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Managing Your MP&A Team Through COVID-19:

How to Build a Practical, Effective Action Plan



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Many of us have had to manage a crisis before. It may have been a small scale one such as a natural disaster confined to individual markets like Hurricane Katrina and Hurricane Sandy or it may have been larger in scale like the Great Recession of 2008 or 9/11. The point is that while COVID-19 poses its own unique set of problems, experiences from these past crises offer clues that can help us manage the COVID-19 challenge.

What follows is an MP&A management toolkit based on past experiences. Feel free to leverage what makes sense to you and discard whatever doesn't. Hope it proves useful.

There are three key areas to consider when developing your plan:

- Develop and Communicate Strong Values and Beliefs
- Model Your Plan of Attack
- Mobilize the Team

Thinking through each of these aspects should enable you to build a game plan that will serve you well to meet this challenge.

Develop and Communicate Strong Values and Beliefs

Values based leadership is always important, but especially so during times of crisis. The team will be making tough calls continuously and you want those decisions to be made with integrity, fairness, and transparency.

Get clear about your priorities and make sure that they are well articulated internally within your organization and communicated with transparency to your business partners and vendors. A high-premium needs to be put on communication and collaborating on solutions with external stakeholders. Treat this as an opportunity to strengthen your relationships, it will pay big dividends in the future.

“Values based leadership is always important, but especially so during times of crisis.”

Look after the Team and Protect the Talent.

Taking care of the team and keeping them motivated and focused during this process will be a huge challenge. In the context of the tight labor market which preceded these events, it was likely tough to acquire the talent that you currently have. Make sure that you protect your talent and manage the unfortunate lay-off and furlough situations that will likely transpire with compassion and integrity. Effectively managing your team is the most critical aspect to get right. Invest a lot of quality time here.

Think about your time allocation. As a key function leader, the demands on your time are going to be immense and you will need to strike the right balance between the demands of your senior management team colleagues, external partners, vendors, your team, and yourself. Often the Directors and Managers on your team will be the most neglected. Finding ways to engage them in the challenges that you are managing will strengthen your team's capability and free up some valuable bandwidth for you.

“Spend some time articulating what opportunities will exist in the future. Your team will need something to get energized about and look forward to while they are paying the price to get there.”

Even at this stage don't spend 100% of your time on the crisis at hand, which is effectively managing inventory and liquidity. Spend some time articulating what opportunities will exist in the future. Your team will need something to get energized about and look forward to while they are paying the price to get there. To be clear in the beginning your time allocation has to be 80 – 90% focused on the liquidity challenge, but eventually the conversation is going to shift, and you need to be ready. There are going to be a lot of opportunities for those companies who use this experience to get stronger.

Be a student of the game. Make sure that you allow yourself some quality think time to read and study developments in other businesses, other countries, and most importantly changes in customer behavior. Make this a core value and foster it within your team. To effectively model your plan of attack you need data and insights so quality learning time is key. These are typically times when the industry comes together so your peer contacts will be a valuable resource for you and your team. Participate in webinars when you can, aside from the wealth of ideas and solutions, the camaraderie and sense of connection is good tonic for these times.

Model Your Plan of Attack

Depending on what camp you fall in you could be dealing with two completely different sets of

issues: either an abnormal unsustainable spike in demand that will eventually normalize or virtually no demand. This piece is going to focus on the latter since it is the most challenging of the two.

While COVID-19 is unique in the extent of shut down of business activity, there are clues out there that can help inform a viable operating model to manage through the crisis. For instance, while we may not have a precise idea as to the timeline of the virus, from past experiences we do have a sense of what the underlying pattern will look like.

Over the short term, demand will slowly normalize at a rate tied to the length of the shut-down. The normalization process will be staggered based on the different time horizons in each of the different markets. Depending on the seasonality factors of your business, the seasonal inventory of an entire design season or more will be obsolete, and the business will need to formulate a strategy for how it will right size the inventory and maximize its cash position to meet its liquidity needs.

Over the long term, there will be changes in customer purchasing behavior which will require adjustments to both category assortment plans and the underlying price architecture of the business. There will likely be a potential shift in the channel mix of the business. And based on supply chain risks that have been revealed during the crisis, there will be a move to rethink and risk manage supply chains.

Managing the Short Term

With all of the noise associated with COVID-19 there will be plenty of opportunities to get distracted. So, keep things simple and focus on a few key priorities:

- Get a Demand Forecasting Model in Place
- Complete a Rigorous Triage of Current Inventory
- Develop a Game Plan for Right-Sizing Receipts
- Develop the Right Pricing and Liquidation Strategy
- Make the Right Assortment Plan Adjustments to Future Seasons
- Invest Time in Day to Day Operating Processes

Get a Demand Forecasting Model in Place

This is undoubtedly the million dollar question. When is demand going to start to come back and what is the ramp up going to look like? Obviously, nobody knows with any degree of

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certainty, but we can at least build an educated model of what we think might happen. To me a good model would be conservative, would include a well thought out base case, and would include derivative cases tied to different thresholds of

performance based on clear assumptions. The model needs to be flexible and updated at the right level of frequency to make it actionable.

Here are some data points that might be useful to build and refine your model:

- Look at the recovery trajectory and reported sales trends in countries ahead of the US in the virus curve. China would indicate an 8-10 week trajectory before beginning to normalize. That is at least a good starting point from which to start factoring.
- Do a deep dive into your available history. Study what happened during the Great Recession of 2008 and even 9/11 if the history is readily available.
- Think about looking at what happened in individual stores and markets during natural disasters such as Hurricane Sandy and Hurricane Katrina. Look at both the progression of the level of demand and when sales built in different merchandise categories.
- Keep abreast of the different trajectories of the virus in each of your markets to develop your ramp up assumptions for each of your markets. Leverage predictive analytics tools that are being made available such as MachineCore as a resource.
- Embed the above market ramp up assumptions in your Location Plans.

Make sure that you develop your model at the right level of granularity to inform good decisions and actions in your execution plan.

Complete a Rigorous Triage of Current Inventory

When weeks of supply suddenly go from 8 to 100 plus and concerns about liquidity are high, it is again, easy to get distracted by the noise and rush to liquidate all the inventory into cash. Maintaining

coolness under fire, while always valuable, is especially so in this case. Triage the inventory into the following buckets: ongoing Basics, Promotional Drivers, Internal Liquidation, and Sell-off. The disposition of inventory has to be carefully thought through and consider the following:

- The current inventory and its valuation are likely part of the collateral used to secure the revolving credit line used to fund business operations. One of the challenges of managing inventory in these types of situations is that the relationship between inventory and the revolving credit line comes into play. Be sure to understand all of the covenants associated

lifecycle where it makes sense. You may even want to consider packing away elements of this Spring's deliveries to deliver next Spring. These tactics will help to maximize the use of working capital and available cash.

- Be very conservative with recovery estimates on identified sell-off merchandise. The sell-off market will be obviously over-saturated so recovery prices will be low.

Put a process in place to maintain your inventory disposition strategy at the right level of frequency.

While managing this crisis it is also critical to preserve your relationships with your key vendors and business partners. This is a time to overcommunicate and work together to find a path to an outcome that is as good as it can be for all parties.

with the revolving credit line and avoid the temptation to increase inventory positions to increase borrowings. Make sure that you are working closely with Finance as you go through this exercise.

- Make sure that you have a clear understanding of the impact of manufacturing and supply chain disruptions on the timing and flow of merchandise. When demand starts to recover you are going to want to make sure that you have the inventory to meet it.
- Rethink the planned seasonal markdown cadence of the business. Look for creative ways to extend the planned product

Develop a Game Plan for Right-sizing Receipts

All of the considerations that were discussed in the above section apply when right-sizing receipts. While managing this crisis it is also critical to preserve your relationships with your key vendors and business partners. This is a time to overcommunicate and work together to find a path to an outcome that is as good as it can be for all parties.

The manufacturing and supply chain disruptions in China and Europe may have at least unintentionally helped the right sizing effort in the

short term. Everyone is going to suffer, but the pain and risk can be equitably shared. Leveraging the capabilities of new customer data analytics technologies can also be a valuable tool to deploy to help guide these decisions. Here are some things to consider:

- Share your forecast with suppliers. Give them forward visibility to your intentions. If you plan to skip a set of deliveries, inform your vendors so that they can make adjustments to their production planning. Set-up a regular forum to keep your partners abreast of updated forecasts.
- Work with your factories on creative solutions with respect to payment terms, deferred payments, discounts, postponing deliveries, events and promotions, partial cancellations, etc.
- Leverage customer data analytics and customer collaboration solutions, such as First Insight and Sound Out, to get valuable insights to guide your decisions. If you can identify from the customers perspective what items will be winners as well as prices that the customer might be willing to pay for items that are on order, you will be able to more effectively arrive at a strategy that both right-sizes receipts with your demand forecast scenarios and best protects your key business partners and vendors.

“...timing of the liquidation of excess and distressed inventory needs to be carefully thought through as well as what channels will be used and how.”

The businesses that strengthen their relationships with vendors and suppliers during this crisis are going to be in a very strong position once COVID-19 has started to appear in the rear-view mirror.

Develop the Right Pricing and Liquidation Strategy

Some of the points regarding how to think about short term pricing and liquidation strategies have already been touched upon in the earlier sections. A couple of key things to keep in mind is first, that the promotional and liquidation decisions that you make now are going to live with you after this crisis is over. In other words, don't trash your brand. Second, timing of the liquidation of excess and distressed inventory needs to be carefully thought through as well as what channels will be used and how. The fact of the matter is that deep discounts simply don't work when people don't want to buy and, depending on what level online represents to your business, there is only so much product that can be moved digitally when everyone is screaming discount at the same time. Here are some thought starters:

- Double down on categories that are winning such as health and wellness, home entertainment, home fitness, and athleisure. Promote solutions that customers would be interested in while they are confined at home.
- Apply insights gained from customer analytics to make adjustments to planned product lifecycles and make adjustments to everyday pricing.
- Think about non-traditional channels to liquidate inventory including warehouse sales, flea markets, etc.
- Pursue a multi-layered approach to digital liquidation strategies including flash sales and diffusion websites.
- Evaluate different sell-off strategy options. If your company buys a lot of

traditional media and produces mail catalogs, think about barter deals. These types of deals can supplement your cash management arsenal provided you can extinguish the trade credits within an acceptable time frame.

Thinking out of the box and getting your team's creative juices flowing can unleash some valuable innovations.

Make the Right Assortment Plan Decisions to Future Seasons

When thinking about future seasons or fiscal periods there will be three critical sets of decisions that will need to be made including: the respective size of each delivery, the investment level by merchandise category and in new product introductions, and the underlying price architecture of the assortment. Being an avid student of the game will prove very valuable in making these re-assorting decisions. Making adjustments to the Assortment Plan is another great area to leverage Customer Data and Analytics tools as well as engaging in direct collaboration with customers. A few things to think about:

- This is a great place to leverage some of the work used to develop the Demand Forecasting Model. How individual markets emerged from natural disasters and a close study of customer behavior during past economic downturns will provide valuable insights into which merchandise categories will resonate with customers and when. Think about how the COVID-19 experience will change customer purchase values in the short term and long term both in terms of merchandise categories and design aesthetic.
- Be sure to rationalize choice counts and rethink new product introductions in the context of product lifecycle extension and

pack-away decisions that were made to optimize the use of current inventory positions and on order.

- Re-examine the price architecture embedded in the current assortment plan. Typically, in times of economic downturns, the customer trades down except in areas where purchase values may have changed such as the personal home fitness category. You probably don't want to make radical changes to your brand's price point architecture, but the weighting of good/better/best investments will probably need to skew into the lower price points.
- Unlike the Great Recession of 2008 when businesses had to rely on their gut, there are Customer Data and Analytics tools that can inform better assortment decisions. Leveraging these tools can increase conversion, increase margins, increase inventory efficiency, and decrease product development costs which will free up much needed cash to meet near term liquidity challenges.

While posing its challenges, working from home has created more space to think like a customer. This experience can be transformed into a great opportunity to emerge as a customer led organization.

Invest Time in Day to Day Operating Processes

Don't forget to sweat the small stuff and stay focused on the day to day core operating processes that it takes to run the business. Simple things like existing trend forecasting processes used to inform in-season and pre-season merchandise plans and allocation and replenishment algorithms get thrown out the window in a crisis scenario. It will be important to quickly redefine how monthly forecasts, open-to-buy, and allocation and replenishment

methodologies need to adapt in the short term. It will also be important to think about how data inputs into systems need to be manipulated and how historical data gets rebuilt over an 18 month trajectory. Some areas that will need immediate attention:

“Don’t forget to sweat the small stuff and stay focused on the day to day core operating processes that it takes to run the business.”

- Think through the Monthly Business Review process that you currently have in place in the context of the Demand Forecasting Model that was discussed earlier. What process are you going to put in place to keep the model updated at the right level of frequency? The planning team is going to need to present monthly plan updates at a level of granularity that may be foreign to them as the plan needs to comprehend the different recovery trajectories of individual markets both in terms of total sales and merchandise category trends. A light and fast process will need to be put in place so that this set of activities can be executed at speed, potentially with constrained resources.
- Because of the anomalies in store level trend data and the abnormal freezing and starting up of markets, some quality time will need to be spent on allocation and replenishment methodologies and processes. A process will need to be put into place for time phasing the activation of store groups as business restrictions

lift and individual markets open. A methodology for filling historical data gaps will need to be determined and allocation and replenishment algorithms will need to be either developed or retuned to meet the new business reality.

- Don’t forget to take a hard look at your current Price Management processes, especially if Price Optimization software is involved. These systems are hyper-sensitive to data anomalies and will need lots of human intervention. The last thing that you want to see happen is to have a well thought out Pricing and Liquidation strategy get subverted by blindly following the irrelevant recommendations of a tool tuned for business as usual.

Make sure that you carefully think through and monitor how these process adjustments change over time. Eventually former best practices will become relevant again and new best practices will emerge as the business manages through this challenge.

Managing the Long Term

Some longer term considerations in connection with adjustments to future season assortment plans have already been covered as those decisions are being made now, in real time. But there are other far reaching changes that will grow out of the COVID-19 experience than what people will buy, and great businesses will start investing time in preparing for those changes now.

Suffice it to say that the changes will be significant across virtually every facet of retail, but from the MP&A perspective let’s briefly consider these three potential areas of possible change:

- Accelerated Shift to Digital
- Redefinition of the Supply Chain
- Redefinition of the Workplace

As it is still early days the discussion will be intentionally brief to initiate thinking and conversation.

Accelerated Shift to Digital

Where this exactly shakes out is anybody's guess. There are factors that support an accelerated shift and there are some headwinds as well. As students of the game our priority is to closely monitor those trends and devise a strategy to meet them.

potential disruption to the flow of merchandise was not as understood as it is now in the face of the COVID-19 pandemic. The experiences of COVID-19 are going to likely result in devising risk mitigation strategies to existing Supply Chains. A couple of things that will likely happen:

- Counter-sourcing of manufacturing and raw materials in multiple countries to diversify risk
- A re-assessment of how safety stocks are approached and managed

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My personal belief is that there will be a shift, but less dramatic than some are predicting as the social aspect of shopping isn't quite satisfied online, although I would anticipate seeing some innovations that will improve the digital shopping experience. Omni-Channel strategies such as Buy Online Pick-up In-Store (BOPIS) will likely accelerate along with curbside pick-up services.

This shift will challenge margins and increase the need to build up Omni-Channel planning, price management, and allocation and replenishment capabilities within the organization. So, it will be important to spend some time anticipating how the channel mix will reset when things begin to get back to normal.

Re-definition of the Supply Chain

Some of the chinks in the current Supply Chain started to emerge in the wake of the Tariff War with China, but the level of dependency and

The scope of the liquidity challenge that will be faced in the retail industry will be unprecedented. The experience of this level of pain will likely force a hard look at the level of cash tied up in inefficiencies in delivering products from concept to market, especially within retailers that have vertical supply chains. My personal belief is that retailers will become more inclined to begin to leverage customer data analytics solutions and customer collaboration platforms in conjunction with digital product development technologies to do the following:

- Compress the Product Development Calendar to make more informed decisions closer to market
- Reduce sampling and product development costs
- Narrow assortments, increase customer conversion, and improve margins

“The innovations that enable teams to stay engaged while working from home will redefine where and how we work. The work / life balance equation will shift dramatically and gain new meaning as team members re-connect with what is important in their life.”

These innovations will free up considerable cash that has been tied up in the inefficiencies of the current process.

Increased focus on stock turn and an acceleration of US based manufacturing to work on shorter product lead times will probably be on the horizon as well. The point is to get your team thinking about these issues now so that you will be in a position to leapfrog competitors.

Re-definition of the Workplace

The re-definition of the workplace will in my opinion be one of the most far-reaching elements of the COVID-19 experience. Disaster Recovery and Business Continuity plans will become much more robust for all retail businesses not just the ones that are located in natural disaster areas or areas viewed as terrorist attack threats. It is probably a good idea to anoint someone on the team to start capturing lessons learned now while this is being done on the fly so that you have a good outline for the MP&A function for the go-forward plan.

More far reaching will be the effects that accrue from the experience of working from home. The innovations that enable teams to stay engaged while working from home will redefine where and how we work. The work / life balance equation will shift dramatically and gain new meaning as team members re-connect with what is important in their life. Thinking about how these

technologies can be leveraged to expand flexible work scenarios will give you a leg up in the war for talent when the new landscape emerges.

Lastly, the innovations born out of the necessity of working from home will impact how we collaborate with external partners. These collaborations will likely become more personalized which will create more opportunities to create value with trusted partners.

Mobilize the Team

In the “Develop and Communicate Strong Values and Beliefs” section, I spent some time emphasizing the critical importance of looking after your team and protecting the talent. When it comes to managing during a crisis situation it is all about frequent and transparent communication and engaging the team. Leaders show up, they show up often, and they show up with candor and compassion. Mustering up the leadership courage required to meet this type of challenge in more ordinary circumstances is requiring enough, but in the COVID-19 world this effort has to be done virtually, with everyone working from their home office.

People are discovering that home can be a lonely place, especially when they are concerned about

their jobs and their future. You can't afford to have your team suffer in silence. What is more you need to get them working on developing and executing your collective plan of attack.

Hopefully as you are reading through some of these items you are mentally answering check, check, check...but, just in case, here are some key things to put into place:

- Enable a Remote Communications and Collaboration Platform
- Establish a Communication Plan
- Keep the Team Engaged
- Communicate and Celebrate Wins

“The ability to be able to see each other is key. It will encourage all the players on your team to take care of themselves while working from home.”

Enable a Remote Communications and Collaboration Platform

Hopefully your company already has these tools and a working Business Continuity plan in place, but the reality is much of this is being done on the fly. Teams are developing their own solutions with readily available technology.

Identify the systems, networks and files your team will need to access to work remotely.

Make sure that you quickly verify that the remote access to those systems is working effectively. It will be important to select a video communication platform that has live document sharing capability whether it be Zoom, Google Hangouts, Microsoft Teams, etc. The ability to be able to see each other is key. It will encourage all the players on your team to take care of themselves while working from home.

Put a document and sharing platform in place whether it be the Google Docs suite, Dropbox, or the like. Other platforms that might be worth considering are chat platforms such as Slack or What's App and Issues Tracking platforms such as Jira. While putting this platform into place, the key will be to keep it simple and to maximize the use of solutions with which your team is already familiar.

Work with your key Functional Leadership partners to think through how meetings such as Final Line Review and Weekly and Monthly Business reviews can be handled virtually over these platforms during this transitional period.

Establish a Communication Plan

Establish a well-defined meeting cadence and stick with it so that it becomes part of your teams daily and weekly routine. Make sure that the cadence includes at least one weekly Town Hall forum to communicate the state of the business and priorities for the week to the entire team.

Put into place a hotline so that team members can surface personal concerns and get answers. Make sure that if it is necessary to furlough employees that the process for filing for unemployment benefits is made easy for them. Think of ways that you can legally stay engaged with furloughed team members of the team without jeopardizing their unemployment benefits so that they continue to feel they are valued members of the team.

Create forums where people can just be together. Whether it is a virtual cocktail party or a virtual coffee break, the team will need the opportunity to blow off steam together. Whatever creative ideas can be put into place to create some bonding time will enable the team to stay strong and get stronger as it manages through this challenge.

Keep the Team Engaged

At the outset it is critically important to empower the team and marshal out the work of developing and implementing your collective plan of attack. Think of ways to engage small teams both within your function and cross-functionally to keep good team behaviors flourishing.

There is plenty of new territory that needs to be conquered that will require creative thinking whether it be the deep analytics of understanding how individual markets behaved and came back in past disasters or figuring out how to execute the first Virtual Line Review.

Communicate and Celebrate Wins

Think about the key milestones that will be associated with the business re-emerging from this temporary set-back: The re-opening of the first store, the first market, the next store, the next market, and the re-opening of the home office and plot them out. It doesn't hurt to have a conservative point of view on dates which can be updated and communicated in your team Town Hall meetings. Make a big deal about celebrating achievement of these milestones to build momentum.

Celebrate the small wins that will be associated with process wins such as innovations in the use of the new tools that are being utilized to

accomplish the attack plan objectives. Publicly recognize individuals who are going the extra mile to support the team whether it be the accomplishment of a key piece of the attack plan or simply offering valuable moral support.

Focus the team on preparing to win

when the business climate resets. Nurturing an environment that celebrates and rewards innovative solutions during this trial will enable your team and your business to thrive as it conquers the COVID-19 challenge.

Hopefully you found this piece valuable. If it contributed or sparked an idea, it was well worth the effort. I would be very interested in learning more about other innovations that you are initiating as you are working through these challenges. My hope is to create a peer group that can meet virtually and exchange ideas on a bi-weekly basis. If interested, please, contact me at rpedott@columbusconsulting.com.

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About the author



Richard Pedott is a Partner with Columbus Consulting. Rich has over 34 years of experience across multiple functional disciplines including: Planning and Allocation, Sourcing, Supply Chain Management, and Store Operations. He has led strategy, process, and systems development initiatives at several leading US and International Retailers and has a track record of successful implementations that deliver bottom-line results. He is the co-author of “Omni-Channel Retailing: How to Build a Practical, Effective Plan of Action” and “Agile Retailing: New Ways to Manage Uncertainty, Disruption, and Innovation”. His areas of expertise include Omni-Channel, Assortment Planning, Merchandise Planning, Product Lifecycle Management, Allocation, and Supply Chain. He was most recently the Chief Executive of the Retail, Direct-to-Consumer, and Wholesale operation for The Metropolitan Museum of Art

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