

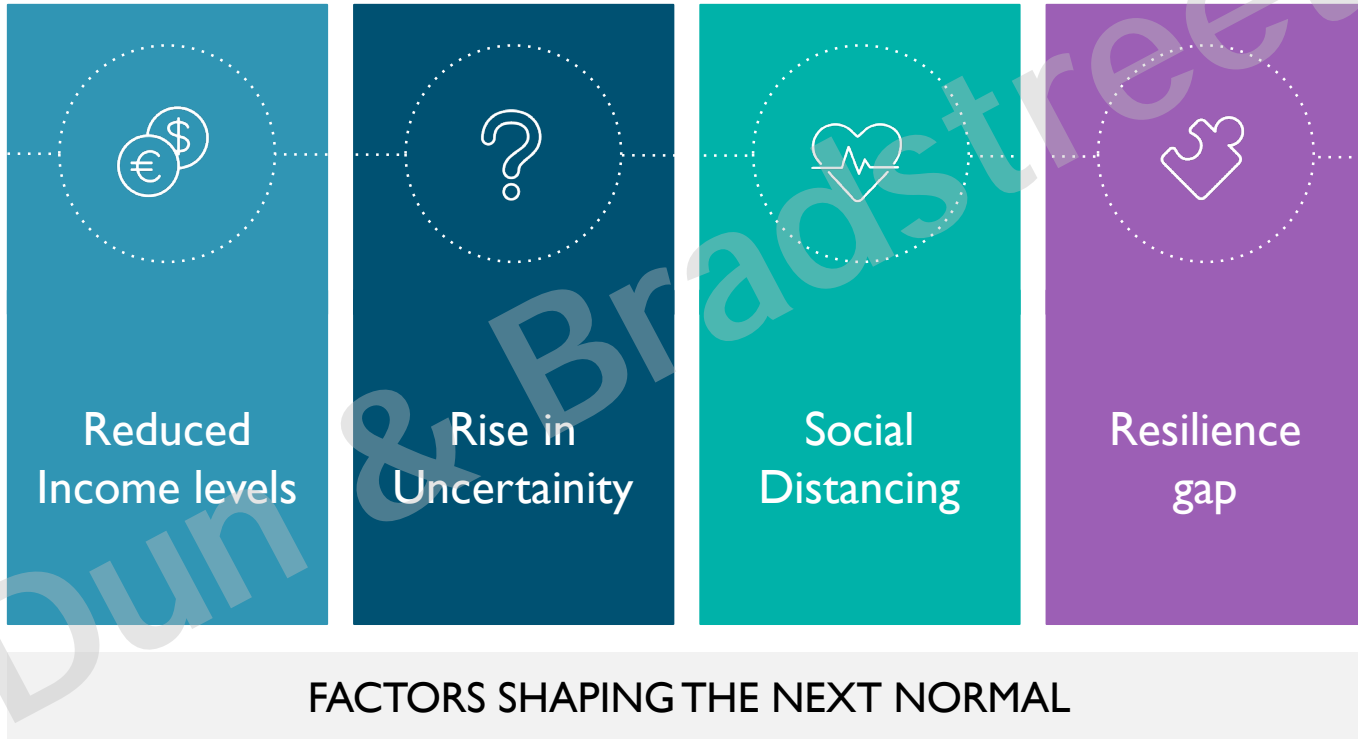


Beyond the Pandemic: The Next Normal for MSMEs

Dr. Arun Singh | Global Chief Economist | Dun & Bradstreet | August 2020



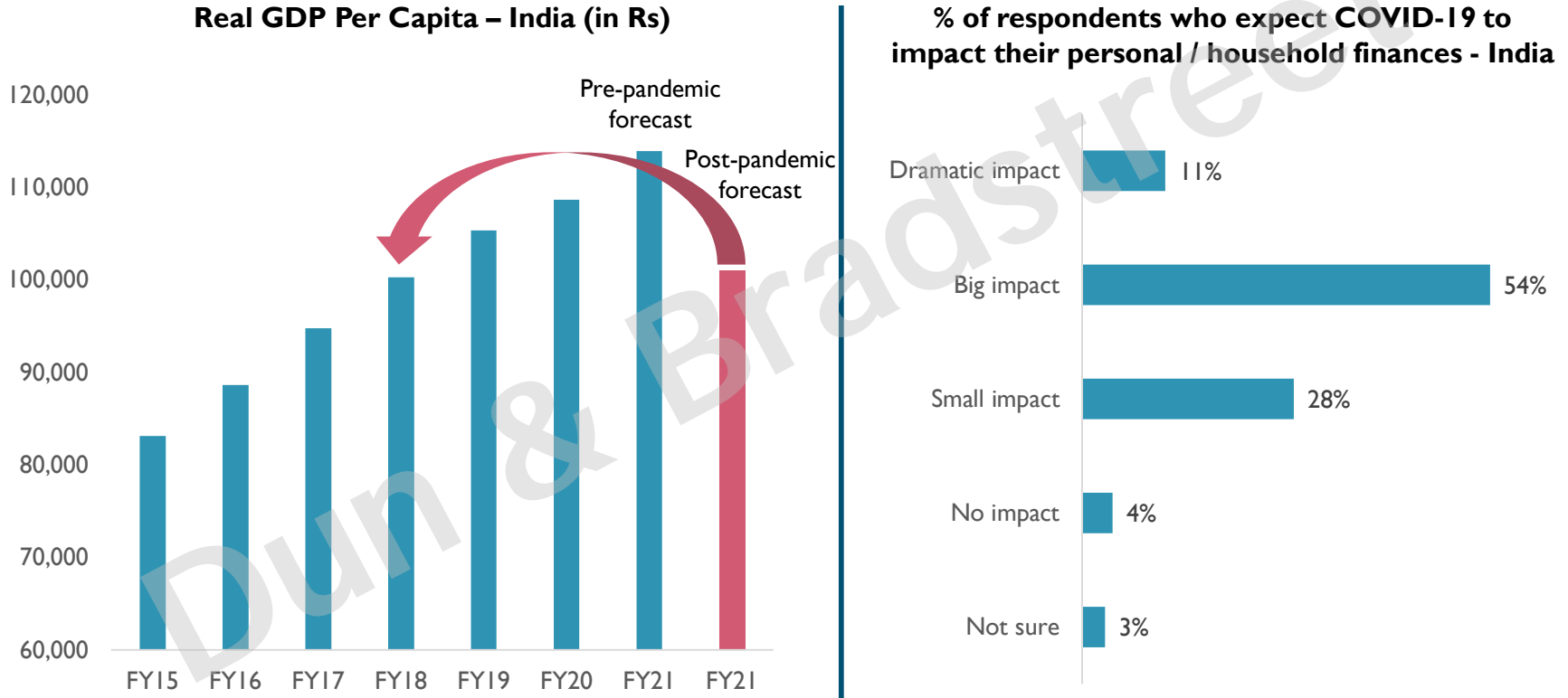
‘Back to normal’ may not be an option for many sectors. Businesses will have to learn to swim in the ‘next normal’ or risk sinking. Four broad factors are shaping the next normal



Source: D&B Analysis

FACTORS SHAPING THE NEXT NORMAL – REDUCED INCOME LEVELS

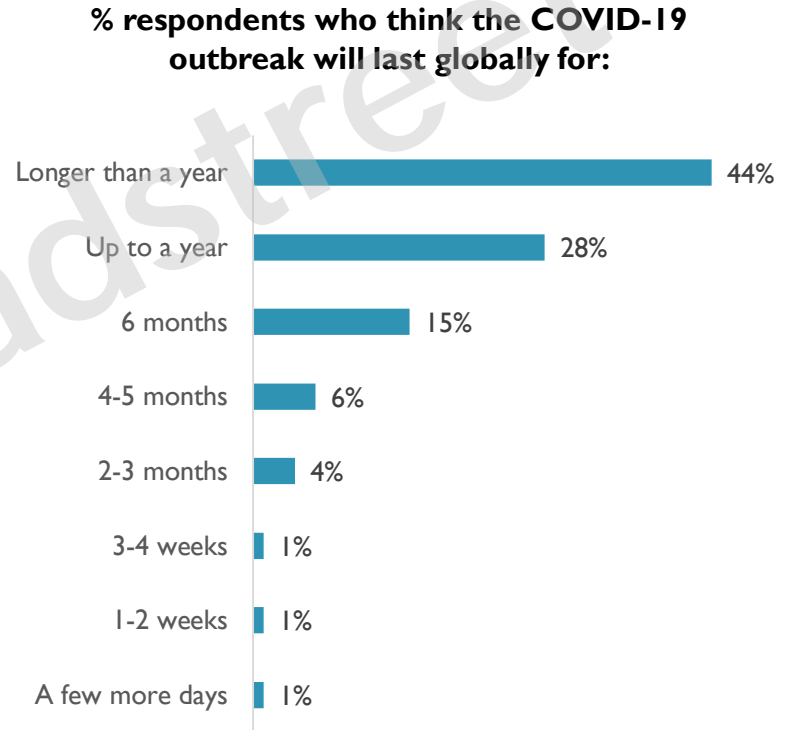
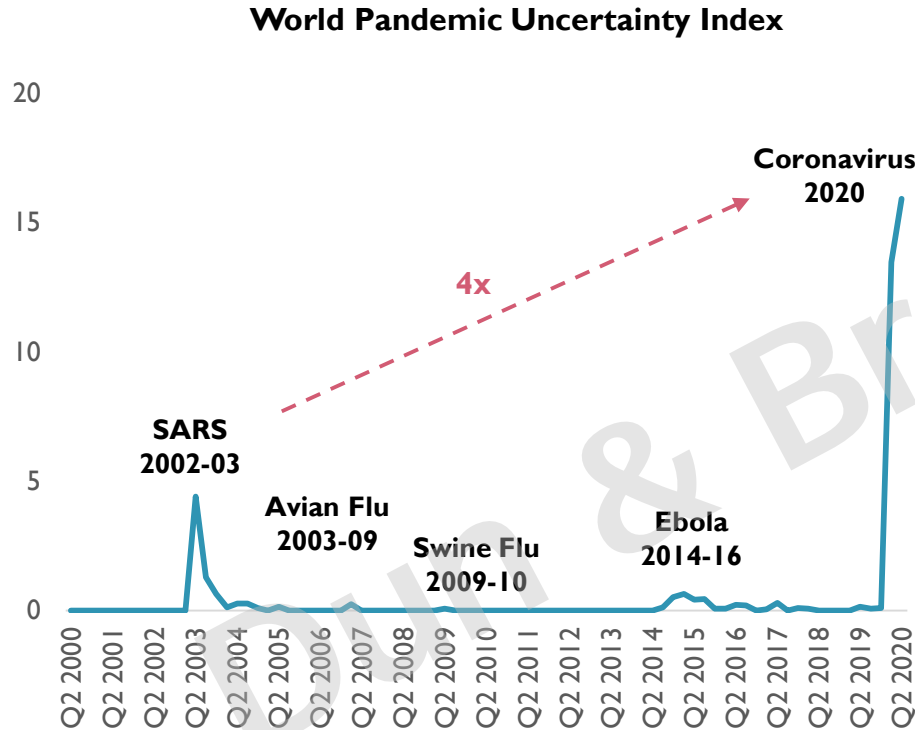
The pandemic is expected to have a significant impact on household income. Income levels may regress to FY18 levels, wiping out 3 years of progress



Source: MOSI, GlobalWebIndex, D&B Analysis

FACTORS SHAPING THE NEXT NORMAL – RISE IN UNCERTAINTY

Uncertainty has risen to a record high in the recent days. Perceptions on the length of the outbreak play a major role in shaping up the consumption pattern

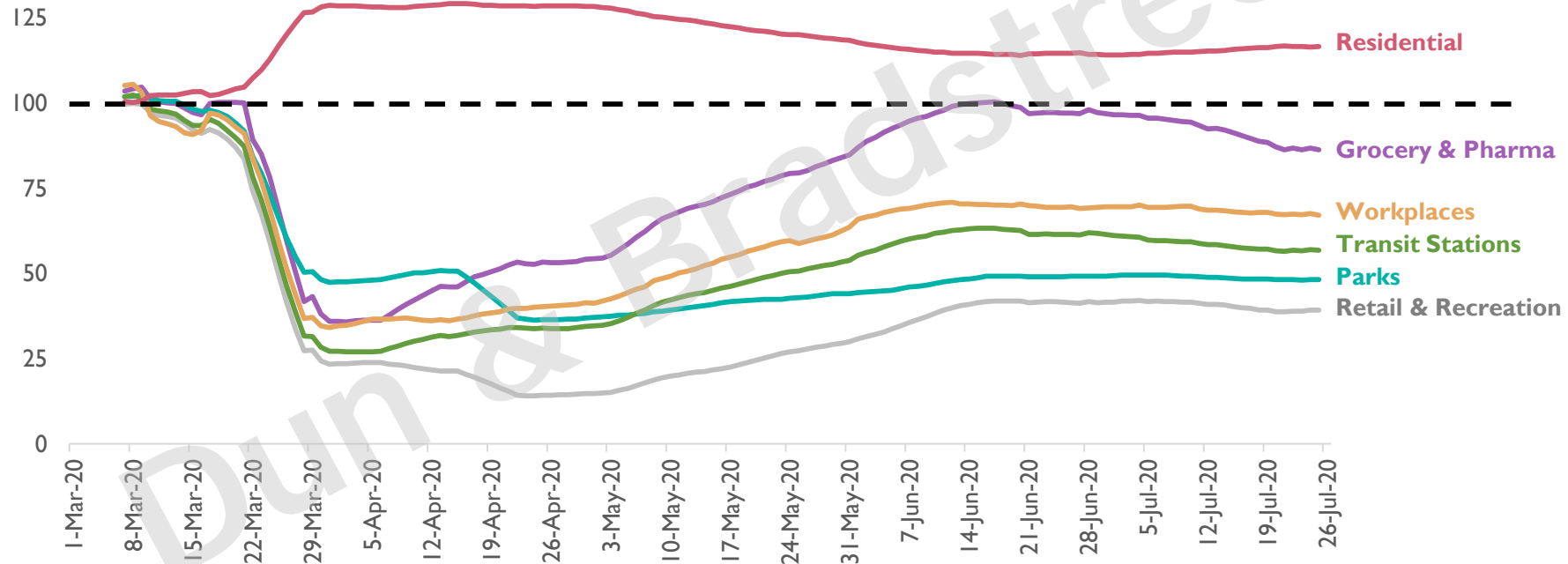


Source: Ahir, Bloom, and Furceri (2018), GlobalWebIndex, D&B Analysis

FACTORS SHAPING THE NEXT NORMAL – SOCIAL DISTANCING

Social distancing measures has changed our daily routines as well as the way in which businesses are conducted

Google Mobility Index – India (% of pre-pandemic levels)



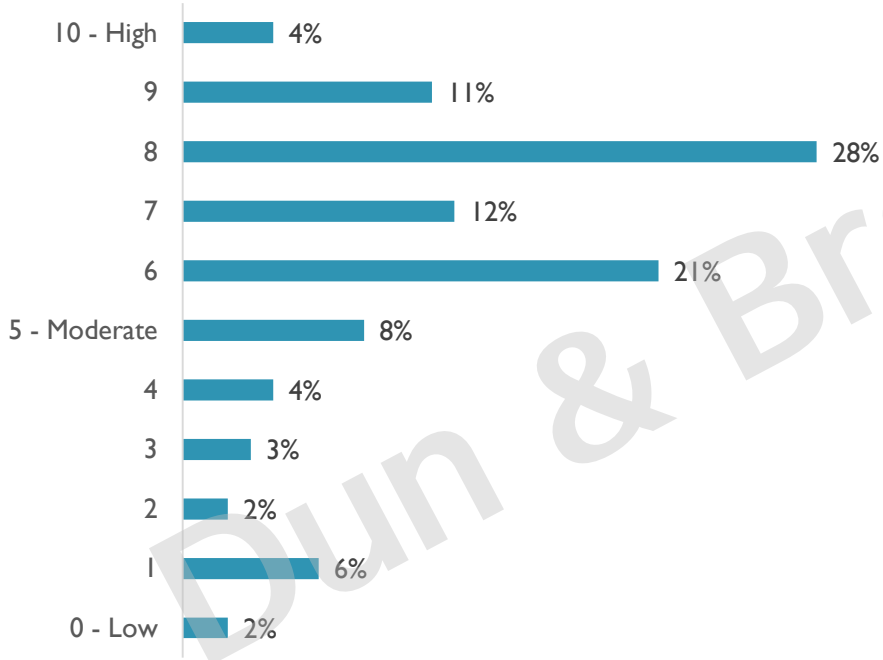
Note: The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020

Source: Google Mobility Reports, D&B Analysis

FACTORS SHAPING THE NEXT NORMAL – RESILIENCE GAP

The pandemic has exposed the fault lines in the current supply chain management. Businesses are now increasingly looking to close the resilience gap

Extent of impact of COVID-19 on organisations' supply side



2x average lead time for inputs as compared to “normal” operations



21% of the respondents believe that they have a **highly resilient network**. In the next 2-3 years, **55%** of the respondents expect to have a highly resilient network

Source: Kearney, World Economic Forum, Institute for Supply Management, Gartner, D&B Analysis

NEXT NORMAL FOR BUSINESSES

The pandemic has led to radical shifts in many facets of a business. The business environment of tomorrow will be different in four main ways



More Digital



Altered Consumer Behavior



Supply Chain Decentralisation



Increased focus on Resilience

Source: D&B Analysis

NEXT NORMAL FOR BUSINESSES – MORE DIGITAL

The pandemic has accelerated digital transformation across the spectrum and some of the changes are here to stay

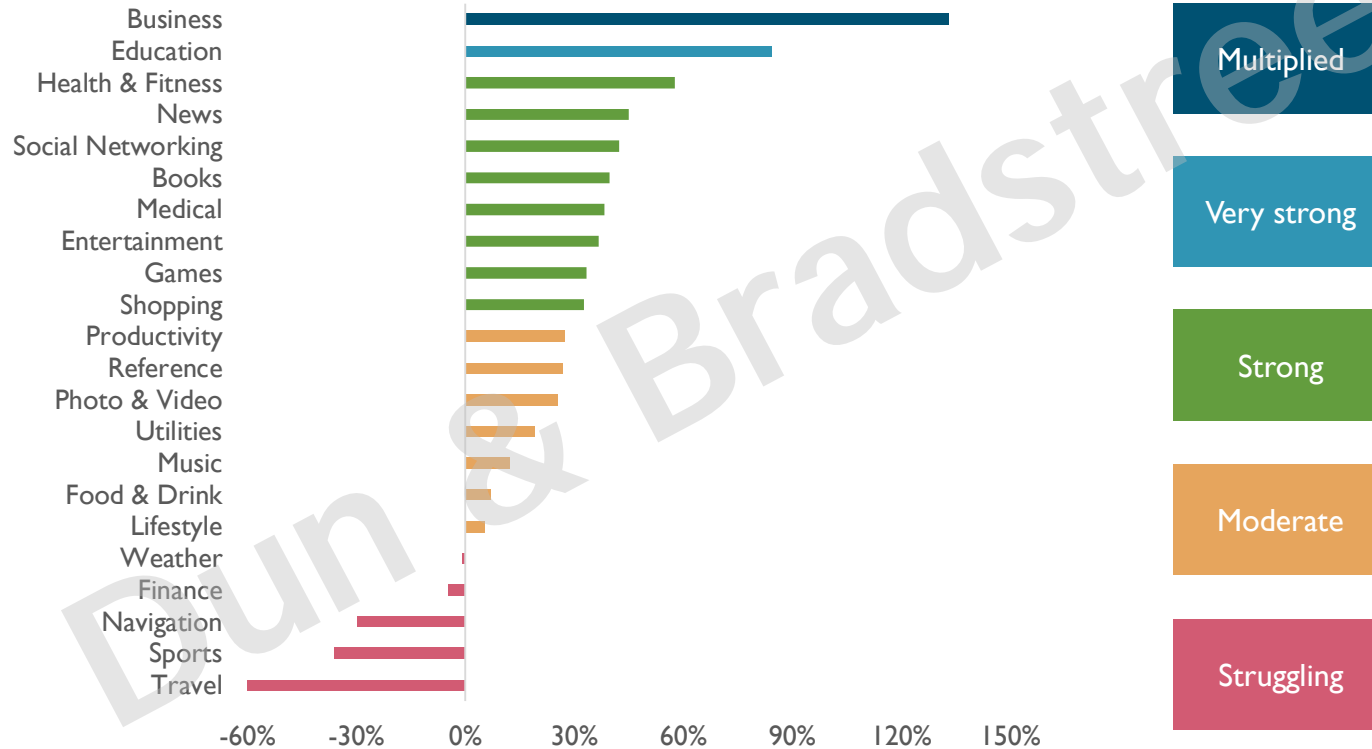


Source: D&B Analysis

NEXT NORMAL FOR BUSINESSES – ALTERED CONSUMER BEHAVIOUR

While some segments are struggling, some are flourishing

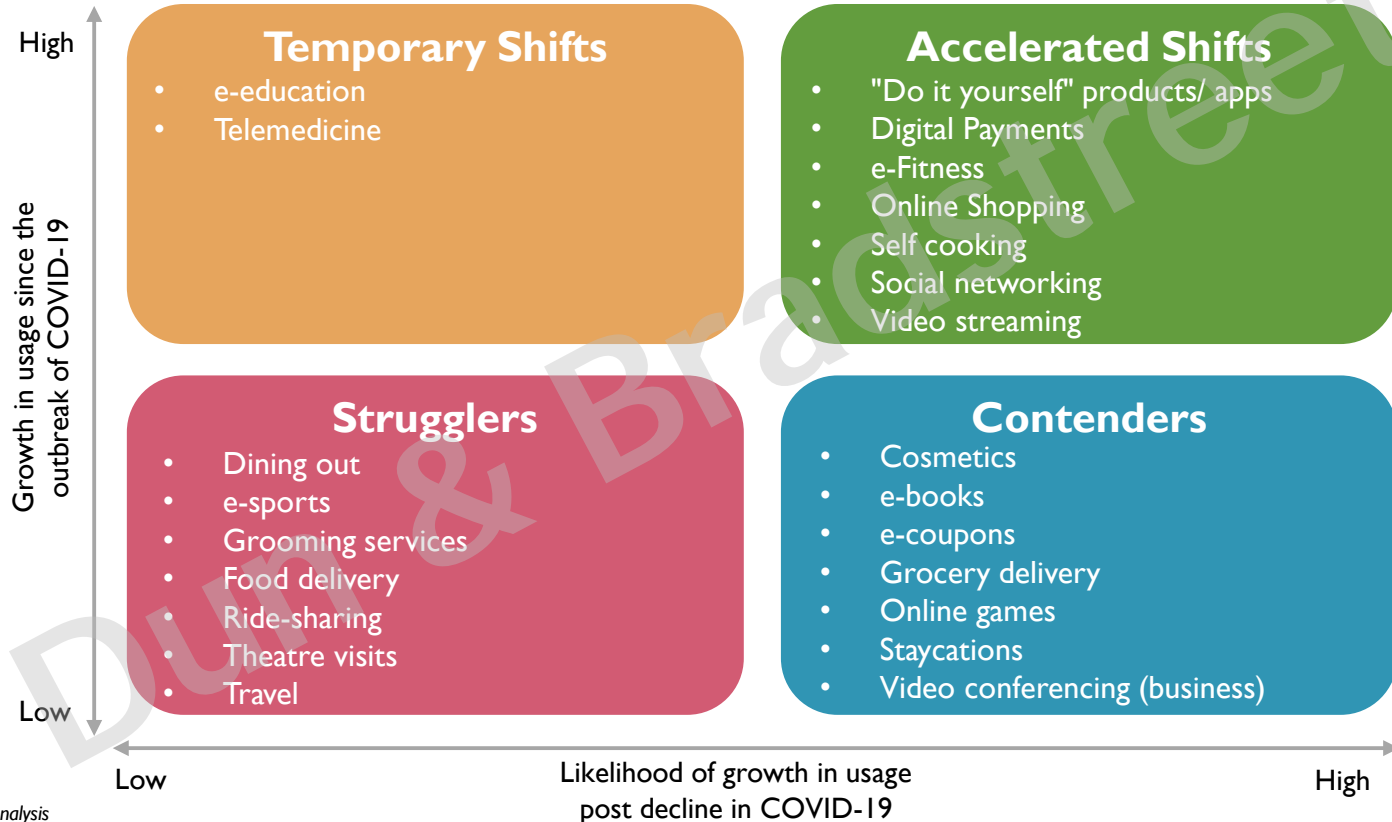
Growth in mobile app downloads globally (app store) from pre-pandemic levels



Source: SensorTower, D&B Analysis

NEXT NORMAL FOR BUSINESSES – ALTERED CONSUMER BEHAVIOUR

Density is not clearly not desirable by consumers in the near future. Businesses will have to rethink their operating models to stay relevant during this testing times



Source: D&B Analysis

NEXT NORMAL FOR BUSINESSES – SUPPLY CHAIN DECENTRALISATION AND INCREASED FOCUS ON RESILIENCE

The pandemic is redefining supply chains in three different ways with an increased focus on resilience



Supply Chain Decentralisation

In the short term, both domestic and international buyers will look for alternate suppliers with increased focus on reliability.

In the long term, the trend of nearshoring will gather momentum.



Rebalancing Inventory Management

The pandemic has revealed the weakness of just-in-time production models. Business will take a more balanced approach between just-in-time production and stockpiling.



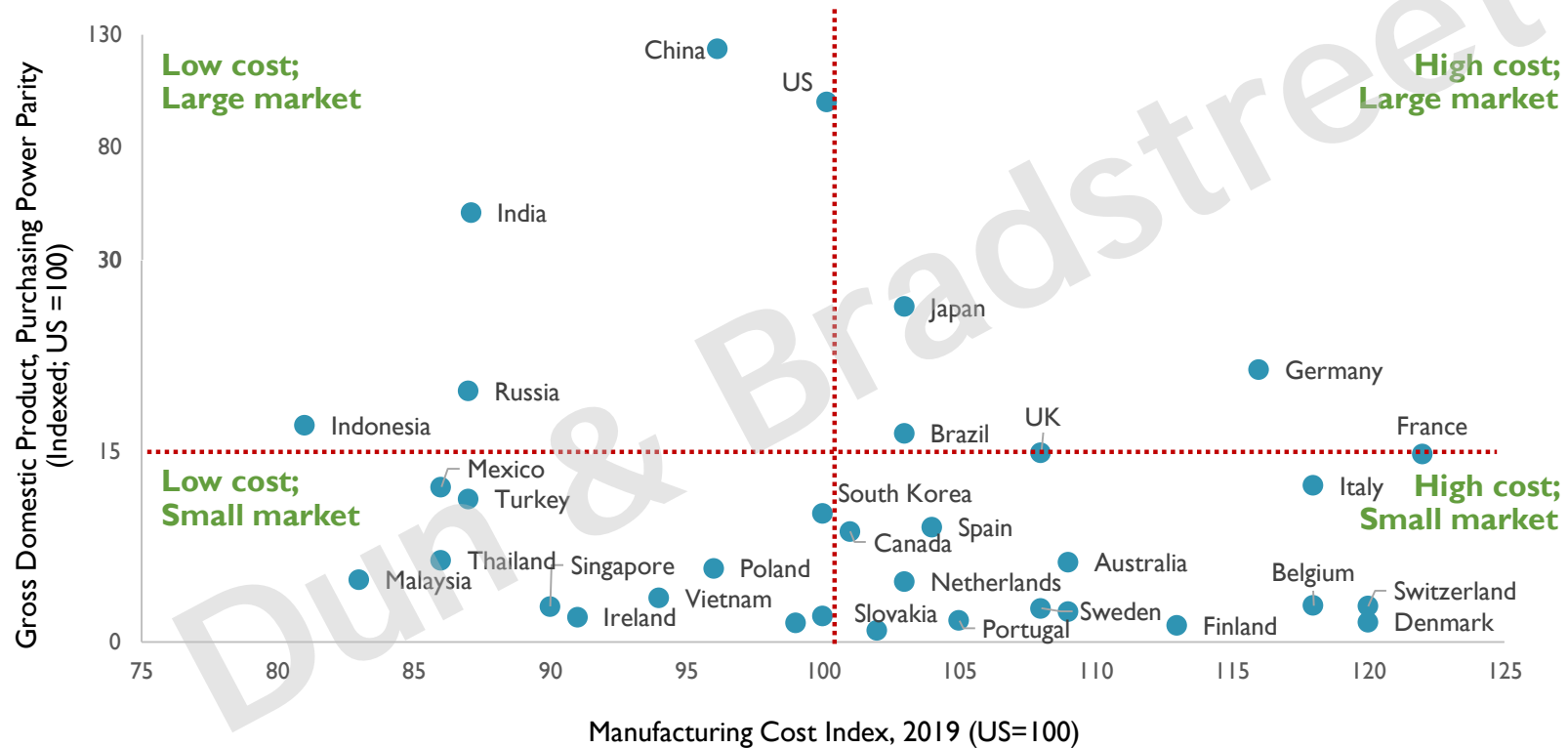
Partnerships with Logistics Service Providers

As businesses revamp their operating model, fleet optimisation will play a key role in improving the bottom line of businesses. Logistics service providers will emerge as strategic partners for businesses.

Source: D&B Analysis

NEXT NORMAL FOR BUSINESSES – SUPPLY CHAIN DECENTRALISATION

Cost competitiveness and a huge domestic market make India an attractive destination for businesses looking to relocate at least a part of their supply chain



Source: World Bank, BCG, D&B Analysis

NEXT NORMAL FOR BUSINESSES – SUPPLY CHAIN DECENTRALISATION

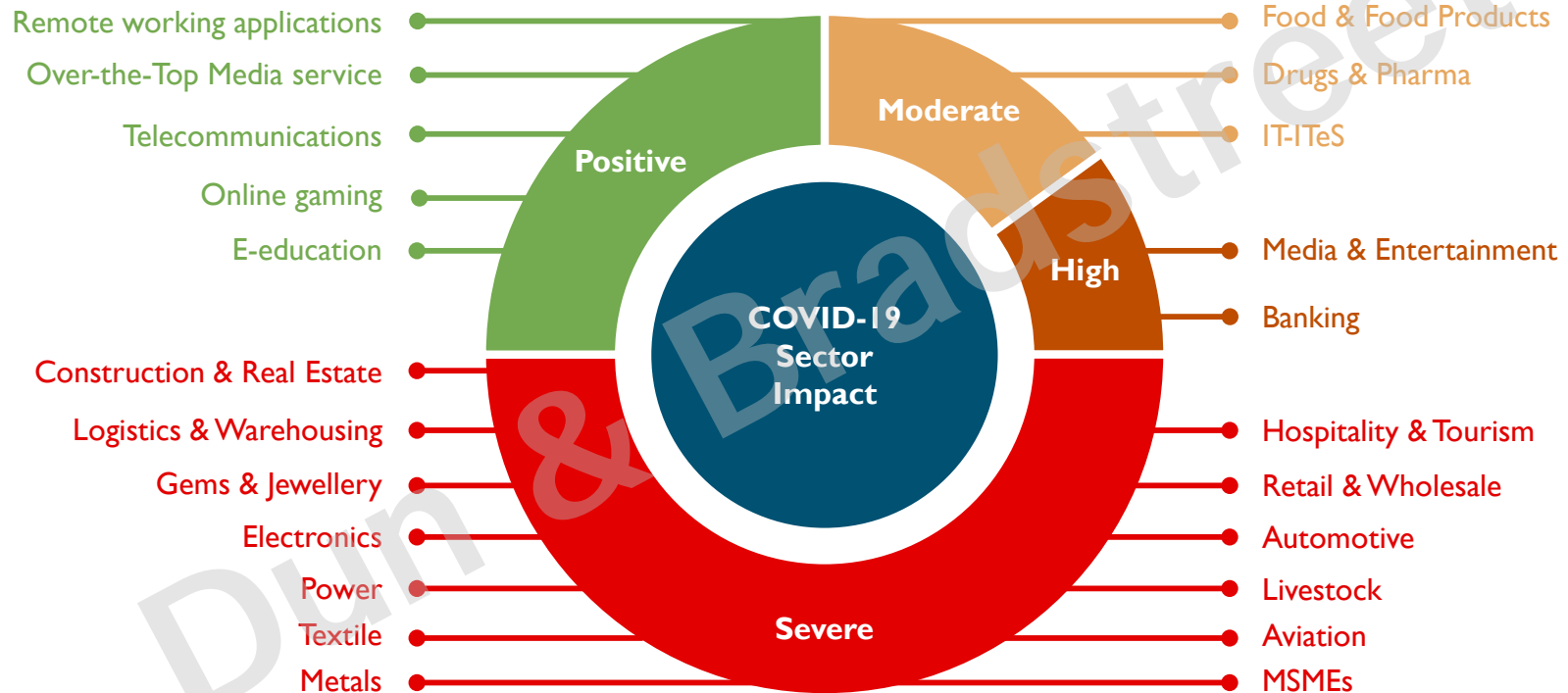
Given India's revealed comparative advantage, distance to existing capabilities, opportunity gain for continued diversification, export potential, and Government support, these six sectors are likely to benefit from the trend in nearshoring



Source: D&B Analysis

IMPACT OF COVID-19

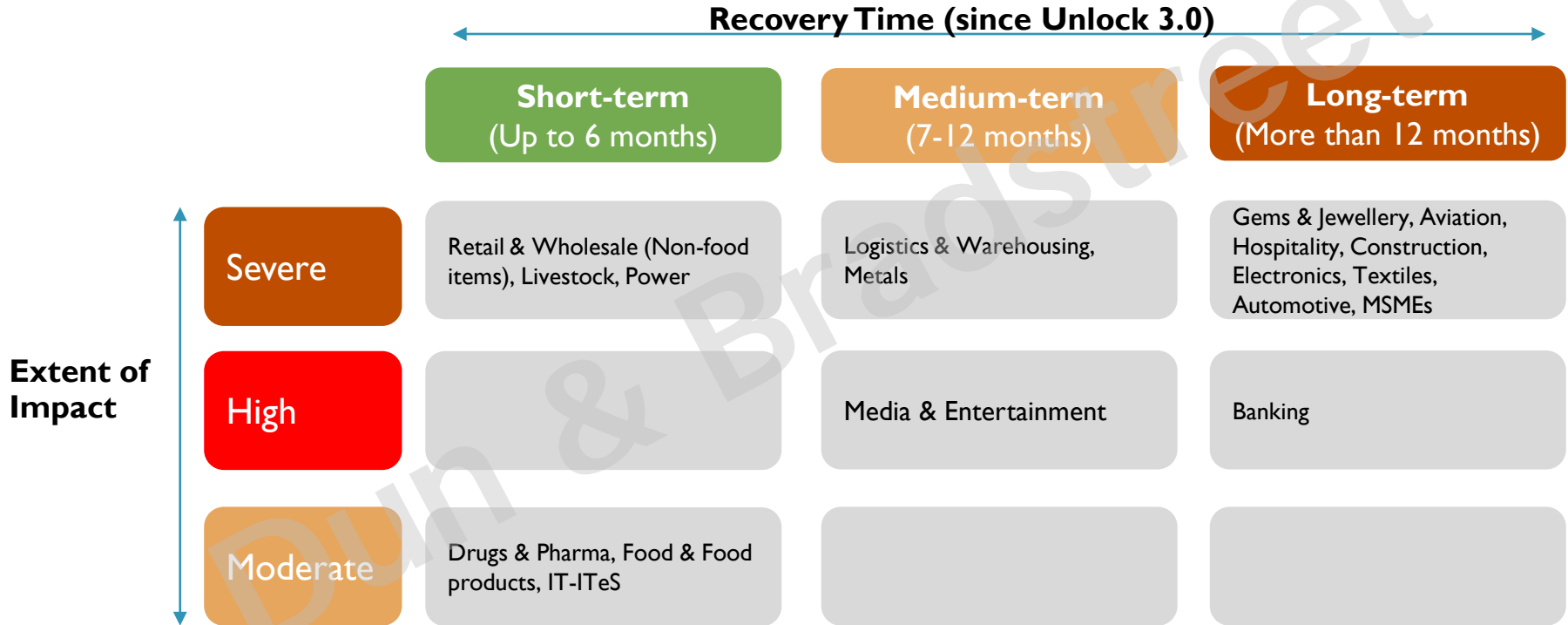
The impact of COVID-19 outbreak has been disproportionate – while some sectors are severely impacted, some are positively impacted



Source: Dun & Bradstreet

IMPACT OF COVID-19

Recovery is expected to be uneven across the sectors – some sectors will rebound quickly while some sectors will take longer than many months

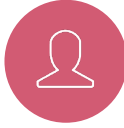


Note: Recovery time is estimated under the assumption that there will be no major deterioration in public health at the national and global level in the coming months

Source: Dun & Bradstreet

HOW COMPANIES ARE REPURPOSING

There is potential in all industries for repurposing. Companies must overcome complexities quickly to capture value in the new economy



Hotels have turned into **Quarantine Centers**

Food Chains, Theatres, etc. have entered into talent-sharing agreements to redeploy their staff in sectors that are facing high demand

Automotive and Textile companies are manufacturing **Ventilators and Face Masks**

Distilleries, Breweries and Perfume Makers are manufacturing **Hand Sanitizers and Disinfectants**

Restaurants, Food Delivery and Cab aggregators have started **Grocery Delivery**

Source: Various articles, D&B Research

Thank You!

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