bought online• Spend as less time as possible to avoid direct contact with people	<p>A “OmniCustomer” experience model really seamless and led by customer centricity.</p> <p>The “OmniCustomer” service model is supposed to:</p> <ul style="list-style-type: none">• Enable and enrich the in-store experience with the on-line principles, step and tools• Add to the on-line customer journey a richer and more sensory experience, really close to the in – store experience
ONLINE CHANNEL		<p>Time & effort reducer, where to:</p> <ul style="list-style-type: none">• Shop in a fast and immediate way• Gathering the most information in the littlest time• Look for best prices	<p>Unique channel for diversion</p> <ul style="list-style-type: none">• Online channel an digital is ever claiming for E2E purchasing trigger key role encompassing the entire experience while wiping off traditional ROPO model• Due to COVID-19 limitations, online channels is the brand touchpoint where consumers can spend most of their time	

Agenda

SHUT-IN ECONOMY AND BUSINESS REMODELLING:

**How Customer
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Operational Models
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continuity**

Retail reopening and Phase 2: what's outside the shop window

The Omnicustomer and 2Y Retail Experience Model

As a result of Phase 1 in Customer perspective: the unpredictable channel shift



Without access control to retail stores and transportation, we may face 4 fundamental risks:



Street accidents

Long queue in front of stores and limited staging area (sidewalk), along with the presence of many cars on streets could lead to **high risk of accidents**



No social distancing in queue

The lack of scheduled control access systems could likely cause poor experiences from a psychological and physical perspective and **social distress**: this could impact consequently **on the respect on social distancing in queue**



Disputes

Without a scheduled control access system, **disputes** might arise **due to an impartial criteria for access in the stores**



COVID-19 contagious revamp

As a consequence, without the access control enabled by booking systems to retail stores, **might lead to a revamp of the COVID-19 contagious risks** and to another lockdown

New Retail Business Model

Retail PRE-COVID 19

IMPULSIVE ACCESS to shops due to the shop window effect and familiarity to the brand



FREE WONDERING IN STORE

Unlimited visits in terms of space and time



RARE CUSTOMER RECOGNITION

only at the end of the shopping journey, leveraging fidelity cards at check-out



STORE AS A UNIQUE SHOPPING SHELF
(the space as business key dimension)



REVENUE PER SQUARE METER
main business KPI (average bill and total bills as sub KPI'S)



Retail AFTER-COVID 19

PLANNED ACCESS to shops, often after online browsing and engagement



TIME LIMITED for grant the access at the most customers as possible - need to define time slot for a visit

SYSTEMATIC CUSTOMER RECOGNITION
and shopping priorities when entering the shop – by pre-loaded online wish list



STORE AS A LIMITED TIME SLOT CAPACITY
(client time as new business key dimension)



OCCUPANCY RATE AND REVENUE PER SLOT
main business KPI (Revenue per client / minute as collateral KPI'S)

NEW BUSINESS MODEL DRIVERS

- Waiting list management in order to re-route last minute free slots (booking cancellation)
- Dynamic and focused promotional for low requested slots (peak reduction management)

«Retail Hotelization»
Slots occupancy rate maximization

- Continuous on-line engagement & browsing to move on-line the upstream purchasing
- Personalization at top of in-store experience by leveraging on focused sales advisory and digital concierge
- Returns management excellence to boost further purchases

«Retail Luxuryzation»
In-store value and average bill maximization

The OmniCustomer in after COVID-19 world: KPMG 2Y Experience Model

KPMG proposes to overstep the **traditional distinction of online and offline journeys** for an integrated view based on the **customer centricity** that will support Fashion Retailers for reacting to the current COVID-19 Crisis. At the same time, retailers can exploit the opportunities that this crisis has generated, evolving their business model through the **OmniCustomer paradigm**



Agenda

SHUT-IN ECONOMY AND BUSINESS REMODELLING: How Customer Experience and Operational Models should evolve to support business continuity

Business relanding and Top Line Resilience: let's start to work today

Some KPMG thoughts and recommendations:

- Options to be pursued
- Some Key Cases to share
- Some digital solutions to enable (examples)

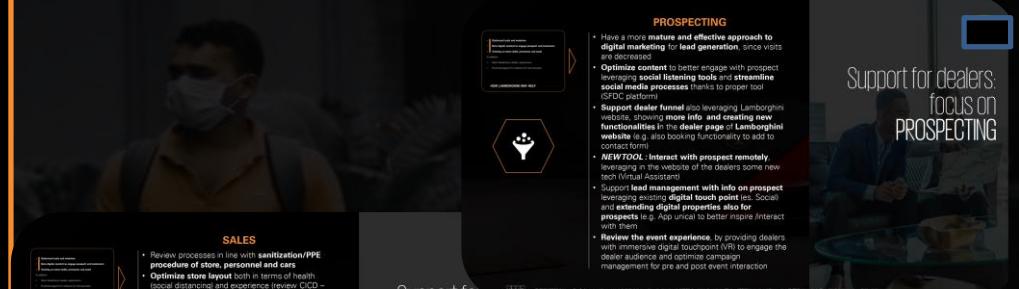
First of all, 7 golden rules we must share to approach business relanding and Top Line Resilience

- 1 Adopt a **Customer perspective**: you should not just only know your Customer but "being your Customer"
- 2 **Don't left exceeding stage to emotional options**: take up data and adopt a solid data driven decision process
- 3 **Let's get a real wide picture**: let's look to E2E customer journey and interrelations of win-win value drivers
- 4 **Be SELECTIVE**: you should adopt just only the key actions your business requires
- 5 **Out of the box approach**: let's give trust & creativity power to your people to create a sense of community
- 6 **Boost Digital Transformation everywhere**: this is a MUST
- 7 **Communicate to market in a relevant way**

THE NEW COMPANY MINDSET



TOP LINE RESILIENCE



PROSPECTING



Support for dealers:
focus on
PROSPECTING

AFTER SALES

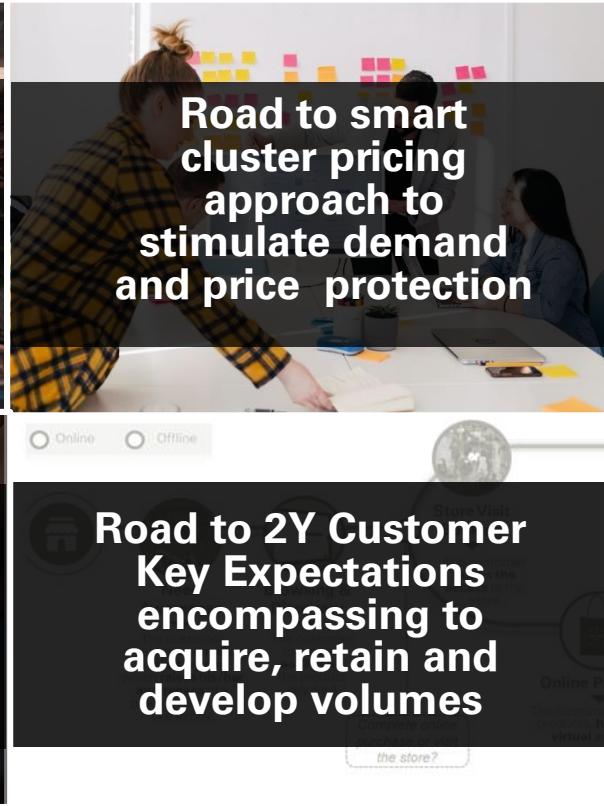
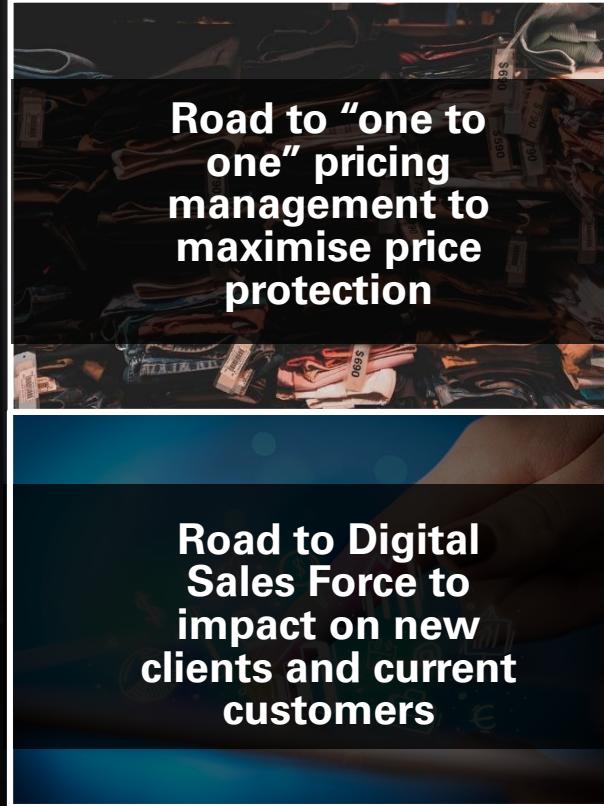
Participants Matrix

BUSINESS	REVENUES			TOTALE
	< 50 mln revenue	50 - 200 mln revenue	> 200 mln revenue	
B2C	4	6	2	12
B2B	20	10	8	38
TOTALE	24	16	10	50

Top Line Resilience Strategy Matrix: let's get some help out of it but also catch the path for going beyond it

Top Line Resilience Key Drivers

Pricing Resilience
Volumes Resilience



B2B

B2C

Business Category

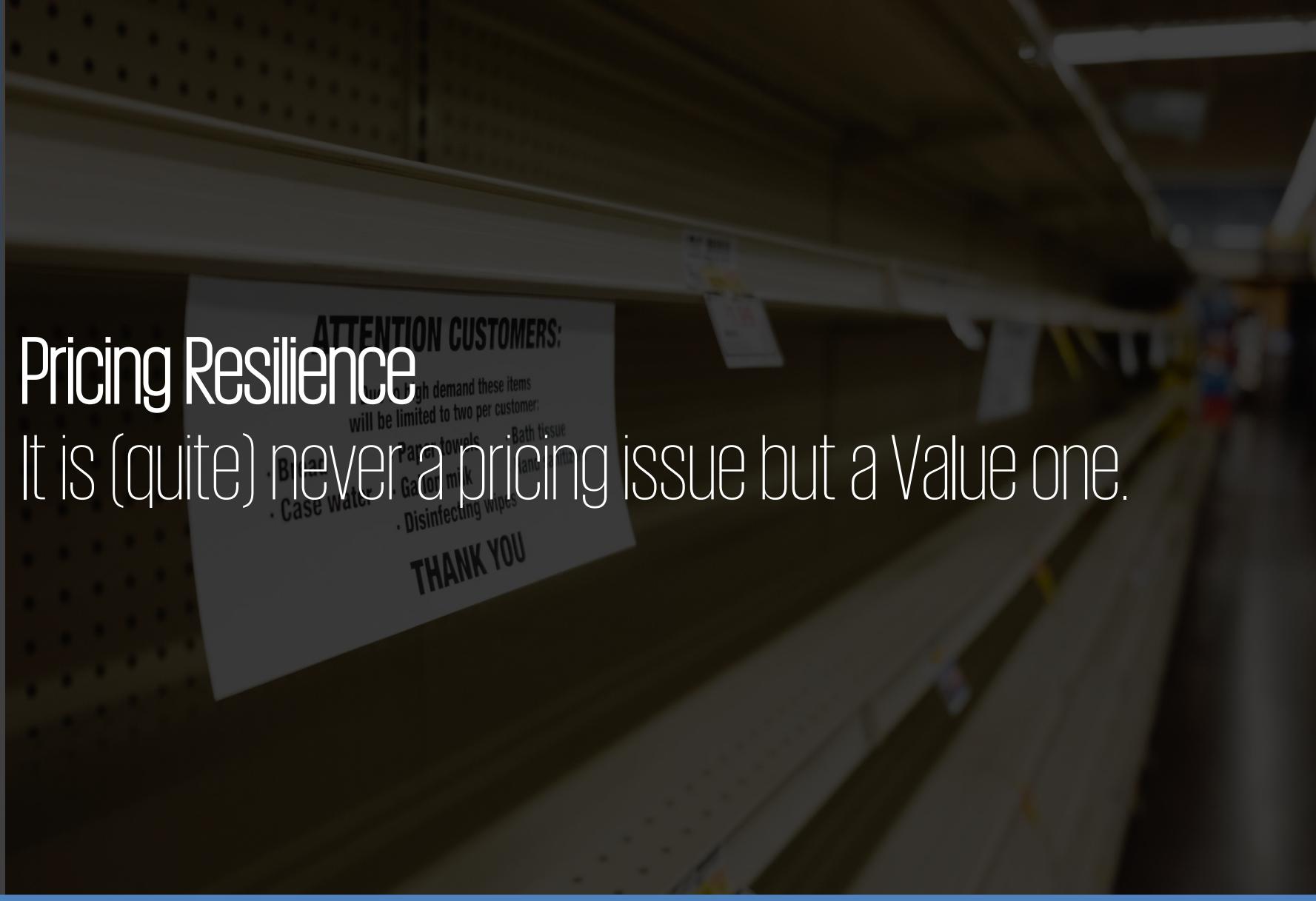
Pricing resilience strategy is basically founded on a **deep discovery of customer base** composition and dynamics, **value proposition drivers, product portfolio mix and performances**

Volumes resilience strategy is mostly based on a **consistent discovery of new purchasing behaviors** (channels and usages) for pipeline fueling and a relevant shift in go-to market strategies

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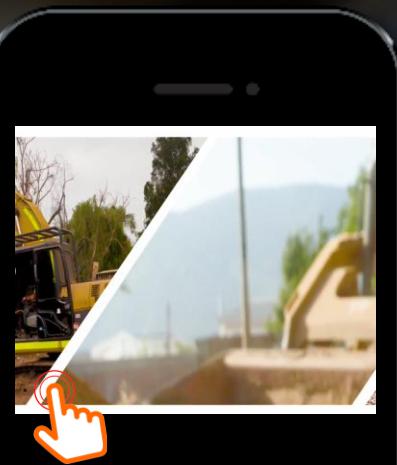
Pricing Resilience

It is (quite) never a pricing issue but a Value one.

Pricing (and profit) resilience in B2B: some initial thoughts to manage value pricing while remaining competitive

- 1 **Full Customer Base Discovery & Segmentation** (dynamics, segments, channels, value systems, full potential) **and real COVID impacts estimation on segments** (market intelligence core investment)
- 2 **Product portfolio analysis** (PMU's landscaping, single unit profitability and role) and **COVID impacts estimation** on product/PMU life-cycle
- 3 **PMU's matrix reshaping** and **value proposition stress-test**
- 4 **Pricing Resilience Strategies:**
 1. New basic line of products/concepts for convenience seekers
 2. Secondary services with marginal impact freezing or dismiss and core offer value proposition enrichment through new available resources
 3. Offer decomposition: new partnerships for updating make or buy strategies in order to generate value added for client while protecting core offer pricing
 4. Try & buy offer development for basic clients up-sell
 5. New pricing formula for immediate client financial relief but with clear path to price targets achievement (price grid based in increasing line according to client volumes)
 6. Commercial investments or promotions (up-front price discount) must be weighted against the risk of triggering a "price war" in a weak demand stage

PRICING RESILIENCE IN B2B



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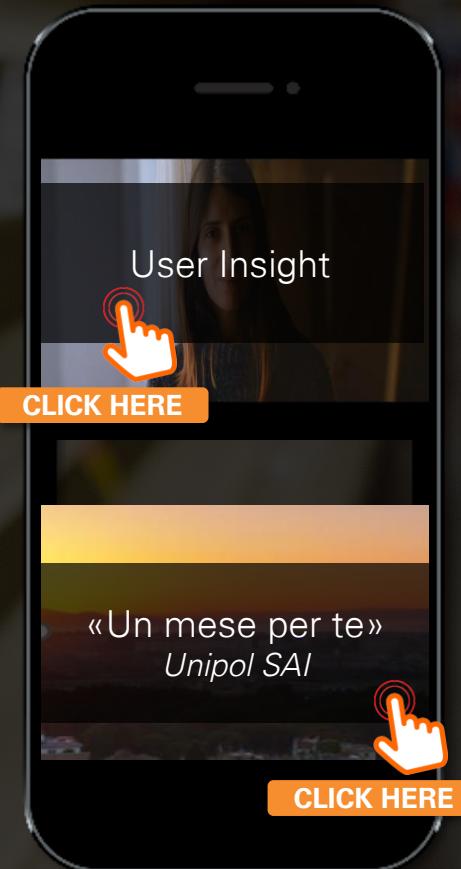
**Yellow Mark -
Caterpillar**

Pricing (and profit) resilience in B2C: some initial thoughts to manage value pricing while remaining competitive

- 1** **New customer base segmentation models based on psychometric variables:** price sensitivity and intention to buy are not led by crisis but by crisis perception and single customers perspectives
- 2** **New focused pricing strategy tailored** for psycho-clusters and crisis effects
- 3** **Leverage on real personalized customer engagement and services** to boost intangible value proposition drivers and price up-lift propensity
- 4** **Product enrichment** to not commodity market / value seekers segments
- 5** **Pricing Resilience Strategies:**
 1. New basic line of products/concepts for convenience seekers
 2. Price fencing management: enlarge price grid to enforce self-segmentation process by Customers
 3. Try & buy offer development for basic clients up-sell
 4. New pricing formula for immediate client financial relief but with clear path to price targets protection (ahead shifting of financial plan payments process)
 5. COVID-related savings shift to customer while protecting price positioning
 6. Product (and VP) enrichment through COVID-savvy features addiction to product



PRICING RESILIENCE IN B2C



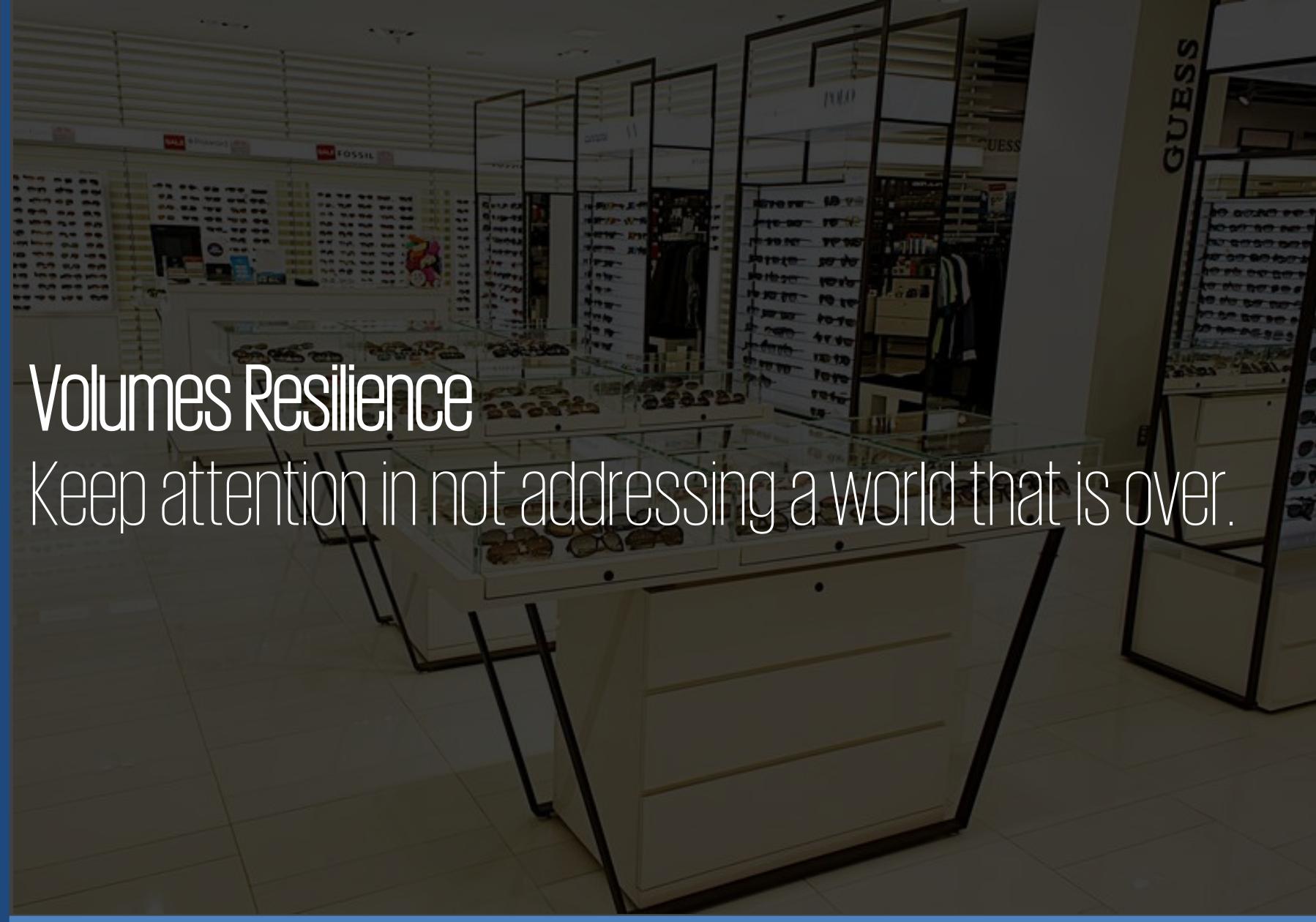
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Volumes Resilience

Keep attention in not addressing a world that is over.



Volumes resilience in B2B: evolving sales force digital working model and Go to Market Model consistency

1

Redefine Go to Market Strategy and channels targets and portfolio

according to new after COVID market positioning, while focusing new Sales Force core mission (moving towards real sales advisor paradigm)



2

Define a clear Sales Force Transformation Program built on process design, operative tools, organization, portfolio, incentives (KPI's & Targets) and management IT enablers for Sales Force operations & governance



3

Empower key process of digital lead generation through the analysis of customer online behaviour for boosting new acquisition



4

Empower key process of CPQ for smart offer customization when needed



5

Enforce Customer Service and Customer Experience Management while integrating commercial process and enabling operations (check-out production & supply chain planning coherence given raw materials lack)



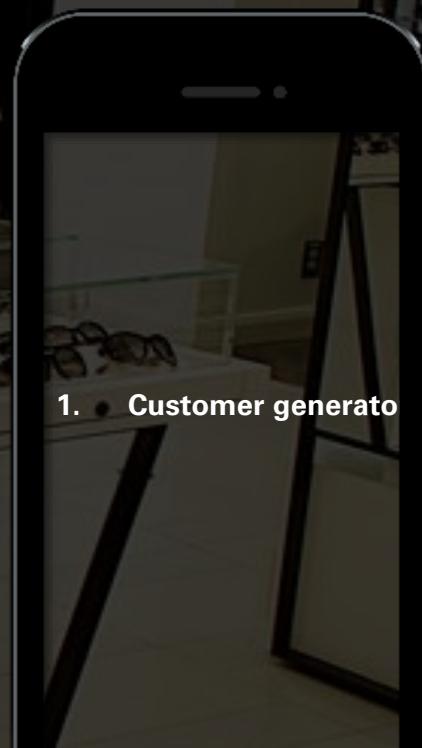
6

Remobilize salesforce for boosting remote commercial operations

through digital empowerment (ensure real catch up on new way of working)



VOLUMES RESILIENCE IN B2B

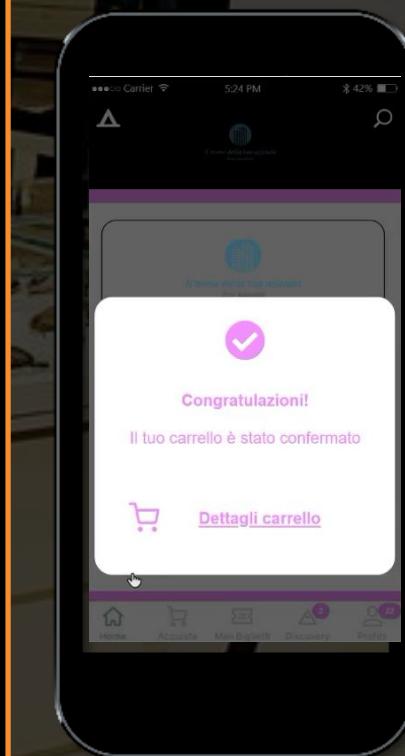


Volumes resilience in B2C: encompassing new OmniCustomer experiences to acquire, develop and retain

- 1 Ensure new full on-line engagement process consistency** through focused digital positioning and new digital services to retain clients on digital properties for prompting purchasing process and engage them personally
- 2 Enforce Omnicustomer and protect Retail Network profitability through** store visit booking process as an alternative of pure e-commerce
- 3 Implement the new after-COVID in-store experience** through Retail Luxurization while ensuring new Retail Hotelization Business Model
- 4 Address the e-commerce process catch-up by new adopters** by focused digital services (virtual store, virtual assistant, AR, Content,,) **and demand full potential come-up by addressing specific COVID-related issues**
- 5 Innovate Customer Service** by blending empathy in new technologies and by digital shift for suitable clients
- 6 Focus on Customer Experience Management** for fueling continuous improvement and OmniCustomer key capabilities



VOLUMES RESILIENCE IN B2C



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**Business relanding and Top Line Resilience: let's start
to work TOGETHER**

The Business Relanding Advisory Board concept to
face the challenge together

Business Relanding Advisory Board: launch & set up a key Top Line Resilience Program into your company besides COVID risk and financial continuity Task Forces

PHASE 1



is willing to support your strategy set up with a dedicated Team and win win approach

Day 1



Business Profiling (data processing) & Workshops Setting

Day 2



Top Line Resilience Strategy Options deep dive workshops

Day 3



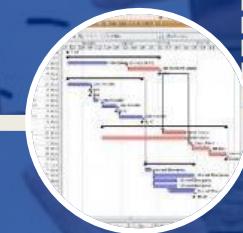
Business Case for selected options (OPEX, CAPEX & Top Line impacts)

Day 4



Top Line Resilience strategy setting and company involvement outlining

Day 5



Top Line Resilience Strategy Roadmapping & Launch

Following Weeks



Top Line Strategy actions build-up and launch



Top Line Resilience Program Monitoring & Evolution

1 WEEK SMART COMPANY TOP LINE RESILIENCE STRATEGY PLANNING

EXECUTION & MONITOR

A Global KPMG Task force to respond to the Crisis

A Global Crisis Deserve a Global Response

The COVID-19 health emergency represents a global unexperienced discontinuity in economic, social and geopolitical terms. At this stage, the main priority is the protection of human health.
But it looms also a very severe economic impact following the "lockdown" imposed by the authorities. KPMG is not immune to the dramatic circumstances of the moment.
We have converted all our operations and thanks to "smart working" we are able to ensure the continuity of our professional services. We are determined to help the many industrial companies part of the "Made in Italy" and we want to do it to the best of our ability and with an authentic spirit of service.

Our goal is to stand with entrepreneurs and managers, keeping an open dialogue with them and offering availability, skills and solutions, to react together to the crisis.

A Panel of Global Experts...



Julio Hernandez

*Partner
Head of Customer Advisory (US)*



Rene Vader

*Partner
Global Head of Consumer & Retail (France)*



Paul Martin

*Partner
Global Head of Retail (UK)*



Roberto Giovannini
*Partner
Head of Consumer & Industrial Market*



Massimo Curcio
*Associate Partner
CIM Head of Customer Advisory*



Alessandro Manzo
*Associate Partner
CIM Operations & Supply Chain*

...Jointly with Italian Experts

Thank You

Massimo Curcio

Associate Partner, Management Consulting Consumer & Industrial Markets

Customer & Digital Transformation Advisory Leader

KPMG Advisory S.p.A.

massimocurcio@kpmg.it

+39 3771621448

