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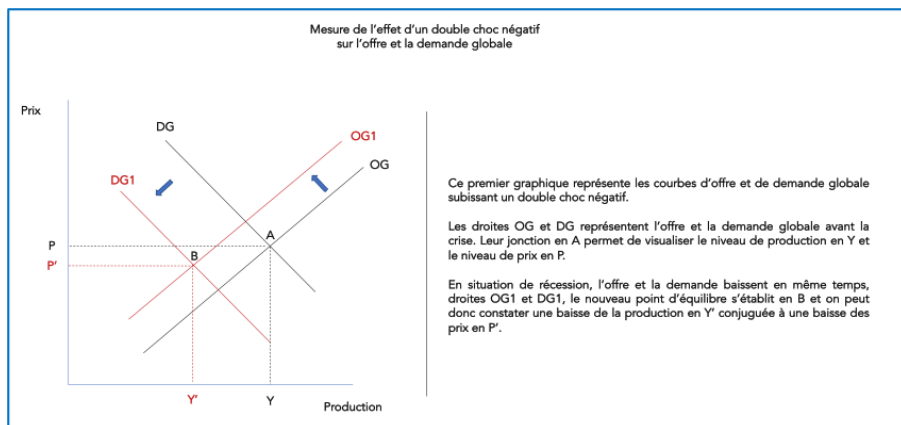
FROM PARALYSIS TO ACTION: WHAT PERSPECTIVES FOR MARKETING DIRECTORS/ CMO?

Addressing both supply and demand, the current health and economic crisis is a unique opportunity for Marketing/CMO Directors to reinvent their business.

The crisis we are going through is staggering in its scale (global), speed (a few weeks) and strength (health and economic crisis).

By happening in this way, this crisis highlights many deficits. Political, economic and social deficits whose characteristics are unfortunately well known to us now: lack of resources in public services, lack of anticipation of the crisis and its consequences, lack of culture towards the pandemic, too strong dependence on supplies from abroad, low capacity for self-sufficiency, massive recourse to the welfare state, lack of solidarity at the European level.

This astonishment is due to the fact that, in addition to the health crisis, there is an unprecedented economic crisis resulting from a double negative shock on both supply and demand.



An initial shock on supply, the primary cause of which is the drop in supplies from China, leading first to a sharp slowdown, then to the confinement of the population, this time leading to a sudden halt in the entire production apparatus deprived of its workforce (-33% loss of economic activity as of 7 May)¹

With household consumption down 32% from its normal level², we are witnessing a second shock on demand resulting from several factors: the partial layoff of 12.1 million employees, whose wages have fallen by 16%³; the increase in savings (a well-known provisioning phenomenon in times of crisis) but above all spending

¹ <https://www.insee.fr/fr/statistiques/4488566?sommaire=4473296>

² <https://www.insee.fr/fr/statistiques/4488566?sommaire=4473296>

³ <https://dares.travail-emploi.gouv.fr/dares-etudes-et-statistiques/tableaux-de-bord/le-marche-du-travail-pendant-le-covid-19/tableaux-de-bord-hebdomadaires/article/situation-sur-le-marche-du-travail-au-5-mai-2020>

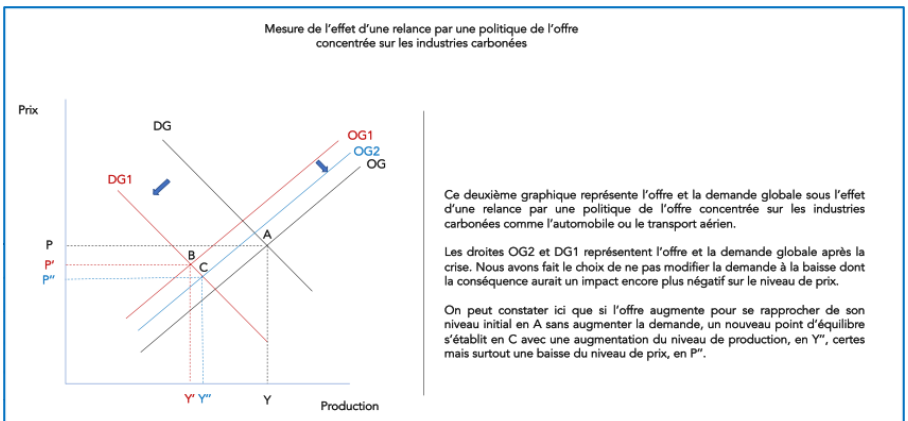
made impossible by the closure of shops, and spending cancelled or postponed because it was deemed non-essential.

With a decline in its GDP estimated by the OECD at between -11.4% and 14.1%, France has officially entered recession⁴.



Since 11 May 2020, the date on which deconfinement began, the thorny question of recovery, its financing and allocation has been raised. In fact, while the public authorities favour recovery through a supply-side policy, they seem to be concentrating their efforts on the most carbon-intensive industries whose inevitable fall is accelerated by the occurrence of this virus (PSA, Renault, Air France⁵) to the detriment of a real "green deal", i.e. more sustainable and responsible growth⁶ and above all to the detriment of household purchasing power.

Although intended for the companies that have suffered the most during the crisis, this supply-side recovery policy has at least two major drawbacks concerning its possible effect on prices and the nature of its use.



Financed by debt, which it is not yet known whether it will be pooled at the European level, this entirely supply-side stimulus policy is likely to have an even more negative effect on prices. Increasing supply, and therefore production, without increasing demand will contribute to inflating already particularly large stocks, especially in the automotive sector. In order to dispose of their stocks, companies will therefore have to apply new, downward pricing policies to be able to sell their goods.



Although we now know the cost of the deconfinement, estimated at 120 billion (be careful, this is by no means the total cost of the crisis), we do not yet know exactly who will bear it. The current distribution of this cost could be as follows: public finances to the tune of 71 billion, 44 billion for businesses (corresponding to a drop equivalent to -3 margin points) and finally 11 billion for households (loss of purchasing power, loss of -16% of wages, unemployment)⁷.

Due to a lack of consumption power, French households saved close to 55 billion euros⁸. It is impossible to predict what will become of these so-called "forced" savings. Will households continue to save? If so, until when? Will they use their savings? If so, which economic sectors will benefit most?

⁷ <https://www.ofce.sciences-po.fr/pdf/pbrief/2020/OFCEpbrief67.pdf>

⁸ https://www.lemonde.fr/argent/article/2020/04/23/en-france-l-epargne-forcee-un-moteur-pour-la-reprise-post-confinement_6037495_1657007.html

Before attempting to answer these questions, it is first necessary to study how the dual health and economic crisis has impacted household consumption. While it is fairly obvious that the majority of households have changed their consumption habits, by relying on online versus in-store purchases, are there any new underlying trends emerging?

While they represented only 6% of the FMCG market in 2019, online sales almost doubled during the crisis, reaching more than 10% in May 2020⁹. Sales boosted by the growth of the so-called "generalist" food trade (+80%) and accelerated by drive-through and home delivery.

If like consumer goods (especially fresh products) the major digital platforms have benefited greatly from this crisis (like Amazon of course but also all streaming entertainment platforms such as Netflix, MyCanal or Amazon Prime Video)¹⁰, it is not the same for luxury goods (excluding cosmetics), clothing and accessories, and of course tourism, hotels and restaurants, sectors in sharp decline or even at a standstill.

The impact of this double crisis can also be seen in terms of advertising investments, which show an overall decrease of 8.1% in 2020 (\$49.6 billion)¹¹. In France, this fall in advertising investment stands at -18.7%, i.e. the most spectacular fall in the euro zone. The online media fared better than the traditional media (+0.6% increase vs. -16.3% overall in 2020).



⁹ <https://www.nielsen.com/fr/fr/insights/article/2020/covid-19-un-nouveau-palier-atteint-en-france-par-le-e-commerce/>

¹⁰ <https://www.statista.com/study/54925/video-on-demand/>

¹¹ <https://content.warc.com/gat-june-2020.html>

For the marketing/CMO directors, this double health and economic shock was first of all synonymous with a shock that resulted in a shift in their priorities from growth to stability: by starting by securing its teams and organizing distance working; by shifting its marketing efforts towards markets, geographical areas less affected by the crisis, at least at the beginning of the crisis, and product categories according to their availability (for example from Asia to the USA); or by optimizing all its processes to stabilise its offer. In other words, by implementing all available capacities to absorb the crisis as well as possible.

Then comes a crucial stage that can be described as a stage of resilience. With the gradual reopening of shops since May 11, 2020, and then restaurant terraces, demand is slowly quivering.

As weak as it may be, this demand calls for a response in terms of supply and action on the part of marketing/CMO directors: assess the medium and long-term impact of this dual health and economic crisis on its activities and the expectations and needs of its customers, align this assessment with its marketing plans, clarify its long-term plans; feed the existing business by relaunching operations and the entire supply chain; to make your business model evolve or create a new business model; to accelerate its digital transformation (increase its sales on digital channels, maximise home deliveries and more generally the service dimension of its offers...); to review the role and the articulation of its contact points or to excuber its next innovative projects in order to validate their relevance.

While the future is uncertain, we can take advantage of this uncertainty to rethink and reinvent ourselves in order to imagine other growth models and strive for operational excellence.



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