Using Digital & Tech to manage the COVID-19 crisis

How digital mitigates risks and creates chances in the Corona crises

MARCH 2020
COVID-19 with significant impact on companies – focus so far on protecting measures, less on business action

**COVID-19 will hurt revenues & earnings**
- 60% of companies expect negative revenue and earnings impacts in FY 20
- ~70% of companies expect normalcy to return within 6 months

**Significant issues in supply chain and labor**
- >60% of companies already faced supply chain issues
- Further increase expected as more issues already reported in regions where outbreak spread first

**Lack of business measures taken so far**
- Most companies are active in ensuring employee safety
- But only 1/3 have taken measures to capture demand rebound

**Long-term effect on remote working**
- Majority of companies want to change remote working policies and improve crisis response long-term
- Some companies already expediting their plans

Source: BCG COVID-19 Company Survey; BCG Henderson Institute Analysis
Lessons from China—leverage the power of digital to mitigate risks and even create new chances

Ensure life and work continue with DIGITAL tool

- Medical, utilities, logistics, food supply were all required to operate at full capacity with price control
- Essential services boomed digitally:
  - Medical consultation: HaoDaifu (好大夫) served 1.68M ppl in 17 days, daily registration went up 350%
  - Grocery delivery: JD fresh delivery went up 226%
  - Education: top 6 education apps totaled 45M downloads

Source: online news, BCG analysis

Students are taking the online P.E. class at home

Deliverymen buy vegetable in the supermarket and use contactless delivery to customers
Current COVID-19 challenges...

- Supply chain issues
- Significant constraints for working environment
- Time offset between global regions
- Dramatic shift of consumer behavior
- Financial performance and cash risks
- High uncertainty how crisis will evolve
- ...can be overcome by inherent digital & tech advantages

- Remote and new ways of working
- Transparency and data analytics for decision making
- Data driven supply chain steering based on IoT and analytics
- Online customer engagement for sales/after sales using eCommerce and platform solutions (with personalized offerings)
- Performance improvement through digitalization incl. process automation
Digital & Tech response to COVID-19 in 3 time horizons

Now
Tackle immediate priorities

Next
Stabilize & prepare for the rebound

Later
Pursue structural enhancements

Day-to-day agile approach to navigate changing environment
Digital & Tech levers for responding to crisis

**Now**
Protect your people, ensure continuity, and mitigate short-term losses

1. Analytics driven transparency (people, finance, supply chain)
2. Analytics and AI simulations (demand, supply chain, cash, patient finder, pricing)
3. Actionable steering cockpit
4. New remote ways of working (tools, principles, practices)

**Next**
Pro-actively seize demand rebound and bring business back on track

1. Push of online channels, distribution, inside sales, digital demand
2. Digital marketing & personalization (eCommerce)
3. Dynamic supply chain planning
4. Demand/stock - global sourcing platform

**Later**
Build advantage by enhancing business resilience and performance

1. Performance improvement through digitization/cost-out
2. Analytics based reconfiguration of supply chain
3. Business model innovation & digital driven go-to-market approach
4. IT cost reduction & simplification

Increase resilience and value from Technology

1. Continuity
2. Remote working
3. Cyber resilience
4. Portfolio triage and acceleration of critical business outcomes
5. Agile ways of working, critical technology capabilities, sourcing & ecosystem
6. Data & digital platforms for speed and agility

Detailed approaches across levers available upon request
Digital & Tech selected examples for responding to crisis

### Now

**Analytics and AI simulations - Ebola Patient Finder**

**Client situation**
Ebola outbreak in West Africa as enormous global challenge in 2015. BCG supported global health NGO.

**Objective**
Control epidemic outbreak through rapid diagnostic testing

**Impact delivered**
Outbreak control and savings impact

### Next

**Dynamic supply chain planning - E2E supply chain visibility**

**Client situation**
Global biopharmaceutical company with a lack of coordination between plants and work centers

**Objective**
Optimize manufacturing and reduce costs through process improvement

**Impact delivered**
3-5% cost decrease

### Later

**Performance improvement - Digital Transformation program**

**Client situation**
Global mining company with need to massive create saving across in all functions

**Objective**
Define and execute comprehensive transformation program leveraging digital and agile working mode

**Impact delivered**
>30% functional overhead cost savings

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**Increase resilience and value from Technology**

**Client situation**
COVID-19 is forcing companies shifting from office operations to remote working

**Objective**
Minimize risk of cybersecurity crisis during pandemic

**Impact delivered**
Implement 7 actions and communicate rationales to secure remote operations during pandemic
How to approach COVID-19 and use digital to manage this special situation

**Now**
- Identify and prioritize critical digital & tech levers
- Build in 2-4 weekly sprints (hackathons) and swiftly apply for immediate actions

**Next**
- Identify and prioritize critical digital & tech levers
- Define and specify business approach & tech requirements
- Prototype, launch MVP, collect data and learn fast
- Build scalable solution and iterate based on pilot learnings

**Later**
- Define, source, build tech enabler (esp. for tech & business continuity)
- Prioritize and shape tech program levers to get out of crisis stronger
- Portfolio triage & acceleration of critical business outcomes
- New ways of working, critical technology capabilities
- Data and digital platforms for speed and agility

Specific program approaches, e.g.,
- Performance improvement through digitization
- Digital go-to-market
- Agile@Scale
DigitalBCG: Strong Digital capabilities with significant scale

- 4,000 Digital business consultants
- 800 data scientists & analytics experts
- 650 IT experts and IT architects
- 750 Digital business builders

1. Thereof 550+ in Technology Advantage practice area

Digital projects in last two years
Revenue share of Digital
Innovation centers for operations
Incubation hubs and labs
Digital thought leadership publications

VC arm connecting startups & corporations
Leveraging Digital & Technology to manage the COVID-19 situation

Case vignettes
Selected Case Samples - **Now**

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**Increase resilience and value from Technology**

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Detailed approaches across levers available upon request
Virtual Analytics SWAT Team supports bank's COVID-19 response team with data insight

- **Network analysis**
  Assess dependencies within banks' client base, determine supply chain impacts

- **Estimate time-to-wall**
  Assess liquidity situation of individual clients based on changed inflows/outflows

- **Prioritize experts**
  Highlight special interest cases to be assessed by human experts

Individual client level
- Real-time client level signal engine based on transactional data
- Revised mitigation measures to be applied to individual clients

Portfolio steering level
- Portfolio signal generator to update inputs to regular bank steering systems
- Revised mitigation levers for overall bank steering
BCG created transparency using advanced analytics for EBOLA detection

Client situation
Ebola outbreak in West Africa presented enormous global challenge in 2015. BCG supported global health NGO.

Objective
Control epidemic outbreak through rapid diagnostic testing

Impact delivered
Outbreak control and savings impact
BCG helped Pharma client to manage supply chain disruption with AI

**Client situation**
Pharma client needs to manage risk of not being able to supply critical medication to patients at the end of a supply chain.

**Objective**
Maintain constant supply of finished goods despite crisis in certain regions.

**Impact delivered**
Decreasing costs.

**Step 1: Fully integrate data on logistics, external supply and replenishment**
- Fully linked-up data, incl. batch genealogy, stock levels, replenishment data and CMO data.

**Step 2: Enhance Batch Tracer and stress-test statistics**
- Procure and integrate ‘product origin’ information as well as stock & replenishment data into the Batch Tracing Algorithm as a critical enabler to analysis.

**Step 3: Enhance SSO by identifying key SKUs at risk under different lead-time disruption scenarios**
- Building on the Safety Stock Optimizer Monte Carlo Simulation work, identify materials that flow through affected countries.
- From this list, identify materials most at risk of Lead Time Disruption.

**Step 4: Model suppliers most at risk, model impact using new approach**
- Model suppliers most at risk of COVID-19-related delays, taking into account current stock (criticality) and replenishment (urgency).
- Construct detailed ‘heatmap’ views and priority areas for risk mitigation.
BCGs actionable cash management cockpit helps to survive Corona crisis

**Client situation**
Clients face uncertain situation with no prognosis on pandemic evolvement

**Objective**
Survive financial tsunami of Corona crisis and manage cash

**Impact delivered**
Experience from >250 Client cases

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### Business strength
Preserve top-line

### Develop scenarios
Define relevant scenarios

### Manage cash
Set up cash office

### Public support
Screen state-aid programs

### Execute program
Set up your war room

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**Liquidity planning tool**

**Performance tracking tool**
Client situation
Support the management of Covid-19 emergency in a large Italian Bank

Objective
Address immediate priorities first (e.g. employee safety) and get ready for recovery and rebound

Impact delivered
80-85% adoption of smart working policies across all employees

BCG supports Italian Bank to prepare for upcoming months through Smart working

Smart working necessary as majority of staff works from home

Smart-working concept will be applied over next months

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- Protect your people, ensure continuity, and mitigate short-term losses
  1. Analytics driven transparency (people, finance, supply chain)
  2. Analytics and AI simulations (demand, supply chain, cash, patient finder, pricing)
  3. Actionable steering cockpit
  4. New remote ways of working (tools, principles, practices)

### Next
- Pro-actively seize demand rebound and bring business back on track
  1. Push of online channels, distribution, inside sales, digital demand
  2. Digital marketing & personalization (eCommerce)
  3. Dynamic supply chain planning
  4. Demand/stock - global sourcing platform

### Later
- Build advantage by enhancing business resilience and performance
  1. Performance improvement through digitization/cost-out
  2. Analytics based reconfiguration of supply chain
  3. Business model innovation & digital driven go-to-market approach
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### Increase resilience and value from Technology
1. Continuity
2. Remote working
3. Cyber resilience
4. Portfolio triage and acceleration of critical business outcomes
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Detailed approaches across levers available upon request.
Next Generation Sales with digital customer journey essential for rebound

Impact delivered
~3-5ppt EBITDA margin and 10-20% top-line growth

Client situation
B2B customers expect rich & deep online info: > 70% prefer limited sales rep interaction

Objective
Omnichannel orchestration of the entire customer journey

Push of online channels, distribution, inside sales, digital demand

Next
Digital Marketing "Supercharger" helps to build resilience and amplify rebound

**Objective**
Build resilience and amplify rebound

**Client situation**
COVID-19 radically affects commercial pillars

**Impact delivered**
BCGs proprietary Supercharger tool

**4 Pillar Marketing approach**
1. Cross-functional teams
2. Agile budgets & media spent
3. Investments in E-Com, digital
4. Refresh branding strategy

**Context:** COVID-19 rapidly impacting commercial pillars...
- Supply chain and demand shocks
- Demand wanes and supply inconsistency across categories/geographies
- Physical media economics
- Abnormal media demand will drive abnormal media costs and performance
- Rapid acceleration to e-commerce
- Consumer shift to digital purchase and pathways potentially permanent
- Occasion and demand preferences shift
- Consumption shifts from OOH to in-home

**...must move quickly to push both “defense and offense”**
- Put in place cross-functional “Supercharger” team to allocate priority initiatives at speed
- Make agile budgets and test and learn media to optimize media spend ROI for demand/supply shifts by market and channel

**ACTION PLAN: Adopting “Supercharger” in Marketing**
1. **Organize and co-ordinate**
   - Build agile, cross-functional supercharger teams
   - Define action plan with measurable, time-bound, and accountable actions to achieve in the shortest time possible
   - Agile to focus demand
   - Align cross-functional teams to move faster in action-based and priority
   - Prioritization: adaptive vs. incremental. Ensure on target and achieve market needs
   - Reduce time-to-market spend to ensure maximum investment to arrive on agile, test and learn mode

2. **2 Re-think existing plan**
   - Strategically re-allocate investments across plan
   - Data-driven decision-making. Unchanged, but also accelerated
   - Agile to move faster in the shortest time possible
   - Agile to focus demand
   - Align cross-functional teams to move faster in action-based

3. **Build resilience now**
   - Capture growth in areas of immediate opportunity
   - Hypothesis testing: Pull a few variables that can impact the growth
   - Agile to focus demand
   - Align cross-functional teams to move faster in action-based and priority
   - Prioritization: adaptive vs. incremental. Ensure on target and achieve market needs

4. **Prepare for the rebound**
   - Invest in a foundation from which to accelerate
   - Fast lane: revenue
   - Push to digital channels to drive sales and accelerate growth
   - Agile to focus demand
   - Align cross-functional teams to move faster in action-based and priority
   - Prioritization: adaptive vs. incremental. Ensure on target and achieve market needs

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Next
End-to-end supply chain visibility enables to manage through the COVID-19 crisis

Client situation
Global biopharmaceutical company with a lack of coordination between plants and work centers

Objective
Optimize supply chain / manufacturing network and reduce costs through process improvement

Impact delivered
3-5% cost decrease

Cost improvement and efficiency gains
- IoT wireless sensors with cloud-based data service to minimize disruption
- Predictive model for likelihood of batch delay
- Statistical inventory optimization
Now
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Detailed approaches across levers available upon request
**Client situation**
Organizations globally under massive performance pressure after COVID-19 disruption of demand and supply

**Objective**
Structured assessment of digital performance levers and proven tool box to sustainably tap potentials

**Impact delivered**
5-15% revenue uplift & 5-30% cost reduction per improved domain

**PID - digital as key lever for performance improvement to become future proof**

*BCGs PID framework identifies digital levers, benchmark and prioritizes*

Later
Call Center automation increasingly important due to push of online channels

**Client situation**
Contact centers experiencing a perfect storm of high demand & disrupted resource availability

**Objective**
Bring demand under control whilst ensuring employees are protected and prepare for future after crisis

**Impact delivered**
Successful crisis mgmt; 30% cost savings, transformed experience, and top-line growth

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**Immediate measures**
Establish SWAT team to respond in timely manner with changes to ops priorities, processes & policies

**Long-term measures**
Different ways of delivering customer service and interacting with the customer via Customer Service 4.0

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Performance improvement through digitization /cost-out
Gammas supply chain transformation approach leads to significant EBIT increase

Client situation
Food distributor in US faces challenging freight market conditions and declining supply chain productivity

Objective
Solutions for outbound routing optimization, inbound lanes design, labour scheduling at DCs and network optimization

Impact delivered
$100m EBIT increase

Supply chain transformation supported by 3 tools:
1. Outbound routing optimization
2. Distribution center labor scheduling
3. Inbound lanes design and optimization
4. Network optimization
Develop e2e vision care provider to offer personalized eye care services & eyewear solutions

**Objective**
Deliver in-market proof of personalized end-to-end digital eyewear solution to Chinese consumers

**Client situation**
Explore investment opportunities to extend presence in the value chain and into Chinese market

**Impact delivered**
Built vertical venture within 15 months

**For business partners:**
- **Professional**: Regular on-site vision care with advanced equipment and technology
- **Efficient**: Vision program specialists to organize tailored services and events
- **Considerate**: Sponsoring of B2B2C vision care to improve health and productivity

**For end consumers:**
- **Convenient**: Accessible vision care services with virtual try-on of spectacles on mobile app
- **Personalized**: AI enables smart style recommendations and optimal fitting of spectacles
- **End-to-end**: Dedicated space to track and maintain a digital record of the vision profile
IT cost reduction & simplification via 4 levers to manage increasing cost pressure

**Client situation**
Digital/IT acts as an enabler for cost saving and operational excellence, whilst also being challenged

**Objective**
Achieve cost excellence in the IT Function

**Impact delivered**
4 levers with 5-15% cost optimization potential each

1. **Run cost optimization ~10%**
   - Review service levels
   - Adapt Outsourcing/ offshoring ratio
   - Automation of tasks (e.g. chat bots for first-level-support)
   - 6-12 month

2. **Build cost optimization 5-10%**
   - Review of project portfolio for fulfillment
   - Enable project portfolio mgmt.
   - Move from waterfall process to agile & MVP-approach
   - 6-12 month

3. **Architecture optimization 5-15%**
   - Move towards cheaper applications
   - Reduce degree of software customization
   - Rationalization of application landscape
   - ~24 month

4. **Organizational optimization 5-10%**
   - Optimize non-productive IT roles
   - Shift capabilities towards value adding activities
   - Cluster resources in centers of excellence
   - 6-18 month
Selected Case Samples - Resilience & value from Technology

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Detailed approaches across levers available upon request
Client situation
COVID-19 is forcing firms to ensure readiness of their IT infrastructure to effectively operate without disruption

Objective
Lay out a rapid sprint approach to enable clients to identify and address most critical gaps in IT capabilities

Impact delivered
Define, source, build tech enabler for tech & business continuity

Technology Resilience: Rapid Sprint to Address Implications of Covid-19 Response

Changes to customer journeys and operational processes will drive changes across 5 tech capabilities

Effective IT readiness & response to COVID-19

Customer journeys: Enable digital pathways
Operational processes: Increase visibility into operational risks
Digital ways of working: Reconfigure workflows to support remote work (“IT for the Business”) and core IT operations and support (“IT for IT”)

Infrastructure & Platforms
Cybersecurity
Systems architecture
IT Service Management
Digital Workforce Tools

Business processes
Technology
### Client situation

COVID-19 is forcing companies shifting from office operations to remote working.

### Objective

Minimize risk of cybersecurity crisis during pandemic.

### Impact delivered

Best practices to secure operations during pandemic.

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### BCGs cybersecurity best practices enable secure operations during pandemic

**Remote working due to COVID-19 outbreak**

**Step 1:** Identify cybersecurity risks due to shift from "office operation" to "remote operation".

**Implementation of cybersecurity actions**

**Step 2:** Implement 7 actions and communicate rationals to secure remote operations during pandemic.

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### Tech

- Continuity
- Remote working
- Cyber resilience

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**Tech Contingency**

- Remote working
- Cyber resilience

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**Implementation of cybersecurity actions**

1. **Identify cybersecurity risks due to shift from “office operation” to “remote operation”**

2. **Implement 7 actions and communicate rationals to secure remote operations during pandemic**

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**Digital BCG**
Client situation
Premium Automotive OEM with complex application landscape needs to simplify portfolio

Objective
Opportunities for simplification identified and qualified via criteria-based analysis and portfolio clustering

Impact delivered
BCG helped decide on tech approach and program prioritization

Proven four step approach to build simplified and more robust IT landscape

1. Qualify applications
   Collect key information along 5-10 pragmatic criteria e.g., business relevance & cost, technologies

2. Cluster applications
   Cluster applications along dimensions business value and complexity into buckets e.g., keep / grow, retire / sun-down

3. Build roadmap
   Prioritize opportunities and realize first quick wins ("proof that it works"). Build aligned roadmap for actions

4. Execute roadmap
   Drive execution of roadmap and liaise with respective teams. Track rigorously to ensure timely delivery

Ongoing impact reporting

App landscape & key information

Clustering of applications

Aligned roadmap

Ongoing impact reporting
Agile@scale: New ways of working as good practices in times of COVID-19

Objective
Reduce tech projects delivery time, increase frequency of releases, increase user adoption, improve capability to attract top talent

Impact delivered
Tailored model for agile transformation and efficiency gains

Client situation
Various clients face digital disruption and technology change; current IT delivery with limitation and team interactions are very hierarchical and slow

Agile ways of working:
Substantial new ways of working tailored to client’s needs with best practices and key success factors

BCGs project approach:
Iterative approach with high degree of coaching/training & implementation of tools to ensure successful (remote) collaboration
Data and digital platform helps to improve customer experience

**Objective**
Improve data availability and quality

**Client situation**
Leading CPG Client wants to radically improve products, customer experience and create competitive advantage

**Impact delivered**
Data accelerator and Data and digital platform
Tech People Transformation (TPX) redesigns people strategy to facilitate DDP\textsuperscript{1}

**BCG framework**

Comprehensive redesign of the people strategy within a technology / IT function acknowledging the fact that IT/Tech is no longer purely a "back office" function, but a business driver and product builder.

**Objective**

Define comprehensive redesign of the people strategy within a technology / IT function.

**Client situation**

Companies moving to Data and Digital Platforms should carefully define their workforce strategy.

**Impact delivered**

Tailored model to enable Tech People Transformation.

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1. Data and digital platform
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