



## Set to Reboot

Businesses, especially SMEs are eager to reboot post Covid. While both the strategy and path to restoration differs by business activity, markets these businesses cater to, and size of the business - most business leaders have a mixed feeling of anxiousness and positivity. Three themes emerged from our discussions with business decision makers in Singapore.

### 1 Realigning short term business objectives

Except for a very few sectors such as healthcare, pharmaceutical and Technology, all others seem to have accepted the inevitable - a revenue cut for 2020. But the revenue gap across sectors is very wide, and so is the expected road map ahead. Reducing cost (renegotiating raw material costs, rentals, and employee reduction) is evident, but most businesses do appreciate that losing valuable employees will mean losing the tacit knowledge, making them less scalable when business goes north.

“There is a thin line between asking good employees to take a pay cut or take forced leaves and shutting down the business forever, we need to play by ear and go by each passing week. The Government has supported us for the past few months, but there are costs beyond salaries. Rentals, interest payment on loans and questions on cash flow are staring at us each week” Mr. Tan a paints trader who has been in business for over 30 years, says his business has seen a 70% fall in the last five months since Feb. While he is positive about circuit breaker phasing out, he does not expect a huge upswing immediately in the next few weeks. “Renovation, construction will take time to regain momentum” he says.

Agnes, a restaurant owner we spoke to said she will have to give up one location and concentrate on the other going forward. “People would not eat out as often, not so soon. If they do, they will do so at outlets that are open, spacious and with perceived health standards. It is better if I retain my staff and continue to survive for the rest of the year.”



Sector	Expected business contraction - 2020	Realistic business scenario - 2020	Ideal business scenario - 2020
    Hotel    Restaurant    Tourism    Recreation & leisure	30% - 55%	Cut costs, retain most employees	Cut costs, retain all employees
    Production / Manufacturing    Chemical industry    Metalworking / Ironworks    Construction	20% - 35%	Realign procurement, production and employee costs	Retain employees, short term production deficit
   Distributive trades    Retail    Real estate	15% - 30%	Realign rentals, maintenance, employee costs	Reduce Opex but hold on to employees
   Business services    Repair    Marketing	10% - 25%	Realign rentals, maintenance, employee costs	Reduce Opex but hold on to employees

## 2 Realigning business model

Circuit breaker has forced customers and businesses to adopt digital solutions faster than they would have. Many businesses have gotten over the early friction only because they were forced to and had no choice. But this has meant both businesses and their customers have got a taste of what is possible without physically being at a location or a facility. “As people start to get back into their routine, they are expected to continue with some old habits, while some habits may have changed forever. My customers expect me to keep the vegetable and grocery list updated via my FB page, then select specific items and send me a WhatsApp. They come and pick the goods from my store and leave. I am not sure if they will ever spend as much time in buying routine grocery and household items as they did before Covid. Perhaps for vegetables and fruits they may want to be check themselves, but grocery and regular list is a done deal. If I do not provide this support a RedMart or an online store will take my business away.” A small grocery cum convenient mart owner explains how he sees the new normal.

Things are not different for a local travel agency. “Larger tours would not happen in the near future, even if there are sweet deals, people will prefer to travel in smaller groups, go to select destinations that are seen safe. And this is only expected Sept or October onwards not before that. I will need to think of ways to sell local attractions to my local clientele much more aggressively. We haven’t been pushing staycations so aggressively till last year, perhaps we will have to going forward.”

On the other hand, the way certain sectors operate will change forever post Covid as more stringent healthcare and monitoring processes are put in place.

A business owner of construction and renovation company with about 35 employees explained’ “Stringent timelines will be followed rather than a weekly estimate. Customers want to get things done within a week with tight timelines. On top they expect my team to be wearing masks, carrying sanitizers, and cleaning the facilities once the work is done. This is quite different than what we were used to do in our business. We will have to get used to this and train our employees quickly, cannot afford a lapse.”

Sector	New Requirements	Key changes
 <p>Hotel    Restaurant    Tourism    Recreation &amp; leisure</p>	Facilities management, self check-ins, in-room dining, personalised bookings of facilities	Large scale deployment of technology infrastructure and devices, higher admin tasks
 <p>Production / Manufacturing    Chemical industry    Metalworking / Ironworks    Construction</p>	Employee health checks, back-ups, rescheduling timelines, regulatory requirements	Technology and healthcare support deployment, new skills and higher admin tasks
 <p>Distributive trades    Retail    Real estate</p>	eCommerce with quick pick-ups or home deliveries, queuing, scheduling and crowd management	eCommerce led, AI/VR driven, self-serve solutions integrated with CRM
 <p>Business services    Repair    Marketing</p>	Always on, 24x7 support, digital only, prior scheduling, stringent timelines, premise sanitization	Aggregation of services, admin and planning support skills, longer term planning cycles

### 3 Reprioritizing growth segments

As businesses reignite their 2020 business plans, focusing on growth segments has become really critical. With lesser resources (economic and manpower) businesses would struggle to deliver if they spread themselves too thin. “It is prudent to focus on specific segments and customers that will help us get back in shape. Knowing that singles and married without kids will be more open to travel during the rest of year helps us focus our attention on this segment for the rest of the year along with business travellers. They will still want to go for their favourite food spots that are relatively isolated and less crowded.” The director of a travel company that has historically done lots of business with families having young children talked us through his new thinking.

Offering more flexibility on the time slots, ability to choose a personal trainer versus group session are some of the potential ways a fitness training company is thinking of driving growth. “People have got used to working out at home for the past four months, but they do lack a personal trainer and support for specific activities, socialising and getting feedback is also a key aspect. We will focus on leveraging that while managing the new norms on social distancing, hygiene and sanitization.”

“Elder shoppers who hesitated to buy appliances online have done it for the first time in the last four months. They have a taste of online shopping; we want to leverage that behaviour and sell them products they would never have dreamt to buy online such as perfumes and entry level premium products. Creating catalogues for elderly customers’ needs different design and imagery, we are working towards this.” A retailer who has seen major footfall drop explained their change in target audience and e-tailing model.



Re-prioritization	Growth Segments	Business Realignment
	Business Travellers, Young single, married without kids, food and relaxation over site-seeing	Content, services and products needs to be recrafted
	New product lines, raw material centric, reprioritization by bottom line	Refresh production plans, realign resourcing and supply chain
	First time buyers/ non-penetrated segment, upsell to existing customers	New marketing material, new promotions and value propositions
	Multiple services, online support, digital first strategy	Co-compete, shared services and revenues, joined up business

### KEY REBOOT STRATEGIES

1. Strengthen your online presence, especially on social media to supplement your offline offer
2. Redesign your offering to accommodate social-distancing, remote delivery, and flexible hours
3. Identify and target the segments whose buying will recover quickest
4. Do not ignore senior shoppers who are now active online
5. Repurpose your employees to retain as much of tacit knowledge possible to scale-up later

We see businesses fall in either one of the two buckets:

- a) Trying to survive till the end of the year
- b) Started walking and about to run

Depending on which bucket you fall into, you may want to deploy one of these themes in the coming weeks (if not already).

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*Insights are based on 32 in-depth interviews conducted with SMEs during the period of mid-May to mid-June 2020*