‘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.

- Reduced Income levels
- Rise in Uncertainty
- Social Distancing
- Resilience gap

FACTORS 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

Real GDP Per Capita – India (in Rs)

Pre-pandemic forecast

Post-pandemic forecast

% of respondents who expect COVID-19 to impact their personal / household finances - India

Dramatic impact 11%

Big impact 54%

Small impact 28%

No impact 4%

Not sure 3%

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.

World Pandemic Uncertainty Index

% respondents who think the COVID-19 outbreak will last globally for:

- Longer than a year: 44%
- Up to a year: 28%
- 6 months: 15%
- 4-5 months: 6%
- 2-3 months: 4%
- 3-4 weeks: 1%
- 1-2 weeks: 1%
- A few more days: 1%

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

**FACTORS SHAPING THE NEXT NORMAL – RESILIENCE GAP**

<table>
<thead>
<tr>
<th>Extent of impact of COVID-19 on organisations’ supply side</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 - High</td>
</tr>
<tr>
<td>9</td>
</tr>
<tr>
<td>8</td>
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<tr>
<td>7</td>
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<tr>
<td>6</td>
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<tr>
<td>5 - Moderate</td>
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<td>4</td>
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<td>2</td>
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<tr>
<td>1</td>
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<tr>
<td>0 - Low</td>
</tr>
</tbody>
</table>

- 4% 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.

**Average lead time** for inputs as compared to “normal” operations:
- **2x**

Source: Kearney, World Economic Forum, Institute for Supply Management, Gartner, D&B Analysis
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
The pandemic has accelerated digital transformation across the spectrum and some of the changes are here to stay.

**Government**
- Information Dissemination
- Contact-tracing
- Digitisation of medical records
- Etc.

**Consumers**
- Online shopping
- Video streaming
- Digital payments
- e-Education
- e-Fitness
- Etc.

**Businesses**
- Remote workforce
- Virtual sales
- Digitisation of customer service
- Self-service models
- Etc.
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
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.

**Next Normal for Businesses – Altered Consumer Behaviour**

**Temporary Shifts**
- e-education
- Telemedicine

**Accelerated Shifts**
- "Do it yourself" products/apps
- Digital Payments
- e-Fitness
- Online Shopping
- Self cooking
- Social networking
- Video streaming

**Strugglers**
- Dining out
- e-sports
- Grooming services
- Food delivery
- Ride-sharing
- Theatre visits
- Travel

**Contenders**
- Cosmetics
- e-books
- e-coupons
- Grocery delivery
- Online games
- Staycations
- Video conferencing (business)

Source: D&B Analysis
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.

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.

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

**Recovery Time (since Unlock 3.0)**

- **Short-term** (Up to 6 months)
  - Severe: Retail & Wholesale (Non-food items), Livestock, Power
- **Medium-term** (7-12 months)
  - High: Logistics & Warehousing, Metals
  - Moderate: Media & Entertainment
- **Long-term** (More than 12 months)
  - Moderate: Drugs & Pharma, Food & Food products, IT-ITeS
  - Severe: Gems & Jewellery, Aviation, Hospitality, Construction, Electronics, Textiles, Automotive, MSMEs
  - High: Banking

**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
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!

Dankjewel

merci

ありがとうございます

धन्यवाद