BAIN & COMPANY

Brief

Anticipating When Consumer Sentiment on Covid-19 Will Turn

Social media patterns can guide companies' signature actions and messaging.

By Fleur van Beem, Derek Deng and Eric Almquist

April 20, 2020 • 6 min read

Step into the endurance zone. As the health and economic crisis posed by Covid-19 progresses, and the rate of new cases starts to slow in a number of countries, it's apparent that social interactions will not sort into a neat before and after. For a period of uncertain length, people will need to endure with varying levels of anxiety.

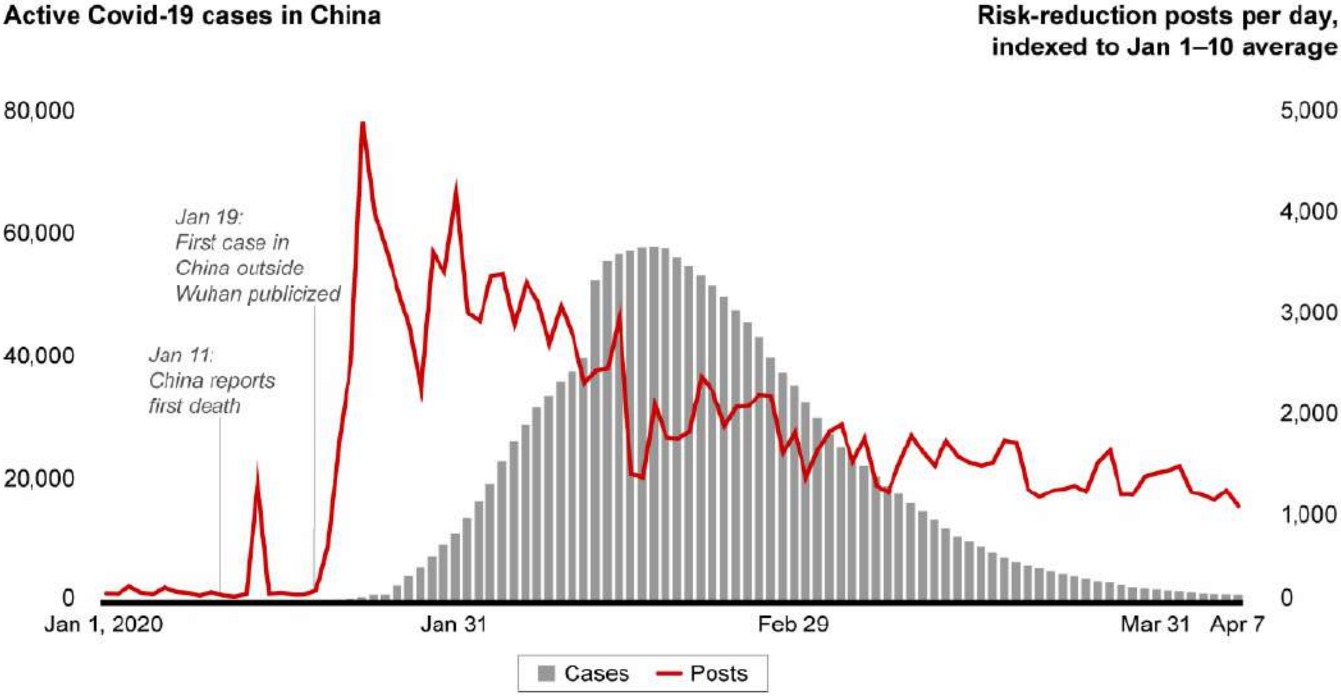
Companies will enter the same zone. Most have completed the first phase of protection protocols for consumers and employees. They will need to continue taking actions to reduce risk for consumers, and to keep people informed once the infection rate begins to wane. But for how long? How will they know when consumers may be receptive to messages with a different tone, or to reengaging with products and services they set aside in recent months?

Listening to social media and understanding the feedback can help in this regard. Bain & Company used a social media scraping tool by Synthesio to analyze posts containing keywords related to personal risk reduction—*mask*, *handwashing*, *virus test*, *isolate* and so on—in several countries since the first of the year.

In China, such posts rose sharply in the week after the first case outside of Wuhan was publicized on January 19 (see Figure 1). In the US and Europe, an initial jump in posts occurred when people learned what was happening in China, followed by a greater surge when the coronavirus reached those countries (see Figures 2 and 3).

Figure 1

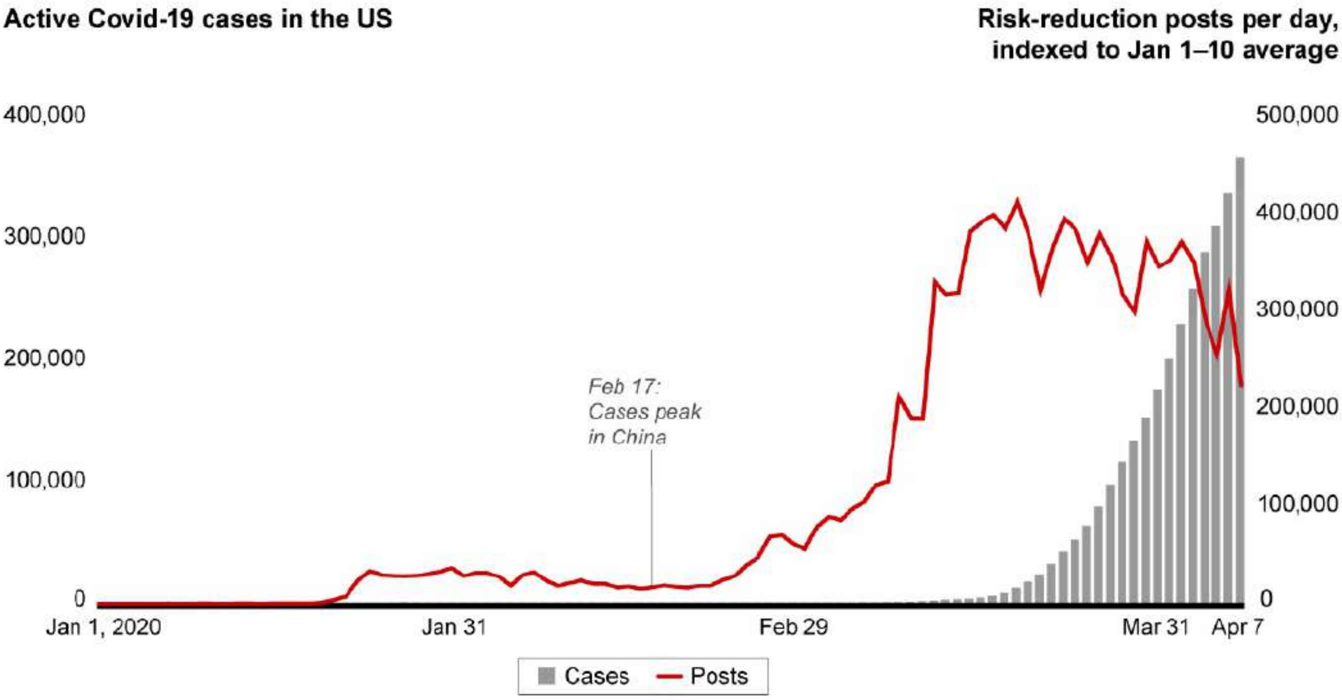
Chinese social media posts related to personal risk reduction spiked and then leveled off at roughly 10 times pre-coronavirus levels



Notes: Analysis includes Facebook, Instagram, Twitter and local social networks such as Weibo; WeChat data not included as data was not available
Sources: Bain & Company/Synthesio analysis; Wuhan Municipal Health Commission; National Health Commission of the People's Republic of China

Figure 2

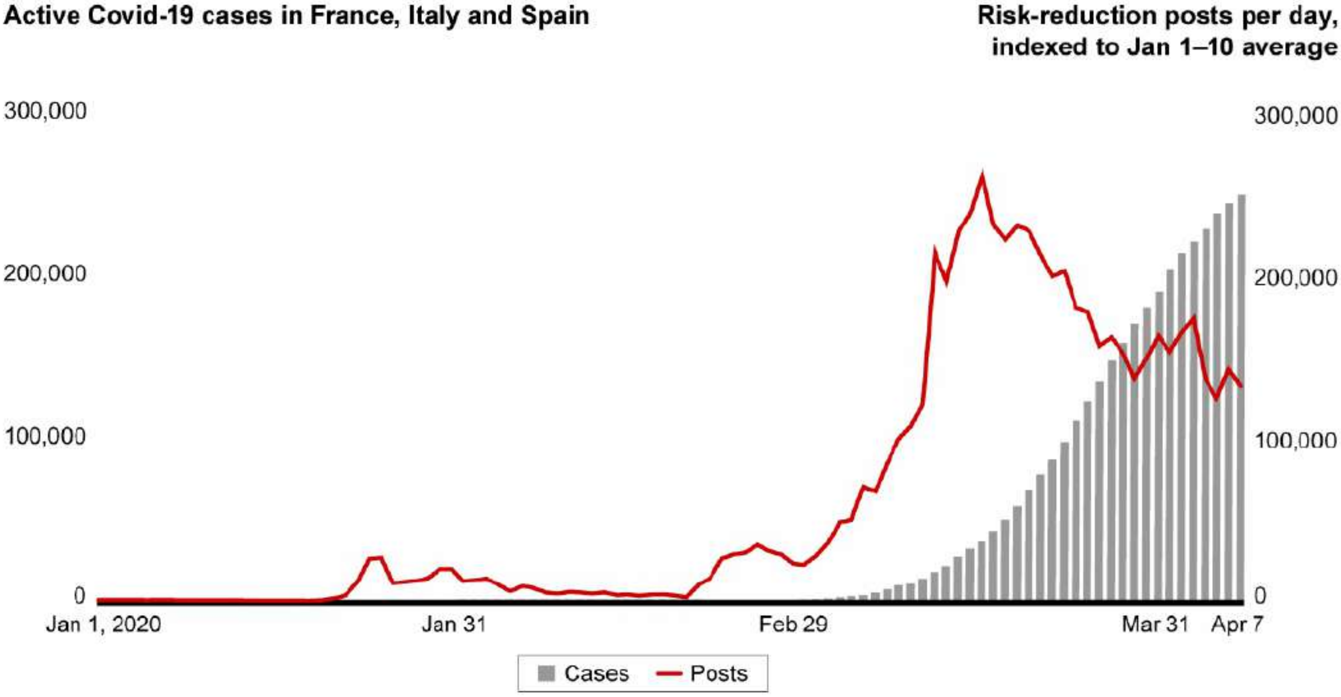
US risk-reduction posts rose following publicity about China's coronavirus cases, then spiked in advance of the rise in active cases in the US



Note: Analysis includes Facebook, Instagram, Twitter and local social networks
Sources: Bain & Company/Synthesio analysis; Centers for Disease Control and Prevention

Figure 3

In Europe, risk-reduction posts spiked when the number of European cases started to rise



Note: Analysis includes Facebook, Instagram, Twitter and local social networks
Sources: Bain & Company/Synthesio analysis; European Centre for Disease Prevention and Control (France); Ministero della Salute (Italy); Ministerio de Sanidad (Spain)

Although risk-reduction posts declined in China as the number of active cases dropped, the level of social media chatter remained at roughly 10 times the pre-virus baseline. This suggests that a higher level of worry among consumers will continue at least for the medium term in the US and Europe, possibly spiking again if the infection rate turns up.

Our analysis also demonstrates that companies worldwide might have picked up on the severity of the threat much earlier by monitoring appropriate keywords in social media. Chatter about risk reduction rose significantly in the US and Europe in mid-January, yet government and corporate alarms did not sound until many weeks later.

Spot the shift in what consumers will value

We have the benefit of hindsight, of course. Still, looking ahead, companies can use social media patterns as one tool to anticipate shifts in what consumers value. Of the 30 Elements of Value® we've identified in consumer markets, *reduces risk* has risen as a high priority for most people; in some industries, it's almost as important as the element of perceived *quality*. Products and services must attain a certain minimum level of quality, and no other elements can make up for a significant shortfall on this one.

Another element that has ascended in importance is *affiliation and belonging*. In the US, for example, telecommunications providers have experienced a surge in plain old voice calls. The *New York Times* reported that Verizon has been averaging 800 million wireless calls each weekday, more than twice the number made on Mother's Day. Those calls are longer than average as well. AT&T cellular calls have risen 35%, and Wi-Fi–based calls have almost doubled from averages in normal times. By contrast, the carriers' Internet traffic was up 20%–25%.

Risk-related social media posts may remain at their current levels for some time, or they might decline or bounce around. Whatever the pattern, companies taking the pulse of social media should determine when their consumers are receptive to messaging and signature actions that don't center on risk reduction. The timing and degree of receptivity will vary by industry and location, so companies will need to tune their actions and messages accordingly.

A premature shift to more optimistic messaging could seem tone-deaf to consumers' continued anxiety. Waiting too long, on the other hand, could delay a revival in sales. Rigorous social media analysis can help inform decisions on when to retune, and which Elements of Value will resonate at that moment.

Fleur van Beem is a partner with Bain & Company's Telecommunications, Media & Technology practice, and she leads the Customer Strategy & Marketing practice in Europe, the Middle East and Africa. Derek Deng is a partner with Bain's Consumer Products practice. Eric Almquist is a partner with Bain's Advanced Analytics and Customer Strategy & Marketing practices. They are based, respectively, in Amsterdam, Shanghai and Boston.

Elements of Value® is a registered trademark of Bain & Company, Inc.

TAGS

Brand & Customer Strategy | Coronavirus | Elements of Value® | Sales and Marketing

BAIN & COMPANY

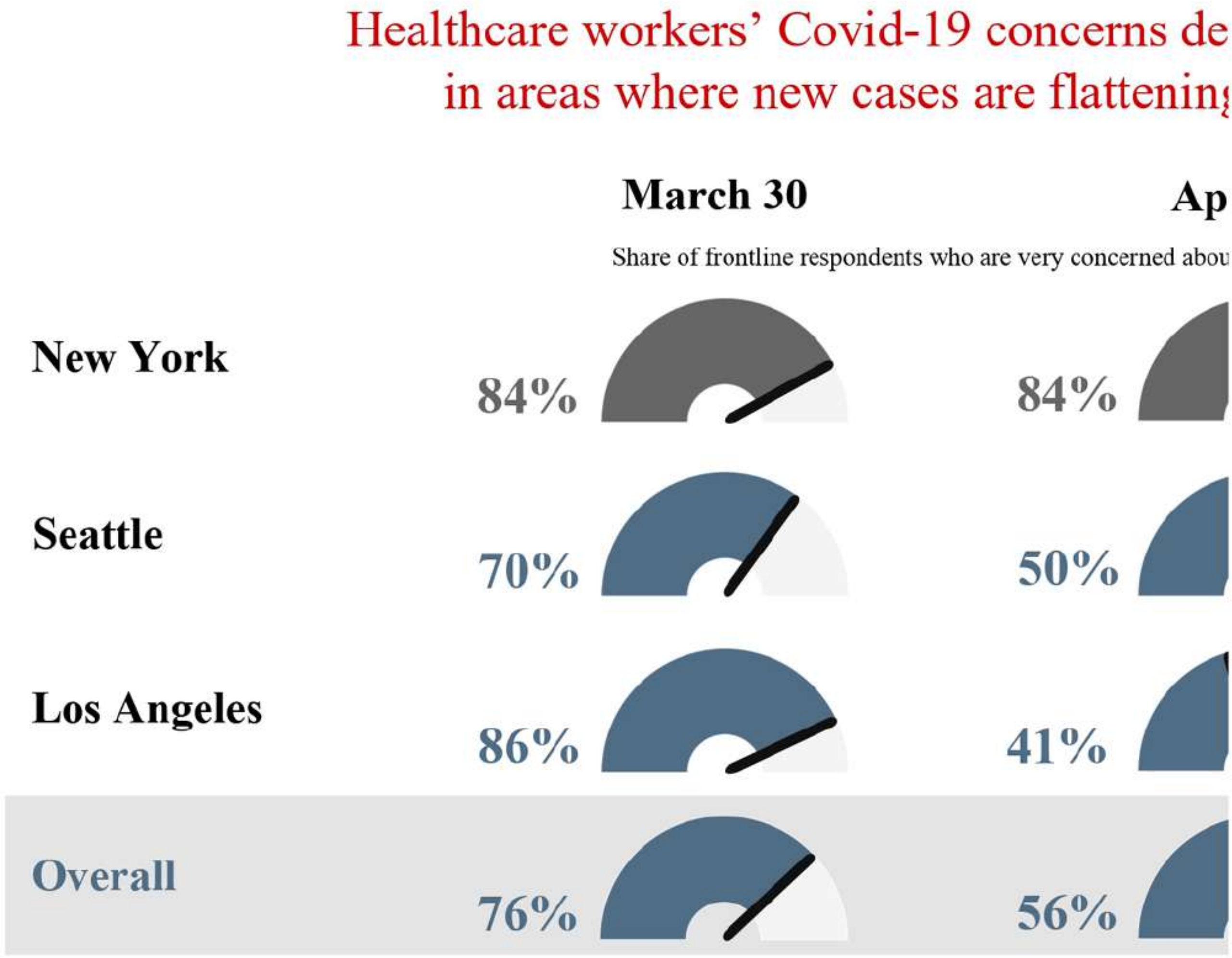
Snap Chart

Covid-19 Concerns Decline in Some US Cities, Remain High in New York

Health concerns among frontline doctors and nurses remain high in New York, but have dropped in cities like Seattle and LA where new cases are slowing.

By Joshua Weisbrod, Michael Brookshire and Erin Ney, MD

April 16, 2020



Source: Frontline of US Healthcare Survey, April 8–13 (n=304), 60% frontline providers (emergency, ICU, infectious disease, hospitalists), 40% primary care physicians and ot

In regions like New York, where daily Covid-19 incidence continues to increase, frontline clinicians remain very concerned about their health. But for those in cities with slowing case growth, like Los Angeles and Seattle, concern is declining, though it remains elevated. The level of concern has dropped across most geographic regions, with 56% of April 13 survey respondents describing themselves as very concerned, down from 76% of respondents surveyed two weeks earlier.

Joshua Weisbrod, a Bain & Company partner based in New York, leads the firm's Healthcare practice in the Americas. Michael Brookshire is a partner in Bain's Healthcare practice and is based in Dallas. Erin Ney is a board-certified internist and an expert manager in Bain's Healthcare practice; she is based in Boston.

More insights from our most recent Frontline of Healthcare survey:

- US Healthcare Workers on Covid-19 Front Lines Battle Physical, Mental and Financial Strain
- US Hospital Adoption of Covid-19 Protocols Outpaces Virus
- US Doctors Turn to Telehealth As Covid-19 Limits In-Person Care

TAGS

Coronavirus Healthcare

BAIN & COMPANY

Brief

Covid-19 Gives Sustainability a Dress Rehearsal

In a crisis where previously unthinkable approaches have become the new normal overnight, companies can keep up their sustainability momentum.

By Jenny Davis-Peccoud and Jean-Charles van den Branden

April 17, 2020 • 12 min read

At a Glance

- Just as companies were getting up to speed with their sustainability efforts, Covid-19 suddenly threatened their very survival. Can they maintain their sustainability initiatives as they deal with existential challenges?
- While Covid-19 creates some short-term headwinds for sustainability, it has also generated strong tailwinds. In some ways, it is a dress rehearsal for dealing with climate change.
- For executives, the crisis underscores the importance of building the capabilities and resilience to deal with low-probability scenarios.

Even as companies struggle to maintain their footing in a Covid-19 world, the pandemic is helping executives glimpse the sustainability revolution in their future.

Telework and virtual meetings are showing companies that they can reduce travel, with satellite images revealing the dramatic decline in air pollution. Companies are seeing the benefits of going the extra mile for employees, customers and suppliers—whether it's Starbucks offering employees catastrophe pay and rolling out expanded mental health coverage, or Unilever providing early payment for its most vulnerable suppliers. And as they collaborate with governments to police false and misleading Covid-19 information on their platforms, tech companies may see the potential power of fighting misinformation about climate change.

In some ways, the Covid-19 crisis has become a dry run for the sustainability agenda and an opportunity for companies to see how they can tackle an expanding range of environmental, social and governance (ESG) challenges. The risk of a pandemic was known, and yet the crisis has exposed a lack of adaptability and resilience at many companies. After this, boards and executives will not be forgiven for underpreparing for various climate change scenarios. The pandemic has not only raised the stakes for sustainability but also shed light on moves that fly in the face of corporate responsibility—a company urging employees to work in offices despite official government guidelines, for example, or a CEO receiving a substantial raise as millions lose their jobs.

The crisis is making sustainability harder in the short term . . .

The coronavirus crisis has unleashed headwinds that threaten to limit the corporate response to the sustainability imperative. Many companies now find themselves in a difficult cash position, deeming anything not critical for survival as unnecessary. As companies struggle with decisions affecting their day-to-day existence, ESG matters may seem like slow-burning issues they can deal with tomorrow.

Across society, the pandemic could trigger a reversal of sustainability trends. In the US, the Environmental Protection Agency has temporarily relaxed pollution enforcement to allow companies to focus on survival—with no end date set. Some consumers and retailers are rejecting reusable grocery bags as unsanitary, and many cities and states are reversing recent bans on plastic bags. Stores are readopting throwaway plastic containers or plastic wrapping on fruit and vegetables.

Corporations are not simply watching these developments; in some cases, they are accelerating them. In the US, a plastics industry group asked for a halt to state-level plastic bag bans, and a petroleum lobbying group pushed for the relaxation of greenhouse gas emission enforcement.

Unpredictable and rapid changes in demand inhibit advance planning, limiting companies' ability to respond sustainably. Lower oil prices could make the business case for sustainability moves—from renewables to bioplastics—look less compelling. For some businesses, however, the turbulence caused by recent Saudi and Russian actions may speed the shift to alternative fuels.

. . . but opening many doors

Indeed, for each headwind threatening sustainability, there are several corresponding tailwinds, many of which will be longer lasting. For example, consumers favor companies and brands with purposes that benefit the broader community. Consider that US sales of products marketed as sustainable grew 5.6 times faster than other products from 2013 to 2018, according to the NYU Stern School for Sustainable Business. By revamping production to meet the demand for hand sanitizer during the crisis, companies like Bacardi and Anheuser-Busch InBev have demonstrated their social commitment and purpose.

The pandemic is showing companies the options for flexibility in paid sick leave and sponsored childcare, as well as work schedules and location. And while the crisis exposes weaknesses in existing operations, it opens the door for companies to shorten supply chains and make them more transparent, socially conscious and environmentally friendly.

As people around the world focus on washing their hands and maintaining physical distance, they become more attuned to their own health and wellness. At the same time, Covid-19 has made companies more aware of the need to promote health and wellness among employees and consumers—for instance, by developing immunity-boosting foods or providing telemedicine services and biometric monitoring, markets that undoubtedly will grow during the crisis and beyond.

Meanwhile, the pandemic has swiftly redefined companies' relationships with governments and other stakeholders, showing what is possible by inspiring collaboration and coordinated global action. Some governments are quickly acting to ensure a greener comeback. The European Council, made up of the heads of state of EU member countries, has stressed that its fiscal response to the Covid-19 pandemic will not mean abandoning its Green Deal for Europe principles. In the US, New York State passed legislation that accelerates the siting and construction of clean energy facilities to combat climate change and spur economic recovery from the crisis.

Companies have also seen that the crisis will not mean an end to investor pressure on sustainability issues, with the US Securities and Exchange Commission rejecting requests from several firms to block or delay shareholder motions on climate. Stocks of companies with strong ESG credentials have proven a safer haven in this period of market disruption. In fact, the coronavirus pandemic could elevate ESG factors as investors voice more concerns about employee benefits, supply-chain management and other ESG priorities. ESG investing was already poised for growth. A group of 300 mutual funds that consider ESG factors when making investment decisions saw inflows of $21.4 billion in 2019, vs. $5.4 billion a year earlier, according to Morningstar. Now, such funds' relatively lower losses vs. the market overall may accelerate that trend.

A time to lean in

On balance, executives tell us that they will use Covid-19 as an opportunity to lean in on sustainability, as the pandemic has highlighted the importance of critical ESG factors. If the past is any indication, sustainability will remain a top priority even as companies focus on survival.

During the global recession of 2008–09, many predicted that companies would deprioritize sustainability as a nonessential component of their business. That didn't turn out to be the case. In March 2009, the National Association of Insurance Commissioners announced a requirement that US insurers with annual premiums over $500 million disclose climate change risks and their policies for reducing this risk. Meanwhile, the UN Environment Programme Finance Initiative has encouraged some 200 financial institutions to sign onto a set of voluntary principles committing them to integrate environmental considerations into their business models, including "identifying and quantifying environmental risk." If, as some experts propose, degraded habitats are a partial cause of Covid-19, a likely outcome will be intensified global focus on environmental reparation.

In many ways, the current pandemic serves as a dress rehearsal for the longer-lasting and irreversible impacts of the climate crisis, underscoring the urgency of climate change action. It has shown that anticipating a risk is not enough. Although the pandemic risk was known, many companies still found themselves woefully unprepared for the disruption it has brought. For example, call centers were considered resilient if they were spread across geographies; now we know that they are only resilient if they can remain active when everyone has to work from home.

Similarly, predicting the exact environmental scenario that will play out is not the task at hand. Rather, it is to ensure that your company is adaptable to known scenarios and resilient to unexpected scenarios as they emerge. While the circumstances and implications of Covid-19 are devastating, they illustrate how quickly behavior and actions can change when push comes to shove.

Many companies will use this opportunity to act responsibly and proactively to help their many stakeholders. A group of four CEOs and the founder of the World Economic Forum have issued a call to action, outlining six stakeholder principles for life after Covid-19 and urging the 140 members of WEF's International Business Community group to sign on. JLL, a leader in real estate services, has confirmed social and corporate responsibility as one of its top priorities. Companies as diverse as BP, Finnair, Barclays and Samsonite have committed to continue their push for carbon-neutral operations, despite the pandemic.

How to keep sustainability alive while coping with disaster? From the beginning, management teams need to plan for continuity and have clear post-Covid objectives, complementing "act now" programs with corresponding "plan now" initiatives (see Figure 1).

Figure 1

Companies will emerge stronger if they both act now and plan now

Source: Bain & Company

Act now

CEOs can make several moves right now to help mitigate the effects of the outbreak on sustainability and come through stronger on the other side.

Treat employees fairly. The Covid-19 crisis is a time to focus on your most important asset: people. Enhance safety protocols to protect team members, enable remote work where possible, and increase paid sick and family leave. Seek alternatives to layoffs (e.g., cutting everyone to 50% rather than laying off 50% of staff). If layoffs or hours reductions are inevitable, connect staff with resources and support. Cut executive salaries and bonuses when employees face cuts.

Retailer Target has temporarily increased worker wages by $2 an hour, offered paid leave for any team member at increased risk of contracting the virus and contributed to a fund to support affected employees. Multinational energy company Enel created an insurance policy for its global workforce of more than 68,000 to protect them in the event they fall sick with the virus.

Do right by customers and suppliers. Modify standard refund, return and other policies to mitigate the impact on customers. Protect vulnerable suppliers with payment term changes, and offer credit to good customers to help them stay in business. Unilever, for example, has pledged €500 million to support its supply chain through such moves as extending credit to select small-scale retail customers that rely on the company.

Help the broader community. Redirect facilities to crisis-critical activities, such as medical supply production or community support. Consider donating extra supplies on hand that communities and response teams desperately need. Contribute to philanthropic causes responding to the crisis. Among the companies that are lending a hand, Baidu created a layer in its map application to show confirmed and suspected cases of Covid-19. Dyson quickly designed a new ventilator that can be used in field hospital conditions.

View critical actions through a sustainability lens. When you embark on cost initiatives and other newly critical actions, use sustainability as a priority criterion. This could mean doubling down on energy efficiency measures that reduce both emissions and costs. The Great Recession accelerated coal plant closures, and the pandemic is likely to spur the same action.

Just before the crisis, one beauty company redesigned packaging to cut costs and eliminate emissions—saving more than 10% of procurement spending across categories, and 20,000 trees within an individual product subcategory—all while enhancing consumer appreciation of the product. Such measures can save money today and position the company for success tomorrow.

Plan now

In addition to short-term actions, companies need to plan now for medium-term moves that will set the stage for a sustainable future. As they prepare for the post-Covid world, they should focus on four areas.

Maintain today's positive actions. Studies have found that initiatives introduced in a moment of change are more likely to stick later. Companies can decide which crisis-response actions would support a more sustainable future. Tech companies might bring the skills they've developed in combatting virus misinformation to the challenge of climate change denial and misleading political information. All companies can reevaluate if so much air travel is necessary for operations. Further, with employees rallying to deliver critical goods such as food and healthcare items, and rediscovering the value of their roles as they do, it's also a time for companies to reignite the corporate mission.

Take advantage of M&A to build critical capabilities. Companies that have a strong balance sheet recognize the importance of emerging stronger from a downturn. When pursuing growth through M&A, look for sustainable start-ups and technologies. In the 2008–09 crisis, smart buildings technology company GridPoint strengthened its position by acquiring V2Green, Lixar and ADMMicro. Amid the economic uncertainty unleashed by Covid-19, Finland's Neste, a leading manufacturer of renewable diesel, continues to acquire and partner with companies to develop scalable, sustainable feedstocks and technologies for renewable and circular solutions.

Review risk assessments based on the crisis; then act. Companies must get ready now for a range of scenarios to come. Use learnings from the current crisis to identify the biggest risks from sustainability-related disruptions. What if the carbon price goes to $150 per ton? What if that plastics legislation comes in faster than anticipated? What if consumers shift away from meat more quickly than expected?

That assessment may unlock sustainability investments or actions previously considered unattractive. Indeed, Covid-19 has shown that low-probability events do happen. What sustainability-related risks are you exposed to in areas such as public health and safety? How resilient are you to climate change? As reporting recommended by the Task Force on Climate-related Financial Disclosures becomes mainstream, now is the time to review your climate change risk exposure.

Anticipate new sustainability-driven opportunities. Seize on sustainability tailwinds brought about by the crisis, and embed that into your strategy. BlackRock, for instance, has committed to raising environmental standards for proxy votes to back company directors' reelection. Those focused on closing the plastics loop may find an input source in postcrisis plastic waste (used masks, gowns, gloves), helping to push chemical recycling to affordable scale more quickly. As you address changes to your supply chain to make it more resilient in the future, consider how the same changes could improve sustainability. For example, traceability also helps enable sustainable sourcing and ensure responsible labor practices.

In addition, shifting to near-shore or onshore production and shorter supply chains will reduce emissions. Manufacturing pollution levels will drop as new sites are designed to comply with environmental policies, leveraging new technologies to be more efficient. As they make these moves, some businesses will be able to take advantage of stimulus money tied to environmental efforts.

Also consider how sustainability opportunities apply to products. After shedding many products during lockdown, consumers will be choosy about the items they bring back into their lives, considering whether they are good for them and for the world.

The pandemic that has upended millions of lives and businesses does not need to slow the pursuit of sustainability. To the contrary, it highlights the importance of taking care of each other and the planet—which, ultimately, is good for business.

Companies that commit to sustainability during the crisis will come out stronger, with more solid customer and supplier relationships, enhanced corporate reputations, and improved employee loyalty and productivity. Those that do not will face serious reputational ramifications that could—even more than the virus itself—threaten their survival.

Jenny Davis-Peccoud and Jean-Charles van den Branden are Bain partners and coleaders of the firm's Sustainability & Corporate Responsibility practice. They are based in Amsterdam and Brussels, respectively.

The authors would like to thank Clare Tovey for her contribution to this work.

TAGS

Coronavirus | Sustainability & Corporate Responsibility

BAIN & COMPANY

Brief

Covid-19: Building a Digital Bridge to the New Normal

Technology and analytics are key to weathering the coronavirus pandemic and emerging stronger.

By Greg Caimi, James Anderson and Florian Hoppe

April 20, 2020 • 6 min read

At a Glance

- The Covid-19 pandemic has forced a sudden economic shift from physical to digital.
- Companies can use data analytics and other digital tools to strengthen business resilience, customer relationships, technology systems and operations.
- Executives who take proactive steps now can put their companies in a better position for the new normal.

As the Covid-19 pandemic disrupts nearly every aspect of life, enterprises are turning to digital technology and analytics to help them weather the crisis and prepare for new ways of operating and serving customers once we reach the other side.

People are shutting in and businesses are shutting off in response to the pandemic. That has sparked a sudden economic shift from physical to digital. This is true both for interactions with consumers (online marketing and sales channels, digital products) and the way companies operate (remote working). In Italy, for instance, the lockdown has significantly boosted online shopping, with many people making digital purchases for the first time. Meanwhile, app-enabled food and grocery delivery services across Asia are experiencing an unprecedented surge in demand, and some ride-hailing companies and taxi services have pivoted drivers to deliver food and other items. Beyond the immediate fallout of the crisis, it has become clear that some of these shifts are here to stay: Covid-19 is radically accelerating the digital future.

Many organizations have circled the wagons to navigate the pandemic, focusing first and foremost on ensuring the health and safety of their employees, and second, on adjusting their businesses to best serve customers. Many are deploying critical measures such as war rooms to accelerate decision making and technology to maintain business continuity.

These are good starts. But business leaders are now thinking strategically about ways to use technology and data to proactively retool their organizations to prepare for the new normal. We see six critical areas in which executives can refine their digital roadmap to put themselves in a stronger position for the long term.

1. Build a digitally enabled war room

Companies' Covid-19 war rooms would benefit from technology that increases transparency and responsiveness, and better, near real-time data to support effective decision making. Examples might include implementing digital tools to closely track customer sentiment and behavior, increase supply chain transparency and responsiveness, and replace traditional planning methods with advanced scenario- and trigger-based planning. These tools will outlast the pandemic and give companies capabilities needed to accelerate out of it.

2. Overhaul forecasting to adapt to a rapidly changing environment

Businesses should set aside traditional demand forecasts, which are no longer accurate and aren't cut out for the changes underway. We recommend replacing them with scenario-planning techniques that are sophisticated and data-driven. Human judgment will also be critically important, particularly when a company has been using machine learning models that rely heavily on outdated demand patterns.

Leading firms will incorporate a wider range of data sets than typical in order to build actionable plans across a broad range of outcomes. This will help organizations adapt to the uncertainty around Covid-19 and the complex reactions of customers, competitors and governments.

3. Build new customer relationships through effective digital experiences

With many people quarantined in their homes, digital experiences matter more than ever. Leading companies will identify the ones that matter most and improve upon them to build new and stronger customer relationships. In other words: Follow your customers during the pandemic, then lead them out of it.

This requires understanding the massive shift to online marketing, sales and communication channels, not only in retail, but also in sectors such as insurance, banking and healthcare. Leaders will make rapid improvements to their digital channels, starting with eliminating bottlenecks and prioritizing increasingly important customer "episodes," such as late payments, cancellations and moves to online service.

Data should underpin all of this. Effective use of it can help companies gather customer feedback and insights so they can quickly test ideas, learn from them and form stronger bonds with customers.

4. Invest in technology with an eye toward the future

Most companies have taken steps to ensure robustness of their IT systems to enable remote work and operational resilience. Some have also begun to defend against new cyber threats that have emerged during the crisis. These are both critical priorities.

But leading companies will go a step further, investing in their technology architecture to accelerate their digital transformation and put themselves in a stronger position coming out of the pandemic.

Plenty of companies have made similar moves during or immediately following previous economic downturns (see Figure 1). For example, Amazon switched from a monolithic to a microservices architecture in 2001, which made its software development teams more nimble and helped pave the way for the creation of its successful Amazon Web Services business. Or consider Commonwealth Bank of Australia, which began replacing its core banking system in mid-2008, resulting in its becoming one of the first major banks in Australia to offer truly real-time transactions.

Figure 1

Companies that invest in technology during or immediately following economic downturns can emerge stronger

Amazon	2001	Switch to microservices software architecture laid the groundwork for its influential cloud business
Commonwealth Bank of Australia	2008	$1.1 billion technology upgrade made it one of the first major Australian banks to offer real-time transactions
Intel	2009	Spent billions on R&D and technology upgrades to keep innovating and enhance its value proposition
Dell EMC	2010	Partnered with SAP to overhaul its aging enterprise resource planning system and meet evolving business needs

Source: Bain analysis

Companies that embark upon substantial IT projects now can start by conducting a sober assessment of their current state. From there, it will be critical to prioritize the technology project backlog to aggressively implement projects that advance the new strategy. And through it all, leaders won't take their eyes off security for a second.

5. Accelerate automation

Leading firms will accelerate automation efforts during the crisis, simplifying as they go and using data to determine critical areas of investment and potential cost savings.

During times like these, it's important to focus on processes of the highest value and urgency where automation can be deployed quickly. Lower-priority automation projects can be put on the back burner and revisited when there is more stability.

6. Embrace the agile, distributed workforce

Leaders are quickly building new ways of working for their distributed teams that reduce costs and enable their businesses to move faster. This entails deploying digital tools that go beyond teleconferencing to improve how the organization plans, collaborates, innovates and executes. As a result, these new ways of working already have many businesses feeling more, not less, efficient. (Read more in our *Harvard Business Review* article about how leading companies have embraced Agile principles.)

For many companies, managing the digital transformation accelerated by this crisis will be a multifaceted push, at times complicated by remote working arrangements and other challenges. But businesses that take proactive steps in these six areas can increase their organization's resilience, deepen customer relationships and emerge better prepared for the future.

Greg Caimi, James Anderson and Florian Hoppe are partners in Bain & Company's Technology & Analytics Group. Greg is based in San Francisco, James in London and Florian in Singapore.

The authors would like to thank Laura Polasek and Vlad Solomon for their contributions to this article.

TAGS

Advanced Analytics | Coronavirus | Enterprise Technology

BAIN & COMPANY

Brief

Finding the Analytics Edge in Debt Investing

The Covid-19 crisis has created an unusual opening for debt investors. The right data can generate valuable insights.

By Or Skolnik, Emilio Domingo and Richard Lichtenstein

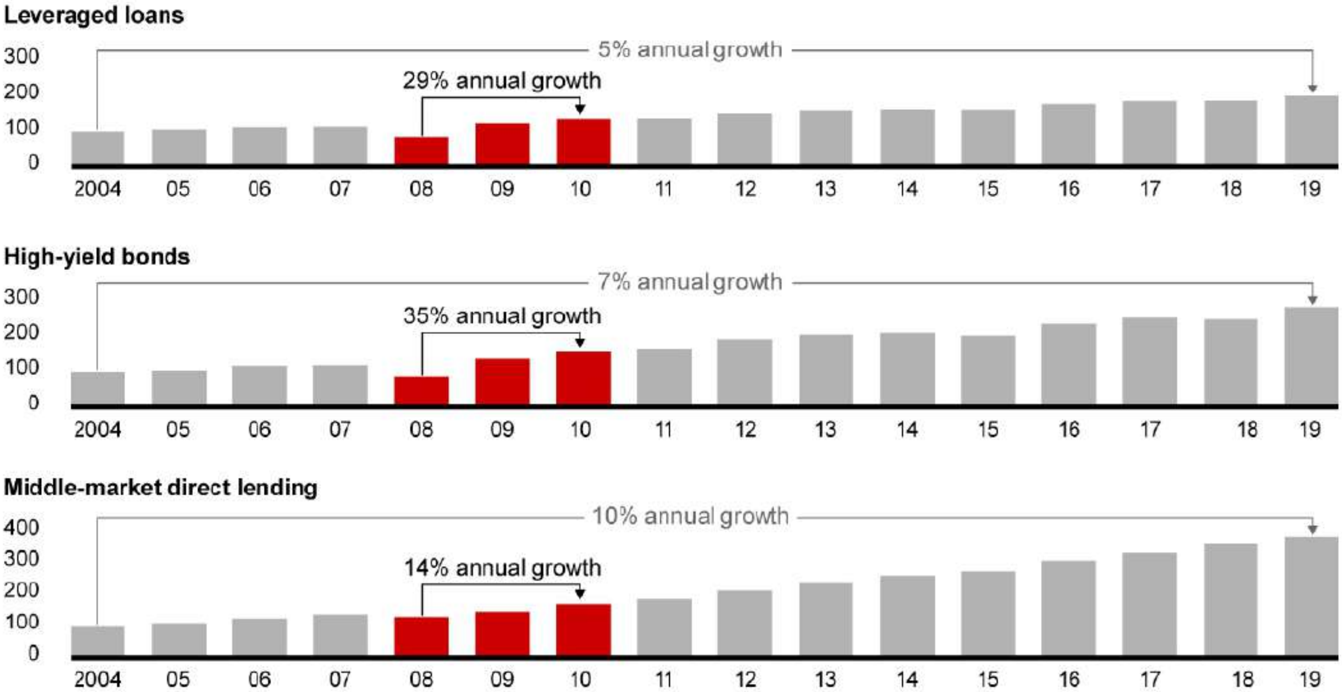
April 20, 2020 • 9 min read

Steady growth in high-yield corporate debt was one defining characteristic of the record economic expansion that ended when the Covid-19 pandemic moved relentlessly around the globe. Over the past decade, US corporate bonds rated BBB or lower grew more than 200%, to more than 56% of the total $7.7 trillion outstanding. US leveraged loans doubled over the same period to $1.2 trillion, a large percentage of them "covenant lite."

How much this debt buildup will affect corporate cash flows in the wake of the Covid-19 crisis remains to be seen. But as debt trades down amid heavy market volatility, investors focused on credit and special situations are taking notice. Investing at or near the bottom of the last downturn resulted in impressive returns across multiple credit asset classes. High-yield bonds were typical. The Bloomberg Barclays High Yield Bond Index grew approximately 35% a year from 2008 to 2010 and more than tripled in value by 2019 (see Figure 1).

Figure 1

Many credit asset classes performed well coming out of the 2008–09 global financial crisis



Note: All charts indexed to 2004
Sources: S&P Leveraged Loan Return Index; Bloomberg Barclays High Yield Bond Index; Cliffwater Direct Lending Index

The diligence challenge

Investors hoping to duplicate that performance, however, will have to recognize what distinguishes this crisis from the last one. The Covid-19 pandemic threatens to alter corporate performance in ways the global financial crisis didn't, raising major issues for due diligence. The true impact of this economic shutdown is only starting to reveal itself, and the lack of timely public information hinders efforts to evaluate a broad range of downside scenarios.

The good news is that investors now have access to sophisticated tools and data that didn't exist a decade ago. In the right hands, these sources of insight make it easier to draw a sharp view of what's really happening with companies and industries and what their future trajectory might look like.

More competition in the current cycle is a significant added challenge. Funds like Apollo, Blackstone and Oaktree have long had specific mandates to invest across the balance sheet, and Apollo was quick to buy part of a $2 billion, one-year bridge loan that banks arranged for United Airlines. But more traditional buyout funds are also participating in debt this time around. Airbnb, for instance, has announced two rounds of financing so far in April, with participation from Silver Lake and others. A record amount of available capital in the market helped ensure that the $6 billion emergency recapitalization of cruise ship operator Carnival was oversubscribed, despite the risks to the business in the post-Covid environment.

Combining debt savvy with industry and business-specific expertise matters in this market because of the specific nature of this downturn. The Covid-19 pandemic isn't primarily a financial crisis—at least not yet. It's a public health crisis that has created an economic shock of unknown duration, with the potential to reorder profit pools and change consumer behavior. Understanding both risk and opportunity in the current environment will require more than standard financial modeling. Useful insight will also boil down to fundamental business issues: How resilient is the company's value proposition? What's the strength of its customer base? How has customer behavior changed, and will those changes persist after the crisis?

Answering these questions is never easy. But it's harder still for debt investors who rarely have access to detailed internal company data. Debt diligence is traditionally an outside-in exercise, leaving investors to draw insights from the limited information that's publicly available. Yet because the opportunity to capture value from the downturn can be short-lived, investors have to move quickly and decisively. That's a difficult proposition amid continued uncertainty.

Tapping the power of analytics

For many investments, advanced analytics and alternative data are the only ways to see through the haze. The challenge is marshalling the right data in the right way to glean proprietary insights that can build real confidence around a company's performance and competitiveness. In 2008, there was no immediate way to know how the changing economic climate was affecting performance beyond quarterly reporting. Today, analytic tools can pull data from a wide variety of sources—credit card transactions, e-commerce receipts, app downloads and so on—to quickly draw out practical insights.

These types of data can show how the crisis altered customer cart size and patterns of shopping behavior, giving investors insight into the company's fundamental competitiveness and its ability to rebound in a recovery. They can show which players are seeing updrafts and downdrafts from the shelter-in-place orders and the magnitude of those shifts. They can demonstrate how new consumer behaviors are changing the adoption curve for a specific company's products. And they can shed light on whether employee sentiment and churn has changed over time and how that relates to performance.

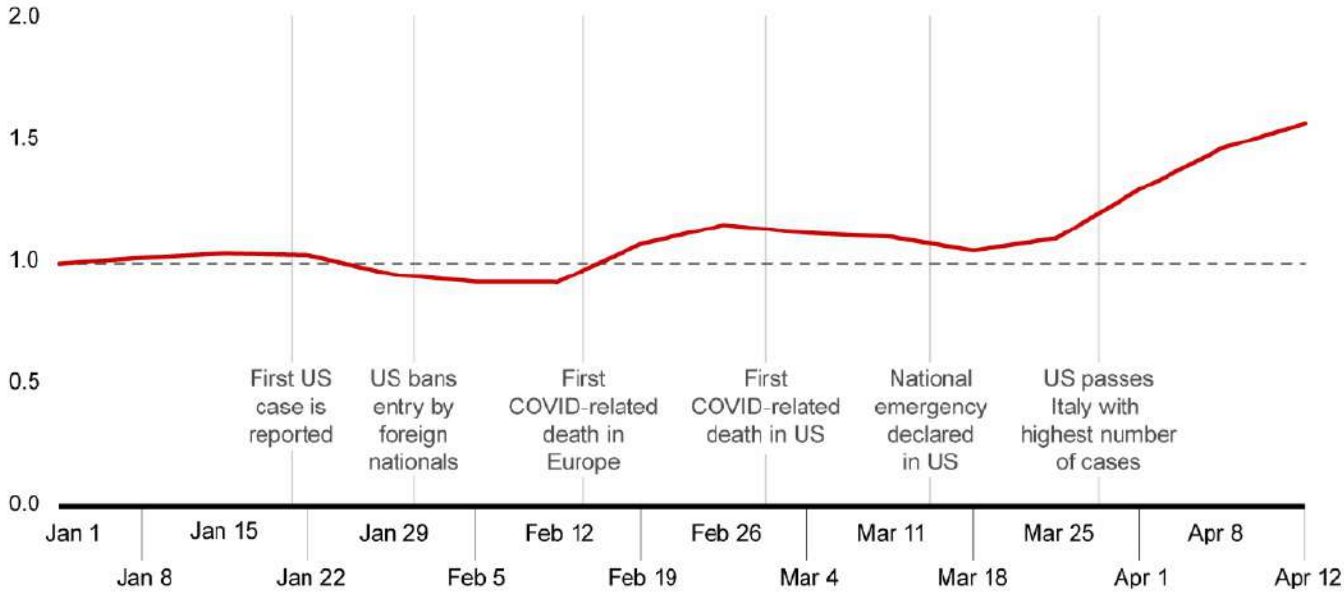
In March, when online home-furnishings retailer Wayfair sought investors for a $535 million debt recapitalization, its last public report was almost three months old and of limited use in an economy driving off a cliff. The online-only retailer had carved out a strong middle-market position offering lifestyle brand hard goods at attractive prices. But as the economic effects of the pandemic intensified, the shutdown raised obvious questions about the ongoing condition of any retailer.

In situations like these, advanced analytics offers a valuable window into a company's performance. Data from a number of sources can pinpoint what was happening before, during and after a jarring market event. One source is Pyxis, a leading data analytics platform acquired by Bain & Company last year, which focuses on mining alternative data sources to discern patterns in consumer behavior. Consumer data Pyxis scraped off the Internet well before Wayfair's public disclosures in April shows that the company was maintaining its position heading into the downturn and experienced a surge of activity in March (see Figure 2).

Figure 2

After a stable January and February, Wayfair's sales rose in response to the Covid-19 pandemic

Wayfair weekly sales trend (indexed to January 1, 2020)

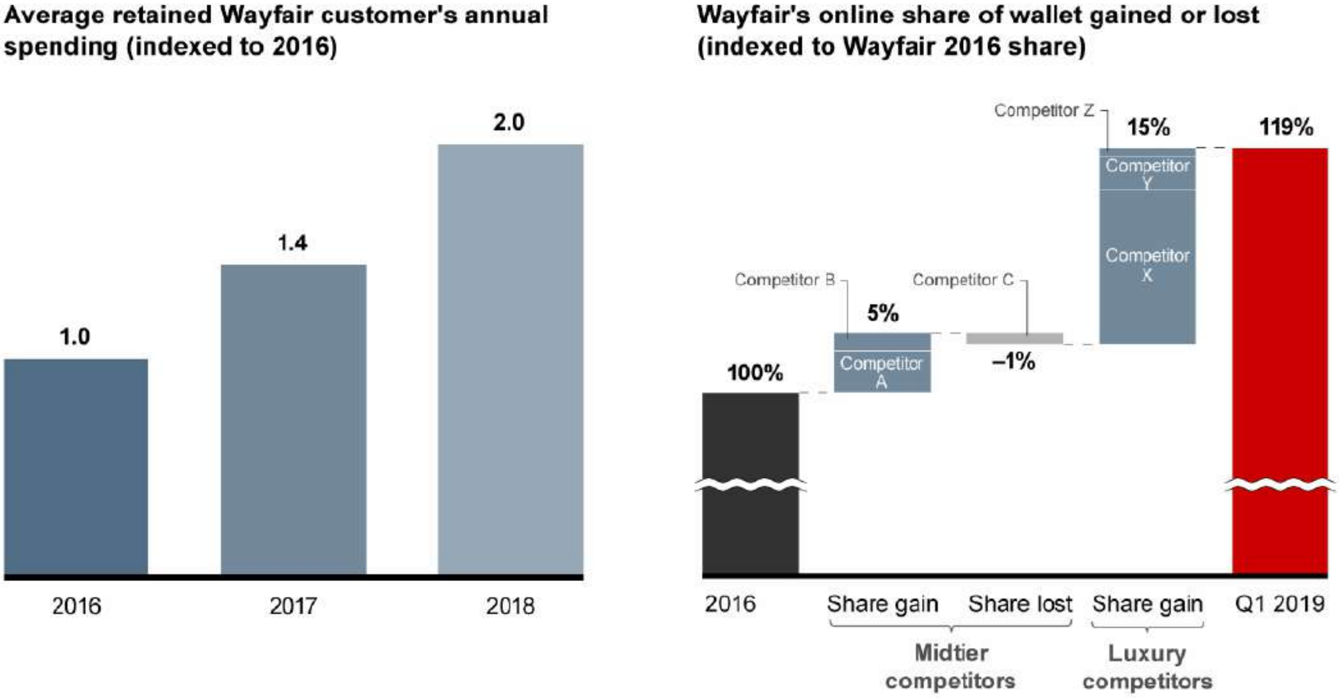


Source: Pyxis

An even deeper analysis indicates that since 2016, the company has not only been retaining customers, but enticing them to increase their spending with the company substantially (see Figure 3). Critically, and contrary to public perception, Wayfair was also moving steadily upmarket, taking share of wallet from several prominent luxury retailers. The findings suggest that Wayfair was not only resilient in the face of market distress, but had actually been improving its position with customers. Quick insights like these elevate due diligence, giving an edge to any investor trying to understand the risk associated with a bridge financing.

Figure 3

Wayfair's customers are spending more each year, and the retailer is gaining share from luxury competitors



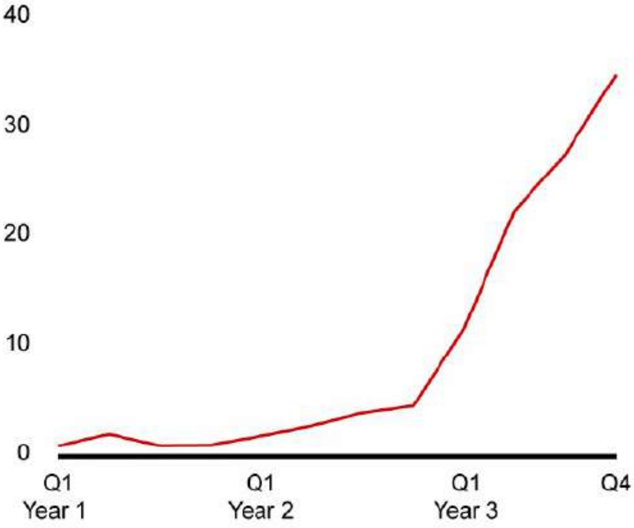
Note: 2019 excluded from left-hand chart because of partial-year data
Source: Pyxis

Advanced analytics is especially valuable for outside-in due diligence, when little is publicly known about a company or, sometimes, even its market. That was the case with one niche consumer products company that was leading the development of a new category that wasn't being tracked by traditional retail sources. By scraping and analyzing email receipt data, an investor could determine very quickly that the new segment was growing swiftly. The data also showed that after entering the nascent market in 2016, the target company had rapidly taken share to become the clear leader in an attractive sector (see Figure 4).

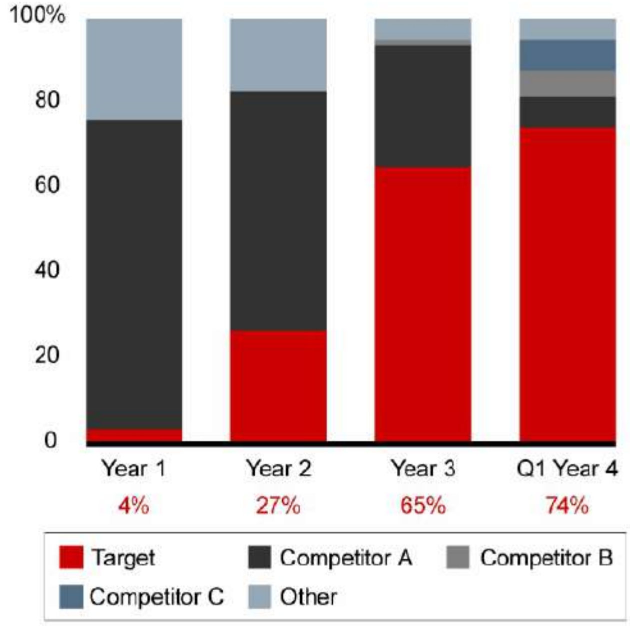
Figure 4

Advanced analytics quantified the growth of an emerging consumer segment and showed the target company was dominating the online channel

Online retail sales of an emerging consumer segment (indexed to first quarter of Year 1)



Estimated online market share of the emerging segment (retail sales value)



Source: Pyxis

What's crucial in both of these examples is the ability to draw powerful insights—fully from the outside in—with a time lag measured in days, not months or quarters. At a time of almost unprecedented uncertainty for investors, these tools and techniques can help companies develop a differentiated, data-driven thesis. The debt markets are offering a rare opportunity. Due diligence informed by advanced analytics offers the best chance of getting it right.

Or Skolnik and Emilio Domingo are Bain & Company partners and members of the firm's Private Equity practice. They are based, respectively, in New York and London. Richard Lichtenstein is an expert vice president in Bain's Private Equity and Advanced Analytics practices, and is based in New York.

Acknowledgments

+

TAGS

Coronavirus

Private Equity

Forecasting Covid-19's Effect on the Auto Industry

The coronavirus pandemic is expected to result in a prolonged downturn on the sector, but automakers can make moves now to mitigate the impact.

We modeled three scenarios, and a prolonged slowdown seems most likely

	Short setback	Prolonged slowdown	Deep recession
Duration of containment measures	About 1 quarter	About 2 quarters	More than 3 quarters
Market rebound	Fast	Slow	No full rebound
Economic hit	Mild recession	Recession comparable to 2008–09	Deeper and longer recession than 2008–09

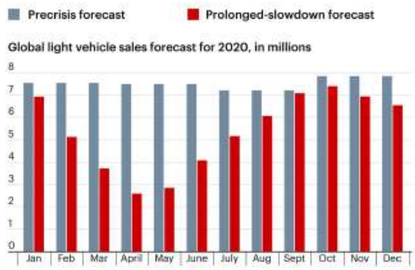
Sources: LMC Automotive; expert interviews; Bain analysis

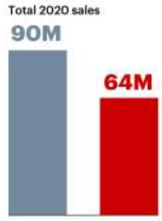
2020 impact (excluding additional government measures/industry incentives)

	Short setback	Prolonged slowdown	Deep recession
Volume	–17%	–29%	–40%
Profit	–35% to –45%	–70% to –90%	Heavy losses

Sources: LMC Automotive; China Passenger Car Association; Bloomberg; Bain analysis

In a prolonged slowdown, the sales rebound will be constrained by recession

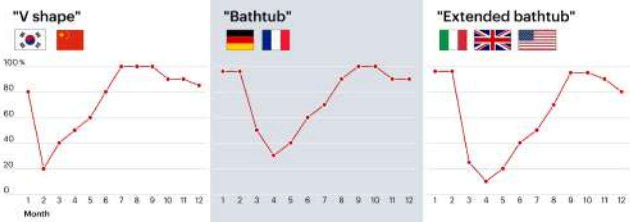




Recovery will vary by nation

The shape of the recovery curve reflects each country's actions in response to Covid-19, as well as hospital capacity

Shapes of market contraction and normalization

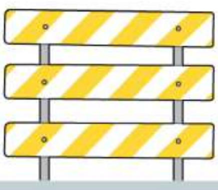


Sources: Johns Hopkins University; LMC Automotive; Bain COVID-19 Task Force; Bain analysis

Three steps to manage through the crisis and beyond

Handle the immediate crisis

- Protect and talk to employees
- Tightly manage cash
- Move to short-time working if appropriate
- Postpone models and projects
- Restart sales
- Stabilize the dealer network

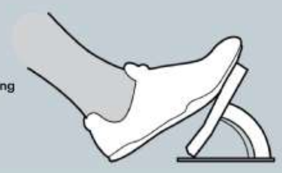


Get rid of structural barriers

- Simplify radically (models, drive units, optional equipment, etc.)
- Rebalance the "make vs. buy" production mix
- Review the investment portfolio
- Consider moving work in-house, outsourcing and offshoring
- Optimize dealer network and increase online sales
- Accelerate efficiency programs

Accelerate into the recovery

- Use targeted M&A to unlock new profit pools and build new capabilities
- Rigorously review strategy for in-house production
- Double-down on future-oriented technologies, including electrification, connectivity and autonomous driving
- Build charging infrastructure for electric vehicles
- Prepare for a new normal after the crisis



BAIN & COMPANY

BAIN & COMPANY

Brief

Growing Healthier after Covid-19

Executives are starting to take actions today for a stronger future beyond coronavirus.

By David Michels and Luca Penna

April 17, 2020 • 7 min read

At a Glance

- Executives are starting to write their companies' blueprints for recovery by reevaluating how they will create value in a post–Covid-19 world, by redesigning how to execute that new strategy and by realigning their executive teams to lead it.
- Lessons from Italy and other highly affected regions illustrate how companies are beginning to build the engines today that will help them accelerate out of the crisis.

When Roosevelt, Churchill and Stalin met in February 1945 in Yalta to plan for the postwar future, World War II was by no means over. Armistice did not come to the European front until May, and it did not come to the Asian front until September. These leaders knew, however, that the war *would* end. And while much is made of the Marshall Plan for European recovery enacted three years later, the foundational planning for a very much changed postwar world started much earlier, while the battle still raged.

Today, we are in the midst of another global crisis, Covid-19, the human toll of which is tragic and difficult to bear. Organizations around the world have sprung into action to deal with urgent and acute needs. Millions of people have switched to working virtually from home, seemingly overnight, and millions more are unemployed. There will be many difficult days ahead, with further disruption and more uncertainty.

But just as in early 1945, we need to start planning for the time beyond the crisis. Corporate leaders are scrambling to protect their businesses, working hard to ensure the safety of their people and the continuity of their companies. At the same time, many are beginning to lay the foundation to retool for a different future.

No one knows exactly how this will all play out, but it is clear that for many industries and companies, there will be no going back to how things were before. A retail bank in the first phase of the crisis may have had to shutter its branches and perform back- and middle-office activities remotely in order to protect employees and customers. Now, it must ask how many branches should reopen when the time comes and what services to provide when they do. In pharmaceuticals, how will sales reps who once visited physicians in person adjust to the fact that many doctors have largely adopted virtual? Will returning to physical sales visits, with all the associated logistical inefficiencies, still make sense?

As they begin to try to answer these long-term questions, leaders are first formulating a hypothesis on how their industry will evolve and then thinking through the implications for their own company. Asking questions such as: In that new world, how do we reestablish customer relevance? Reactivate our supply chains? Mobilize our people?

The pace can be blistering. What once took weeks or months, now seems to be measured in days. One global consumer products organization has reduced its SKUs by more than 50% and ramped up production on its key lines by more than 20%, all within just the past few weeks. Under normal circumstances, transformation of this magnitude would have taken months, if not years.

While challenging, these changes can also help companies accelerate toward a different—and potentially even better—future. To determine what that future looks like and the best way to get there, executive teams are beginning to look at the problem through three lenses: reevaluate, realign and redesign.

Reevaluate what will create value

Imagine what the future will look like and how your company can best participate in it.

As a result of the pandemic, many existing strategic priorities will take on new urgency; others will shift. Nowhere is that clearer than in Italy, hard-hit by the coronavirus and locked down now for more than a month. Even as they grapple with tremendous immediate challenges, leading Italian companies are beginning to plan for the post-pandemic future as well.

For many industries, that future looks quite changed. In Italy, where people have been leaving home only for urgent necessities such as food and medicine, bank customers are using online banking and call centers to do things for which they usually would visit a branch. One major Italian bank would like this digital migration to continue when the crisis abates, and its leadership team is already thinking about how to make these changes permanent—what its new distribution model should be, what tasks should be done in branches (and what can be done more efficiently elsewhere), and how many branches it will need to reopen.

Studying his team's rapid adaptation to the crisis, the bank's CEO is gathering clues regarding how to mobilize the organization around remote banking and other urgent priorities once Covid-19 has abated. Today, they are working to keep the business strong by taking steps to reinforce its credit operations, improve its call centers as they handle skyrocketing volume, help those working from home be productive, manage costs and prioritize IT spending. At the same time, the bank is also planning for the post–Covid-19 future. This includes not only supporting customers' digital migration but also thinking through potential new products and services for evolving customer behavior and economic conditions.

Realign the leadership team

Having worked hard to answer the first wave of urgent Covid-19 operational issues—among them protecting employees and customers to ensure business continuity—now, a new wave of strategic questions are emerging about what to do next. Working on those will put an additional strain on already-stretched leadership teams, increasing the need to forge strong alignment on the appropriate future direction.

Within the leadership team of the Italian bank, for example, each member has his or her key priorities—issues that have dominated their long days for weeks and that still remain urgent. Often, a balance must be struck. The chief commercial officer's desire to recover revenue must be weighed against the chief lending officer's task of managing credit risk. While the chief operating officer seeks to improve call center effectiveness and minimize costs, the chief human resources officer is looking to increase work-from-home productivity and sort out the implications of a dramatically shifting business on bank employees. The need for alignment and coordination is immense.

This bank's leadership is building that alignment by focusing on three things. First, they are articulating their ambition by making a case for change and creating a compelling narrative to illustrate that case to the organization and explain where they want the company to go. Second, they are designing the portfolio of initiatives and investments that will put them in the best position to create value in the world they see coming. And finally, they are creating a roadmap for how to get there, including how they will orchestrate all the steps they will need to take and the sequence in which they will need to take them.

Redesign for the future

Once a vision for the future is in place and the leadership team is on board, the next step forward is to invest in new capabilities that the business will need following the crisis. Recognizing this, one leading European credit and asset manager has already begun to think about what those capabilities will be. It began by asking its leadership team a series of questions meant to establish their new vision for the future and how it differs from what they had previously envisioned: Which existing trends will accelerate? Which ones will become obsolete? Which new ones must be contemplated? What, in short, are the scenarios to prepare for?

From there, the company has begun exploring how these trends could alter the boundaries of its business, profit pools and its industry's rules of the game. What it concludes will influence how it adapts its customer propositions, corporate capabilities and ways of working.

Alongside the "red team" that the company has handling crisis management, the CEO has launched a separate "green team" to define and prioritize strategic priorities, moving into offense. While certain teams focus on urgent business recovery initiatives, such as cutting costs and stress testing cash and profit-and-loss statements and even work-from-home capacity, others are adopting Agile ways of working to release quickly the next generation of services that their banking and investor clients will need.

During a time when most of its competitors continue to struggle with the shock of the crisis or are focused exclusively on short-term initiatives to recover the business, this company hopes to come out of the Covid-19 crisis with its leadership positions reinforced. By setting that goal, leadership has already boosted executive morale.

As executives consider how to reevaluate, realign and redesign, it is important to adopt a kind of mental ambidexterity—namely, the ability to think and manage simultaneously across multiple time periods. In addition to running the business now, it is time for companies to retool for a recovery that will surely come.

What is the Marshall Plan for your business? It's time to start planning.

David Michels leads Bain & Company's Global Results Delivery® practice, and he is based in the firm's Zurich office. Luca Penna leads the Transformation practice in Europe, the Middle East and Africa, and he is based in Milan.

Results Delivery® is a registered trademark of Bain & Company, Inc.

TAGS

Change Management | Coronavirus | Strategy | Transformation

BAIN & COMPANY

Brief

Keep the Sales Teams Reassured and Humming

A disciplined cadence combined with new skills and behaviors will help the sales team maintain revenues and emerge from the Covid-19 crisis stronger.

By Jonathan Frick, Mark Kovac and Wade Cruse

April 14, 2020 • 7 min read

The Covid-19 pandemic now has touched billions of people through the downstream employment and economic consequences of the health crisis. In business-to-business (B2B) markets, relationships with customers and employees are being put to the test.

In this difficult environment, maintaining customer relationships—and by inference, revenues—hinges on bringing out the best of employees in the commercial organization. Beyond a temporary disruption to normal life, the pandemic will accelerate underlying trends in how B2B companies handle selling, and it will shift the blend of skills required to succeed in the future.

B2B companies are looking to their commercial leaders to soften the blow and lay the groundwork for emerging not just intact, but in a better position relative to competitors. To accomplish this, a few areas deserve the highest priority right now.

1. Reassure the sales staff through your actions.

Overcommunicate, sure, but *show* rather than *tell*. That is, demonstrate how much you value the sales staff through your actions, such as a greater investment in coaching.

Money also matters. Firms may need to adjust the compensation plan for the coming year (assuming you can afford to do so), both to retain productive people and to keep them focused on customers. For example, one technology company is changing its compensation plan to remove thresholds and add modest commission accelerators even below 100% of the sales target.

Keep a close eye on the top performers and people on critical accounts. Look for any high-risk situations such as top performers in an account or segment that will inevitably decline more than others during a downturn. Assume that competitors will aggressively court some of your best sellers.

2. Reinforce discipline in sales cadence.

Too many sales forces have grown lax or inconsistent in maintaining a disciplined sales cadence, such as weekly one-on-one sessions and team meetings between frontline managers and sales representatives (see Figure 1). With reps working remotely and strong customer relationships being key to stable revenues, this discipline needs attention—though in new formats.

Figure 1

Three recurring meetings should be part of every sales manager's cadence

	Weekly one-on-one
Format	• 30-minute meeting
Objective	• Reinforce key behavior change • Provide rep with skill coaching and sales strategies
Sample agenda	• 5 min: Progress on previous meeting's objectives • 15–20 min: Advise on selling activities – Strategy/sales plays for priority accounts – Behavior/selling skills coaching in the context of upcoming selling activities • 5 min: Address roadblocks or issues • 5 min: Align on next steps

Source: Bain & Company

Figure 1

Three recurring meetings should be part of every sales manager's cadence

Monthly sales and pipeline reviews

Format	• 60-minute meeting
Objective	• Review past sales results; ensure future results • Check that opportunities move forward
Sample agenda	• 15 min: Review prior month and year-to-date results • 20 min: Joint review of sales rep's pipeline • 15 min: If results and pipeline are below expectation, review calendar to ensure activity level is sufficient to meet goals • 10–25 min: Strategic dialogue for priority accounts

Source: Bain & Company

Figure 1

Three recurring meetings should be part of every sales manager's cadence

	Quarterly ride-along
Format	• Half to full day
Objective	• Observe reps in selling situations • Provide real-time coaching
Sample agenda	• Pre-brief • During calls – Take notes and document observations with clear examples – Let rep lead meetings; intervene only if necessary – Be present; keep phone and laptop use to a minimum – Provide advice between meetings • 30–45 min: Debrief and provide coaching – What went well – Things to do differently – Tactical action plan to improve

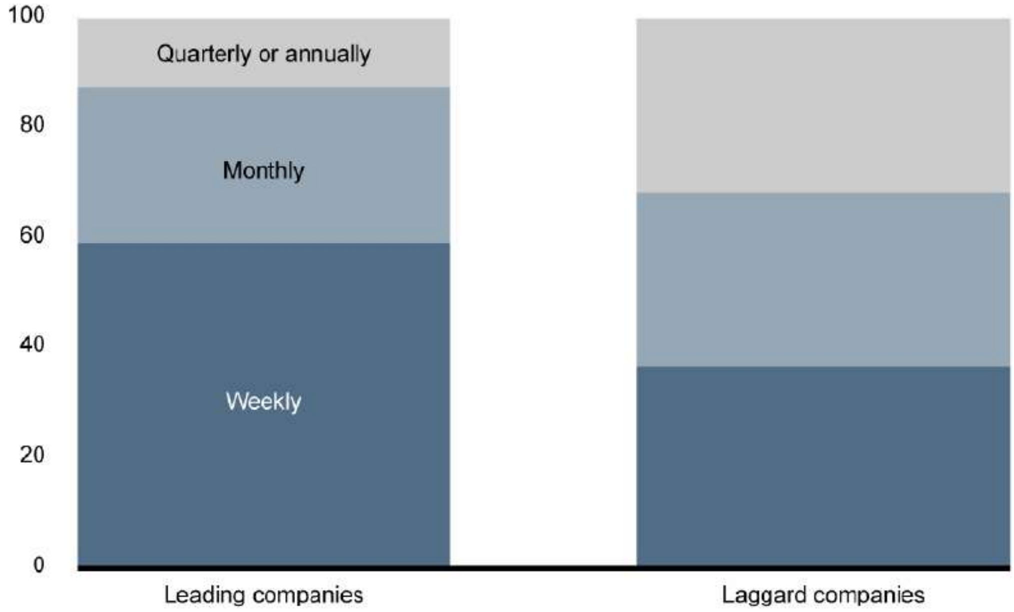
Source: Bain & Company

A new survey by Bain & Company and Dynata of 262 sales reps found that only half meet with their manager at least once a week, but that at companies experiencing the fastest revenue and market share growth over the past three years, the rate is double that of laggards (see Figure 2).

Figure 2

Sales representatives at leading companies meet with managers more frequently

Frequency of one-on-one updates with manager, percentage of sales reps



Notes: Leaders are the top 15% of surveyed companies for revenue and share growth over the past 3 years; laggards are the bottom 15%
Source: Bain/Dynata Sales Management Routines Survey, April 2020 (n=282)

3. Foster skills and behaviors that have become crucial.

For field reps, being effective in virtual meetings is suddenly crucial. Best-practice sharing is the easiest and fastest way to augment such skills. One logistics company, for example, has paired sales reps to role-play initial sales meetings over video, created meeting material templates and hosted calls to share tips on preparing for meetings.

This is also an opportunity to experiment with technologies that allow managers to review video sales calls. As a coaching aid, for example, some companies are using Gong to look for characteristics such as empathy in customer meetings.

Even inside sales teams must change. While they have long interacted with customers virtually, they also tend to cluster in an office where they can meet physically with one another and with managers. These teams now need to replicate meetings virtually, listen to calls remotely or review them later offline, and use virtual leaderboards or sales contests to recreate the atmosphere of the sales floor.

4. Plan now for new skills and behaviors.

This period of prolonged turmoil warrants having commercial executives step back to determine which capabilities they need to augment for life after the crisis. With so much activity moving online, executives will have copious data available on how people work and interact, which should inform an assessment of future capabilities.

Inside sales will become more prevalent for many B2B companies, as they realize complex products can be sold through virtual interactions. A large multinational company, for example, is now looking to expand its use of inside sales abroad, particularly in markets where reps have been working from home for some time.

Strong account management skills, including in the post-sale relationship, also become more important during periods of uncertainty, in order to keep (and hopefully expand) business from current accounts. We expect roles such as the “customer success manager” in software to spread. One software company is building out a new customer success function despite a general hiring freeze.

For more complex sales, the trend away from the relationship-focused generalist and toward industry expertise will gain pace. Reps will need topical depth when they speak with customers.

Even in an economic downturn, productive sales staff have options. B2B companies should invest to retain their best employees and help them develop the skills to weather the storm. Those firms that adapt their mix of capabilities will get a head start on securing a better competitive position when they emerge from the downturn.

Jonathan Frick, Mark Kovac and Wade Cruse are partners with Bain & Company's Customer Strategy & Marketing practice, and Mark leads the B2B Commercial Excellence group within the practice. They are based, respectively, in London, Dallas and Singapore.

About Dynata

Dynata is one of the world's leading providers of first-party data contributed by consumers and business professionals. With a reach that encompasses more than 60 million people globally and an extensive library of individual profile attributes collected through surveys, Dynata provides precise, trustworthy, quality data. The company has built innovative data services and solutions around this core asset to bring the voice of the individual to the entire marketing spectrum, from market research to marketing and advertising. Dynata serves nearly 6,000 market research agencies, media and advertising agencies, consulting and investment firms, and healthcare and corporate customers in North America, South America, Europe and Asia-Pacific. For more information, go to www.dynata.com.

TAGS

B2B Go-to-Market | Coronavirus | Go-to-Market Mobilizer | Sales and Marketing | Sales Compensation Booster | Sales Rep Catalyst

Reduce Your Marketing Budget Safely, Not Just Quickly

Avoid damaging cuts and realign resources in response to fluid shifts in demand from the Covid-19 fallout.

By Blake Cuthbert, Sonia Sudhakar and Sharona Sankar-King

BAIN & COMPANY

Blake Cuthbert is a vice president and Sonia Sudhakar is a principal at FRWD, Bain & Company's digital marketing practice. They are based in London. Sharona Sankar-King is an expert vice president with Bain's Customer Strategy & Marketing practice. She is based in New York.

Beyond the immense toll the coronavirus has taken on people's health, employment prospects and household finances, the turbulence has rattled many corporate functions. Finance teams have begun to put the brakes on spending and protect cash flow.

They often look first to marketing budgets. The March issue of the WARC Global Marketing Index shows an accelerating decline in traditional media budgets and a drop in global staffing levels.

However, hasty or blanket cuts can severely damage sales and the brand's stature. In the 1990–91 recession, McDonald's decided to drop its advertising and promotion budget, but Pizza Hut and Taco Bell didn't follow suit. As a result, those chains both saw double-digit sales growth, while McDonald's sales declined.

More selective cuts, on the other hand, can mitigate losses, shore up cash flow and even improve performance over the long term. One retailer, for instance, has identified roughly 20% in savings on digital and direct mail marketing spending with no negative effect on revenue.

Laying out a concrete plan for the new environment could lead to a leaner, more collaborative marketing operation. Before temporarily pausing or shifting marketing activities, it's critical to understand what aspects of marketing currently drive spending and whether those drivers still apply. Other drivers may have quickly emerged as more important.

Laying out a concrete plan for the new environment could lead to a leaner, more collaborative marketing operation. Before temporarily pausing or shifting marketing activities, it's critical to understand what aspects of marketing currently drive spending and whether those drivers still apply.

Only with that understanding in place can marketing executives draw up a reliable plan and budget. Our observations of what leading marketers have done so far during the pandemic, combined with smart moves made in previous economic crises, suggest a short set of guiding principles *(see Figure 1)*.

Optimize committed resources

Review all working and nonworking marketing spending in detail, mapping it across items in the marketing plan and brands. Some spending consists of locked-in commitments with agency part-

Figure 1: How to redesign the marketing plan

Source: Bain & Company

ners, tools and media bookings. It's well worth reviewing the contract terms with an eye to repurposing, renegotiating or shifting to a higher-return activity. Don't shy away from cutting sacred cows.

Avoid cuts that spur churn or raise acquisition costs

Reclaiming certain spending items could cause damage in the long run. For instance, it could take up to nine months to recover from a halt in search engine optimization, while cuts to paid search could raise the cost per customer acquisition. Handbrakes on all brand spending will likely increase the cost per acquisition or rates of customer churn.

Moreover, a wholesale cut to awareness and consideration campaigns will affect a firm's performance marketing cost and results. While this may be unavoidable, make sure to evaluate the two metrics together. It may be more efficient to protect spending that spurs consumer consideration of your products.

Evaluate performance quickly

A rapid analysis of marketing performance should be based on key performance indicators and benchmarks adapted for the current climate, consumer needs and business objectives. Prioritize spending areas to identify candidates to cut with no regrets; test other areas further to determine if they should survive in the new plan.

Estimate thresholds for diminishing returns

In most high-performing media channels, there is a threshold beyond which marketers see diminishing returns in the form of higher costs or lower response. It's important to estimate at what point you should stop investing and where you still have headroom. And if you cut all brand spending, the thresholds for performance activity may go down. Once you establish an estimate, quickly reassign budgets to high-performing channels that have not yet reached the threshold.

Given the fluid nature of the pandemic and economic fallout, it makes sense to move to shorter planning terms and reviews, whether or not the finance cycle demands it. Weekly performance reviews and test results should inform the new plan and quarterly budget.

Experiment with formats and data

While the main tasks right now are simplification and cost reduction, marketers also have an opportunity to experiment. Explore opportunities such as new creative formats, rapid testing of new media, novel uses for first-party data or possible partnerships. One restaurant chain cut the length of its online video ads from 15 seconds to 6 seconds, reducing cost while realizing a higher rate of brand recall.

While the main tasks right now are simplification and cost reduction, marketers also have an opportunity to experiment. Explore opportunities such as new creative formats, rapid testing of new media, novel uses for first-party data or possible partnerships.

Plan now for a return to growth

Based on what they learn from this process of realigning costs, marketers can prepare a transition plan for regaining revenue once the economy turns up again. Light-commitment media plans and creative plays can be ready to deploy when a full budget returns.

Of course, the entire process hinges on having the right tools and capabilities for a modern marketing operation: cross-functional teams, a test-and-learn mentality, high-caliber reporting and analysis, and a bias-free, data-driven mindset. These capabilities will benefit a marketing operation not only in a crisis but at any stage of the economic cycle.

Bold ideas. Bold teams. Extraordinary results.

Bain & Company is a global consultancy that helps the world's most ambitious change makers define the future.

Across 58 offices in 37 countries, we work alongside our clients as one team with a shared ambition to achieve extraordinary results, outperform the competition and redefine industries. We complement our tailored, integrated expertise with a vibrant ecosystem of digital innovators to deliver better, faster and more enduring outcomes. Since our founding in 1973, we have measured our success by the success of our clients. We proudly maintain the highest level of client advocacy in the industry, and our clients have outperformed the stock market 4-to-1.

For more information, visit **www.bain.com**

BAIN & COMPANY

Brief

Sound Advice: The Big Pivot for Wealth Management Firms during Covid-19

Clients are hungry for strong financial planning. Can firms speed the transition to a more digital, cost-effective model that delivers what customers value?

By Andrew Edwards, Matthias Memminger and Antonio Rodrigues

April 17, 2020 • 5 min read

Beyond the mounting toll on health taken by Covid-19, the extensive work stoppages and asset price declines have severely affected household wealth. Individuals and families whose incomes and assets just plunged are now dealing with great disruption to their retirement plans or other aspects of their financial outlook.

These stresses have rippled out to wealth management firms, with hits to their profitability and share prices.

To protect employees, support clients and shore up the underlying business, companies' responses must be bold along two fronts. Leading wealth management firms are *acting* now with near-term tactics to stabilize the business. A smaller group of firms are also *planning* now with strategic initiatives to build stronger businesses on the far side of the crisis.

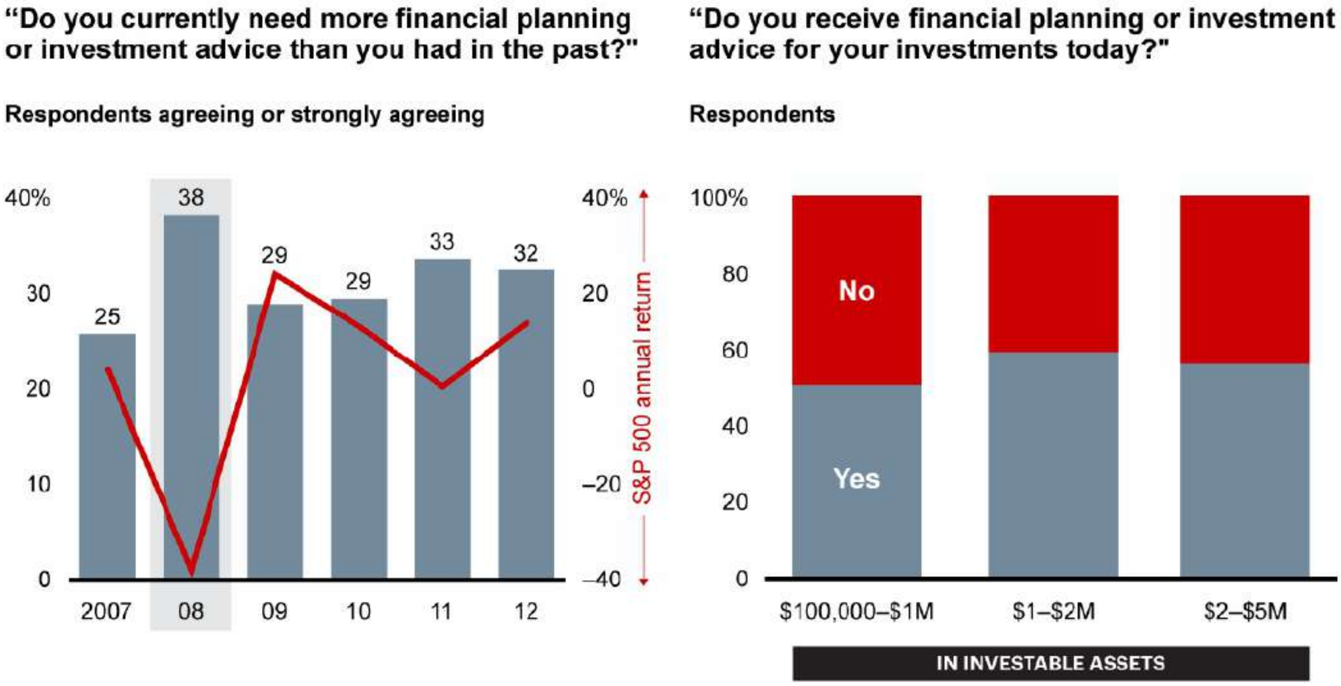
Act now to stabilize the business

Clients need sound advice during a crisis. Advisers' first priority must be to do right by their clients. Advisers should extend themselves to engage regularly, tailoring their empathy to the particular client as they reset financial plans.

This period also presents an opportunity to reach underserved investors, as demand for advice tends to increase during periods of market turbulence. Roughly half of US investors with investable assets between $100,000 and $5 million do not have a financial adviser today, according to a recent Bain & Company survey of 1,200 investors. And half of those investors with advisers are not fully satisfied with the advice they receive (see Figure 1).

Figure 1

Investors crave advice during a crisis, and many do not have an adviser



Sources: Cerulli Associates (left); Bain US Wealth Management Customer Survey (right)

Some advisers already report increases in requests from people unhappy with the performance of their current adviser and those without an adviser. A number of firms have ramped up marketing. Boulevard Family Wealth in Los Angeles is reengaging prior leads and offering free advice. Buckingham Strategic Wealth in St. Louis is hosting virtual happy hours to connect with influencers such as estate planners, CPAs and attorneys, with a rise in new client engagements as a direct result.

Along with these marketing efforts, wealth management firms are trying to contain costs. Beyond the obvious areas of in-person marketing events, travel and entertainment, firms can review discretionary staff bonuses and subscriptions for noncore IT tools.

Firms should also invest in their advisers. Retaining the most productive advisers is critical for retaining assets, and the success of A-caliber advisers can also improve the performance of other advisers. For example, daily calls with all advisers could showcase effective tactics to stay engaged with clients.

Plan now to accelerate growth after the crisis

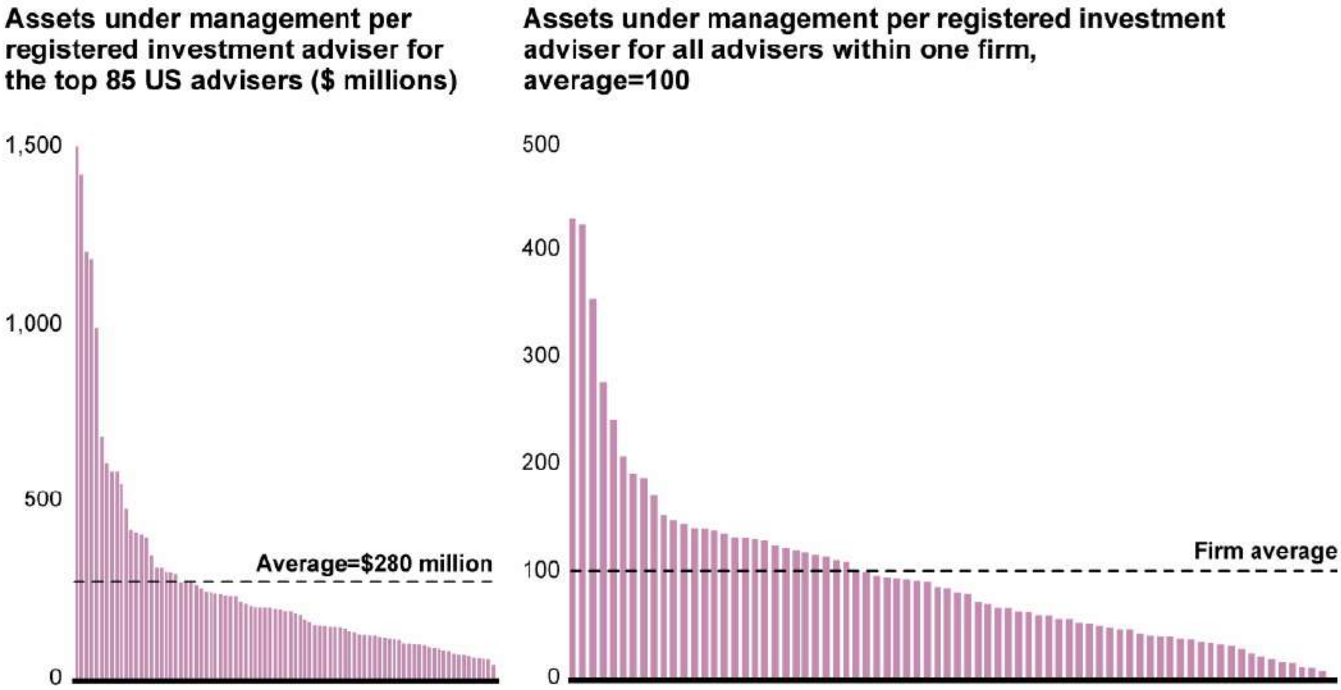
A smaller group of wealth management firms will be able to augment near-term actions with more strategic moves designed to improve their position over the longer term. They have started to emphasize the following areas:

- **Digital adoption.** A transition to digital ways of working that had been taking years now is taking weeks in some cases. Those companies that accelerate digital models of client acquisition, client engagement and supporting processes such as e-learning and automated portfolio reporting will be able to permanently reduce their cost base. Accounts served under digital hybrid models often realize 30% to 40% lower costs, in our experience.
- **Financial planning first.** At this moment, advice should focus mainly on financial planning rather than mutual fund or equity selection. Firms that shift advice toward planning conversations also open the door to expand beyond commission-based products into a broader portfolio of wealth management and ancillary services.
- **Amplify the role of the home office.** While wealth management firms can take differing approaches to their “home office” model (as distinct from working at home), those that enable advisers to focus more on client development and engagement will have an advantage. That involves the provision of home office portfolios, organized lead generation and tools for activities that range from codifying the financial planning approach to automated reporting.
- **Adviser productivity.** A time of turmoil puts a premium on identifying and investing in the most productive advisers. Analysis of adviser productivity typically highlights a small number of highly productive advisers, with a

longer tail of less productive advisers (see Figure 2). Armed with this knowledge, and a redefined home office, firms can continue to support the most productive advisers and shift accounts that are not economic for advisers to the "house."

Figure 2

Adviser productivity varies widely across and within wealth management firms



Sources: Fidelity 2018 RIA Benchmarking Study; Bain & Company disguised client

Firms can also ramp up both adviser recruitment and strategic M&A to acquire high-performing advisers. For example, coming out of the last financial crisis, Ameriprise reshaped its adviser talent model to improve profitability. It scaled back its adviser training program, targeting only 50 to 100 very talented novices per year, and instead recruited 550 experienced advisers in 2009, up from precrisis levels of fewer than 100 per year.

By combining these selective near-term and longer-term moves, wealth management firms can do right by their clients and prosper in the months and years ahead.

Andrew Edwards, Matthias Memminger and Antonio Rodrigues are partners with Bain & Company's Financial Services practice. They are based, *respectively, in Toronto, Frankfurt and Toronto.*

TAGS

Bain Finance Excellence | Banking | Coronavirus | Financial Services

BAIN & COMPANY

Snap Chart

US Hospital Adoption of Covid-19 Protocols Outpaces Virus

Healthcare providers are rapidly redeploying specialists, adding mental health resources and expanding bed capacity, although rates differ by city.

By Joshua Weisbrod, Michael Brookshire and Erin Ney, MD

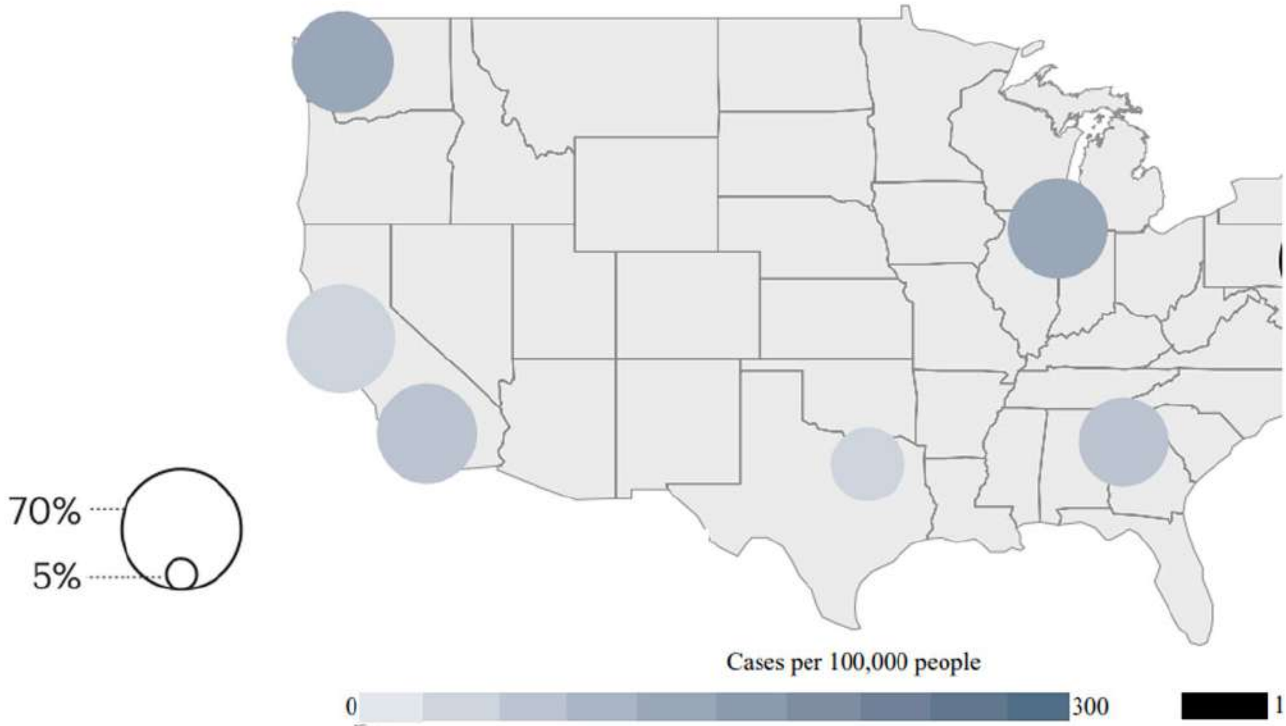
April 17, 2020

How hospitals across the US are respond to manage the Covid-19 pandemic

Redeployed physicians

Mental health resources

In cities we surveyed, what percentage of respondents report physic



Source: Frontline of US Healthcare Survey, April 8–13 (n=304), 60% frontline providers (emergency, ICU, infectious disease, hospitalists), 40% primary care physicians and othe

Healthcare systems are adapting to the coronavirus quickly, often faster than the growth of their Covid-19 caseload. Systems are adding mental health resources for providers, expanding bed capacity, and redeploying specialists to help with frontline patient care, with New York City and Boston leading the way. Even in Dallas and Atlanta, where caseloads are far lower, some 40% of providers have adopted these changes in preparation for an influx of patients they hope will not arrive.

Joshua Weisbrod, a Bain & Company partner based in New York, leads the firm's Healthcare practice in the Americas. Michael Brookshire is a partner in Bain's Healthcare practice and is based in Dallas. Erin Ney is a board-certified internist and an expert manager in Bain's Healthcare practice; she is based in Boston.

More insights from our most recent Frontline of Healthcare survey:

Covid-19 Concerns Decline in Some US Cities, Remain High in New York

US Healthcare Workers on Covid-19 Front Lines Battle Physical, Mental and Financial Strain

US Doctors Turn to Telehealth As Covid-19 Limits In-Person Care

TAGS

Coronavirus

Healthcare

BAIN & COMPANY

Founder's Mentality Blog

When and How Should Leaders Retool for a Post-Coronavirus World?

CEOs are learning from Apollo 13 and alpine-style mountaineering—yes, really.

By James Allen

April 20, 2020 • 11 min read

We're another week into the coronavirus pandemic and starting to see more of the road ahead. Along the way, there's good news: Social distancing appears to be effective and some governments report they are beyond the peak of Covid-19 cases. The media is shifting its coverage from the industrialized production of ventilators and personal protective equipment to testing kits and vaccines. But there's bad news, too: Businesses that initially faced liquidity crises may now face closures. For example, two months of heavy disease-suppression policies could result in the permanent loss of one-quarter of all US business establishments and $4 trillion of revenue. Of course, geographies and industries are at different stages of the crisis, so most global CEOs are leading across several local communities in dramatically disparate situations.

Based on weekly discussions with CEOs, we've seen most leaders shift their focus from protection mode (ensuring the safety of people and basic business continuity) toward recovery (planning to restart the business as the lockdowns ease). But the best CEOs are also considering how to retool their companies for a new world—one that will be highly unpredictable. It will be characterized by increased polarization, local market disruptions and heterogeneous government policies. To make their companies more adaptable and resilient in this future, CEOs are considering two questions: When should I have the retooling discussion? And how do I start retooling, especially during lockdown?

When should I have the retooling discussion?

One CEO cited a movie (and history, of course) to answer this question. He said: "Remember *Apollo 13*, the Tom Hanks movie that dramatizes the NASA crisis? The spacecraft doesn't have enough power to get back to Earth, so NASA has to shut off the battery-draining activities. But they also have to figure out a sequence to turn the aircraft back on at the last minute, in order to get the crew home. It all comes down to the power-up sequence, or the decisions around what to leave off and what to turn back on. There were hundreds of decisions but, ultimately, what guided NASA was clarity on their mission: to get the crew home safely. This is how I think about my company. As we move toward recovery, I must decide what I keep off and what I turn back on. How do I decide? It's all about the mission. I must figure out the company I want us to become now, if I'm going to turn on the right buttons, in the right order."

We love this metaphor. Your company is the spaceship, partially powered down. Your recovery is your power-up sequence, which includes hundreds of decisions about which activities to restart. And your mission is to retool the company in order to emerge as a winner after the pandemic. To turn on the right buttons, in the right order—and just as importantly, leave the wrong buttons off—you have to start the retooling discussion. There are three reasons to have the discussion now, rather than later.

To avoid a snapback to old ways

In lockdown, CEOs have felt extraordinarily liberated from smothering governance and processes. They have said, “I don’t want to go back to the way things were before.” Under work-from-home orders, they’ve stopped the myriad of financial reports and backward-looking performance meetings that dwell on deviations from projections—and they like that. They’re energized by tracking a smaller number of urgent measures and attending forward-looking meetings. They’re circumventing complex HR systems and quickly getting the right people into the right roles to tackle critical issues. And they’re building new businesses in a matter of weeks, overcoming years of internal debates about minor decisions. The best CEOs realize that every decision to reinstate old ways of working is an implicit endorsement of the old firm.

To start experimenting and learning around the unknowns

From customer needs to competitive dynamics, the world will be very different after the crisis. While the specifics of the changes remain unclear, we know they will differ by market. As a result, leading CEOs will emphatically support more local experimentation. Their local teams will start conversations with customers and partners immediately. These conversations can inform the global center in a structured way and help guide the retooling journey.

CEOs can start with decisions around four activities:

- **CEO-led experiments.** CEOs can directly run a finite set of controlled experiments around supplier tests, customer tests and partnerships.
- **Organic experiments**. Beyond their experiments, CEOs can foster the burst of creativity coming out of local teams in the pandemic. They can empower these teams to continue finding local solutions without top-down governance. Many of these organic experiments will result in astonishing innovation.
- **Learning.** Leaders can set up small teams to help amplify the experiment results and encourage learning.

- **Scaling solutions.** Organizations need a diagram illustrating how to champion experimentation, identify winning solutions and scale them as widely as possible.

To debate the design issues and agree on principles early

After this crisis what will be the "big idea" that will govern business? We're seeing leaders align around the need to liberate themselves from the modern business institution—the professional management system. They want to become scale insurgents—those fast-moving competitors that manage scale without the complexity that kills large firms.

To that end, the firm needs to run existing businesses efficiently, adapt to a new world and build new businesses that will delight customers and surprise competitors. Leadership needs to empower experimentation locally and find opportunities to scale success globally. The organization must work faster and smarter, killing complexity and stripping out the middle everywhere. It needs a culture that focuses less on well-rounded professional managers and more on "spiky" leaders—those with disproportionate yet extraordinary strengths in disrupting the status quo, scaling new ideas or executing established playbooks. It demands a far more flexible, resilient and transparent supply chain that relies on an end-to-end digital management platform, and complements offshore with near-shore and onshore operations.

But CEOs are facing a significant dilemma: They know the organization needs huge changes, but their near-term freedom is limited. For instance, they can't make dramatic decisions around their workforces right now, because their communities are in crisis and they have a duty to take care of their employees. And we applaud this.

While there are pressing reasons to "go slow" on some decisions, CEOs still urgently need a plan. Working together, a tight group of executives can align the company's design targets and values. They can map the direction of travel for their retooled organizations. They can agree on the principles that will inform all future decisions—including which experiments to launch, which activities to resume during recovery and which activities to stop altogether.

How do I start retooling, especially during lockdown?

One CEO's answer harkened back to a conversation we had in 2015, when we saw Reinhold Messner talk about his "alpine style" of mountaineering. Messner discussed two ways to conquer a mountain. One is the expedition style—a massive effort whereby a large team escorts climbers and their heavy equipment to a series of camps, until they're high enough to make a final assault on the peak. They plan to live on the mountain for weeks. It contrasts with the alpine style where a small team, bringing only what they can carry, assaults the mountain fast. They don't bring as much stuff because they spend much less time in the danger zone. The CEO admitted, "For me, expedition style was our default style pre-crisis—we had to bring everyone and everything along, every step of the way. Every journey required mountains of people and equipment, even if we were climbing a hill. During lockdown, we've been operating alpine style. It has risks, but we're reaching peaks faster and more often."

We love this metaphor too, and we encourage CEOs to approach the early phases of the retooling discussion alpine style. The leading-edge CEOs who are already doing this have shared five actions for the ascent.

Agree on the simple first steps—the journey, map and travelers

We get it—the idea of retooling a firm is big. It's best to start with the basics, alpine style. Create a small group of highly trusted leaders to scope out the direction and the outstanding issues. Accept the ideas and challenges of outsiders, including the most trusted customers and partners. Then map the journey (the direction of travel and the unknown parts that require testing), set the compass (the values that guide them) and agree on the fellow travelers (the who, when and how of bringing others into the process).

Break down the journey into "day trips" that sub-teams can manage

Lockdown has emboldened leaders to make problems smaller. Issues are now "Zoom-sized" and solved during frequent one-hour calls, with no more than "two rows" of faces (six to eight people). The early phases of retooling lend themselves to similar sub-groups empowered to tackle specific issues. Teams can focus on generating predictions and scenarios around the crisis; outlining actions to avoid a snapback to old ways of working; launching experiments to test and learn around big unknowns; redesigning the operating model for local and global; reorienting the organization for business building, and more.

This doesn't require a big governance process. Get the work and learning started, without distracting the broader organization on how the pieces will fit together. You can always shift to expedition style later, but it's best to start now and start lean.

Focus on behavior change early and often

We all use the term "old ways of working" a bit too glibly, as if "ways" are merely tools and processes, separate from the people who designed and used them. *We* are the old ways of working. So *we* either need to change the people (those who run the ship) or change our behaviors.

Behavior change starts at the top and cascades down to every direct report. When CEOs talk about feeling liberated during lockdown, what they really mean is they, and their team, are behaving differently. They have stopped being protective, defensive and political and now make fast, good decisions on behalf of their communities.

Retooling debates provide a way for CEOs to lock in the new behaviors essential to success. The alpine approach is about limiting time spent on the mountain. Leaders don't have time to be protective and defensive—oxygen is running out. They should demand behavior change. Assuming he or she isn't part of the problem, the HR director can lead this effort, by holding up a mirror to every leader and encouraging the adoption of a growth mindset.

Engage the front line

At the start of the pandemic, many leaders engaged the front line—including their "essential workers"—in critical decisions. This direct connection evolved into an ongoing dialogue. Hearing the unvarnished truths from the employees who really matter, leading CEOs have uncovered major insights.

In alpine-style mountaineering, small teams often explore different ways to reach the peak—they are agile and adaptive. In much the same way, winning companies will continue to rely on frontline experimentation. They will preserve their new bottom-up feedback loop and listen to the teams as they navigate new solutions. And as they build the case for broader change, they will use the voices of the front line and customers to define the way forward. One CEO noted, "My sales team demanded that I think bigger and bolder. In many ways, my job over the last six weeks has been to catch up with my next-generation leaders. They want a company that will thrive for their entire careers, not just during the three-year plan." The next-generation team yearns to build a firm of the future, where they can have long and satisfying careers. Ask for their help.

Reorient the CEO agenda

Finally, the journey of retooling will radically change the CEO agenda. We've conducted more than 200 CEO and Founder forums and uncovered a few critical lessons, including the 60-40 rule and the CEO troika. The 60-40 rule states that CEOs will have 60% of their agenda determined by the job. But it's critical that they free up the other 40% to focus on changing the company. This 40% includes retooling.

The CEO troika—a circle of trust including the HR and Finance directors—is a non-negotiable team when running a transformation. The troika must be up to the retooling task, swiftly shifting from running the business, to changing the business, to building the business of the future. The troika must work alpine style. A CEO cannot transform a company with constant resistance at the top.

Pick the image that works for you. Maybe you like the idea of a spaceship hurtling towards Earth, ready to power up its systems and complete an immortalizing mission. Or maybe you prefer a team of alpine climbers, scrambling toward the peak, looking down at their distant competitors who are setting up yet another camp on their weeks-long journey. Or, maybe you hate metaphors and you're happy to imagine your management team writing a wonderful chapter in your company's history. Whatever the image, you're now playing offense. You're preparing to emerge bigger and faster, delight your customers and surprise your competitors. This is your moment.

James Allen is a senior partner in Bain & Company's London office and coauthor of The Founder's Mentality. *He formerly led Bain's Global Strategy practice and helps lead our CEO Forums and Founder Summits, all of which have moved to virtual support.*

TAGS

Bain Micro-battles System®

Business Strategy

Coronavirus

Founder's Mentality

Strategy

The Great Retooling