Navigating through challenging times

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

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Cairo office
ICONIA Building
16 Mohamed Thakeb St.
11211 Zamalek, Cairo
Egypt
Tel. +20 100 4694209
cairo@simon-kucher.com

www.simon-kucher.com
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

Sources: African Development Bank Group, Economist Intelligence Unit, Simon-Kucher & Partners research.

Simon-Kucher_Covid_Commercial Response PE in Africa
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

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

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

Impact on PE firms
- 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

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
- 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 ....

“#Covid cases”

Mass vaccination

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

...instigates a resurgent economic crisis
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.

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.

React quickly & effectively to grow revenue at surges & preserve at troughs.
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

01 02 03 04

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

Act quickly, learn quickly to refine & perfect

Iterations
Content

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.

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

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 \(\rightarrow\) need to maintain it
- **Overwhelmed:** Demand shifts are working in your favour, but are straining your operations \(\rightarrow\) 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 \(\rightarrow\) 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 \(\rightarrow\) need big changes in your go-to-market model to expand to new markets and products

How customer preferences change as a result of risk & attitude changes

**DEMAND**

- **Positive**
  - Overwhelmed
  - Thriving

- **Negative**
  - Threatened
  - Overweight

**GO-TO-MARKET MODEL**

- **High impact**
  - How sales and delivery are impacted by the economic situation / social distancing legislation / requirements

- **Low impact**
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?

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?

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?

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?

Output:
Future Demand scenarios

<table>
<thead>
<tr>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worst Case</td>
<td>Baseline</td>
<td>Best Case</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Simon-Kucher_Covid_Commercial Response_PE in Africa
Operational challenges:
Set out a capacity plan to enable you to align with demand.

- Demand
  - Cautious
  - Rebound
  - Surge
  - 2nd wave/ lockdown
  - Cautious
  - Rebound
  - New Normal

- Asset capacity
  - Partial
  - Fully open

- Sales force
  - Aug
  - Sep
  - Oct
  - Nov
  - Dec
  - Jan
  - Feb
  - March
  - April
  - May

Digital | Physical | Telesales
### Operational challenges:
Adapt product portfolios to reflect changes in customer needs

#### CUSTOMER PREFERENCES

<table>
<thead>
<tr>
<th>Before (pre crisis)</th>
<th>Today (@ crisis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexibility</td>
<td>Flexibility, refundability and daily cleaning increase in importance</td>
</tr>
<tr>
<td>Refundability</td>
<td></td>
</tr>
<tr>
<td>Daily cleaning</td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td></td>
</tr>
<tr>
<td>Loyalty points</td>
<td></td>
</tr>
<tr>
<td>Hotel facilities</td>
<td></td>
</tr>
<tr>
<td>Room amenities</td>
<td></td>
</tr>
</tbody>
</table>

#### PRODUCTS REDEFINED

<table>
<thead>
<tr>
<th>Room service</th>
<th>Basic</th>
<th>Plus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily cleaning</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Refundable</td>
<td>❌</td>
<td>✔</td>
</tr>
<tr>
<td>Date changes</td>
<td>@ a fee</td>
<td>✔</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Room service</th>
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</tr>
<tr>
<td>Date changes</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Key Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity</td>
<td>Can <em>capacity</em> be more aligned to <em>demand</em>? Are there <em>alternative uses</em> for our capacity that can ensure <em>revenue growth</em> in periods of subdued demand for my original use-case?</td>
</tr>
<tr>
<td>Product</td>
<td>In light of customer need changes, is our <em>product fit for purpose</em>? Do we need to offer <em>more flexibility</em> to customers to deal with the uncertainty? Is there a <em>virtual version</em> that doesn’t rely on human touch?</td>
</tr>
<tr>
<td>Marketing</td>
<td>In <em>which channels</em> should we invest? Which ones are <em>most effective</em> and have the best return on investment in a world where cash is precious? What are the <em>right campaigns</em> to run?</td>
</tr>
<tr>
<td>Pricing</td>
<td>How should we <em>price</em> when we go back to the market? Should we start with a <em>discounting strategy</em> to get demand in? Or should we <em>stick</em> to a <em>higher price</em> and adjust in response to demand?</td>
</tr>
<tr>
<td>CRM</td>
<td>Should we focus on <em>acquisition, retention</em> or <em>upsell</em>? Or should we change objectives depending on where we are in the demand cycle? How do we best get equipped to do that?</td>
</tr>
<tr>
<td>Salesforce</td>
<td>What should be the <em>size and focus</em> of our <em>salesforce</em>? How can we <em>refocus fast</em> enough in terms of <em>country, channel, customer segment</em>? How do we <em>adapt negotiation guidelines</em> based on market evolving needs?</td>
</tr>
<tr>
<td>Data maturity</td>
<td>How flexible is our infrastructure in adapting to new processes? How can we <em>leverage data</em> to better utilize automation, AI, Machine Learning and IoT to <em>make decisions, deliver insights, etc in a quick &amp; effective manner</em>?</td>
</tr>
</tbody>
</table>
Content

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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

**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

**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

**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

*Simon-Kucher_Covid_Commercial Response_PE in Africa*
**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”

<table>
<thead>
<tr>
<th>Capacity</th>
<th>Asset heavy</th>
<th>Asset light</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Analogue/physical</td>
<td>Digital/Virtual</td>
</tr>
<tr>
<td>Monetization model</td>
<td>One</td>
<td>Multiple</td>
</tr>
<tr>
<td>Pricing &amp; RM</td>
<td>Static</td>
<td>Dynamic</td>
</tr>
<tr>
<td>CRM</td>
<td>Mainly acquisition</td>
<td>Acquisition, retention, Upsell</td>
</tr>
<tr>
<td>Salesforce</td>
<td>F2F only</td>
<td>Digital, Tele, F2F</td>
</tr>
<tr>
<td>Data maturity</td>
<td>Manual/Fragmented</td>
<td>Automation, AI, IoT</td>
</tr>
</tbody>
</table>

Simon-Kucher_Covid_Commercial Response_PE in Africa
Operational challenges:
Our resilience and agility initiatives increase market transparency and enhance your action spheres

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.

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.

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

Your contacts

**Martin Janzen**
Managing Director, Africa
+20 100 050 2588 (Egypt)
+49 173 53 81 981 (int.)
martin.janzen@simon-kucher.com

**Lukas Lauven**
Senior Consultant, Germany
+49 160 9214 6539
lukas.lauven@simon-kucher.com

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