

## Don't Let the Pandemic Recovery Be as Disruptive as the Crisis

With recovery on the horizon, it's time to start thinking through your transition into the post-pandemic world.

### Key Takeaways:

- Now is the time to begin planning for the transition back to a more stable state of demand; a transition which could prove just as, if not more, disruptive for your business than the pandemic itself.
- However, your “new normal” could look much different than pre-pandemic operations.
- Being prepared requires careful consideration and dynamic planning around four critical pillars of your business that may not be the same as they were before: customer demand, supplier networks, human capital, and internal capacity.

4/20/20 | **Bill Remy, John Ferguson, Gary Hoover, Ken Koenemann**

With most of the world still firmly entrenched in crisis mode, manufacturing leaders remain focused on surviving one of two extremes: an unprecedented surge in demand for essential goods, or a temporary shutdown of operations. However, with recovery on the horizon, it's time to start thinking through your transition into the post-pandemic world—a transition that could prove to be just as, if not more, challenging than responding to the crisis itself.

True, it's unclear how the economy will open up, what the timeframe will be, and what aspects of pre-coronavirus life will be fundamentally changed, at least for the foreseeable future. Much hinges on decisions that still need to be made at the global, national, regional, and local levels. But if the pandemic has taught us anything, it's that a wait-and-see mentality is not a viable option.

## 4 Pillars of Post-Pandemic Planning

Planning for several potential scenarios needs to start now. To one degree or another, the critical pillars of your business—customer demand, supplier networks, human capital, and internal capacity—are not going to be the same as they were before. In this article, we take a closer look at the following four essential aspects of your business and how each could potentially change, and we provide some guidelines, along with a checklist (*see Exhibit 2*), for how to think through what's next for your business:

### 1. Customer Demand: Predicting Your Curve

### 2. Supply: Reevaluating Your Supply Chain

### 3. Workforce: Assessing Your Human Capital Resources

### 4. Internal Capacity: Optimizing For Productivity and Efficiency

## 1. Customer Demand: Predicting Your Curve

The levels of demand you're experiencing at the moment are not likely to continue indefinitely. But that doesn't mean demand will return to pre-coronavirus levels, either. Depending on your industry, product, geography, competitive position, and even the size of your organisation, the time to correction could experience significant lag as opposed to just "snapping back" to normal. Some things may never go back to the way they were before, with the "new normal" demand being more or less than it was prior to the pandemic.

The key is quickly and accurately determining where your products fall on the spectrum, how quickly demand is likely to ramp back up or down for you, and where it will eventually net out. (See Exhibit 1).

To do this as effectively as possible, you need to understand trends and if your industry will be fundamentally affected going forward. For example, if gym memberships never return to pre-pandemic levels, manufacturers that produce equipment or components for these facilities may need to shift to manufacturing products for home gyms instead. In some categories, consumers may put off purchasing new products, and manufacturers may instead need to step up production of replacement parts or service items. Staying on top of the trends and consumer sentiment can help you decide how to modify your product mix or how to reposition or innovate offerings to remain relevant in the post-pandemic world.

Beyond these macro considerations, you need to look specifically at your own customer base. Even in the best of times, most demand or sales forecasts are far from perfect. Right now, many of the underlying assumptions you've used in the past to forecast demand are no longer valid. As a result, it's going to be imperative to get a whole lot closer to your customers and deepen your level of communications with them. Accessing actual customer sales and order data at the retail or end-user level, and factoring this into your own scenario planning and **S&OP activities** will help you get a better sense of where your business is heading. Keep in mind that the cadence of S&OP and who is involved in the process may need to be different than it was in the past. Increasing frequency, participation, and the level of detail that informs the process can help you make better allocation decisions, if necessary, to serve your customers as best as you can while ensuring the profitability of your business.

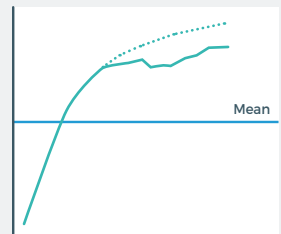
### EXHIBIT 1:

## Plotting Your Post-Pandemic Demand Curve: 4 Potential Models

Depending how, when, and to what degree the world reengages in pre-pandemic activity, demand for your products will, once again, change dramatically. Here are four potential trajectories worth factoring into your planning process.

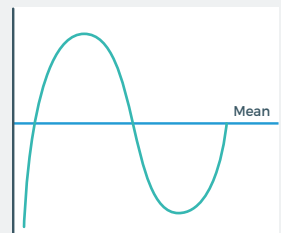
### THE NEW NORM

*Demand is high now and will remain higher than the norm for the long-term. Examples may include non-perishable home care products, industrial cleaning and sanitising solutions and equipment, non-perishable personal care items (hand sanitiser), air filtration systems, and take-home packaging.*



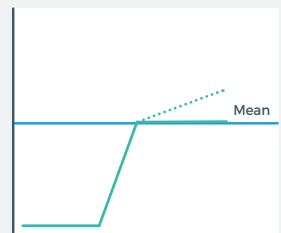
### RESET

*Demand has skyrocketed in part due to consumer hoarding or temporary shifts in lifestyle patterns or work habits ushered in by the crisis. Similar to after a hurricane, demand will likely experience a dip before returning back to pre-pandemic levels. Examples may include toilet paper, paper towels, home office equipment and supplies.*



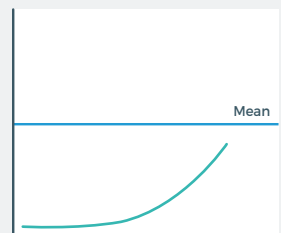
### RAPID RECOVERY

*Demand plummeted temporarily, but will escalate rapidly in the aftermath of the pandemic, stabilising at previous or potentially higher levels of ongoing demand as the world reengages in many activities. Examples might include, aftermarket parts, automotive parts, consumables, clothing, restaurant supplies, fuel products, or field services support.*



### SLOW RECOVERY

*Demand will slowly build as consumers and businesses move back to pre-pandemic habits, but it may net out at a level lower than before as some trends become the new norm, such as remote working, home gyms, or cooking at home. Examples include autos, aerospace components, building products, furniture, capital equipment (especially items sold to organisations dependent on state and municipal revenue), and products sold to sports arenas, casinos, and other public venues.*



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## 2. Supply: Reevaluating Your Supply Chain

How ever demand changes over the next several months, meeting it is only possible if you have the materials and components you need. And you cannot realistically expect your suppliers to be ready when you are. Some may no longer be in business or viable for you. Others will need longer to recover. Carefully assessing the situation needs to be your first priority. And improving overall communications and visibility up and down the supply chain will be essential to understanding who can realistically accommodate you, and what changes you will need to make going forward.

You may need to engage in some supply mapping, especially for smaller suppliers of critical components. These partners may have a hard time ramping back up at the same rate as you, and they may face funding challenges or raw material constraints. Logistics and transportation should also be part of this equation. You'll want to identify any delivery challenges or issues with mode availability that could delay orders or impact the net landed cost—both near-term and longer-term.

With larger suppliers, mapping may not be required, as they may have more clout when it comes to securing materials and transportation. But, you do need to consider their allocation strategies. Specifically, where will your business fall in the pecking order if these suppliers cannot meet all of their customers' demand? Your degree of leverage versus other buyers may be a key enabler or limiter of your ability to access supplies. This [Bloomberg article on the current hand sanitiser shortage](#) illustrates the point, showing how supplies often go to the biggest competitors, or, at the moment, to those on the frontlines.

Finally, if your product requires highly customised components, it's also a good idea to talk with your suppliers about their willingness to continue supplying these items. When suppliers of any size face pressure and need to make choices, they may choose to eliminate materials that they sell only to you or a handful of customers, or where their margin is limited versus alternatives. It's a good idea to engage your engineers and strategic sourcing organisations in finding alternative solutions to unique components that could become entirely unavailable.

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## 3. Workforce: Assessing Your Human Capital Resources

Whichever direction the pandemic has forced your business to go—operating beyond capacity or ground to a halt—it's having a dramatic impact on people at every level. If you are currently busier than you have ever been, the challenge lies in keeping the troops motivated. On the other end of the spectrum, if your workforce has been laid off or furloughed, how can you be sure they will be there when you need them?

In both cases, issues with people who are scared to come to work, or who can't come for various reasons, including caring for children who cannot attend school or daycare, compound the problem. New layouts and shift staggering to accommodate social distancing, planning time for required cleaning and sanitisation, and implementing and enforcing more robust sick/stay at home policies will all dramatically affect the availability of your workforce to meet the future demand you anticipate.

In addition to ensuring access to front line people when you need them, you must also have the right leadership in place to guide your organisation into recovery. As with any crisis, it will soon become clear where your leaderships strengths lie, and where you have gaps. Management may require a different skill set than what was important before.

Getting these issues addressed now—whether by using your downtime for coaching and training, moving resources around so you have the best people in the most demanding positions, or potentially looking for interim resources to provide essential support—will put your organisation in a much better position to address the human capital risks and opportunities you'll face in the recovery.



## 4. Internal Capacity: Optimising for Productivity and Efficiency

Just as the COVID-19 crisis will shine a light on management strengths and weaknesses, it is going to quickly expose weak links in your internal processes and capabilities. This is particularly true if you are stretching your capacity to accommodate a spike in demand or if you have made changeovers in processes or equipment to begin producing essential items you've never manufactured before. The pain points experienced in the ramp up or shift will be the same areas that can cause trouble as you transition back to your "new normal" rate of demand or to producing your core products.

Identifying and correcting the issues now—potentially by using a **digital daily management system** to pinpoint and address root causes, plan corrective actions, and track progress—can keep you from losing more ground on the recovery side of this journey. The discipline of a solid daily management system can also help with scheduling and staffing decisions you'll need to make as you respond to safety and social distancing mandates, as well as material and labor shortages, which could stretch into the recovery period.

If your facility is partially or fully shut down, use the time to focus on maintenance or process improvements that will help you more seamlessly ramp back up when the time comes. It may also be a time to focus on long-term issues that could not be addressed during normal operating parameters. This can be a good way to redeploy your human capital resources and keep people engaged who may not be needed in their usual positions at the moment. Also keep in mind that if lines have been completely shut down for weeks or longer, start-up could be a challenge, especially with aging equipment. Plan time to run through required restart procedures and work out any issues well in advance.

### Everything that matters hinges on your readiness to respond

Customer and supplier relationships, sales dollars and market share, margin, and EBITDA—they all hinge on your ability to quickly and effectively respond to new circumstances just around the corner. By finding time now to think about what the 'new normal' looks like for your business as it relates to the post-pandemic demand models seen in Exhibit 1, you'll be better prepared for the next pivot you need to make. You'll also be positioned to realize success with speed in the post-pandemic world.

#### Meet the TBM Experts



**BILL REMY**  
*Chairman and Chief Executive Officer*



**JOHN FERGUSON**  
*Vice President, International Operations*



**GARY HOOVER**  
*Vice President, Private Equity Practice*



**KEN KOEMANN**  
*Vice President, Technology and Supply Chain Practices*

**EXHIBIT 2:**

## Your Post-Pandemic Planning Checklist

### Demand Considerations

- ✓ Improve customer communications and access actual sales and order information
- ✓ Consider any necessary changes to product mix as demand shifts
- ✓ Think through allocation strategies
- ✓ Stay on top of industry trends and how they may fundamentally change your business
- ✓ Plan now for any modifications or innovations that will be needed to your product offering

### Supply Considerations

- ✓ Increase frequency of and participation in the S&OP process
- ✓ Improve visibility up and down the supply chain to understand your suppliers' timeline for recovery
- ✓ Conduct supplier mapping to verify supplier viability and access to critical components
- ✓ Identify potential logistics pinch points
- ✓ Understand your suppliers' allocation strategies and your degree of leverage versus other buyers
- ✓ Look for value added/value engineering opportunities to make alternative plans for components

### Workforce Considerations

- ✓ Assess the impact of new layouts, shift staggering, enhanced cleaning and sanitisation routines, and more robust sick policies on workforce availability
- ✓ Plan and communicate future scheduling shifts: what can employees expect?
- ✓ Plan for different level of potential labor shortages
- ✓ Look for management gaps, reassign people as necessary, and build capabilities through training or embedded resources

### Internal Capacity Considerations

- ✓ Look for and correct bottlenecks in processes
- ✓ Consider a digital daily management system to improve execution rigor, planning and scheduling capabilities, and reconfiguration of factories or warehouses
- ✓ Use downtime to address maintenance issues
- ✓ Proactively plan to re-start equipment in advance of your planned open dates

## SPEED WINS EVERY TIME

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