

## Navigating through challenging times

Simon-Kucher & Partners' response to the current private equity challenges in Africa

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## ➤ **The resurgent crisis and its impact**

How to approach the current situation

How we help you to respond to the resurgent crisis



# The current crisis is an unprecedented situation for Africa



## Resurgent crisis

The Covid-Pandemic takes a heavy toll on healthcare systems. Long and recurring lockdowns pressure every sector of the economy. Individuals, corporates and governments alike are affected by the results.



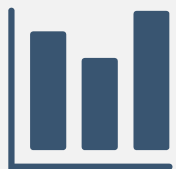
## 1.7% - 3.4% GDP contraction

Lower demand and trade volumes put immense pressure on business revenues.



## Tightening of global financial markets

Capital flight drains liquidity of markets and businesses in emerging economies.



## Uneven impact on the continent

Western and Southern Africa show much higher exposure to systematic risks of the crisis than Eastern African countries.

## IMPACT ON AFRICAN BUSINESS SECTORS

Tourism



Hospitality



Transportation & travel



Education



ICT



Services



Media & culture



Financial services



Infrastructure



Wholesale, trade and retail



Industrial production



Healthcare



Agriculture & food production



# This translates to significant challenges for local and foreign PE and investment firms on the continent

## OVERARCHING CHALLENGES

### Portfolio view

- High volatility in demand: slump in some sectors, staggered growth in others
- Quickly changing market environments



### Operational demands

- Social distancing measures and work from home policies in place
- Little business travel and face-to-face meetings



### Deal-related challenges

- Little market activity on either buy- and sell-side
- Delays in acquisitions and sell-offs
- Impairments of valuation multiples



## IMPACT ON PE FIRMS

- Swift emergency response actions needed for up-scaling or down-sizing
- Growing uncertainty regarding future business prospects

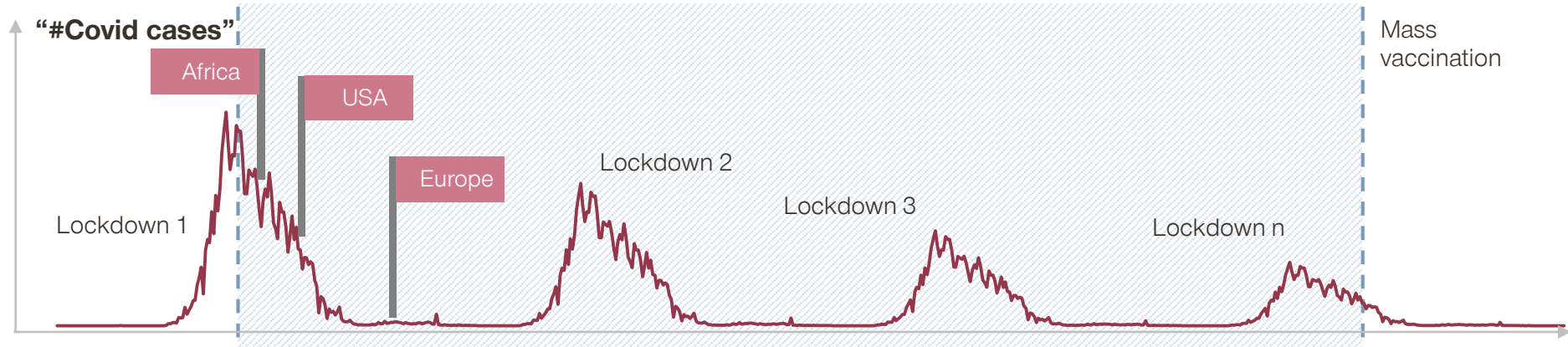
- Cumbersome remote steering of portfolio companies, especially in daily operations
- Less connections between portfolio managers and business operations
- Local partnerships needed for operational management support

- Travel restrictions complicate DD process
- Need for local partners to assist in DD
- Difficulties for international IPO, alternative local listing tricky
- Waiting stage extends time-frame for strategic initiatives to improve multiples

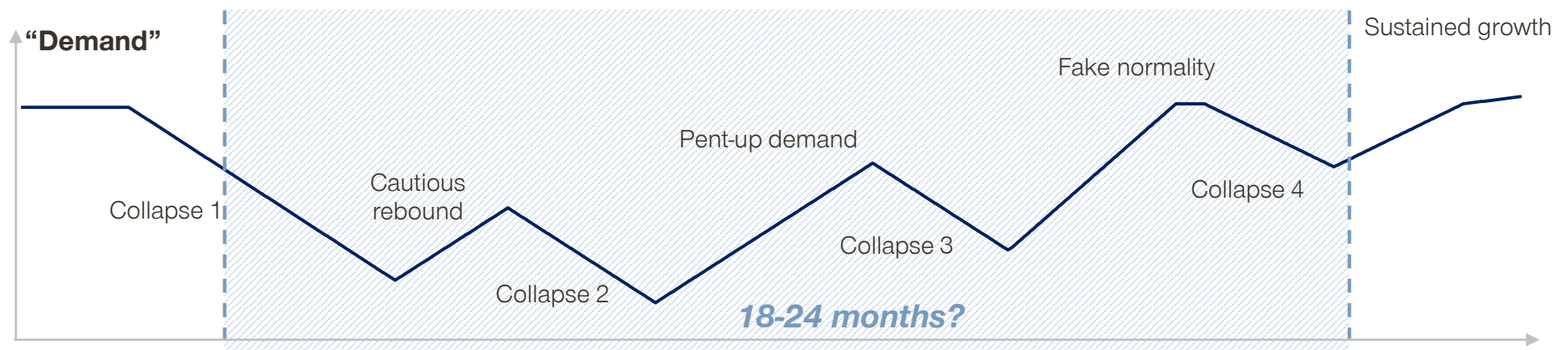
# The resurgent crisis:

We are entering a period of a resurgent crisis, with volatile demand driven by a health and an economic crisis

## The Health crisis ....



## ...instigates a resurgent economic crisis



**The Challenge: How do your portfolio companies fare in a “resurgent crisis” world?**

# The need for commercial agility:

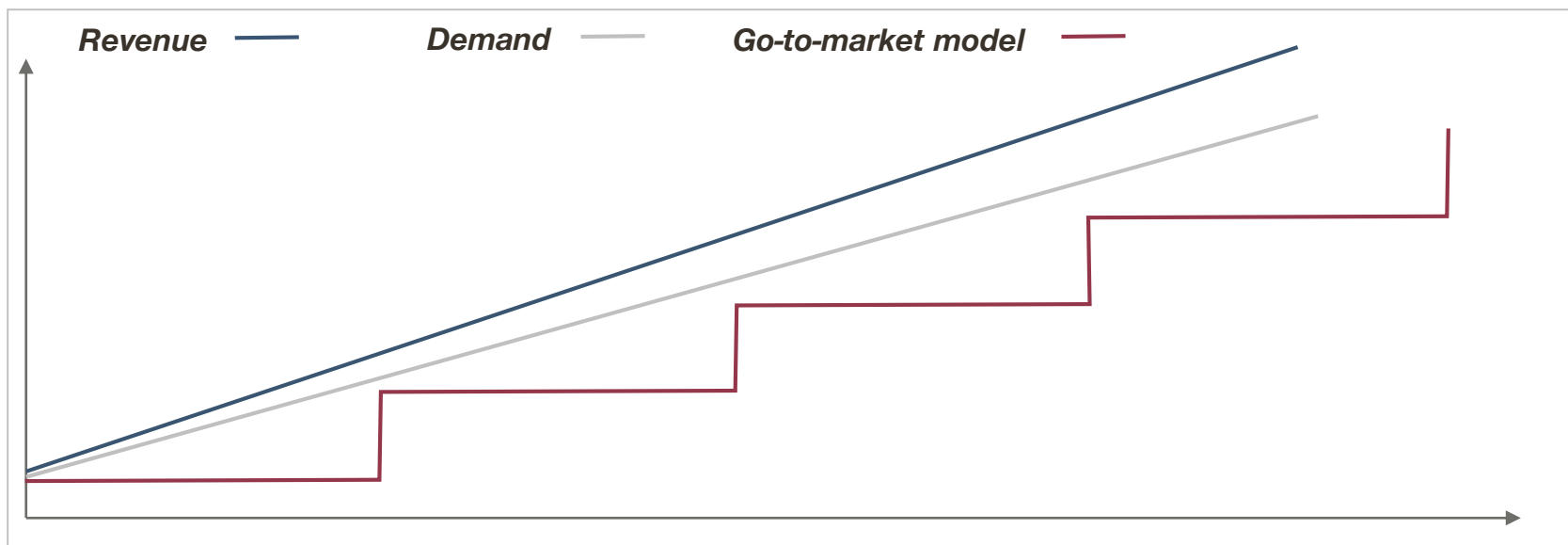
In a resurgent crisis, your go-to-market model needs to be adapted quickly and effectively to secure revenue growth

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## IN A **GROWTH** ENVIRONMENT

### Go-to-market model

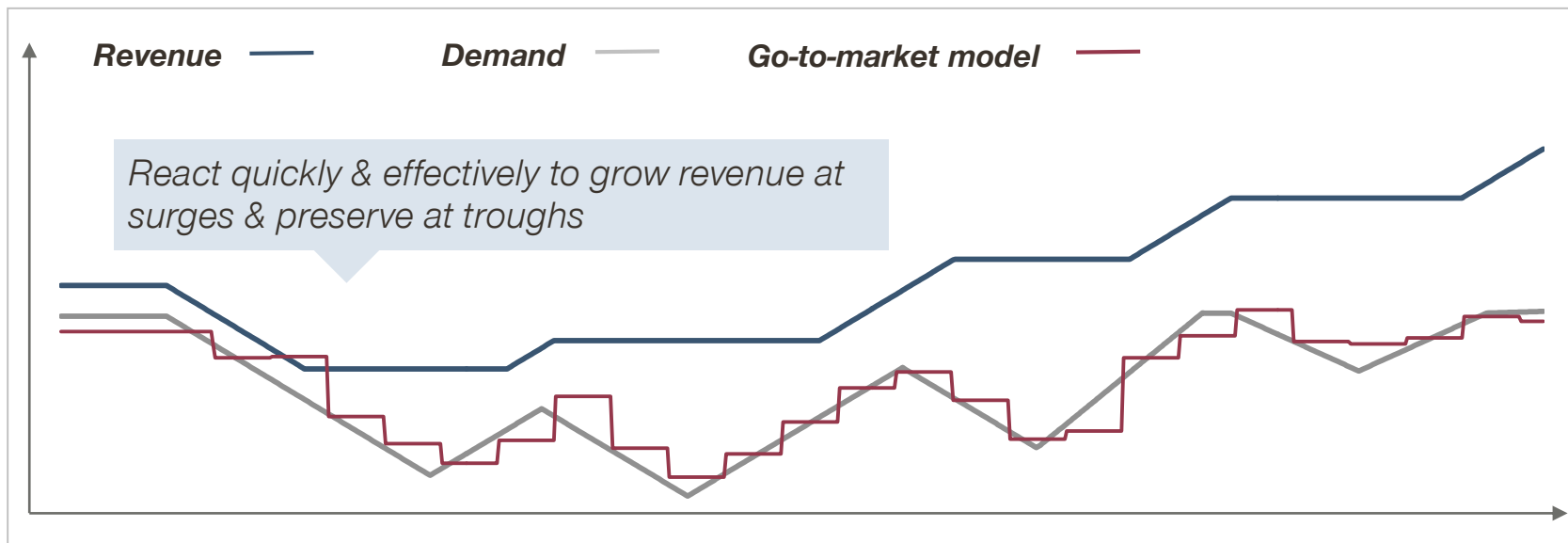
(capacity, product, price, promotions, salesforce etc.) is **scaled up progressively** in-line with demand growth



## IN A **RESURGENT CRISIS** ENVIRONMENT

### Go-to-market model

(capacity, product, price, promotions, etc.) needs to be far more **adaptive** and **fast to respond to demand volatility**



# Companies with commercial agility are best equipped to respond to the resurgent crisis

## LONG-TERM PERFECTION IS SUITED FOR NORMAL DEMAND ENVIRONMENTS

*Build the best decision, then launch*

- ❌ Slow time-to-market but perfect solution – valid in more stable demand environment

Hypothesize, research, optimise and launch

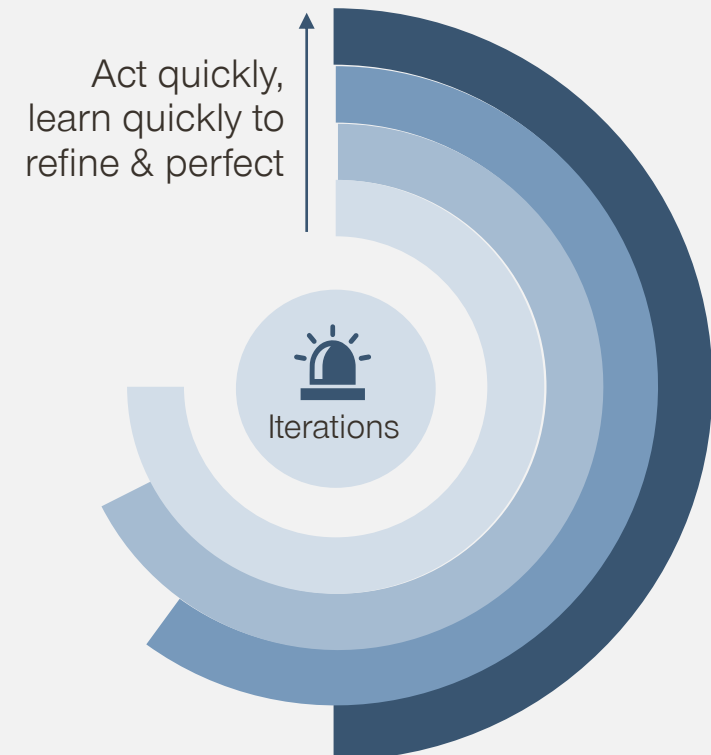


Step-by step to find the perfect solutions

## COMMERCIAL AGILITY IS CRUCIAL IN VOLATILE DEMAND ENVIRONMENTS

*Pick up market signals, react, learn & adjust*

- ✅ Quick actions are more important than perfect ones – valid in demand environments with high volatility



The resurgent crisis and its impact






**How to approach the current situation**

How we help you to respond to the resurgent crisis



# PE firms require a range of immediate, mid- and long-term measures to restart and establish a new normal

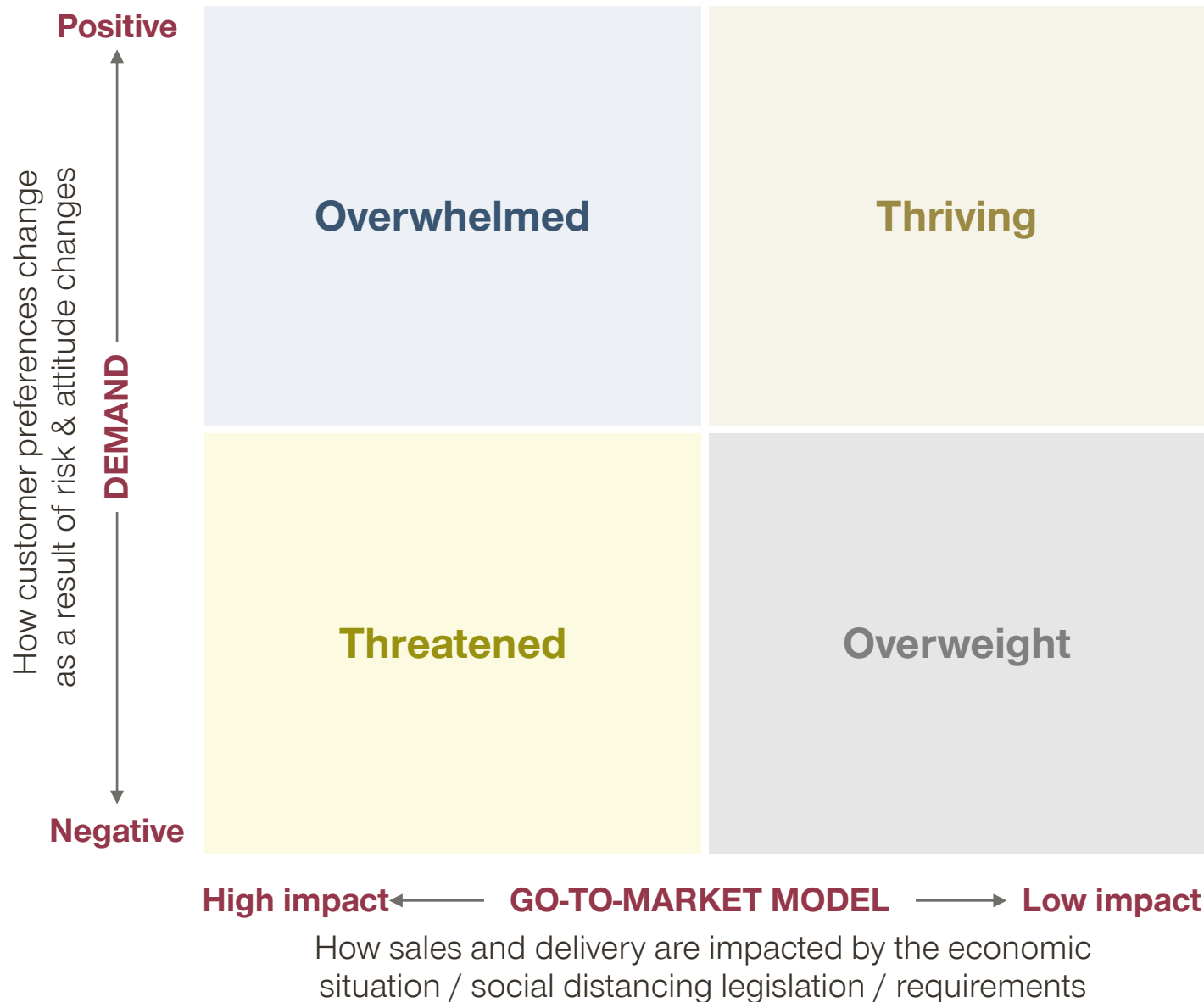
		Quick Wins	Mid-term for restart	Long-term (post restart)
<b>Portfolio view</b> 	Corporate strategy and market synopsis	Establish a portfolio overview	Establish agile view of companies	
	Go-to-market model		Move towards agility in all planning	On-going monitoring of businesses and initiatives
<b>Operational demands</b> 	Production, sales capacity	Capacity plan for new demand: up-scaling or reductions		Less fixed/more variable
	Product	Adapt to generally new customer needs		Move towards digital channels
				Personalised product
				Virtual products
	Price	Keep as-is	Value based promotions	Agile pricing and costs
<b>Deal-related challenges</b> 	Buy-side		Include resilience and commercial agility into DD process	
	Sell-side	Commercial initiatives during pre-sale waiting state		
		Prioritize and enact quick adaptations to current businesses to retain sales and ensure continuity	Align with the new reality and develop processes and initiatives to establish long-term resilience	Adapt to the new normal and set-up models and process to monitor effectiveness of initiatives

**Focus**

■ Restart (tactical)   ■ New normal (strategic)

# Portfolio view:

## Establish where your investments are located in terms of demand and go-to-market model



ESTABLISH YOUR CURRENT POSITIONS IN THE MARKET:

**Thriving:** Demand shifts are working in your favour and your commercial model can happily absorb & monetize the new demand → **need to maintain it**

**Overwhelmed:** Demand shifts are working in your favour, but are straining your operations → **need to invest & evolve to Thriving**

**Overweight:** Demand hasn't worked in your favour but your operational model is flexible to allow you to weather the storm → **need to evolve your go-to-market model to explore new sources of demand and revenue**

**Threatened:** Demand hasn't worked in your favour and your go-to-market model is not relevant → **need big changes in your go-to-market model to expand to new markets and products**

# Operational challenges:

## Establish the “new demand” through multiple inputs to develop potential demand scenarios

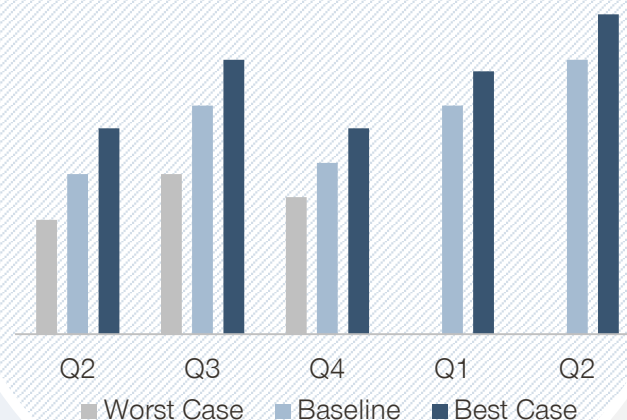
### Customer sentiment

- What is the **intention** to **purchase** post lockdown?
- What has changed in **customer needs**?
- What are the **barriers** to purchase?
- ...the **triggers** to purchase?
- Have we build up **brand equity**?

### Market view

- What are the **signals** in the **market** when it comes to demand?
- What are the best **indicators** to signal **change** in **demand** for future changes?
- What have our **competitors** done and are they **stronger** or **weaker** out of this?

### Output: Future Demand scenarios



### Historical benchmarks

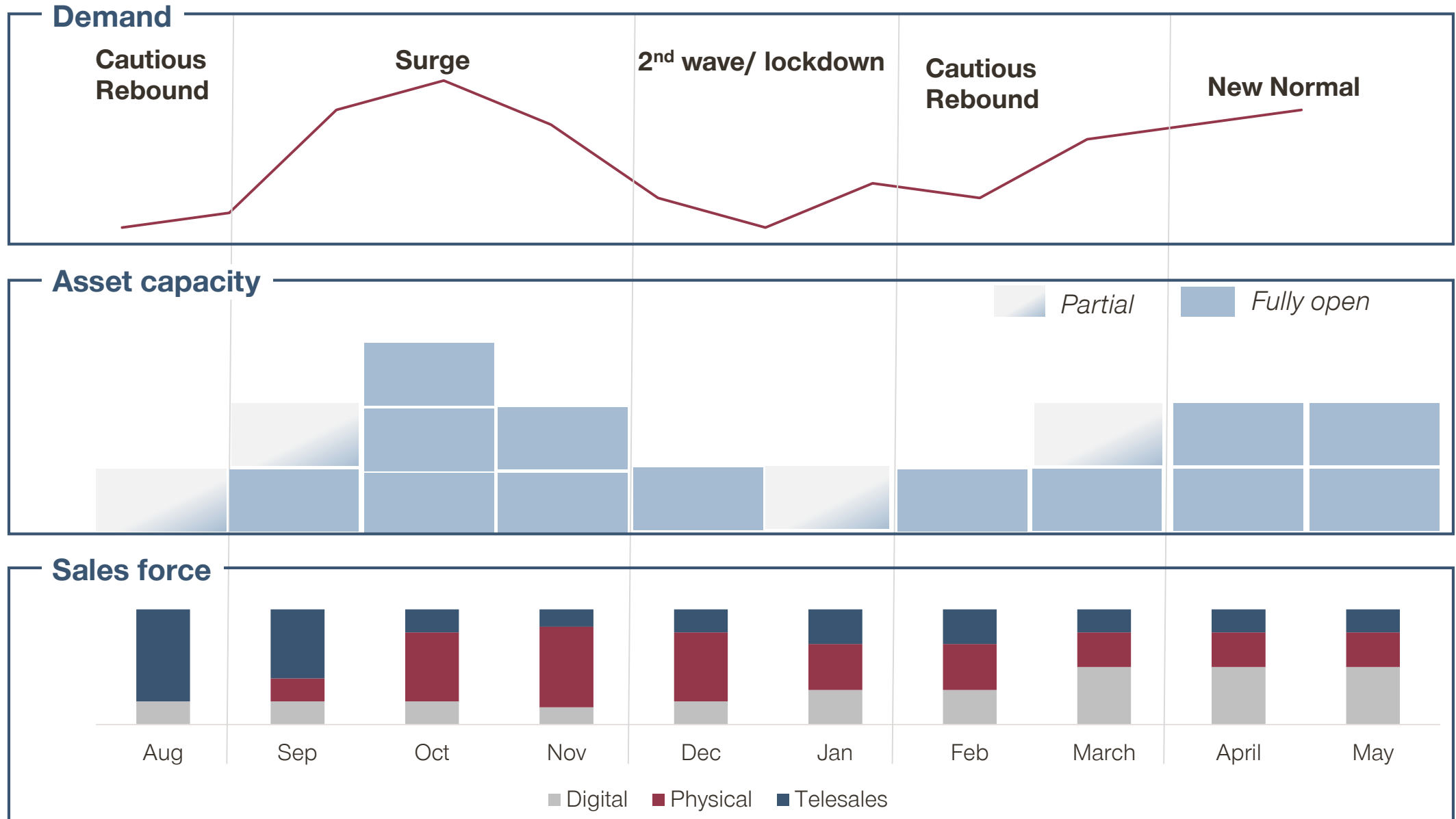
- Which **historical trends** still hold and which don't?
- What have we seen happening in **previous crises** and what is still relevant?
- What are the **lessons** from **China** or other markets that are ahead of the curve?

### Internal sentiment/expertise

- What have we seen happening from **internal data** or **early signals** (e.g. web-search, Google trends)?
- Is **acquisition**, **upsell** or **retention** the main focus?
- What are the **qualitative insights** from sales people talking to **customers**?

# Operational challenges:

## Set-out a capacity plan to enable you to align with demand



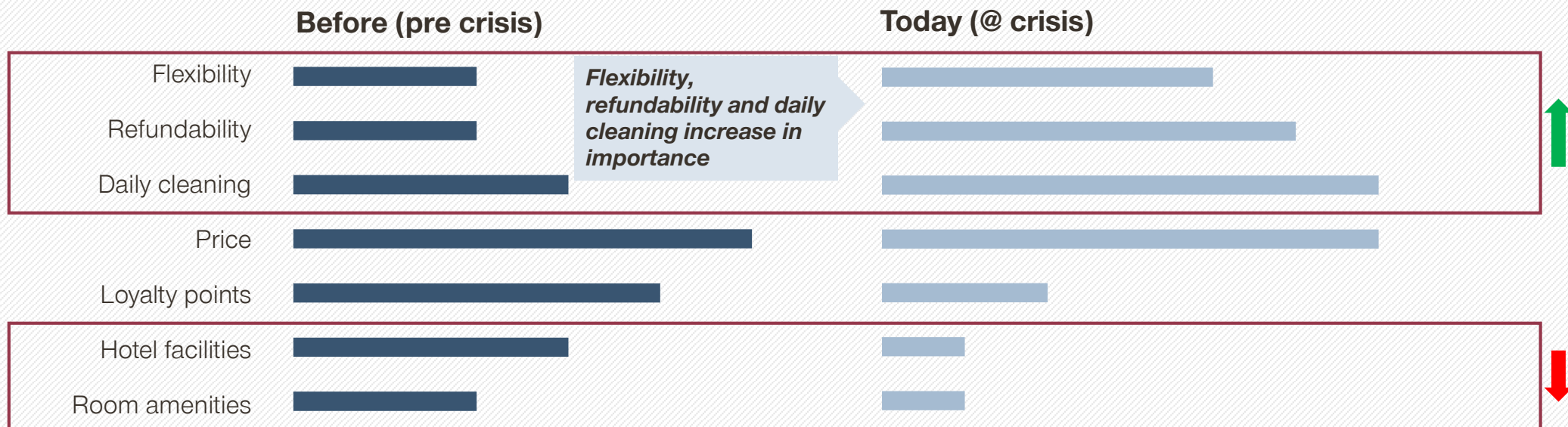


# Operational challenges:

## Adapt product portfolios to reflect changes in customer needs

**Hotel industry example**

### CUSTOMER PREFERENCES



### PRODUCTS REDEFINED

	Basic	Plus		Basic	Plus
Room service	@ a fee	✓	Room service	@ a fee	✓
Daily cleaning	✓	✓	Daily cleaning	✓	✓
Refundable	✗	✓	Refundable	✓	✓
Date changes	@ a fee	✓	Date changes	✓	✓
Luxury amenities	@ a fee	✓	Luxury amenities	@ a fee	✓

*Room conditions changed to reflect customer needs*

## Portfolio view/operational challenges:

# Key decisions are required to help your investments refine their go-to-market models to become more agile

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## GO-TO-MARKET MODEL KEY DECISIONS TO RESTART BUSINESS

Capacity



Can **capacity** be more aligned to **demand**? Are there **alternative uses** for our capacity that can ensure **revenue growth** in periods of subdued demand for my original use-case?

Product



In light of customer need changes, is our **product fit** for **purpose**? Do we need to offer **more flexibility** to customers to deal with the uncertainty? Is there a **virtual version** that doesn't rely on human touch?

Marketing



In **which channels** should we invest? Which ones are **most effective** and have the best return on investment in a world where cash is precious? What are the **right campaigns** to run?

Pricing



How should we **price** when we go back to the market? Should we start with a **discounting strategy** to get demand in? Or should we **stick** to a **higher price** and adjust in response to demand?

CRM



Should we focus on **acquisition, retention** or **upsell**? Or should we change objectives depending on where we are in the demand cycle? How do we best get equipped to do that?

Salesforce



What should be the **size and focus** of our **salesforce**? How can we **refocus fast** enough in terms of **country, channel, customer segment**? How do we **adapt negotiation guidelines** based on market evolving needs?

Data maturity



How flexible is our infrastructure in adapting to new processes? How can we **leverage data** to better utilize automation, AI, Machine Learning and IoT to **make decisions, deliver insights, etc in a quick & effective manner**?

The resurgent crisis and its impact

How to approach the current situation



**How we help you to respond to the resurgent crisis**

# Our consultation programs cover all aspects to help your portfolio firms prosper

## Simon-Kucher programs

### Portfolio view



#### Commercial portfolio health check

- Portfolio evaluation of short- and mid-term market opportunities and risks as well as business model readiness
- Agility scoring of investments

### Operational demands



#### Digitize businesses end-to-end

- Remote customer acquisition and distribution strategy
- Data maturity and digital commercial strategy

#### Resilience playbook

- Development and implementation of early signal model
- Commercial action/reaction scheme vigorous responses to future threats

#### Agility initiatives

- For Pricing, packaging and sales initiatives

### Deal-related challenges



#### Commercial due diligence relating to resilience and agility

- Business model and market potential evaluation of acquisition targets across the continent
- Remote and on-site assessments

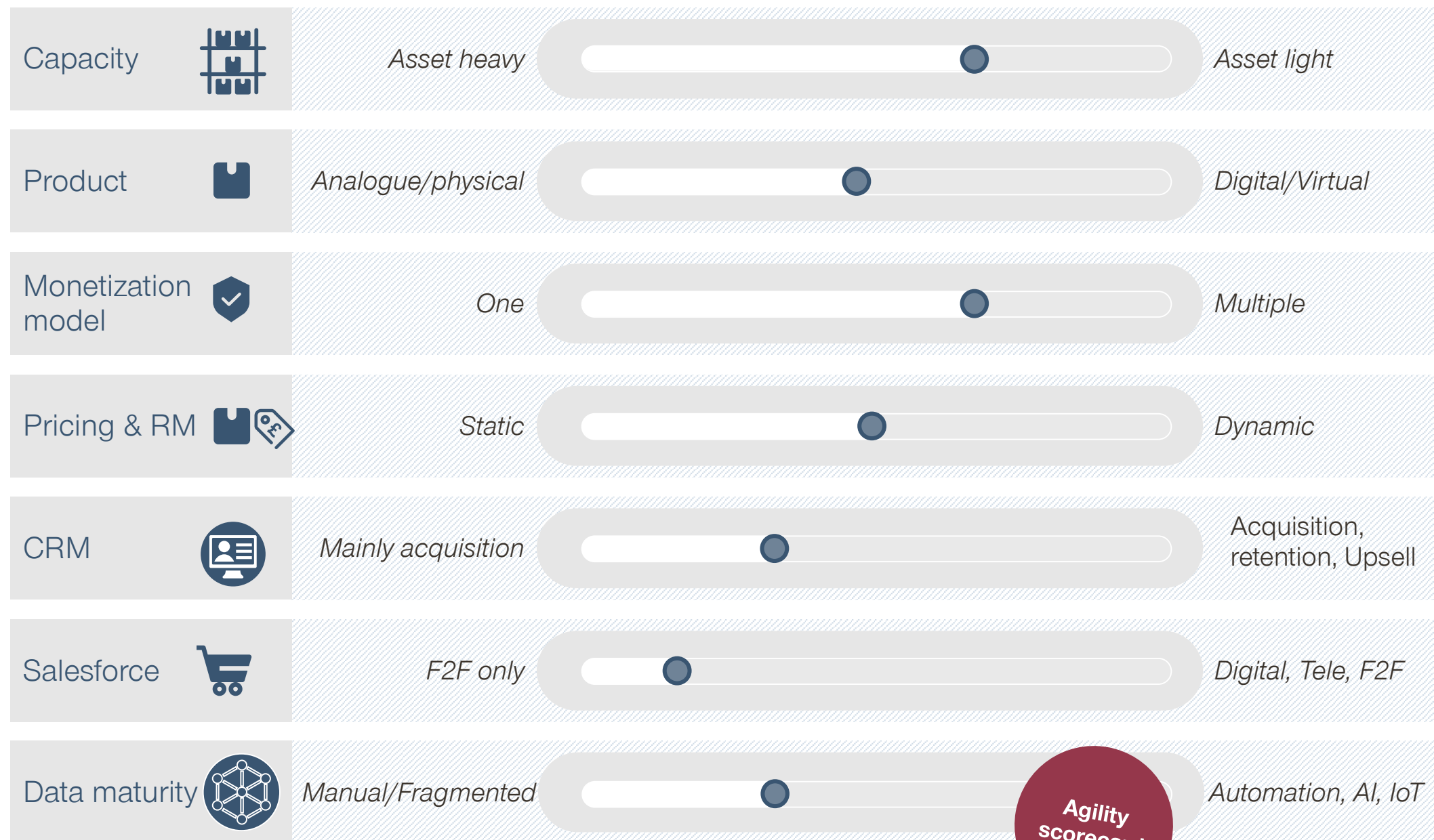
Leveraging  
our local  
presence and  
expertise on the  
continent



# Portfolio view/operational challenges:

We evaluate the level of agility in your go-to-market model to enable you to react to the “new demand”

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Agility scorecard

## Operational challenges:

# Our resilience and agility initiatives increase market transparency and enhance your action spheres

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### Early signal model



- Adaptive demand forecast based on identified indicators, market signals and customer research
- Visualisation reports to enable teams to review forecasts on weekly basis and adapt commercial model decisions

### Playbook to react to early signal model



- A pre-defined playbook on commercial actions to take in response to the early signal model
- This will consist of pre-agreed action scenarios based on indications on demand changes

### Agile processes



- Systematic review and change propositions to core commercial processes
- Close collaboration with leadership of portfolio companies to refine existing processes and set-up new procedures

### Resilience initiatives

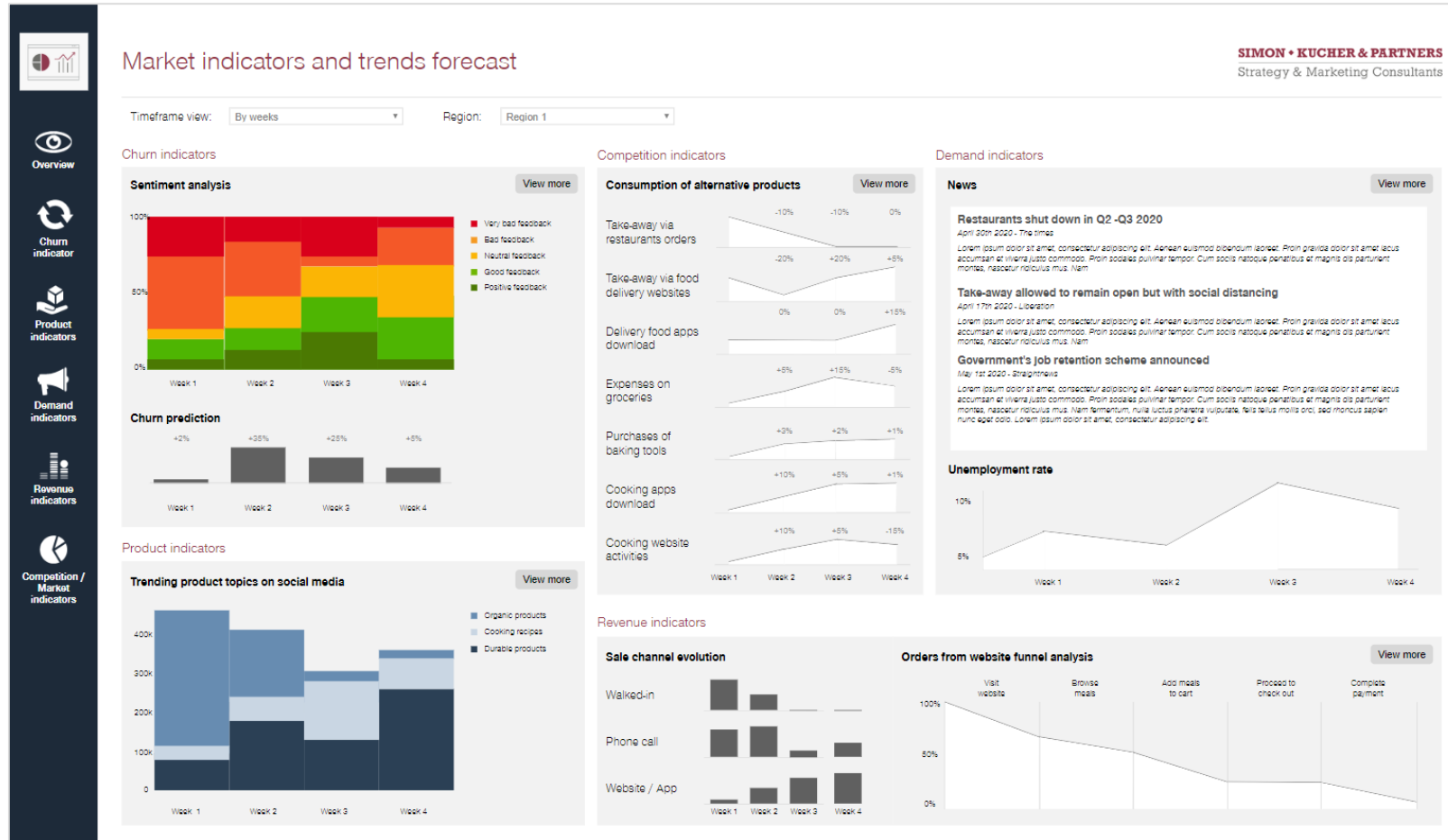


- Review business model fundamentals to ensure long-term success and ability to respond to unexpected changes
- Joint strategy development with investors and company C-levels

**We will equip you with the tools, processes, and set-up you need to detect shifts in demand, structure a response, and rapidly implement changes.**

# Portfolio view/operational challenges:

## We create early signal models to visualize KPIs and to alert your portfolio companies on demand changes



### EXAMPLE INDICATORS

- Demand forecast from range of internal/external data
- Macro-economic indicators
- Early sales funnel analytics
- Sentiment analysis and text mining (e.g., for churn or product trends)
- Competitive behaviour
- ...

The developed dashboard will provide main KPIs that alert you on how demand is evolving to trigger commercial actions that will help the various revenue models.

# Simon-Kucher profile

**TopLine Power®:** This is what Simon-Kucher is all about.

We boost our **clients' revenue and profits** by optimizing their strategy, marketing, pricing, and sales. We know how to monetize innovations and transform businesses in the digital world.

Our experts work **across all industries and continents** and for companies of all sizes, including hidden champions and unicorns.

We have **35 years of experience** in developing top- and bottom-line growth strategies that deliver measurable results.





## Why Simon-Kucher?

### Domestic expertise

We advise clients on how to improve their top lines. Through more than 100 projects in 19 countries across the continent we acquired **deep knowledge of the African market** and are familiar with the diverse challenges different industries face. With our Cairo office we have a dedicated team of professionals from the continent working for leading companies from Cape Town to Casablanca.



### Internationale experience

We have a network of over **1,500 subject matter experts** across all industries. These specialists from around the world allow us unprecedented insights into leading companies' strategies, access to best practices and opportunity to leverage global trends.

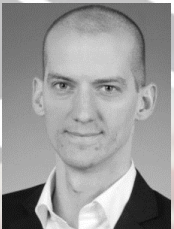


## How to Successfully Navigate the Resurgent Crisis

Read our latest whitepaper on how to protect your topline and mitigate anticipated losses [here](#).

**We are looking forward to discussing our approach with you in more detail.**

### Your contacts



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