FROM TRIAGE TO TRIUMPH
NAVIGATING COVID-19 HEADWINDS

Retail
PURPOSE-DRIVEN, RESILIENT & ADAPTABLE

with Business 4.0™
The sudden impact of COVID-19 has sent shockwaves across businesses and the economic order. Now, more than ever before, retail businesses have a crucial role to play in protecting employee and customer health, in developing practical solutions that will shape the recovery, and in bolstering a sagging economy.

In addition to the need-based response on a war footing, what will help retailers serve customers better are nimble and pragmatic AI-enabled interventions such as staff rescheduling and deployment, and demand transferability to identify substitutes of essential products. Plug-and-play solutions can ease the pain of managing some of the foundational yet critical activities during these stressful times.

Given the volatile impact unleashed by the pandemic, it is clear that organizations and individuals need to gear up for a period of uncertainty. While pursuing economic behaviors aligned with Business 4.0™—leveraging ecosystems, personalizing at scale, embracing risk, and creating exponential value—might pivot businesses towards growth, transformation, and sustainability, we believe enterprises also need to be purpose-driven, resilient, and adaptable.

Using this opportunity to build resilience and adaptability around the purpose they are setting out to meet will leave them stronger, not just now but also in post COVID-19 times.
While the world comes together to flatten the curve in the fight against coronavirus, retail gets polarized into ‘essential’ and ‘non-essential’, forcing customers to take a hard look at what is in their basket. As the pandemic accelerates from one stage to the next, there is a distinct shift in customer behaviors—from making conscious choices to preserve health, to stock-piling of essentials and deferring aspirational purchases, to embracing ‘safe’ shopping (see Figure 1).

**Emerging Behaviors and Patterns**

**Figure 1: The COVID-19 impact on customer behavior**

- **Prepare in Anticipation**
  - Consumers focus more on improving resistance, and building strength and immunity

- **Advent of Pandemic**
  - Consumers resort to panic-driven stock piling of essentials, with reduced spend on discretionary items

- **Lockdown/Quarantine**
  - Consumers increasingly shop online for essentials to comply with government directives (e.g., social distancing)

- **Return to Normal**
  - Consumers buy essentials and get back to discretionary spending
This sudden change in customer behavior—prioritizing needs over wants—has skewed demand patterns of product categories (see Figure 2), leaving retailers in a tizzy. While the sizable dip in demand for product lines such as apparel is likely to even out as people get back to regular consumption patterns, fashion houses who could not launch their spring or summer collections may potentially be left with piles of unsold inventory. Responding effectively and ensuring that recovery is less painful, requires a segment-specific approach.

Advanced buying with subsequent sizable dip in demand
Hygiene

Advanced buying with subsequent minimal dip in demand
Essential Food

Minimal dip in demand with subsequent quick uplift
Discretionary Food Items, Cigarettes, Liquor

Sizable dip in demand with subsequent stable recovery
Apparel Basics

Sizable dip in demand with subsequent slow recovery
Fashion and Electronics

Missed demand cycle with subsequent loss in demand
Seasonal Apparel

Figure 2: Demand patterns during and after COVID-19
Next to healthcare, retail probably has the most critical role to serve people right now. In response to the upheaval unleashed by COVID-19 (see Figure 3), retailers need to move quickly to continue to serve their customers while ensuring their employees don’t lose their jobs and their communities are safe. From introducing curbside pickup for delivering essentials to building virtual platforms, retailers are looking at innovative and practical ways to build the capabilities to serve customers.

A strong driver of how companies adapt themselves to disruptions is the way they look at their purpose. This involves shifting from the regular to a new level of consciousness. For instance, Walmart is showing compassion and building a strong community by offering bonus paychecks to employees as an appreciation for going beyond their call of duty to serve customers during the crisis. Companies are also repurposing their production lines to join the fight against COVID-19; examples include LVMH switching from producing perfume to making hand sanitizers, industrial companies making face masks, and luxury hotels becoming quarantine centers. This trend of organizing the
business around purpose is a very strong driver of business transformation involving business models, operations, and execution of processes and technologies.

While nature’s vicissitudes have urged businesses to reach a higher moral ground, the most successful will be those who have leveraged technology to deliver on purpose. As companies bounce back, businesses that uphold clear values and back moral statements with practical action will stand out.

**DEMAND SHOCK**
- Pantry preparation and hoarding of essentials during quarantine
- Abysmally low sell for discretionary SKUs
- Restrictions on travel and gatherings/functions/events contributing to lower demand

**STOCK AVAILABILITY ISSUES**
- Out of stock events for daily essentials
- Overstock
- Accumulated seasonal and promotional event stocks

**SURGE IN ONLINE DEMAND**
- Avoidance of stores due to social distancing and imposed restrictions on movement
- ‘No contact delivery’ promise
- Reduced footfall, store closures, and reduced store operating hours
- Online promotions to liquidate stock

**SUPPLY CONSTRAINTS**
- International and state border closures (supply disruption)
- Supplier factory closure
- Transport availability issues
- Demand vs. supply imbalance

**WORKFORCE IMBALANCE**
- COVID-19 impacted workforce (self and family)
- Restriction imposed on movement (lockdown of public transport facilities, etc.)
- Furloughs/reduced workforce for discretionary retailers

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**Figure 3: Challenges arising from COVID-19**

- **Essential**
  - Products driven by need such as food/home and personal hygiene/healthcare/pharmacy

- **Discretionary**
  - Products driven by want such as apparel/fashion/furniture
The ABCD Response Strategy

We recommend a purpose-driven four-dimensional toolkit (see Figure 4) as a rapid response to address disruptions from COVID-19.

**A** Augment

- Workforce
- Suppliers
- Collaboration
- Logistics Capacity
- Employee Care
- Repurpose Facility

**B** Balance

- On-Shelf Availability
- Customer Servicing and Safety
- Channels Supply
- Stores as Fulfillment Nodes
- Financial Flexibility

**C** Control

- Safety and Health
- Stock Hoarding
- Price Gouging
- Product Quality

**D** De-risk

- Operational Disruptions
- Loss Prevention and Returns
- Margin Impact and Contractual Obligations

**Figure 4: The ABCD purpose-driven response toolkit**
Persistence and resilience only come from having been given the chance to work through difficult times.

Gever Tulley

There is no better tutor than nature on resilience. Take for instance, the beautiful resilience of flowers. Studies have shown that when stems of flowers are pinned down by a heavy branch, the flowers rotate themselves back to the proper position for pollination. Enterprises need to display similar fortitude.

When businesses adapt to unprecedented disruptions with a purpose-driven approach, they transform into resilient organizations that can sustain periods of economic uncertainty.
Holistic revival and sustenance necessitate actions across the entire value chain. For example, addressing the issue of inadequate availability of stock requires retailers to have a view of the total inventory a vendor can supply in the shortest possible time; this will allow the retailer to onboard new vendors or identify substitute products that can fulfill the demand. Similarly, if there is a drastic negative impact on demand, retailers should be able to quickly deal with fast movers, seasonal products, allocations and open purchase orders, and in-transit products.

By infusing resilience with the tenets of Business 4.0, retailers can prove to be the most valuable to their customers, a caring employer for their associates, and a great enterprise for the larger communities that they serve.

Building Resilience Across the Value Chain

Imminent decisions and interventions that need to be executed across the value chain (see Figure 5) will require retailers to be agile, leverage extended ecosystems, and embrace risk. Retailers who demonstrate these behaviors will unlock exponential value.
Merchandising
- Ensure the availability of essential products (quantity augmentation, substitution, alternate source, range)
- Implement right policies to serve maximum customers
- Adopt dynamic ‘compassionate’ pricing
- Design ‘low touch’ kits
- Space flexing for demand management and safety
- Review planned promotions based on availability, demand, and capacity
- Adjust allocations and re-prioritize open-to-buy
- Minimize write-off with intelligent inventory segmentation (markdown, wholesale/marketplace listing, deep storage, RTV)

Supply Chain
- Adjust forecasts and retune replenishment parameters to ensure availability of right products
- Recalibrate supply (open purchase order (PO) review and hyper-collaboration with vendors)
- Balance sales, channels, and inventory dynamically
- Manage flow of essentials and re-plan flow of discretionary items
- Manage workforce dynamically as per operations continuity and safety needs
- Augment fulfillment capacity (delivery schedules, transport, last mile)

Stores
- Focus on ‘making it available’ (safe shelf fill, real-time demand feedback)
- Re-purpose store operations and delivery propositions to balance traffic
- Enable no-touch customer interactions
- Manage workforce dynamically as per operations continuity and safety needs
- Adjust store policies (crowding, safety, returns, and purchase restrictions)
- Augment omnichannel in-store fulfillment capabilities

Digital
- Adjust customer propositions (offerings, delivery slots, and service levels)
- Adjust purchase policies (purchase limits and returns)
- Manage inventory visibility and availability based on sales channel mix and available supply
- Enable dynamic compassionate pricing and services
- Review planned promotions and events based on availability, demand, capacity, and delivery restrictions
- Onboard products rapidly on marketplace or other platforms to extend reach and boundaries
- Monitor front-end performance (experience, security, frauds, scams)

Figure 5: Value chain actions for holistic revival and sustenance
Unprecedented Crisis Calls for Adaptive Actions on a War Footing

At the heart of a resilient organization is the ability to respond with agility. Organizations empowered with real-time data-driven decisions that take into considerations the demand dynamics are better suited to deal with any crisis with certainty. TCS recommends a two-fold approach: wellness room and rapid deployment solutions.

Wellness Room
Retailers can set up a cross-functional task force to provide swift and coordinated responses to value chain challenges, ensuring availability of essential products and services with the best possible customer experience.

The cross-functional team should include technology experts, data scientists, and systems specialists, in addition to operational and functional representation from business teams. This will ensure a high degree of integration to make accelerated decisions powered by analytics across key systems, processes, and partners.

Algorithmic accelerators (along with fit for purpose analytics workbench), ecosystems, and contextual knowledge will be the foundational requirements for providing ‘Intelligence as a Service’ that will power the Wellness Room (see Figure 6).

Rapid Deployment Solutions
Plug-and-play solutions with minimal system integration can enable faster response to evolving requirements. Key focus areas include enhancing customer experience, delivering personalized communications, and providing safe and low-touch services such as curbside pickup.

The solutions include:
- Customer Appointment Scheduling
- Availability Alerts for Wish List
- Curbside Pickup Enablement
- Queue Busting
- Hygiene Buying - Fit and Size Recommender
- Contactless Till Management
Intelligence as a Service Powering the Wellness Room

The Wellness Room will provide Intelligence as a Service catering to the unique needs of various retailers including grocery, apparel and home, fashion, and specialty.

- Substitution for demand fulfillment recommendations and review range mix
- Alternate source recommendations
- Space adjustment/re-allocation recommendation
- Policy recommendations for quantity restrictions, returns, etc.
- Dynamic compassionate pricing
- Promotion/event change recommendations (calendar, offer changes, liquidation/markdown, cancel)
- Open-to-buy (OTB) and purchase order (PO) adjustment recommendations
- Minimize write-off with intelligent inventory segmentation (markdown, wholesale/marketplace listing, deep storage, RTV)
- Flow visibility and capacity review
- Vendor hyper-collaboration (follow up, new set up)
- Forecast and inventory parameter/rules recommendations
- Allocation adjustments (reprioritizations, hold, pull ahead)
- Sourcing and inventory balancing insights (online and stores)
- Store replenishment order adjustments for smoothening
- Delivery tracking and order monitoring
- Temporary associate onboarding operations support
- Store associate dynamic scheduling
- Site monitoring and recommendations
- Online content enhancement
- Onboard products rapidly on marketplace platforms or other service providers to extend reach and boundaries
- Rapid Intelligent Process Automation (IPA)
- Daily cash flow and funds analysis

Figure 6: Intelligence as a Service during COVID-19
Adaptability is being able to think ahead and build capabilities to respond to future exigencies. Lack of imagination and foresight is one of the major deterrents for adaptability. While disruptions like this have no precedence, the larger issue is the failure to take action even when there was sufficient reason to act. For some time now, customers have been demanding seamless experiences across channels and new ways to checkout. Despite evolving shopping trends underscoring the need to bring customers, associates, and products together, some retailers have been putting off laying the foundation for future stores through a unified commerce platform, and are now at a disadvantage.

In the post COVID-19 world, agility, scalability, and automation will be the watchwords. Going forward, designing businesses around the cloud; building micro-supply chains; taking a platform view and leveraging ecosystems; and repurposing assets through an adaptive core will be at the heart of a resilient and adaptable organization.
What will COVID-19 Leave Behind for Retail

As we usher in the post COVID-19 era, there is no denying that the pandemic will leave irreversible changes on the retail industry (see Figure 7).

1. Skewed Inventory Levels
   - Low inventory levels in some categories
   - Returns post COVID-19
   - Unutilized stock due to abysmally low sell for discretionary items

2. Altered Demand Patterns
   - Low demand volume for panic buy SKUs
   - Rebound demand volume for apparel and fashion retail
   - Reduced cyclical consumption

3. Disrupted Supply Chain
   - Transportation delays (port congestion, interface operation delays)
   - Geography-wise supply issues in international supply chains
   - Constrained transport capacity

4. Shifted Consumer Behavior
   - Stickiness to online channels
   - Risk averse behavior resulting in lower footfall at stores

5. Workforce Skill Demand
   - COVID-19 impacted workforce (DC, store, last mile)
   - Increased absenteeism due to risk averse employees
   - Need for reskilling workforce to suit the new business priorities

Figure 7: The COVID impact on retail
Adaptive Actions to Blend with the New Retail

Those retailers who are able to put their houses in order and adapt to emerging scenarios will be the retailers of choice. Retailers need to exhibit adaptability by recalibrating plans in motion based on pre- and post-COVID demand patterns (see Figure 8). The focus should be to give assurance to customers that good times are around the corner.

**Manage Stock (On Hand and In Transit)**
- Adopt consumption-driven replenishment and allocation parameter reconfiguration and rules
- Optimize omnichannel inventory
- Adopt intelligent liquidation for value maximization of ‘out of season’ products
- Localize pricing and promotion strategy for balancing inventory levels

**Optimize Space and Assortment**
- Reset space and assortment to align with recovery pattern
- Incorporate customer decision tree (CDT)/demand transferability (DT) learnings from DC phase
- Rationalize assortments and focus on core
- Real estate and rent management/site closure cost optimization

**Sales Recovery**
- Adopt competitive pricing and promotion strategy
- Invest in targeted campaigns and marketing efforts
- Expand omnichannel customer propositions

**Re-Calibrate Buy Plans, Sourcing, and Orders**
- Review open orders, OTBs, and future buy plans with adjusted demand, sources, and channel-specific new demand patterns
- Adjust, modify, or cancel open orders
- Formalize relations with new suppliers (identified during COVID-19) and negotiate for post COVID-19 era
- Re-calibrate SCM parameters for new buying and sourcing plans

**Re-evaluate Demand Patterns and Revamp Forecasts**
- Re-evaluate current products range and stock on hand
- Re-evaluate forward or sluggish sell through
- Adjust forecasts driven by product characteristics (seasonal, essential, perishable, utility, and events)

*Figure 8: Short-term recovery plan*
In order to emerge as leaders post COVID-19, retailers will need to re-visit, re-evaluate, and re-imagine their business strategy. It will be all about innovation, speed, and refresh. Retailers must apply their learnings from COVID-19, discard past practices that weigh them down, and forge ahead.

A long-term strategy to lead in the post COVID-19 world requires focused effort across the retail value chain from product strategy to supply chain re-alignment; transformation of facilities, partner ecosystem, and resources involved in the value chain orchestration with a view of scalability, reliability, and flexibility; and re-design of stores and customer propositions.

Technologies such as artificial intelligence/machine learning, cloud, and automation augmented with agile execution methodologies will define who will emerge as leaders.
How to Rebound with a Long-Term Strategy

Retailers need to incorporate learnings from COVID-19 and frame a long-term strategy to lead in a post-pandemic world.

**Assortment and SKU Mix**
Incorporate learnings from CDT and demand transferability to optimize range

**Holistic Risk Assessment**
Identify and mitigate potential risks across value chain processes and partners

**Node Automation**
Identify opportunities to enhance the speed of fulfillment and reliability at product touch points

**Network Design**
Determine the strategic node locations, flow path, and product range to meet projected demand and service level expectations

**Workforce and Staffing Strategy**
Formulate a strategy for skill management and cross functional deployment

**Global vs. Local**
Evaluate the sourcing footprint by factoring speed, reliability, and geopolitical considerations

**Private Label**
Adopt vertical integration for private label proliferation

**Network Capacities**
Assess capacity, reliability, and scalability of network elements (e.g. DC, transportation)

**Sales Channel Mix**
Optimize the channel mix driven by consumer preference, product mix, and inventory allocations

**Stores Digitization and Automation**
Adopt technology-driven enablers to augment store operational efficiency and customer experience

**Partner Ecosystem**
Build scalability and flexibility across suppliers and logistics service providers

**Omnichannel Propositions and Operations**
Redesign propositions and fulfillment options to align with evolved omnichannel preferences
How Retail will Evolve Beyond COVID-19

Shopping post COVID-19 will never be the same again. The onus of making shopping engaging and exciting while not losing sight of safety will largely lie with retailers. The entire retail business model will get re-aligned to macro environment changes; new stakeholder (consumers, communities, regulators, partners, businesses) expectations; and the overall ecosystem (see Figure 9). This will usher in a world of new realities.

- Increased propensity to buy online
- Touchless 'scan and go' proliferation
- Consumers will expect faster services
- High-risk population will have explicit preferences

- All pervasive machine-first focus on operations across value chain
- Autonomous and syndicated last mile
- Hyper-automated warehousing for increased capacity and speed
- Flexible spaces, connected, and ‘always on’ stores
- Personalization on offers, products, and services

- Strengthening local sourcing to constitute a healthy mix in overall sourcing
- Private labels, vertical integration for greater control
- Modularity in business operations
- Profit sharing, on demand partners in logistics warehouses
- Omnichannel, one-consumer-one-experience
- Lead indicator model for sensing the need for rapid response
- Hyper-collaborative planning and orchestration within and beyond retail enterprise

Figure 9: Retail after COVID-19
While the ramifications of COVID-19 are expected to be huge, there are opportunities for retail businesses to learn from times of thrift as they evolve to adapt to a post-pandemic business landscape.

Standard workflows will need to be infused with extraordinary agility and nimbleness. True to the adage ‘necessity is the mother of invention’, the need for speed will be stronger than ever. Solutions that under normal circumstances would have taken businesses a longer time to develop (for instance, virtual platforms) will be up in record time. Algorithmic interventions will evolve to handle exception scenarios with no precedence, by using combinatorial and ensemble methods for intelligent recommendations.

We believe leading in the post COVID-19 world will be about resilience, adaptability, and purpose.

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1“Walmart Can Teach Amazon And Whole Foods A Lesson In Handling Emergencies Like Coronavirus” by Pamela N. Danziger; https://www.forbes.com/sites/pamdanziger/2020/03/20/walmart-can-teach-amazon-and-whole-foods-a-lesson-in-handling-emergencies-like-coronavirus/#6bf600a82a25; Published March 2020

2“From perfume to hand sanitiser, TVs to face masks: how companies are changing track to fight COVID-19” by Francisco Betti and Thierry Heinzmann; https://www.weforum.org/agenda/2020/03/from-perfume-to-hand-sanitiser-tvs-to-face-masks-how-companies-are-changing-track-to-fight-covid-19/; Published March 2020
About TCS Retail

TCS Retail partners with over 100 global retailers, driving their growth and digital transformation journey. We are solving their toughest challenges by harnessing our deep consulting and technology expertise, amplified by strategic investments in products and platforms and research partnerships with top universities; a co-innovation ecosystem of over 3,000 startups; and Nucleus, our in-house innovation lab.

Retailers worldwide are adopting the TCS Algo Retail™ framework, a playbook for integrating data and algorithms across the retail value chain, thereby unlocking exponential value. TCS’ portfolio of innovative products and platforms include the AI-powered merchandize optimization suite TCS Optumera™, universal store commerce platform TCS OmniStore™, and AI-based supply chain solution TCS Optuscai, that are powering the future of retail.

Our solutions and offerings leverage the combinatorial power of new-age technologies to make businesses intelligent, responsive, and agile. With a global team of 40,000 associates, we are powering growth and transformation among leading retailers worldwide.

Contact

For more information on TCS’ Retail Solutions and Services, please visit http://on.tcs.com/TCS-Retail

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