



Responding effectively to COVID-19

From crisis response to a new organizational strategy

July 2020



Lifecycle of a typical COVID-19 response

Organizations need to evolve at their customers' pace and reshape their strategy in response to permanent market change.

Reaction

Focus on safety

Address tactical issues requiring an immediate, non-negotiable response.

Staff

- How do we protect our **employees' health** and wellbeing?
- Can we enable our staff to **work remotely**?

Solvency

- Do we have a **viable delivery model** now?
- How do we **urgently preserve cash**?
- Do we understand the readiness of our **critical infrastructure and capabilities**?

Communication

- How do we **communicate with customers** about the crisis, and what is our message?
- Does the **community accept the need and value** in our business continuing to trade?

Regulatory & Governance

- Can we comply with **COVID-19 regulations**?
- Is our **Business Continuity Plan** live?

Resilience

Focus on viability

Ensure organizational sustainability, and adopt a viable service delivery model.

Workforce

- How can we **right-size our teams** or assets to achieve cost necessary cost reduction?
- Do we have sufficient **workforce flexibility**?

Operating model

- Are our **digital platforms resilient** enough for the new demand levels?
- Do we need to pursue **on-shoring**?
- How resilient is our **supply-chain**?

Operating rhythm

- Can we **balance survival with proactivity** and customer-focus?
- Are our **performance feedback loops** quick enough for this environment?

Community

- Are we eligible for **governmental stimulus**?
- How do we align with **community expectations** through the crisis?

Recovery

Focus on profitability

Adapt strategy to develop business and operating models fit for the crisis context.

Demand

- What is the likely **demand profile** for our product or service in the current climate?
- Are social distancing and behavioral prompts driving a **rapid digital pivot**?
- What is the enduring **appeal of our legacy propositions**, and are there strong prospects for a return to previous demand norms?

Service design

- What is the ideal **redesign of our operating model** for profitability and competitiveness?
- What is our digital capacity and are we ready to fully **service customers online**?
- What are the key **capability requirements** to succeed in our new delivery model?
- What is the **margin implication** of our rapid shift to new operating models, and is this sustainable or controllable?

New Reality

Focus on growth

Challenge strategy to face the permanence of customer and market changes.

Market

- What are the resilient and **emergent patterns in customer demand**?
- What are our key short and medium-term **growth opportunities**?

Capability

- How should we **re-design our customer propositions** to reflect market priorities?
- What are our **distinctive organizational capabilities**, and how do they align with forward-looking service requirements?
- What is the strength and **versatility of our brand** to be an asset through growth and reorientation?

Commercial

- Has the relative **attractiveness of profit pools** changed significantly, and are we actively prioritizing higher returns?
- How are our competitors repositioning, and what are the **competitive dynamics of the altered landscape**?

Lifecycle of a typical COVID-19 response

Organizations should already have begun to pivot from their initial response, responding proactively with continued use of deliberate scenario planning.



The **Crisis Response War Room** will ensure the agility to respond rapidly, with learnings, to any “second wave” of the virus’ impact.



Sustainable effectiveness for senior leadership requires a focussed **Crisis Response War Room**, incorporating multiple disciplines and consciously addressing the phased nature of resilience and competitiveness through COVID-19, leveraging operational and strategy skills, and standing-up specialist teams as needed

Actions are likely to be rapid, tactical, constrained by necessity, and already underway

- Critical cash preservation
- Activation of Business Continuity Plans
- Implementation of new regulations
- Crisis messaging to customers
- Determining feasibility of operations
- Review of stand-down, enablement and funding options for staff

Second or future “waves” of the virus’ impact may necessitate a return to **Reaction**, with the benefit of learnings from prior iterations.

Typically the **Crisis Response War Room** will be the clearing house for determining the need for specific initiatives, and identifying the right tools and approaches. Our **Rapid Diagnostic** and **Accelerated Strategic Ambition** propositions are designed for this purpose.



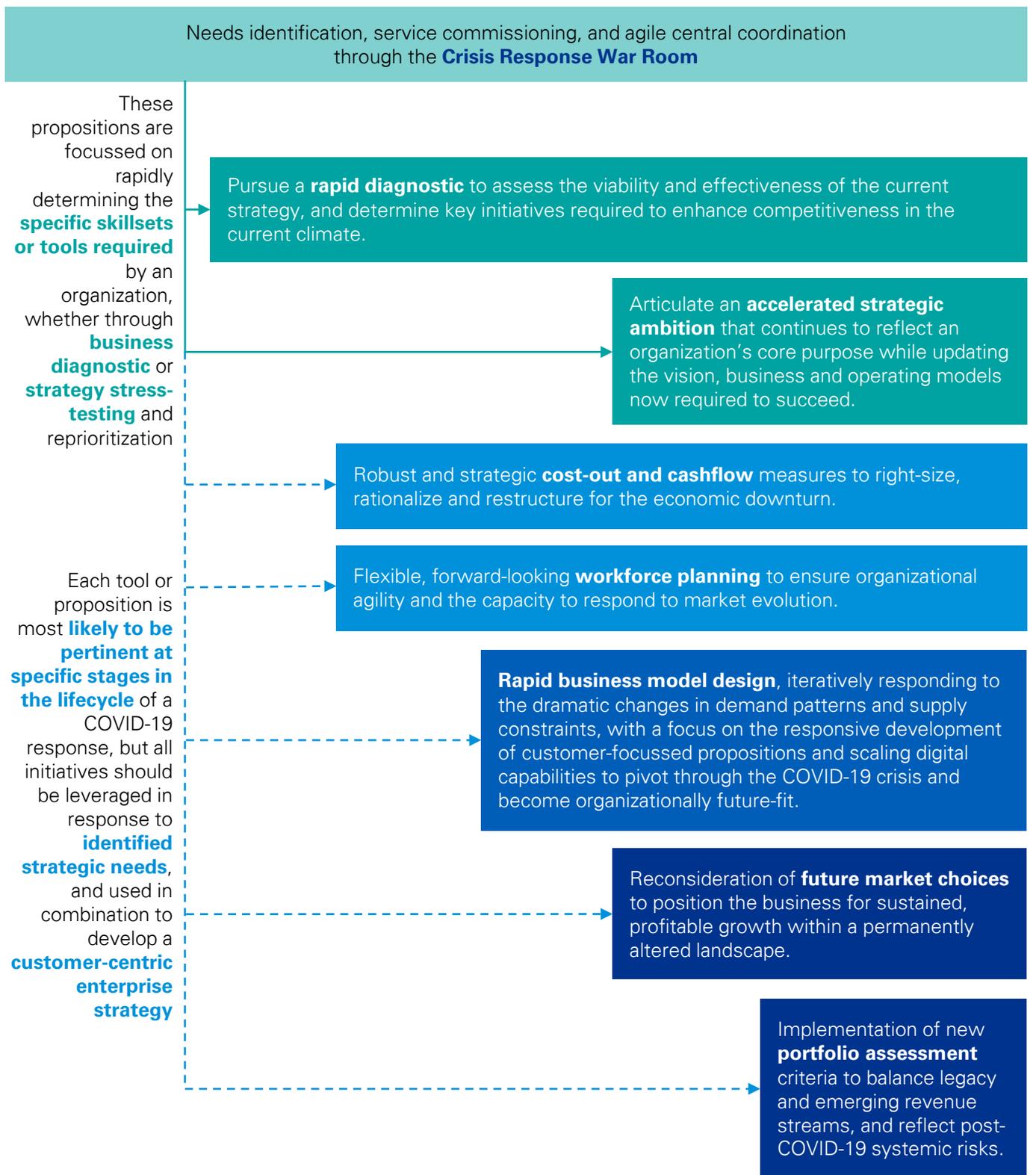
Specific initiatives, **bespoke to the needs of each organization** – as identified by diagnostic and strategic stress-testing tools – **leveraging specialist skills** and informed throughout by robust scenario thinking. Initiatives should be **centrally coordinated on an agile basis**.



For leadership teams to strategize effectively in the context of substantial global disruption and continued uncertainty, **War-Gaming & Simulation** and **Business Scenario Planning** are critical disciplines to provide clarity for decision-making and drive confidence that the current strategy is appropriately weighted towards potential futures. We recommend that these tools be placed at the heart of all strategic leadership in the face of the current crisis, and that they be considered as imperative ways-of-working across the range of specific COVID-19 response initiatives that an organization may pursue.

Lifecycle of a typical COVID-19 response

Rapid diagnostic propositions and stress-testing current strategy are crucial tools to prioritize the most urgent and valuable initiatives for an organization's response to COVID-19.



Responding successfully

Organizations can establish a sustainable competitive advantage by responding proactively while being customer-centric and recognizing that a "return to normal" is not guaranteed.



KPMG in Singapore strategy perspective

Many organizations are focusing their COVID-19 response on **whether to "do less" or "do more"**, balancing the competing priorities of risk mitigation and cash preservation against the urge to invest in their customer relationships and market share.

This trade-off does require substantial scrutiny, and should be regularly revisited as government support for business investment is rolled-out and the **likelihood of various economic recovery scenarios evolves**.

However in our view, it is equally if not more important for organizations to consider whether their response to COVID-19 is grounded in **an assumption of eventual return to previous**

norms, or in readiness for potentially permanent changes to customer behavior.

COVID-19 has the potential to **rapidly accelerate underlying trends** in individual behaviour and service expectations, and businesses that are successful during and beyond the crisis will be those who match their customers' speed of change.

The severe challenges of the current climate can be a catalyst for organizations to radically reimagine their ways of doing business, and to **identify a path for renewal by adopting a truly customer-centric approach**: their competitors who waste the crisis may struggle to recover this long-term advantage.

Responding successfully

Customer-centricity should be a key focus area as businesses move beyond their initial crisis reaction and reshape their strategic response.

Typical crisis reaction to COVID-19

Customer-centric response

Product / service design

- Prioritize propositions aligned to lockdown or other impacts of pandemic
- Pivot to entry-level offerings and those with perceived broadest appeal

- Focus on **understanding customer priorities** during and beyond COVID-19
- Design proposition around the **alignment of capability and customer needs**, reflecting competitive positioning

Customer experience

- Closure of premises for non-essential services, and reduction in human contact
- Increased emphasis on digital delivery
- Reliance on shared sense of crisis to engage stakeholder community

- Compete on quality of CX as a key to **customer loyalty at times of crisis**
- Test client satisfaction with delivery models **iteratively** throughout crisis
- **Use CX feedback** learnings to inform post-COVID-19 delivery model choices

Revenue model

- Discounting to protect business viability to drive cash-flow in recession
- Opportunistic price increases in the context of market turmoil

- Identify **value pools fuelled by customer priorities** and demand
- Maximize opportunities to optimize margin through data-led methodologies to determine **customer price sensitivity**

Digital engagement

- Intensified advertising through social media and lockdown-aligned channels
- Rapid scale-up of digital capability and capacity for customer communication and lead generation

- **Omni-channel engagement** with customers through social, commercial and proprietary platforms
- **CX-led design** of end-to-end journeys through digital services and tools

Target outcomes



Strong customer affinity



Competitively-advantaged position for growth through recovery



Value-creation through transition to digital



Maximization of value from legacy assets and capabilities



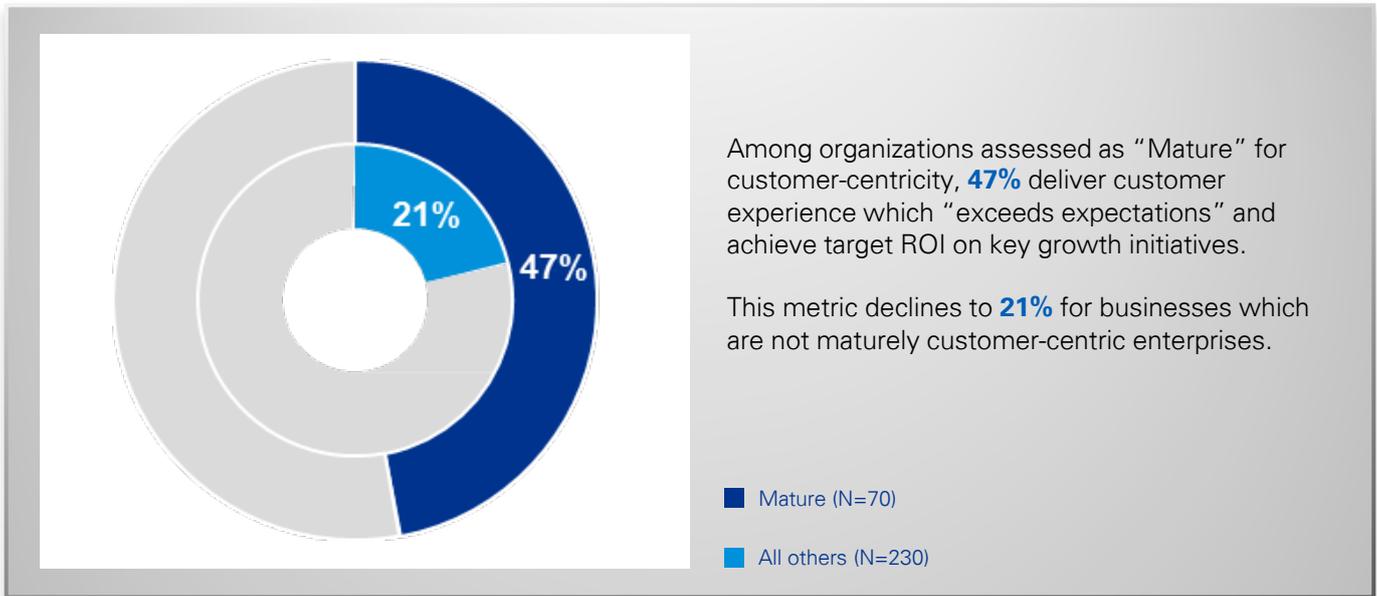
A clear priority and imperative to inform strategy and investment choices

Responding successfully

Our research indicates that businesses placing the customer at the heart of the business achieve improved commercial outcomes, and KPMG in Singapore’s value framework is designed to realize this vision.

Success of customer-centric businesses

Forrester Consulting research on behalf of KPMG in Singapore



KPMG in Singapore’s 9 Levers of Value framework

The “9 Levers of Value” framework provides a **powerful tool to define organizational strategy**, but this should not be a one-off activity.

KPMG in Singapore recommends that organizations **apply the framework iteratively through the current crisis** – as per our *Reaction, Resilience, Recovery, New Reality* approach – with a focus on updating strategy **as incrementally or expansively as time and market conditions require**.

The diagram shows a central circle labeled 'Customer Value' with three human icons. Surrounding it are nine levers: Performance measures and incentives, Financial and strategic ambition, Market and regulatory environment, Product services & brands, Customer & service channels, Core business processes, Operational & technology infrastructure, Org structure, governance, risks and controls, and People and culture. The levers are grouped into three outer rings: 'ASPIRATIONS (What we aim for)' at the top, 'BUSINESS MODEL (Where to play)' on the right, and 'OPERATING MODEL (How to win)' on the left.

- KPMG in Singapore’s “9 Levers of Value” framework is proven to offer the structure required to **deliver a customer-centric connected enterprise**
- The “9 Levers of Value” place the customer experience at the centre of assessing business choices across three areas:
 - **Aspiration:** what an organization aims for
 - **Business model:** where an organization plays
 - **Operating model:** how to win in chosen markets
- Transforming an organization into a customer-centric enterprise, through the crisis of COVID-19 is a **critical but highly complex journey** – and the 9 Levers framework offers management teams **the tool to engage successfully with that complexity**



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