

# COVID-19 Business actions and legal considerations - Changes to business models

- UK businesses will be taking important actions to improve their Enterprise Resilience in the current COVID-19 pandemic
- As part of businesses' Commercial Resilience actions, we believe certain businesses will change their business models and sales channels. We have identified 5 key issues for businesses when considering alternative routes to market and changes to their supply chain
- We are seeing this already in industries supplying 'essential' goods/services such as food, chemicals, pharmaceuticals and medical devices. These businesses are preparing for spikes in demand, reduced workforces due to isolation/quarantine measures and closure of certain sales channels (non-essential shops, restaurants, cafes, bars etc.). These businesses have to deal with changes to their supply arrangements and sales channels and will need to consider legal issues within very tight time frames

|                            | Regulatory compliance  | Transport/logistics  | Transition/disruption   | Future change   | Stock and resource   |
|----------------------------|--|--|---|---|--|
| Summary of issue           | <ul style="list-style-type: none"> <li>— Businesses forced to find alternative demand from new markets</li> <li>— Sales and CRM processes may change in the current situation and not be in compliance with regulatory obligations</li> <li>— Businesses may not have systems to comply with consumer laws / data protection laws</li> </ul> | <ul style="list-style-type: none"> <li>— Supply chain changes may affect transportation arrangements</li> <li>— Logistics providers may not be able to ensure new routes, capacity increases etc.</li> <li>— Where specific routes/connections are not available, alternatives and/or new suppliers may need to be arranged</li> </ul> | <ul style="list-style-type: none"> <li>— Disruption must be minimal during a transition period. Supplier facilities, manufacturing plants etc. should be ready to supply</li> <li>— Even momentary delays in supply can affect customer confidence</li> <li>— Depending on the product/services, suppliers risk customers switching supplier, end consumers finding substitutes etc.</li> </ul> | <ul style="list-style-type: none"> <li>— Uncertainty and market fluctuation will continue for an unknown period.</li> <li>— Changes to business models and sales channels need to be subject to ongoing review and monitoring</li> <li>— New supply arrangements should incorporate further flexibility where possible</li> <li>— Termination on short notice may be necessary</li> </ul> | <ul style="list-style-type: none"> <li>— In the event of a change in business model/sales channels consideration needs to be given to how to deal with excess stock</li> <li>— Re-deployment of existing human resource within organisation or to other businesses in 'essential' sectors may be appropriate if certain product lines/services are to cease</li> </ul> |
| What Should businesses do? | <ul style="list-style-type: none"> <li>— Consider what additional regulatory obligations are triggered from the change in model and seek legal advice on regulatory obligations</li> <li>— May require territory-specific advice as regulations vary</li> </ul>  | <ul style="list-style-type: none"> <li>— If additional duties, tariffs, taxes, charges will be payable, ensure the parties agree who will be responsible for payment of those costs/fees</li> <li>— Ensure new insurance coverage for any additional carriage/transit</li> </ul>   | <ul style="list-style-type: none"> <li>— Notify other party and seek forbearance in respect of certain obligations e.g. delayed delivery (supplier); delayed payment (customer)</li> <li>— Agree clear milestones and ramp-up provisions</li> <li>— Seek transition assistance from ex-supplier (if possible)</li> </ul>  | <ul style="list-style-type: none"> <li>— Make clear fixed term duration and renewal processes for new arrangements</li> <li>— Seek short notice periods for termination where appropriate</li> <li>— Seek simple escalation, dispute resolution and change management processes</li> </ul>  | <ul style="list-style-type: none"> <li>— Consider optimum use of excess stock to maintain brand loyalty</li> <li>— Regulatory obligations may apply to disposal of stock</li> <li>— Consider legal model used with re-deploying staff to other organisations</li> </ul>  |

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