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Save-to-thrive

Enterprise transformation and performance improvement strategies during the COVID-19 pandemic

August 2020



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Foreword

The COVID-19 pandemic is reshaping the global business landscape and fundamentally changing how people around the world live and work. To better understand the short- and long-term impacts of the crisis—and what companies around the world are doing about it—we recently conducted a special mid-cycle version of our regular biennial survey of global cost management practices and transformation trends.

Actions that companies are taking right now to address COVID-19 can have a major impact on their long-term competitiveness and performance. As such, it is crucial for decision-makers to understand how the crisis is unfolding from a business perspective, and what the future is likely to hold.

The results of this mid-cycle survey include responses from 1,089 executives with direct involvement in their companies' cost management and enterprise transformation efforts, and represent a broad range of industries and global geographies—with particularly strong representation from countries that have been highly impacted by COVID-19.

In this report, we discuss the key survey findings using a three-stage framework (Respond-Recover-Thrive) to analyze companies' actions and expectations as they cope with the pandemic and position themselves for the post-crisis world (the “next normal”).

Our 2019 global survey¹, which was conducted prior to COVID-19, found the prevailing mindset for strategic cost management was “Save-to-Transform” (using the strategic levers of cost, growth, talent, technology and digital enablement to transform how companies

do business). Now, in response to COVID-19, we are seeing that transformation mindset evolve into “Save-to-Thrive,” with the crisis shining extra light on the talent lever and accelerating key transformation actions such as automation and remote work that can help companies *thrive* once the virus is contained and the next normal emerges.

In contrast to the downturn that began in 2008, which was structural in nature, the current crisis was triggered by external factors and is demand-driven. As such, although two-thirds of our respondents expect at least one more wave of COVID-19 relapses to occur, companies around the world are generally optimistic about the future and intend to bounce back as quickly as possible, adopting a Save-to-Thrive mindset that can help them make strategic shifts to their operating models, products and services, and customer engagement capabilities.

We hope you find the insights in this special report useful, and look forward to hearing your thoughts and feedback.



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1. “Save-to-Transform as a catalyst for embracing digital disruption: Deloitte’s second biennial global cost survey,” Deloitte, 2019

Executive summary



Expectations for positive revenue growth have declined significantly due to COVID-19. Compared to pre-COVID-19 expectations, the percentage of respondents globally expecting positive revenue growth is down 40 points.



COVID-19 is boosting the focus on cost reduction. Relative to pre-COVID-19 levels, the likelihood of undertaking cost reduction initiatives increased globally by 74% (28 percentage points). **Two of three companies globally (66%) now expect to pursue cost reduction over the next 12 months, up from just 38%** reported before COVID-19.



Cost structure is considered the top internal challenge. Inability to adjust cost structure to meet demand is the top internal challenge globally and in all regions. Inability to meet employee safeguards, and inability to satisfy increased demand round out the top three.

Inability to rapidly address cost structure to meet demand: 78%

Inability to meet higher measures related to employee safeguards: 74%

Inability to satisfy increased demand or increased sales opportunities: 71%

Lack of liquidity or credit to ensure business continuity: 69%



COVID-19 financial impacts are demand-driven. The top external challenges reported globally are: **drop in consumer demand (74%); shift in consumer behavior (67%); cyber security vulnerabilities (65%), and supply chain challenges (65%).**



The crisis is driving more companies to pursue aggressive cost reduction targets. Globally, the percentage of respondents pursuing cost reduction targets greater than 10% increased by 61% (25 percentage points) compared to pre-COVID-19 levels. **Two of three companies globally (66%) now have cost reduction targets that exceed 10%.** Regionally, the percentage of companies with those aggressive targets is highest in LATAM (83%) and lowest in the US (59%).



Coping with COVID-19: Respond-Recover-Thrive

Required actions to address the COVID-19 crisis can be divided into three major stages: *respond*, *recover* and *thrive*. These three stages are interspersed with two additional interim stages ("*respond to recover*" and "*recover to thrive*"), and culminate in a long-term operating environment we call the "next normal."

The global focus for the COVID-19 crisis is shifting from *respond* to *recover*. Most companies globally have effectively responded to the immediate crisis and are now starting to focus on recovery. **The majority of companies surveyed (59%) now see themselves in the "*respond to recover*" or "*recover*" stages.**

Revenue growth expectations are very positive in the *thrive* stage. Expectations for revenue growth, although down from pre-COVID-19 levels, remain somewhat positive in the *respond* stage (55%) and *recover* stage (58%). **In the *thrive* stage, the vast majority of companies globally (74%) and in all regions have a positive revenue outlook.**

Automation is the top transformation action arising from the COVID-19 crisis. Globally and across all regions, roughly **two of three companies expect to pursue automation in all three stages of *Respond-Recover-Thrive*.**

Working through all stages is expected to require about a year and a half. Although the expected durations for each stage vary widely by region, **on average respondents globally expect the *respond* stage to last about three months, the *recover* stage about six months, and the *thrive* stage about 10 months.**



The “Next Normal”— New business conditions after COVID-19

When mapping out strategies to *respond*, *recover*, and *thrive*, it helps to have informed insights about the future business environment. In the wake of the 2008 financial crisis, many people called the resulting business environment the “new normal.” However, every new normal eventually gets replaced by a *new* new normal, so in our view it makes sense to call the post-COVID business environment the next normal.

Revenue sources will be fundamentally different in the next normal.

Due to practices such as social distancing and shelter-in-place that restrict access to the physical world, the COVID-19 crisis has greatly accelerated the shift from physical to digital channels. It has also revealed the limitations and risks of globalization and global supply chains, leading many companies to re-prioritize domestic operations over international operations. Meanwhile, COVID-driven changes to how people live and work are boosting demand for new kinds of products and services. **According to the survey results, the fastest growing revenue sources in the future will be: digital channels (vs. physical channels); new products and services (vs. existing pre-COVID offerings); and domestic operations (vs. international operations).**

IT infrastructure, remote work and digital channels are expected to be the top operating model priorities. In a post-crisis, increasingly digital world, IT infrastructure and digital channels will be key. Also, remote work will likely remain popular now that the COVID crisis has proven its viability. Globally, the top operating model priorities during the next normal are expected to be: **enhance IT infrastructure (78%); enable remote work (76%); and enable pre-sale, sale, and post-sale activities through digital channels (72%).**

Top product strategies for the next normal focus on innovation, health and safety measures, and customization. Globally, the top product strategies to compete in the next normal are: **adjust, redesign or innovate your product/service offering to expand to adjacent and/or new markets (74%); leverage new health and safety measures by redesigning your current product/service offering (73%); and customize products or services to meet new customer and/or government requirements (73%).**

Next normal customer engagement strategies will be driven by digital channels and flexible customer experiences. Globally, the most popular strategies for customer engagement will be: **shift most transactions to digital channels (75%), and increase flexibility before and after the sale (73%).**

Cybersecurity and cloud will be the key technologies. According to the survey, the most relevant technologies in the next normal will be **cybersecurity solutions (80%) and cloud computing (80%).**



Industry sector analysis

Expected growth impacts over the next 12 months vary by sector. Revenue expectations over the next 12 months vary widely by sector, with the COVID-19 crisis impacting sectors both negatively and positively. On the negative side of the spectrum, a relatively high percentage of sector respondents expect revenue to decline in Transportation (61%) and Hospitality (60%). On the positive side, revenue growth is expected in Medical Technology (63%), Telecom (58%), Pharmaceuticals (58%), and Software & IT Services (57%).

Different sectors are at different stages of progress. In addressing the challenges of COVID-19, the average rate of progress in all sectors falls somewhere between the respond and recover stages. The median progress in sectors such as Hospitality, Capital Markets, and Medical Technology is skewed towards the *respond* stage, while sectors such as Insurance (both General and Life/Annuity), Consumer Products, and Banking are generally further along, with progress skewed toward the *recover* stage.

Revenue outlooks vary significantly by industry. Although the future revenue outlook remains generally positive for all sectors—especially in the thrive stage—expectations vary significantly by sector. In the *respond* stage, Transportation and Consumer Products have the most negative revenue outlooks, while Medical Technology and Pharmaceuticals have the most positive outlooks. In the *recover* stage, Transportation and Hospitality have

the most negative revenue outlooks, while Medical Technology and Pharmaceuticals have the most positive outlooks. In the thrive stage, Hospitality, Chemicals & Specialty Materials, and Hardware & Semiconductors have the most negative outlooks, while Medical Technology and Telecom have the most positive outlooks.



Save-to-Thrive

Save-to-Transform is becoming Save-to-Thrive. The strategic priorities associated with the COVID-19 thrive stage are very consistent with the Save-to-Transform trend we identified in 2019, which uses the strategic levers of cost, growth, talent, technology and digital enablement to transform how companies do business. And as

companies bounce back from the COVID-19 crisis and position themselves to thrive in the next normal, many expect to continue focusing on those same levers—but with an increased and accelerated emphasis on technology and digital enablement, along with a renewed emphasis on growth and talent. We call this evolved mindset “Save-to-Thrive.”

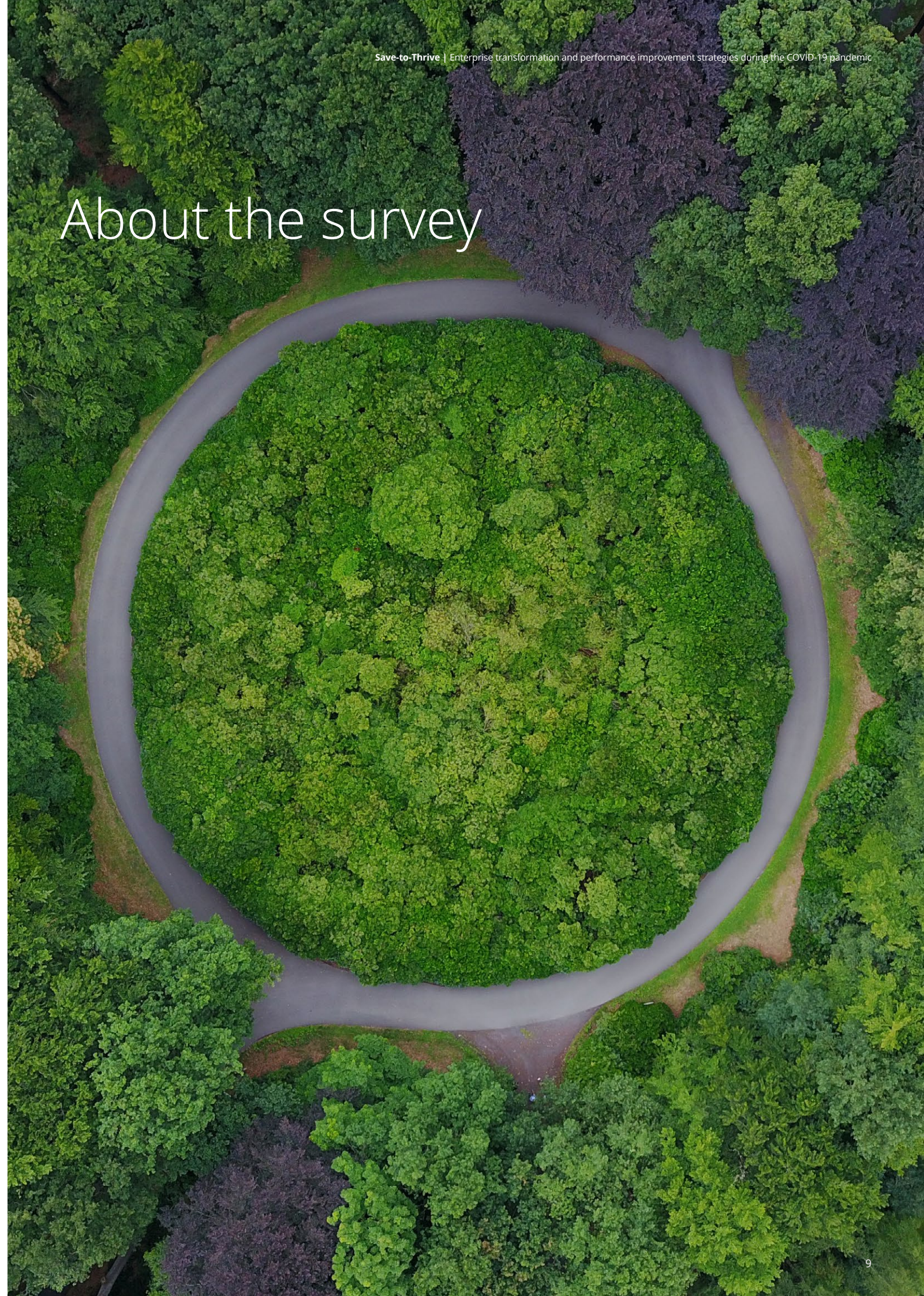
Most companies expect a second wave of COVID-19. The majority of respondents (67%) expect a COVID-19 relapse, with an estimated timeframe of early 2021. Those that follow strategies consistent with Save-to-Thrive will likely be the ones best positioned to weather potential challenges resulting from a second wave.

Decisions that companies make today to cope with the COVID-19 crisis can help or hinder their positioning for the future. By using cost reduction and performance improvement strategically to transform the enterprise and improve competitiveness—which includes investing in key capabilities such as automation and

remote work that align with the new realities of a post-crisis business environment—**companies can leverage their cost savings and improvement efforts to not only transform how they operate, but to position themselves to thrive in the next normal.**



About the survey



About the survey

Deloitte Consulting LLP (Deloitte or Deloitte Consulting) engaged Dynata to conduct a global survey of COVID-19’s impact on organizations—from both a transformation and performance improvement perspective—to better understand the changes taking place in current and future actions across regions and industries.

Study objectives

Conduct a mid-cycle version of our biennial global cost survey, focusing on the impact of COVID-19

Understand the impact of COVID-19 on different industry sectors and regions

Compare business expectations before the COVID-19 pandemic and now

Characterize organizations based on three stages of activity: Respond, Recover and Thrive

Identify trends on future operating models, product/service offerings and consumer engagement in a post-COVID-19 world that we call the “next normal.”

Methodology

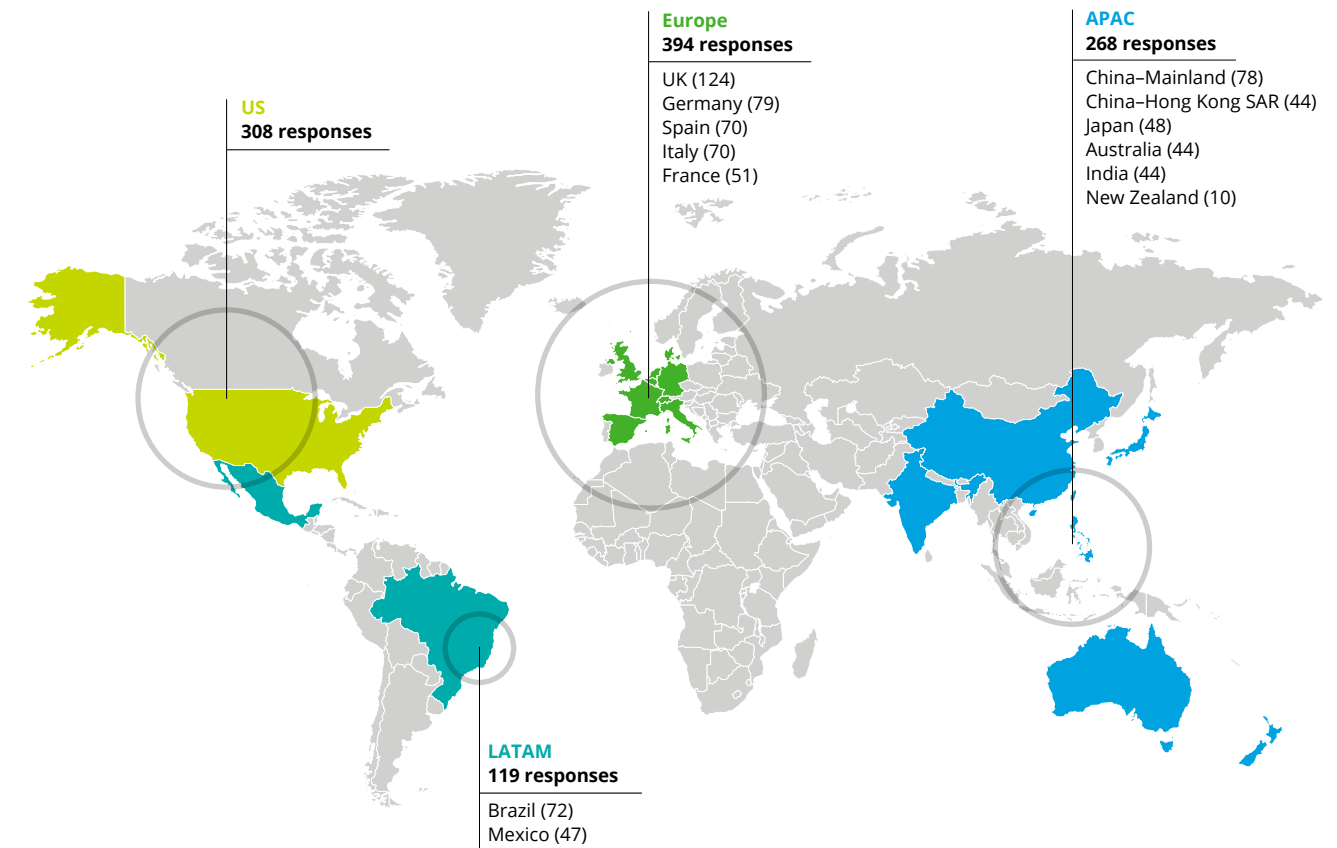
Data was collected through detailed online surveys conducted **between late June and mid-July 2020**. Analyses were conducted by Deloitte.



Firmographics

The survey included responses from **1,089 executives** directly involved in transformation efforts in their organizations. Respondents were from **four major regions**.

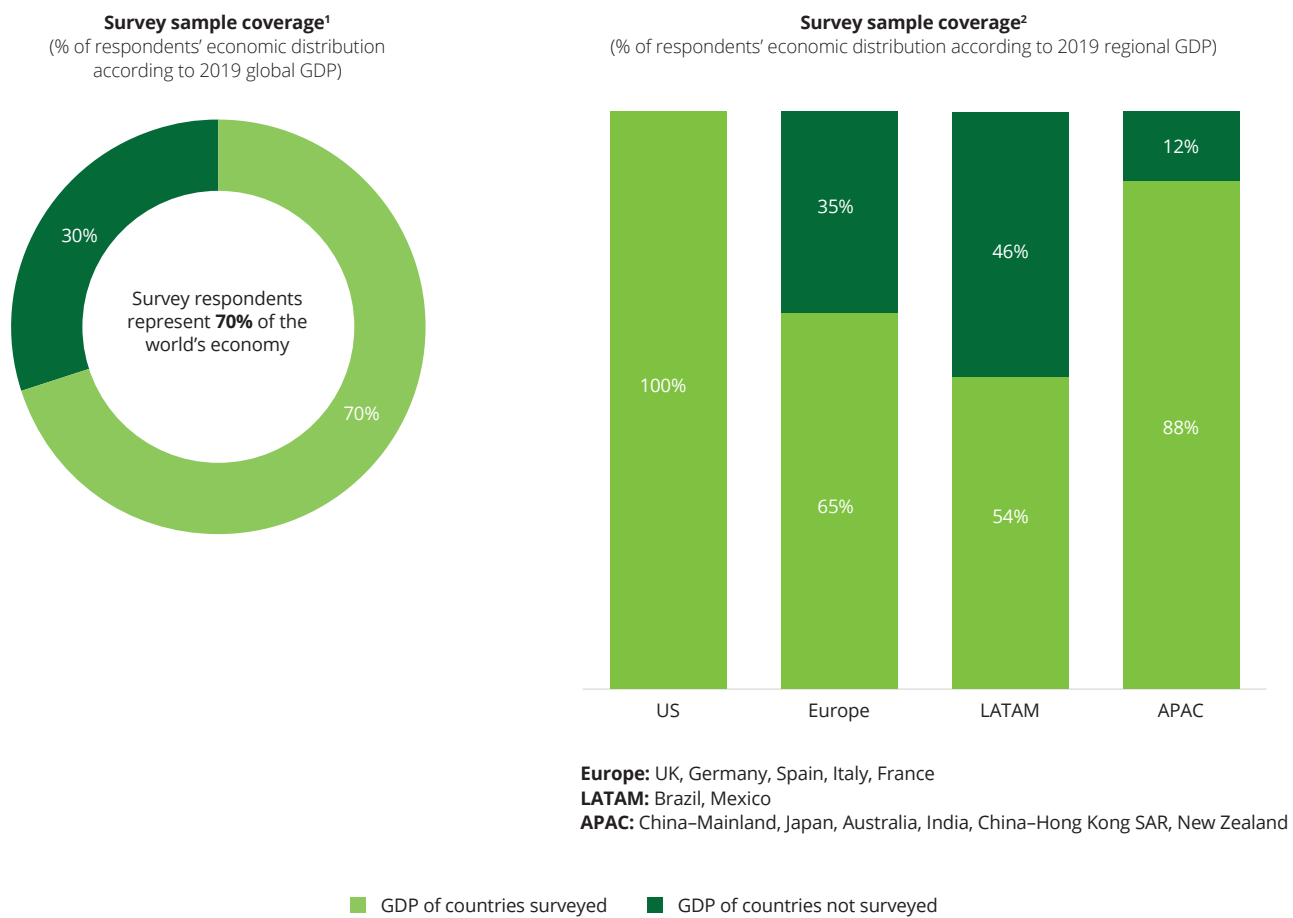
Figure 1. Geographic distribution of survey respondents



Surveyed countries are highly representative of their regions and the overall global economy, in addition to representing geographies highly impacted by COVID-19

The countries included in the survey represent 70% of the world's economy as measured by Gross Domestic Product (GDP)*. Outside of the United States, respondents represent 54% to 88% of their regional economies as measured by GDP (see Figure 2).

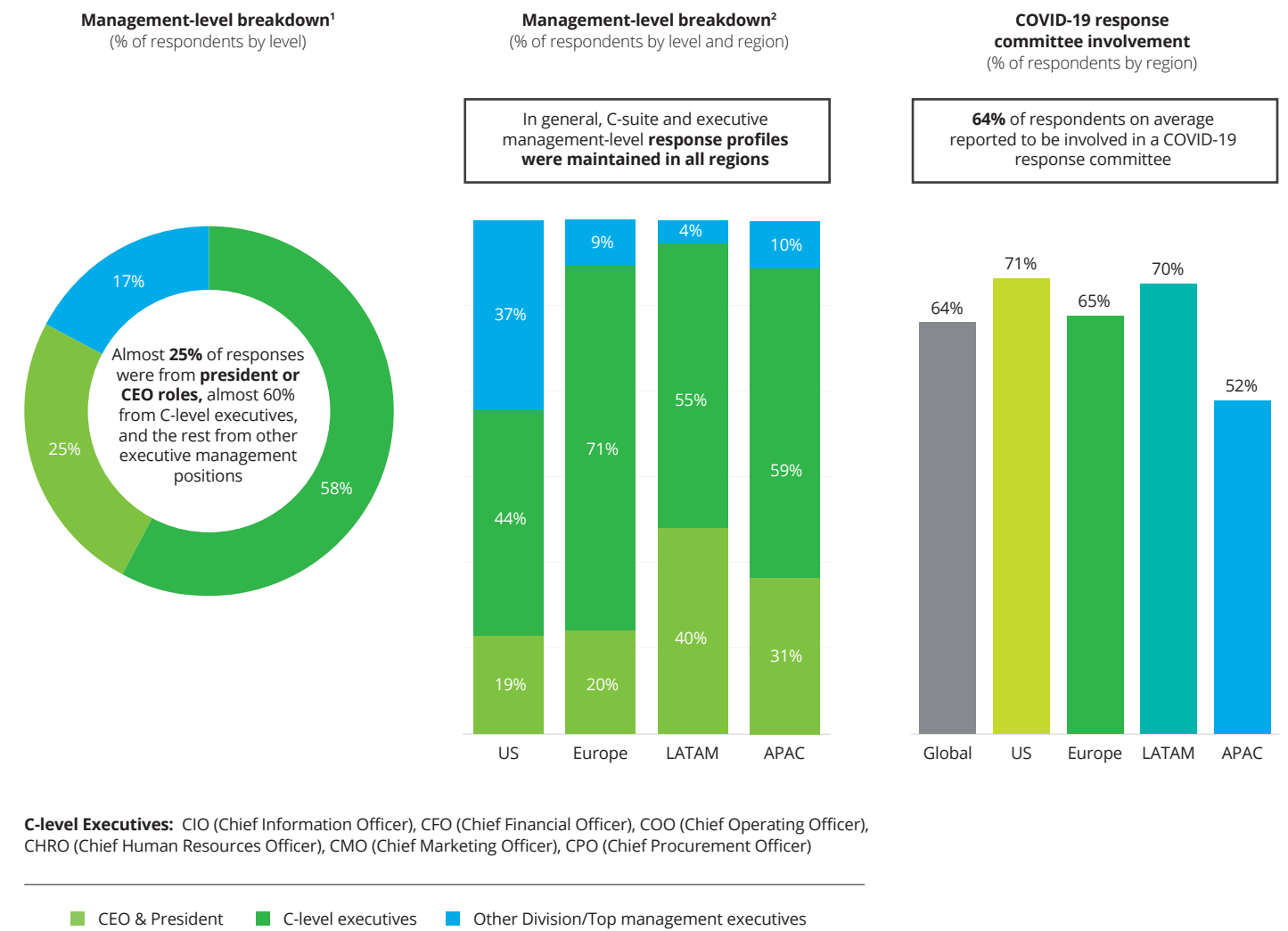
Figure 2. Representation of the regional and global economy



The vast majority of respondents are senior executives, most with direct involvement in COVID-19 activities

Only relevant executive positions with responsibility for transformation decisions were surveyed: 25% of responses were from presidents or CEOs; almost 60% were from C-Suite executives; 65% of respondents are directly involved in a COVID-19 response committee (see Figure 3).

Figure 3. Management level breakdown and COVID-19 Committee involvement

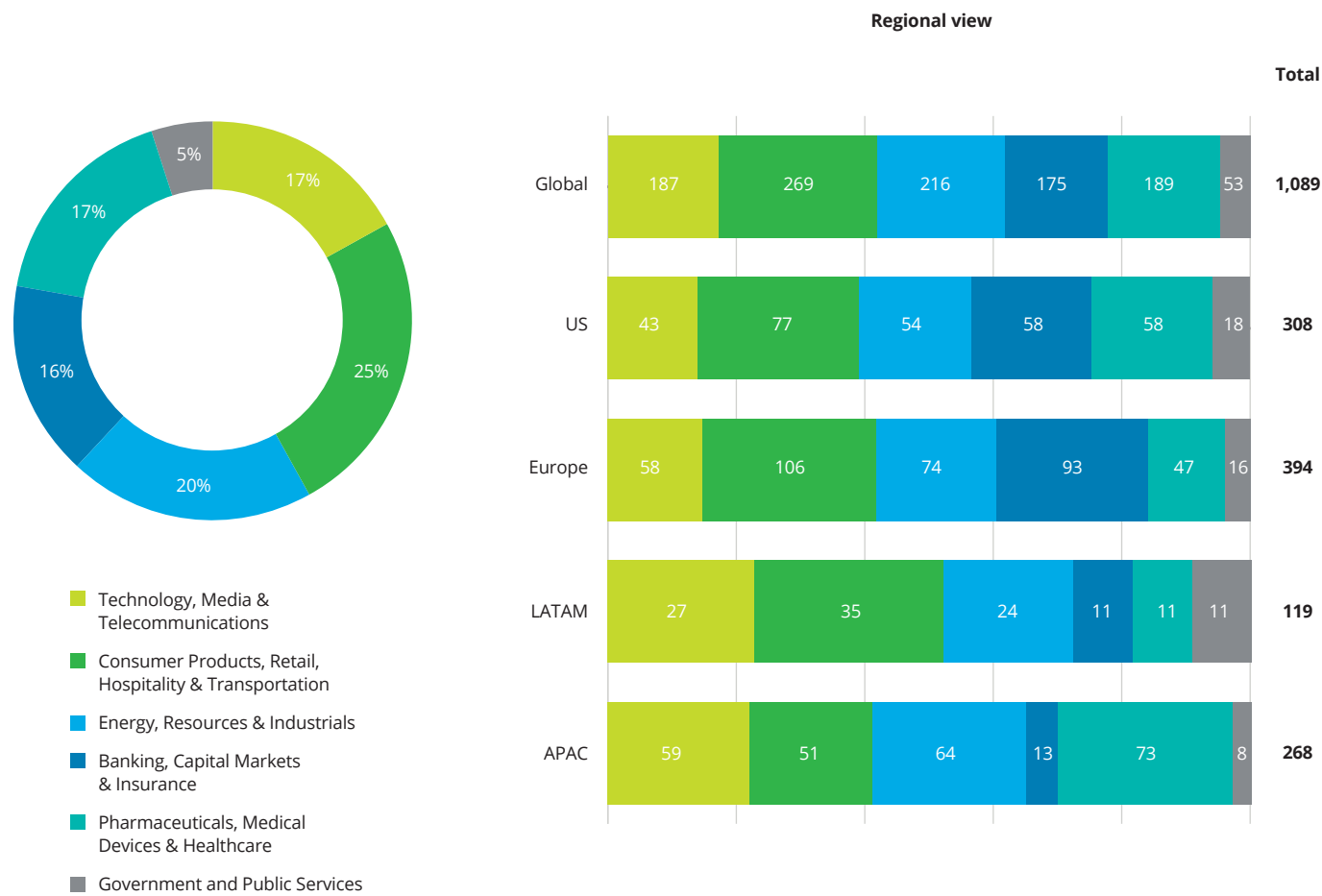


*Source: The World Bank – GDP 2019

Data was collected to support industry-specific analyses

Industry-specific information was collected to provide meaningful insights across six major industry groups (see Figure 4).

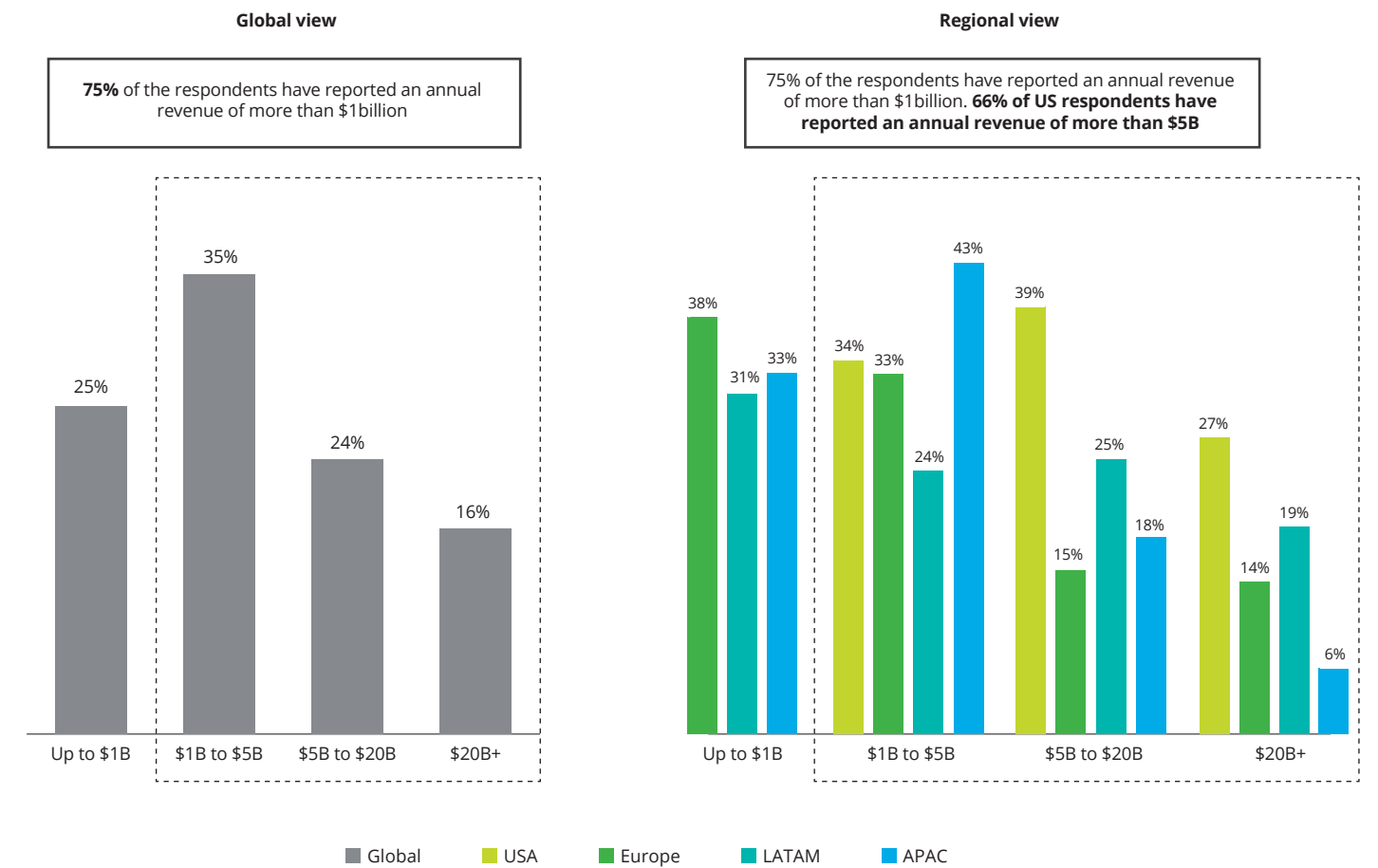
Figure 4. Industry Breakdown



Major companies in each region were the primary respondent targets

Among all participating companies, 75% reported revenues greater than \$1 billion. Among the participating US companies, 66% reported revenues greater than \$5 billion (see Figure 5). Distribution of companies is representative of their specific geography or region.

Figure 5. Organization's Annual Revenue



Note: Europe, LATAM, and APAC Surveys were conducted in local currency. For analysis purposes they have been converted to US dollars.



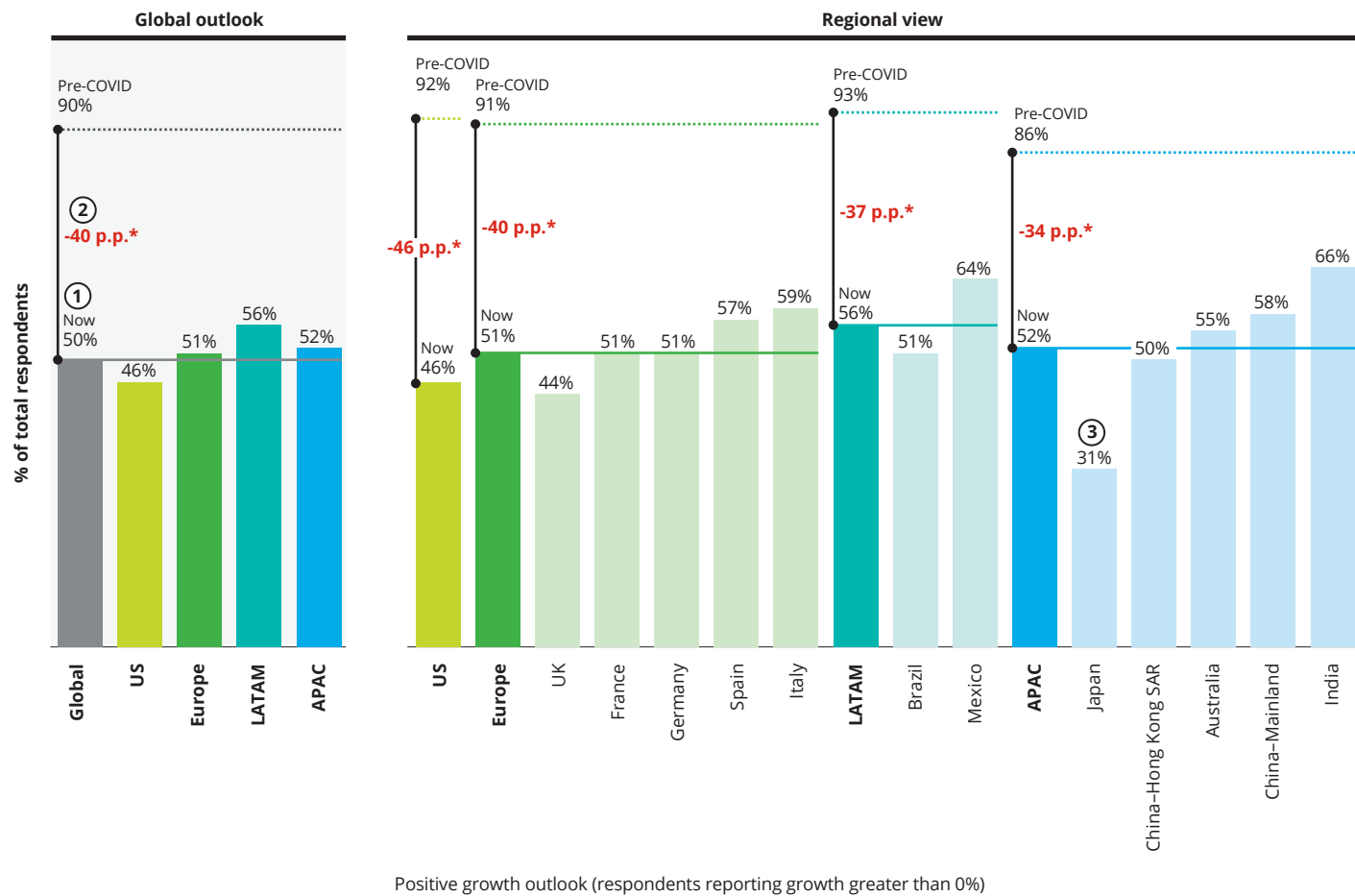
Key global insights



Expectations for positive revenue growth have declined significantly due to COVID-19

Globally, the percentage of respondents expecting positive revenue growth is down 40 points compared to pre-COVID-19 expectations. The decline is somewhat larger in the US (-46 percentage points), and somewhat smaller in LATAM (-37 percentage points) and APAC (-34 percentage points) (see Figure 6).

Figure 6. Revenue growth outlook over the next 12 months



Survey findings

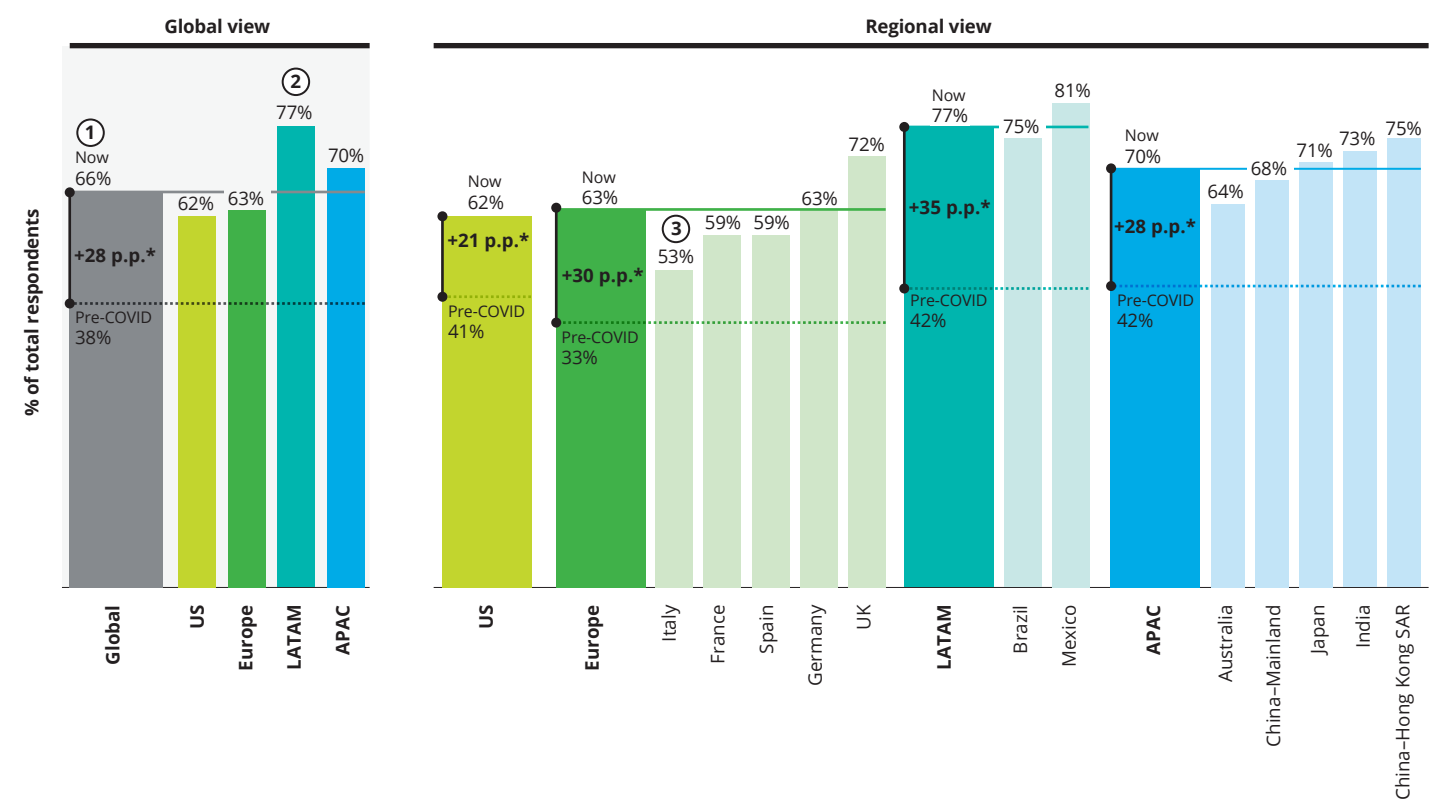
- 50% of respondents globally have a positive outlook on revenue growth right now, higher than the US (46%), but lower than Europe (51%), APAC (52%) and LATAM (56%).
- Respondent expectations for positive revenue growth have dropped 40 percentage points globally due to COVID-19, with the largest decline in the US (46 percentage points) and smallest decline in APAC (34 percentage points).
- Among individual countries, Japan respondents reported the lowest percentage of respondents with positive revenue growth expectations (31%), 13 percentage points lower than the second lowest country (UK, 44%).

*p.p. stands for percentage point

COVID-19 is boosting the focus on cost reduction

Globally, the likelihood of undertaking cost reduction initiatives increased by 74% (28 percentage points) relative to pre-COVID-19 levels. Two of three companies globally (66%) now expect to pursue cost reduction over the next 12 months, up from just 38% before COVID-19 (see Figure 7).

Figure 7. Likelihood of undertaking cost reduction over the next 12 months



Survey findings

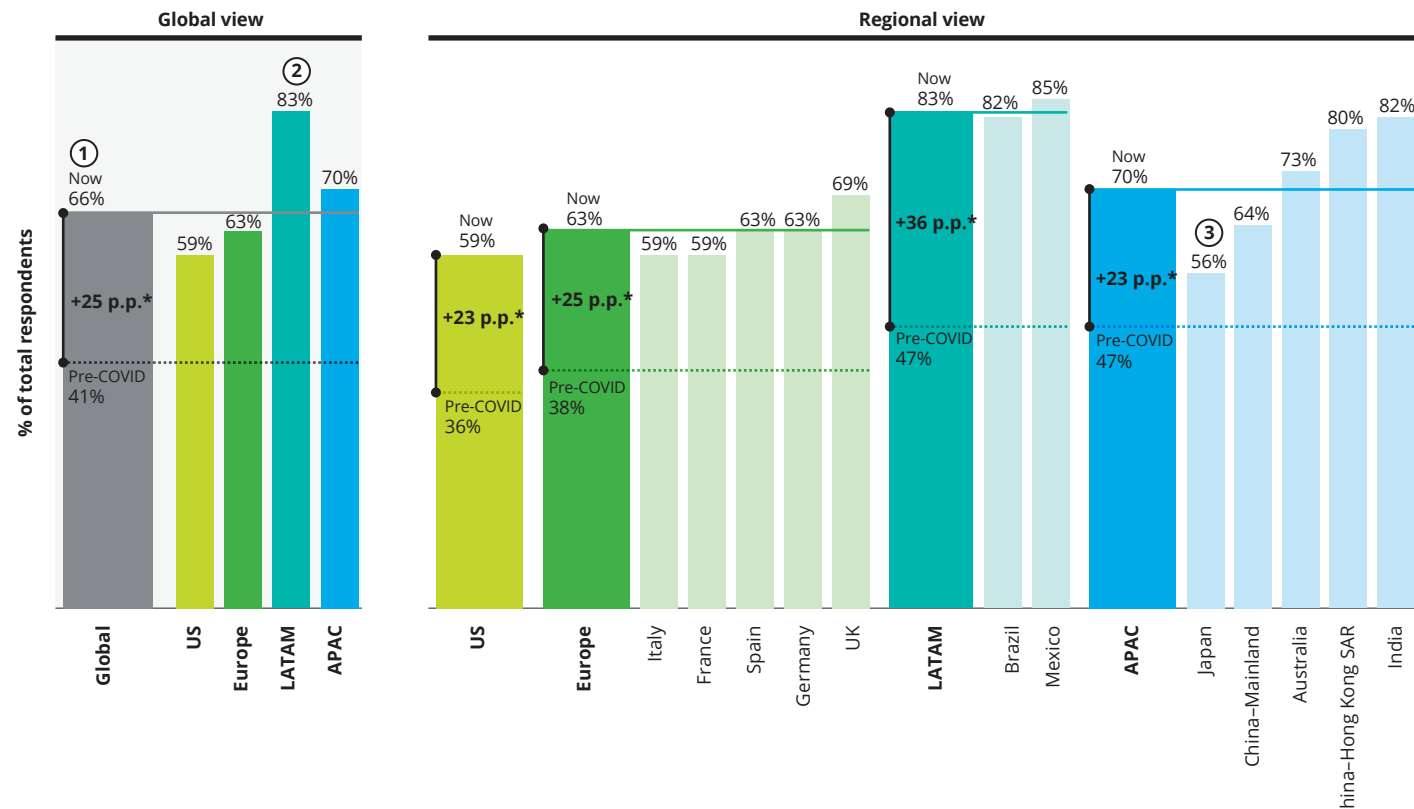
- Globally, 66% of respondents expect to undertake cost reduction initiatives over the next 12 months. The likelihood is lower in the US (62%) and Europe (63%), and higher in LATAM (77%) and APAC (70%).
- Compared to pre-COVID-19 levels, the likelihood of cost reduction increased by 74% globally (28 percentage points); the largest increase is in LATAM (35 percentage points) and the lowest is in the US (21 percentage points).
- Respondents in Italy are the least likely to pursue cost reduction (53%); respondents in Mexico are the most likely (81%).

*p.p. stands for percentage point

The crisis is prompting many more companies to pursue aggressive cost reduction targets

Globally, the percentage of respondents pursuing cost reduction targets greater than 10% increased by 61% (25 percentage points) compared to pre-COVID-19 levels. Two of three companies globally (66%) now have cost reduction targets that exceed 10%. Regionally, the percentage of companies with those aggressive targets is highest in LATAM (83%) and lowest in the US (59%) (see Figure 8).

Figure 8. Respondents reporting annual cost reduction targets greater than 10%



Survey findings

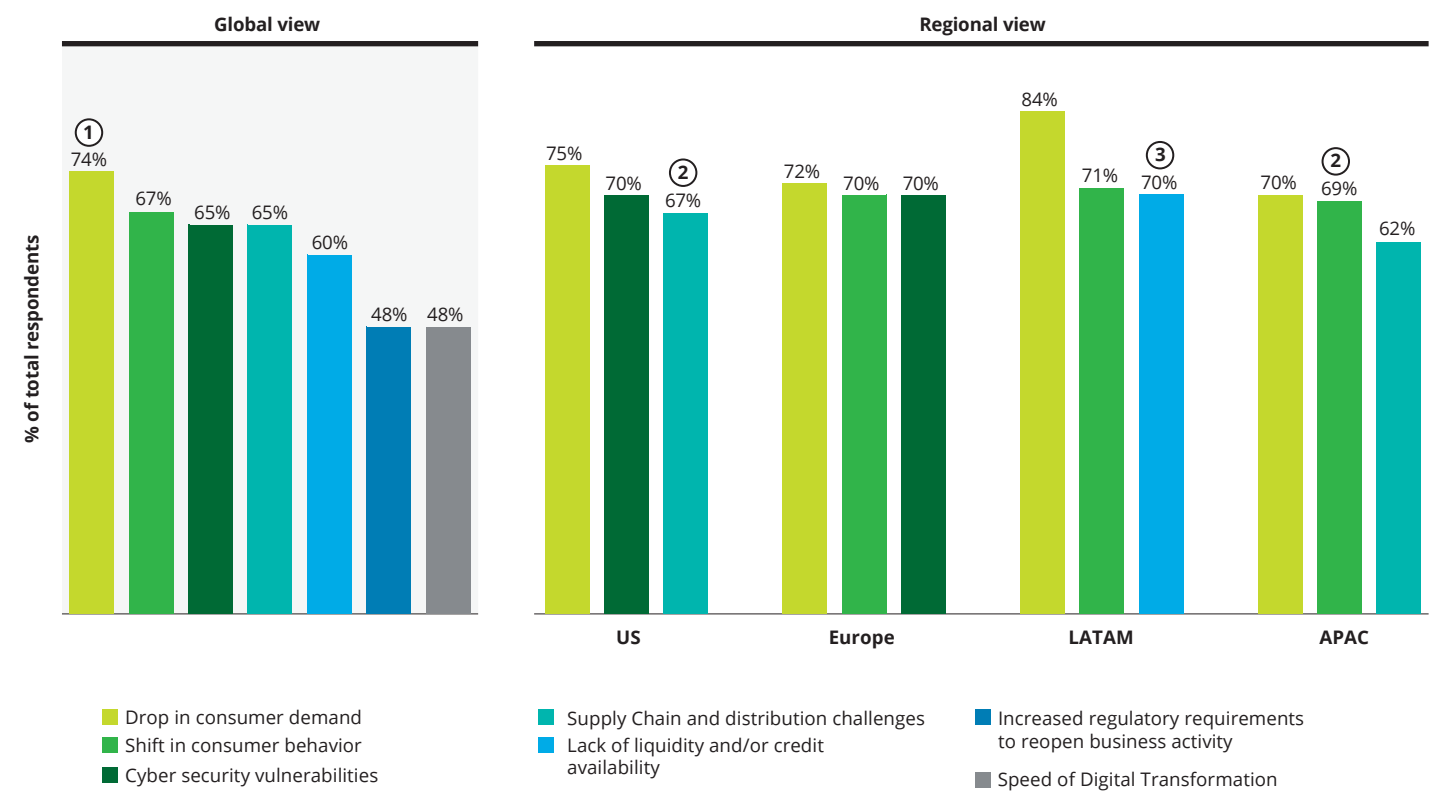
- ① Globally, 66% of respondents have cost reduction target above 10%, with the US (59%) and Europe (63%) below the global average, and LATAM (83%) and APAC (70%) above it.
- ② Compared to pre-COVID-19 levels, the percentage of companies globally with cost reduction targets above 10% increased by 61% (25 percentage points), with a largest increase in LATAM (36 percentage points) and the smallest in APAC and the US (23 percentage points)
- ③ Japan (56%) has the smallest percentage of respondents pursuing cost reduction targets greater than 10%; Mexico (85%) has the largest.

*p.p. stands for percentage point

COVID-19 financial impacts are demand-driven

The top external challenge reported globally is a drop in consumer demand (74%), followed by a related shift in consumer behavior (67%), supply chain challenges (65%) round out the top four external challenges. In the US and APAC, supply chain and distribution challenges rank among the top three (see Figure 9).

Figure 9. External challenges currently faced by organizations due to COVID-19 impacts



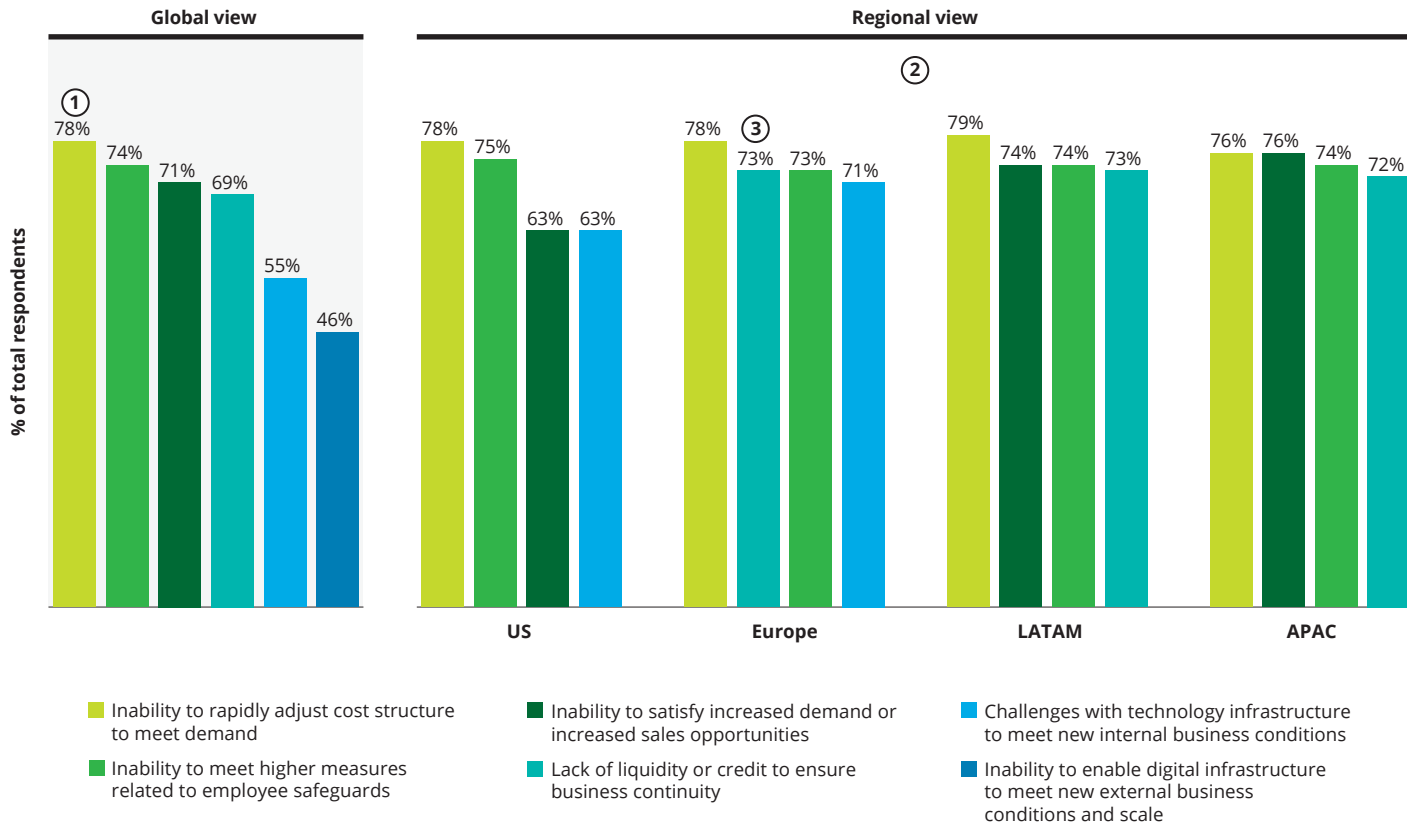
Survey findings

- ① Drop in consumer demand is the top external challenge reported globally (74%) and in all regions: US (75%), Europe (72%), LATAM (84%) and APAC (70%).
- ② US and APAC respondents reported supply chain and distribution challenges among their top three external challenges.
- ③ LATAM was the only region to cite lack of liquidity and/or credit availability as a top three external challenge.

Cost structure is considered the top internal challenge

Inability to adjust cost structure to meet demand is the top internal challenge globally and in all regions. Inability to meet employee safeguards, and inability to satisfy increased demand round out the top three internal challenges globally (see Figure 10).

Figure 10. Internal challenges currently faced by organizations due to COVID-19 impacts



Survey findings

- ① Adjusting cost structure to meet demand was reported as the top internal challenge globally (78%) and in all regions.
- ② Adjusting cost structure, meeting employee safeguards, and satisfying increased demand are the top three internal challenges reported in all regions except Europe.
- ③ Lack of liquidity or credit (73%) is a top three concern reported only in Europe.

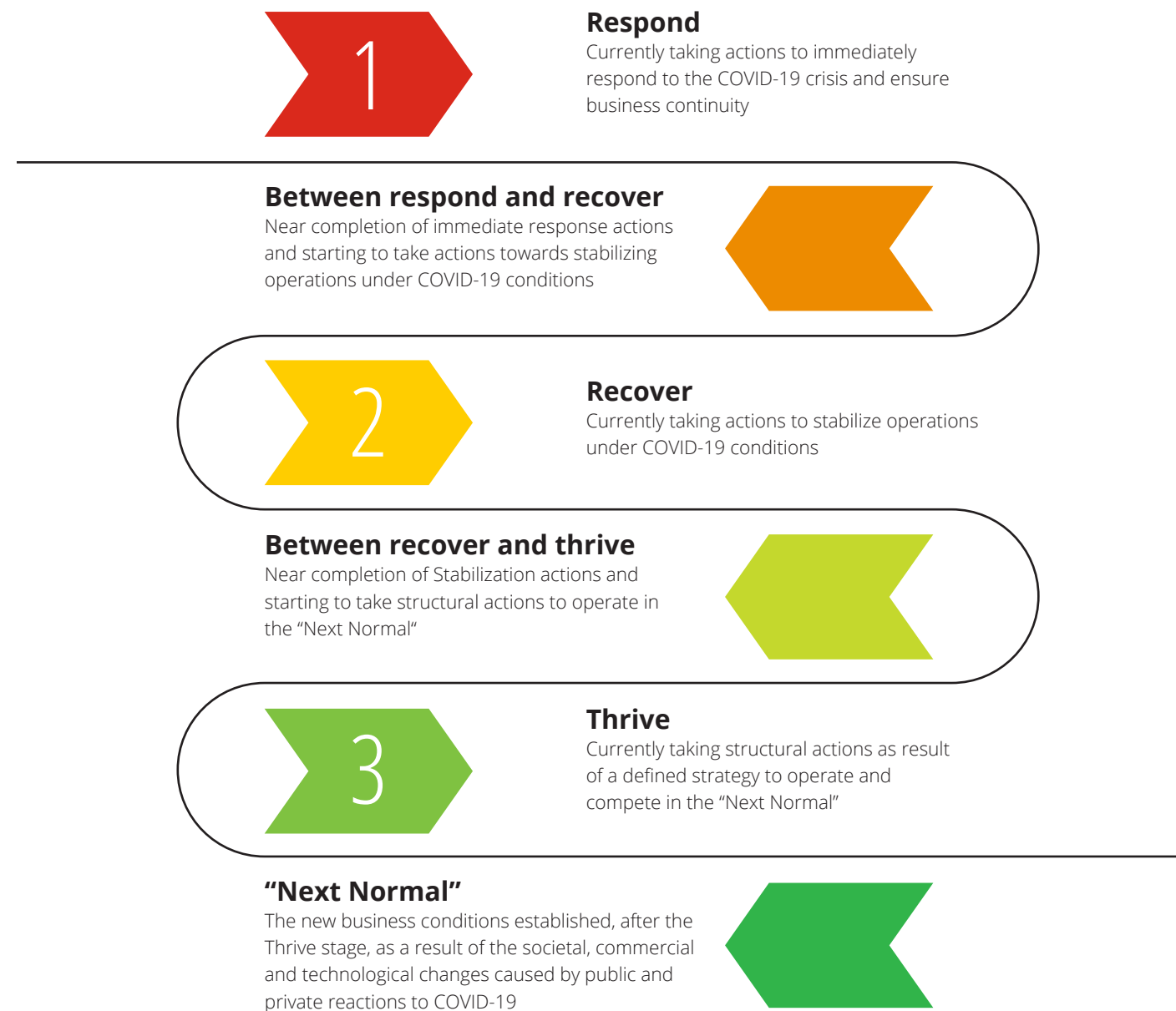
Coping with COVID-19: Respond, Recover and Thrive



Respond-Recover-Thrive

Required actions to address the COVID-19 crisis can be divided into three major stages: *Respond*, *Recover* and *Thrive*. These three stages are interspersed with two additional interim stages, and culminate in a long-term operating environment we call the “next normal” (see Figure 11).

Figure 11. The Respond-Recover-Thrive framework



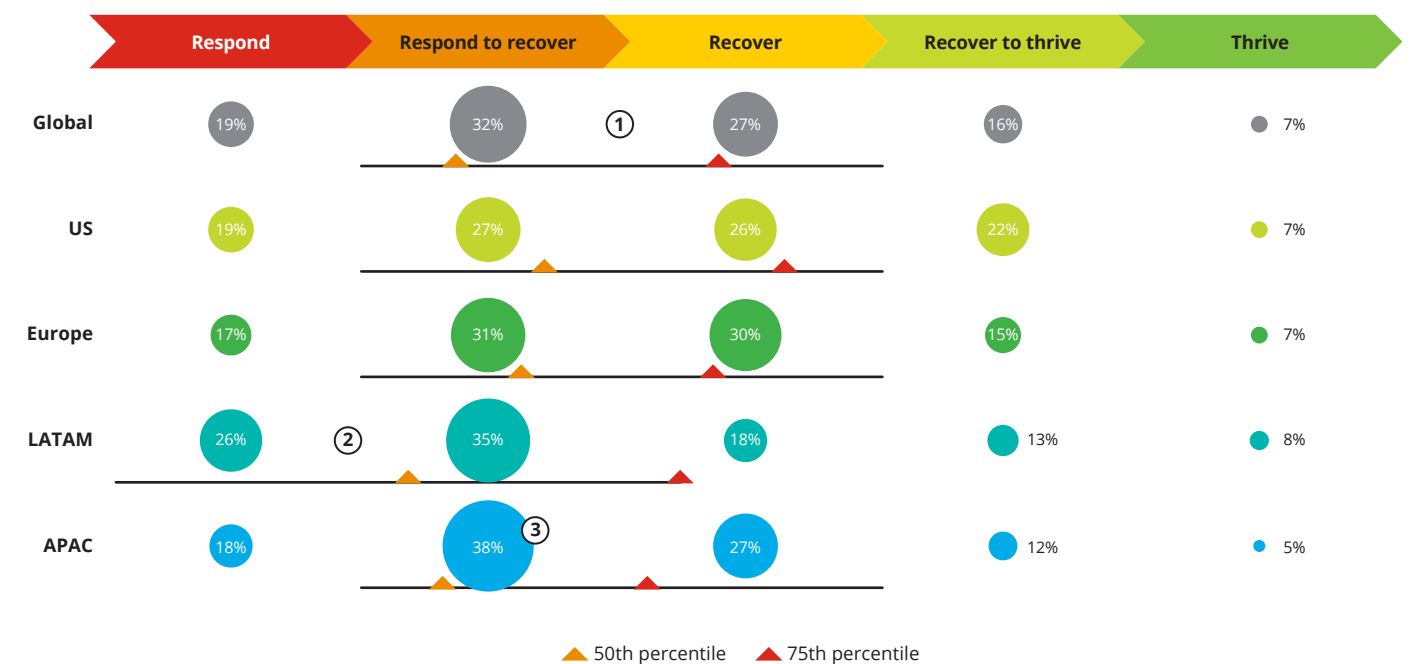
The global focus for the COVID-19 crisis is shifting from respond to recover

Most companies globally have effectively responded to the immediate crisis and are now starting to focus on recovery, with the majority (59%) now seeing themselves in the “respond to recover” or “recover” stages (see Figure 12). The orange triangles, which represent the 50th percentile, show that on average the companies surveyed are still in the “respond to recover” stage, where they have nearly completed their immediate response actions and are starting to focus on recovery (i.e., stabilization).

Respondents in the US and Europe are somewhat ahead of the global average, while respondents in APAC and especially LATAM are lagging behind.

The red triangles, which represent the 75th percentile, show that even leading companies are often still in the *recover* phase, with fewer than 25% in the “recover to thrive” or “thrive” stages.

Figure 12. Organization’s current positioning on the Respond-Recover-Thrive framework



Survey findings

- ① 78% of respondents globally still see themselves no further along than the “recover” stage (and some are still in the “respond” stage).
- ② The majority of respondents globally (59%) and across regions are in the “respond to recover” or “recover” stages, except in LATAM where the majority (61%) are still in the “respond” or “respond to recover” stages.
- ③ APAC has the highest number of respondents in the “respond to recover” stage (38%).

(See the appendix for a more detailed country-by-country analysis)

Revenue growth expectations are very positive in the thrive stage

Expectations for revenue growth, although down from pre-COVID-19 levels, remain somewhat positive in the *respond* stage (55%) and *recover* stage (58%). In the *thrive* stage, the vast majority of companies globally (74%) and in all regions have a positive outlook for revenue growth, with only 24% globally expecting flat or declining revenue (see Figure 13).

Figure 13. Revenue growth outlook reported at each stage



Survey findings

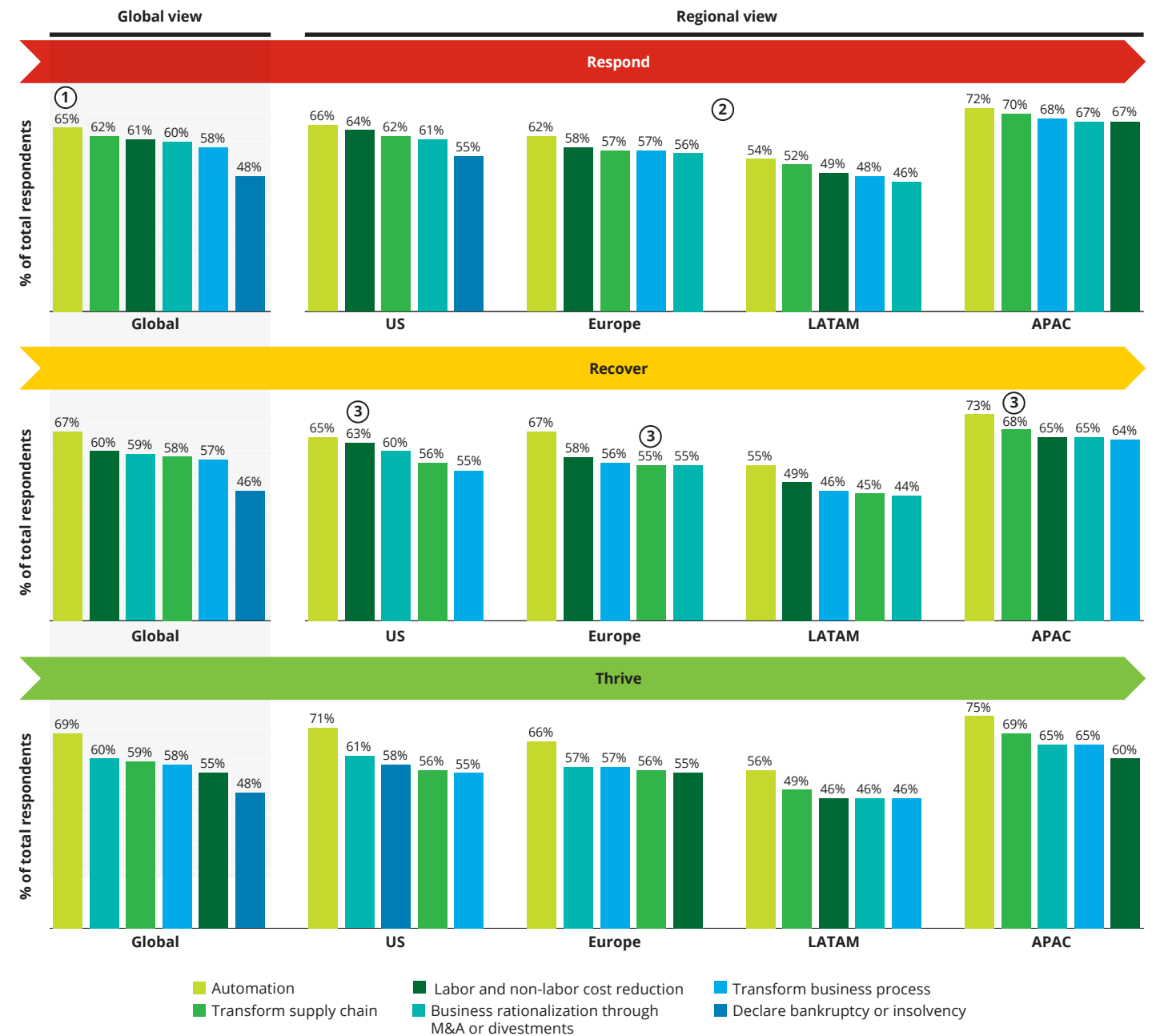
- ① Globally, expectations for positive revenue growth improve significantly in each subsequent stage: *respond* (55%); *recover* (58%); and *thrive* (74%).
- ② Conversely, the percentage of companies that expect their revenues to decline or remain flat decreases for each subsequent stage: *respond* (44%); *recover* (41%); and *thrive* (24%).
- ③ Regionally, expectations for positive revenue growth increase in subsequent stages for all regions except the US, where the revenue outlook remains same in the *respond* and *recover* stages.
- ④ US respondents generally have the least positive revenue outlook, while LATAM respondents generally have the most positive outlook.

(See the appendix for a more detailed country-by-country analysis)

Automation is the top transformation action arising from the COVID-19 crisis

Globally and across all regions, roughly two out of three companies expect to pursue automation in all three stages of *respond*, *recover* and *thrive*, making it the clear leader in transformation actions arising from the COVID-19 crisis (see Figure 14).

Figure 14. Likelihood of transformation actions at each stage



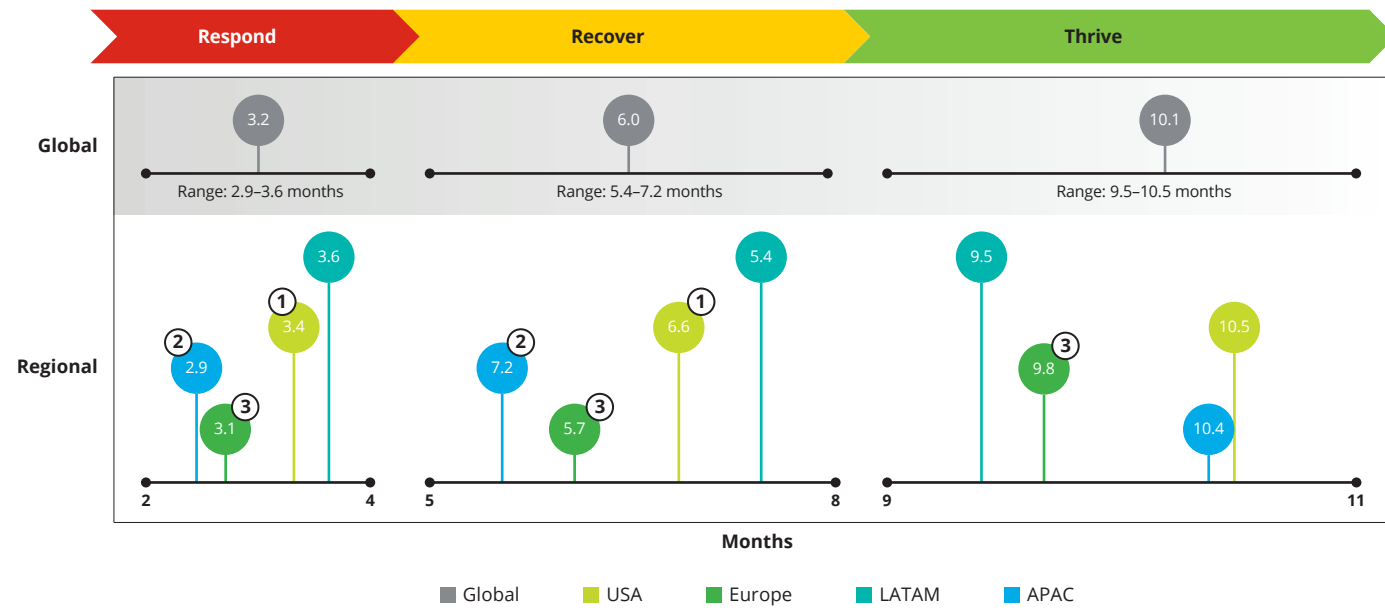
Survey findings

- ① Globally, automation is the transformation action most likely to be implemented across all stages according to respondents for addressing the COVID-19 crisis (65% or more)
- ② Automation is also expected to be the top transformation action by respondents in all regions.
- ③ For each subsequent stage, there is a reported decline in the likelihood of implementing labor and non-labor cost reduction initiatives in the US, Europe and APAC. This is consistent with a generally positive revenue growth outlook.

Working through all three stages is expected to require about a year and a half

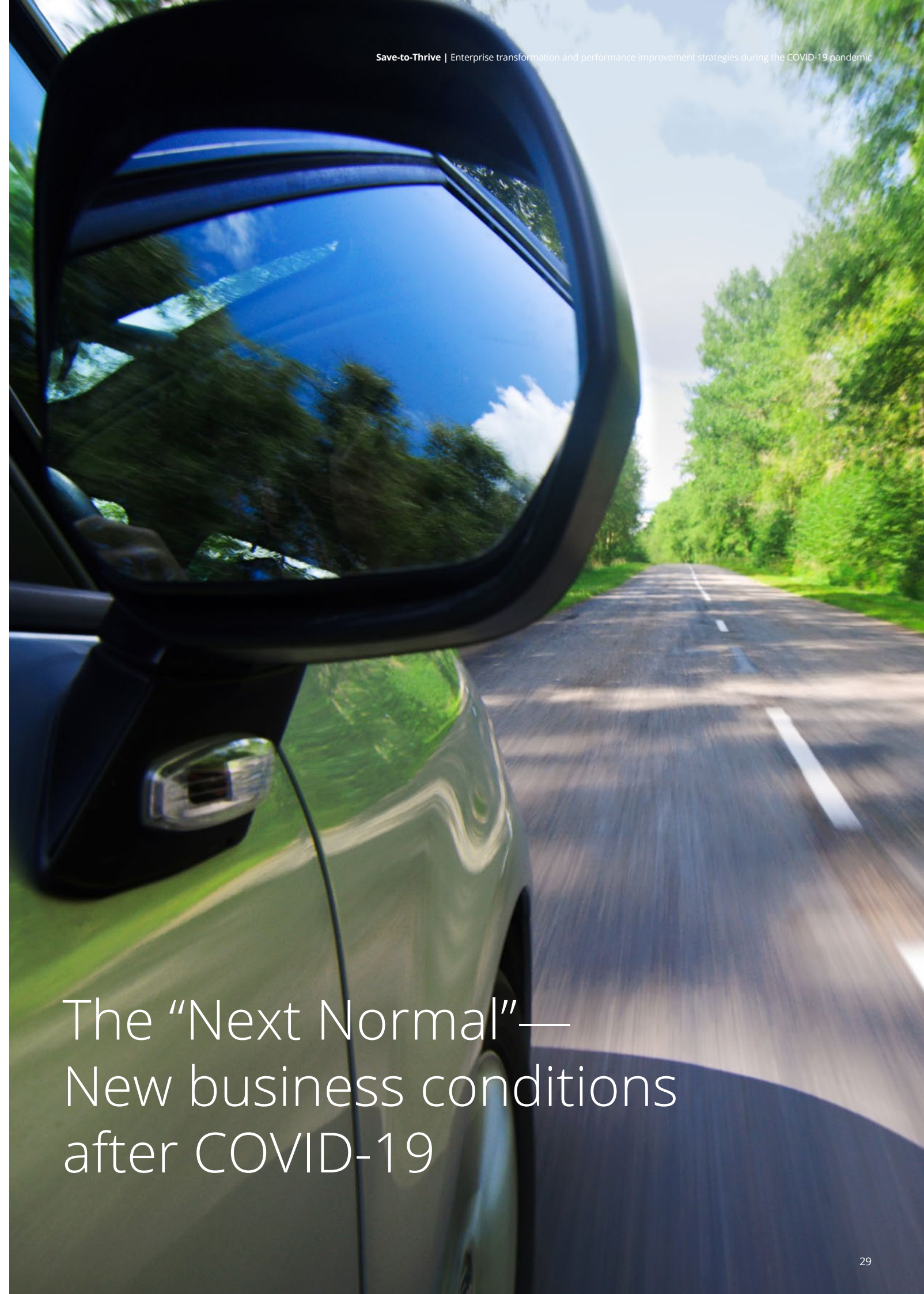
On average, respondents globally expect the “respond” stage to last about 3 months, the “recover” stage about 6 months, and the “thrive” stage about 10 months. However, the expected durations for each stage vary widely by respondent and region (see Figure 15).

Figure 15. Expected duration reported of each stage



Survey findings

- ① US respondents generally expect each of the three stages to take longer than the global averages: *respond* (3.4 months vs. the global average of 3.2 months), *recover* (6.6 months vs. the global average of 6.0 months), and *thrive* (10.5 months vs. the global average of 10.1 months)
- ② APAC respondents expect the shortest durations for *respond* (2.9 months) and *recover* (5.4 months)
- ③ European respondents generally expect each of the three stages to take less time than the global averages



The “Next Normal” —
New business conditions
after COVID-19

When mapping out strategies to *respond*, *recover* and *thrive*, it helps to have informed insights about the future business environment. In the wake of the 2008 financial crisis, many people called the resulting business environment the “new normal.” However, every new normal eventually gets replaced by a *new new normal*, so in our view it makes sense to call the post-COVID business environment the next normal.

Revenue sources will be fundamentally different in the next normal

According to the survey results, the fastest growing revenue sources in the future will be: digital channels (vs. physical channels); new products and services (vs. existing pre-COVID offerings); and domestic operations (vs. international operations). Thanks to practices such as social distancing and shelter-in-place that restrict access to the physical world, the COVID-19 crisis has greatly accelerated the shift from physical to digital channels. It has also revealed the limitations and risks of globalization and global supply chains, leading many companies to re-prioritize domestic operations over international operations. Meanwhile, COVID-driven changes to how people live and work are boosting demand for new kinds of products and services (see Figure 16).

Figure 16. Growth expected by revenue source in the next normal

Global view		Regional view			
Rank		US	Europe	LATAM	APAC
1	Digital channels ^①	^② ✓	✓	✓	✓
2	Post-COVID-19 new products and services	✓	✓	✓ ^③	✓
3	Domestic operations <i>14% more when compared to pre-COVID-19</i>	✓	✓	✓	✓
4	Pre-COVID-19 core portfolio of products and services <i>24% more when compared to international</i>	✓	✓	✓	✓
5	International operations	✓	✓	✓	✓
6	Physical channels <i>63% more when compared to physical channels</i>	✓	✓	✓	✓

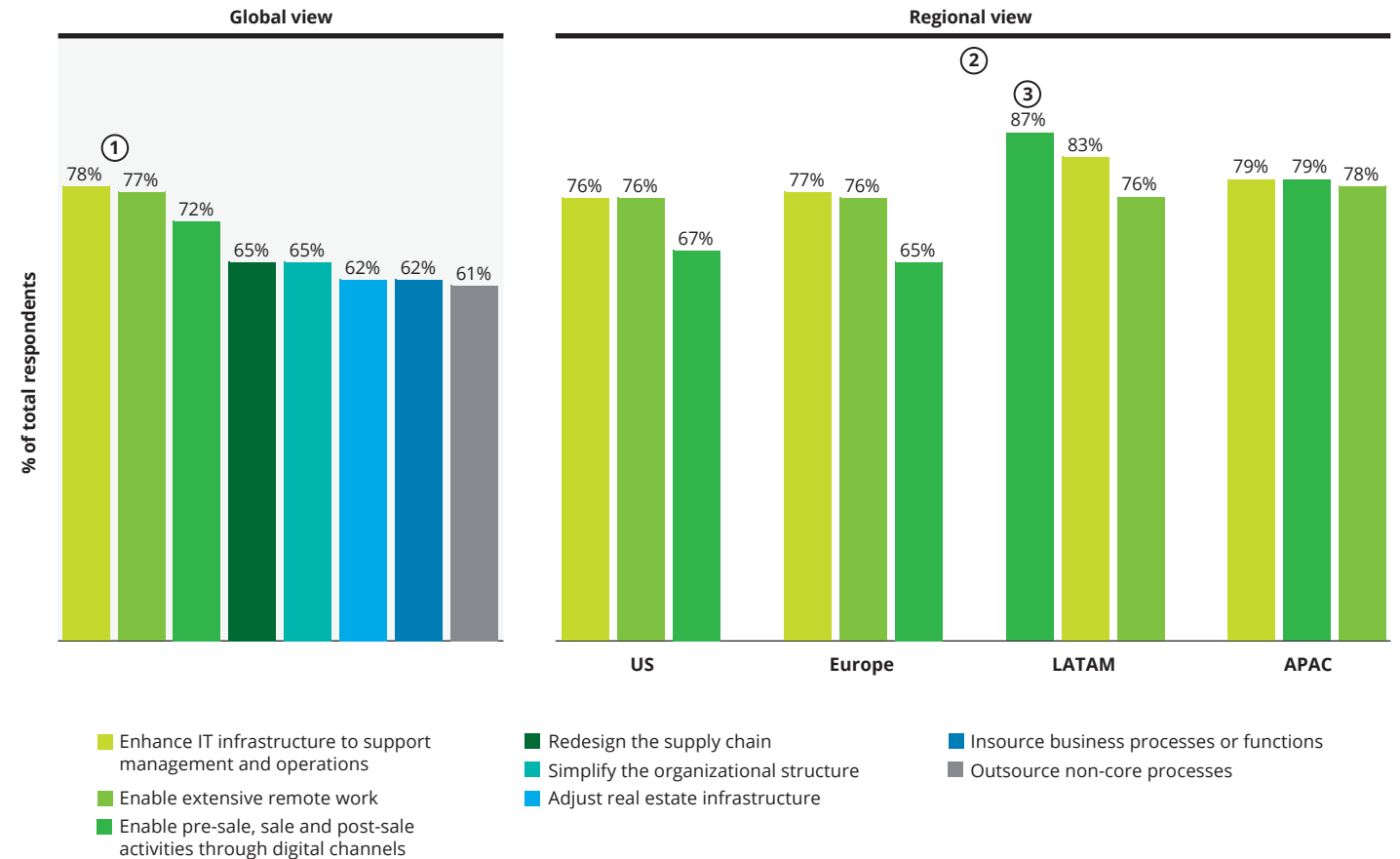
Survey findings

- ① During the next normal, respondents expect digital channels to have 63% higher revenue growth than physical channels. New post-COVID-19 products are expected to grow 14% more than pre-COVID-19 products. And domestic operations are expected to grow 24% more than international operations.
- ② In all regions, respondents expect digital channels to have the highest revenue growth of any revenue sources.
- ③ Post-COVID-19, respondents expect new products and domestic operations to see high revenue growth in all regions expect LATAM, where pre-COVID-19 products are ranked higher than domestic operations.

IT infrastructure, remote work and digital channels will be the top operating model priorities in a post-crisis world

Globally, the top operating model priorities during the next normal are expected to be: enhance IT infrastructure (78%); enable remote work (76%); and enable pre-sale, sale, and post-sale activities through digital channels (72%). In an increasingly digital world, IT infrastructure and digital channels are key. Also, remote work will likely remain popular now that the COVID crisis has proven its viability (see Figure 17).

Figure 17. Expected priorities for operating models in the next normal



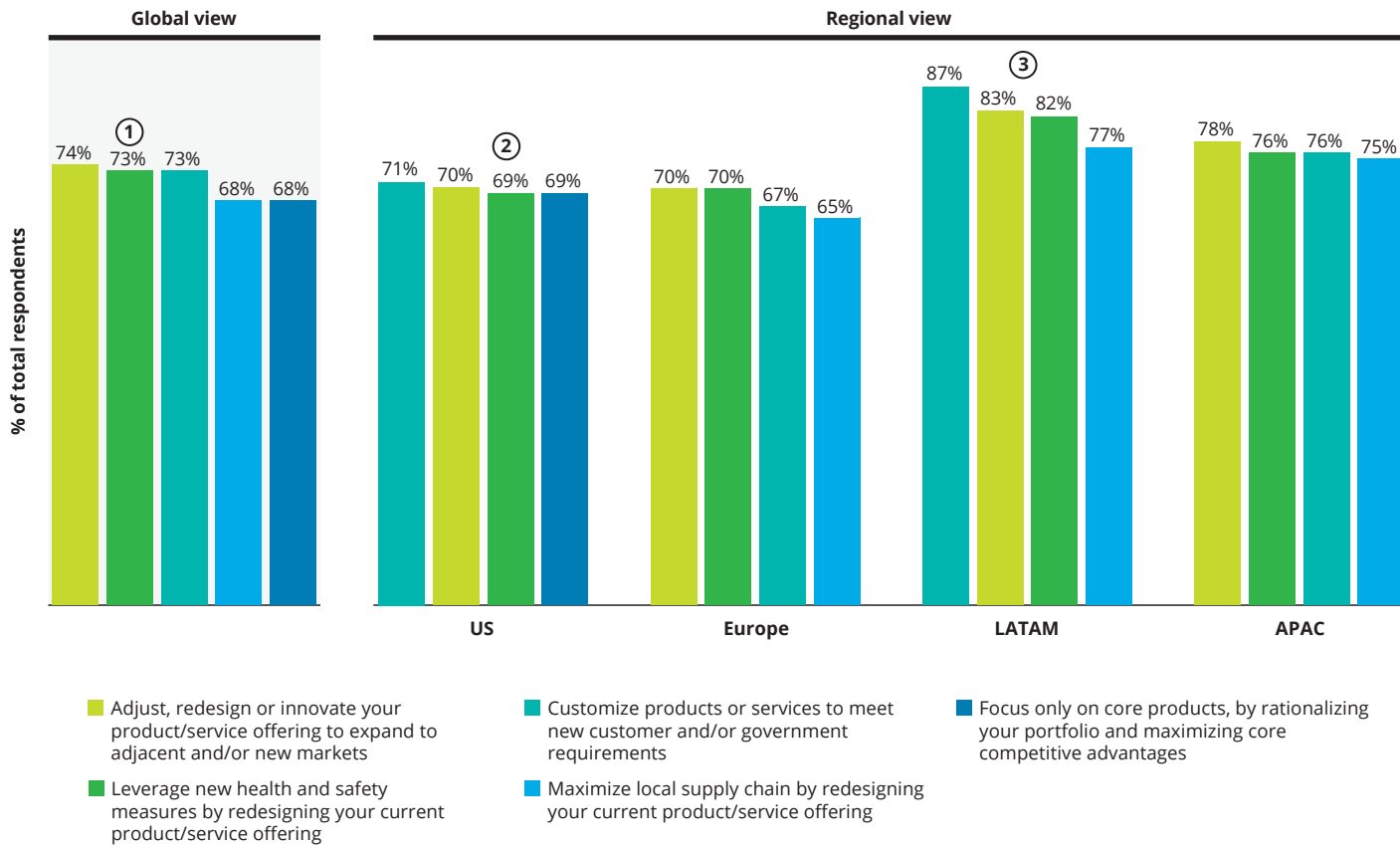
Survey findings

- ① Globally, respondents expect their future operating models to rely on enhancing IT infrastructure (78%) and enabling remote work (77%).
- ② In all regions, IT infrastructure, remote work and digital channels are also the reported top three priorities in future operating models.
- ③ In LATAM, the top operating priority expected by respondents is enabling pre-sale, sale and post-sale activities through digital channels.

Top product strategies for the next normal focus on innovation, health and safety measures, and customization

Globally, the top product strategies to compete in the next normal are: adjust, redesign or innovate your product/service offering to expand to adjacent and/or new markets (74%); leverage new health and safety measures by redesigning your current product/service offering (73%); and customize products or services to meet new customer and/or government requirements (73%) (see Figure 18).

Figure 18. Product strategies to differentiate and compete in the next normal



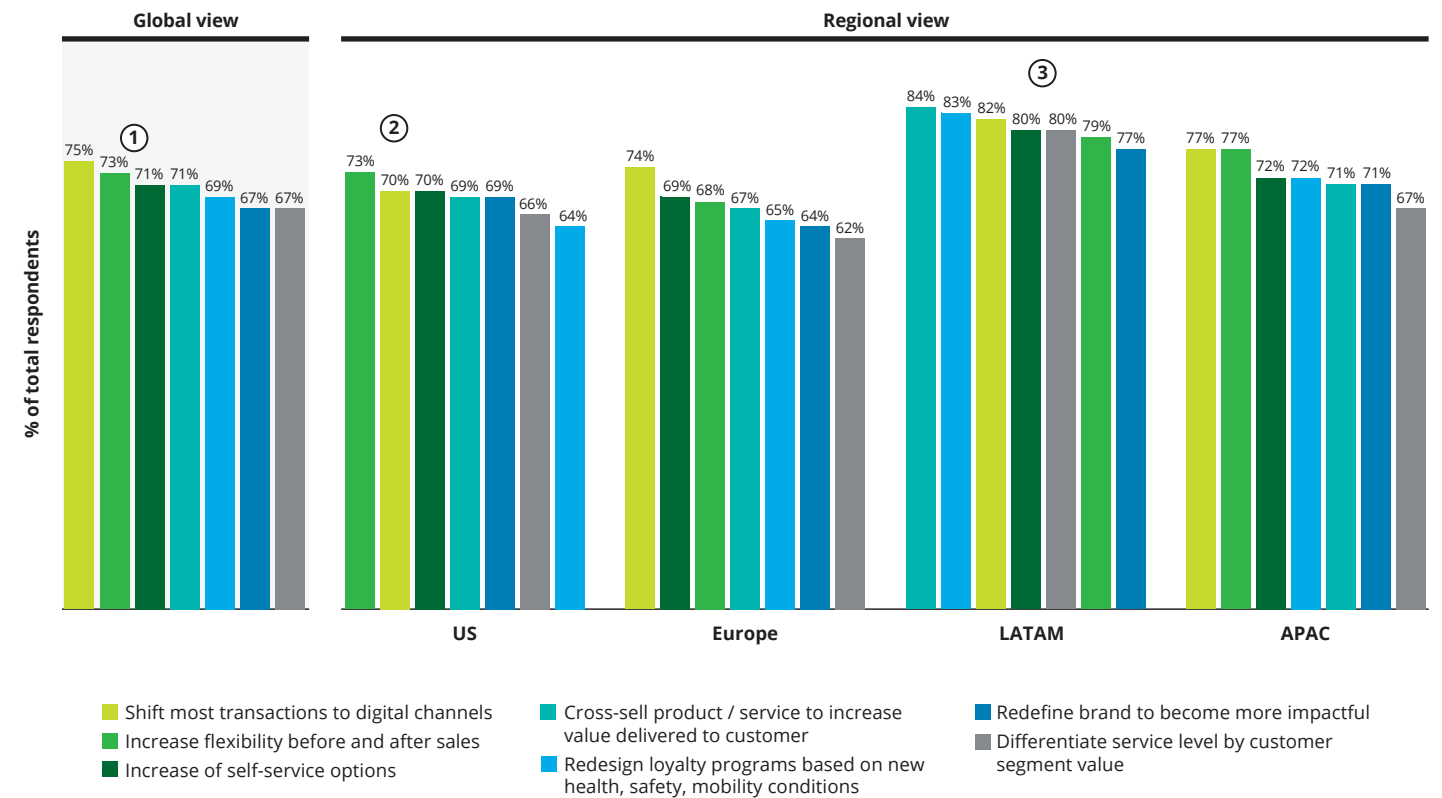
Survey findings

- ① Global respondents plan to differentiate their products and compete more effectively by: adjusting, redesigning or innovating their product/service offerings (74%), leveraging health and safety measures into product/service design (73%), and product customization (73%).
- ② Respondents across all regions have the same top three product strategies, except for the US, where focusing on core products ranks third.
- ③ LATAM respondents reported significantly higher ratings across all strategies.

Next normal customer engagement strategies will be driven by digital channels and flexible customer experiences

Globally, the most popular strategy for customer engagement will be to shift most transactions to digital channels (75%). The second most popular strategy will be to increase flexibility before and after the sale (73%) (see Figure 19).

Figure 19. Customer engagement strategies to differentiate and compete in the next normal



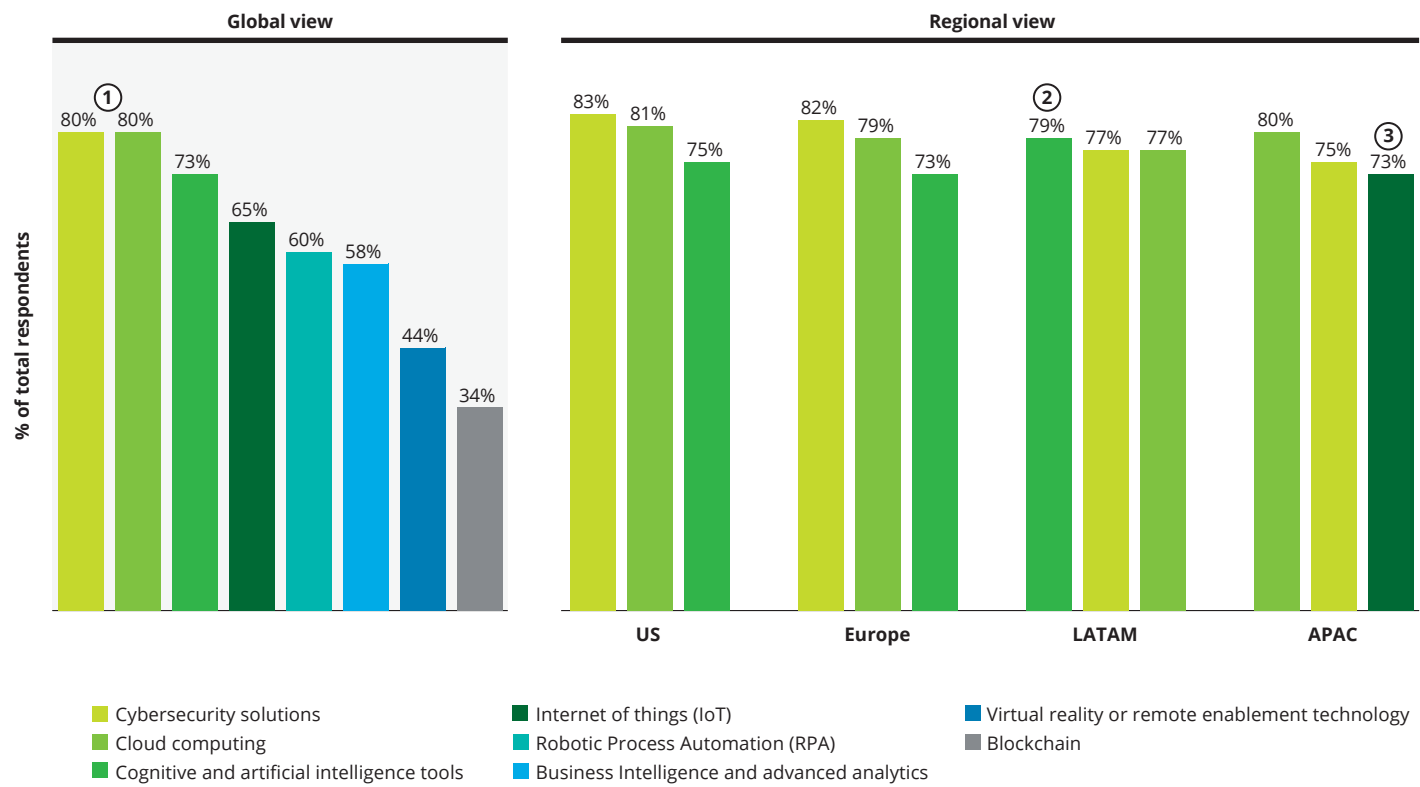
Survey findings

- ① Globally, the reported top strategies for creating a compelling customer experience in the next normal are: shift to digital channels (75%), increase flexibility pre- and post-sale (73%); increase self-service options (71%); and cross-sell products and services (71%).
- ② In the US, the top customer engagement strategy reported is to increase flexibility before and after the sale (73%).
- ③ In LATAM, the top strategies reported are cross-selling products/services (84%) and redesigning loyalty programs (83%).

Cybersecurity and cloud will be the key technologies

According to the survey, the most relevant technologies in the next normal will be cybersecurity solutions (80%) and cloud computing (80%) (see Figure 20).

Figure 20. Relevance of technologies to operate in the next normal



Survey findings

- ① Globally, cybersecurity solutions (80%) and cloud computing (80%) are expected by respondents to be the most relevant technologies in the next normal.
- ② Cybersecurity solutions and cloud computing top the list of respondents in all regions except LATAM, where cognitive and artificial intelligence tools are considered more relevant in a post-crisis world.
- ③ Internet of things (IOT) makes the top three in APAC (73%), but not for respondents in the US and Europe.

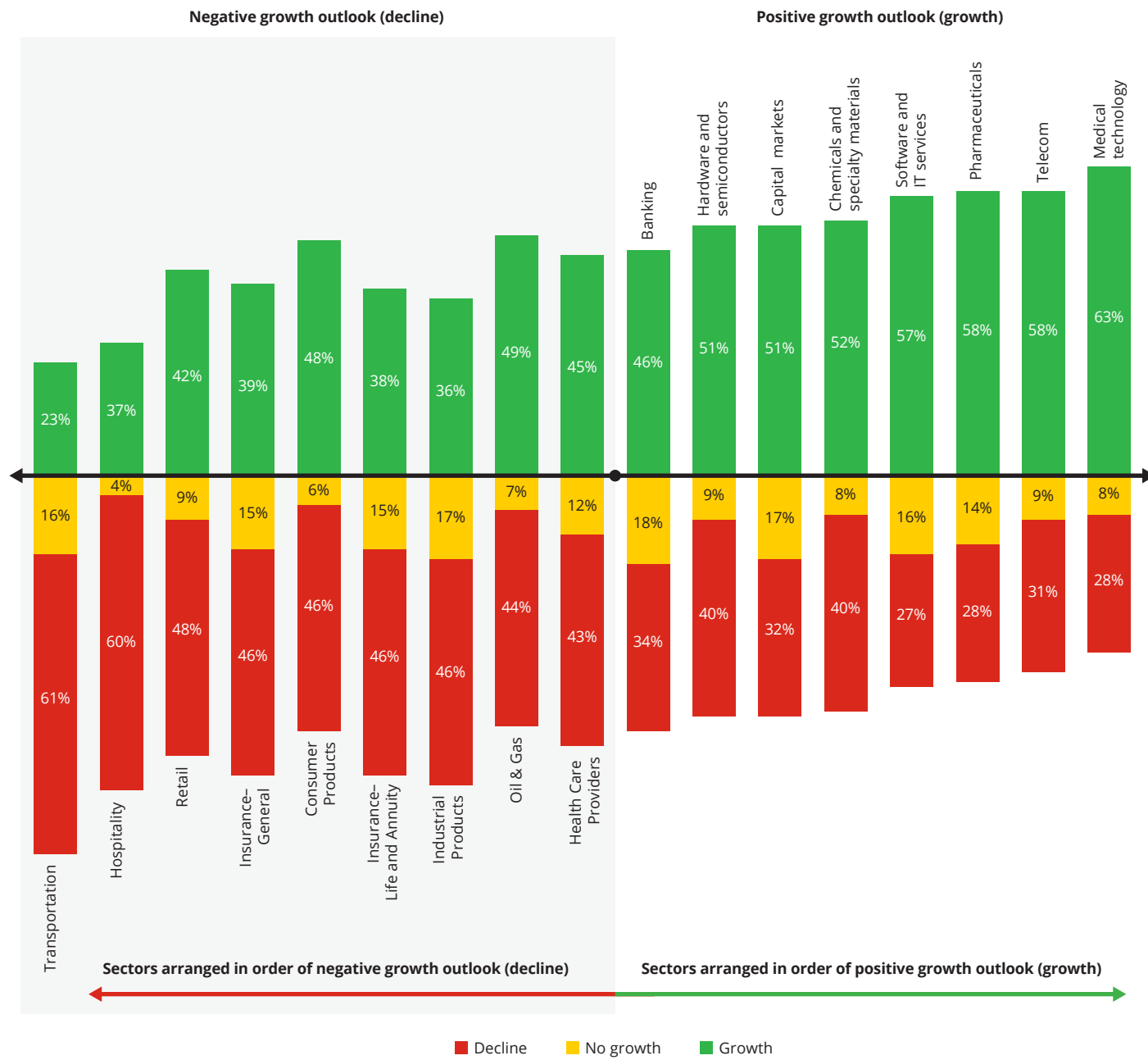
Industry sector analysis

Expected growth impacts over the next 12 months vary by sector

Revenue expectations over the next 12 months vary widely by sector, with the COVID-19 crisis creating both winners and losers. On the negative side of the spectrum, a decline in revenue is expected by 61% of Transportation sector respondents and 60% of Hospitality

sector respondents. On the positive side, revenue growth is expected by 63% of Medical Technology sector respondents, followed closely by Telecom (58%), Pharmaceuticals (58%), and Software & IT Services (57%) (see Figure 21).

Figure 21. Sector 12-month revenue growth outlook

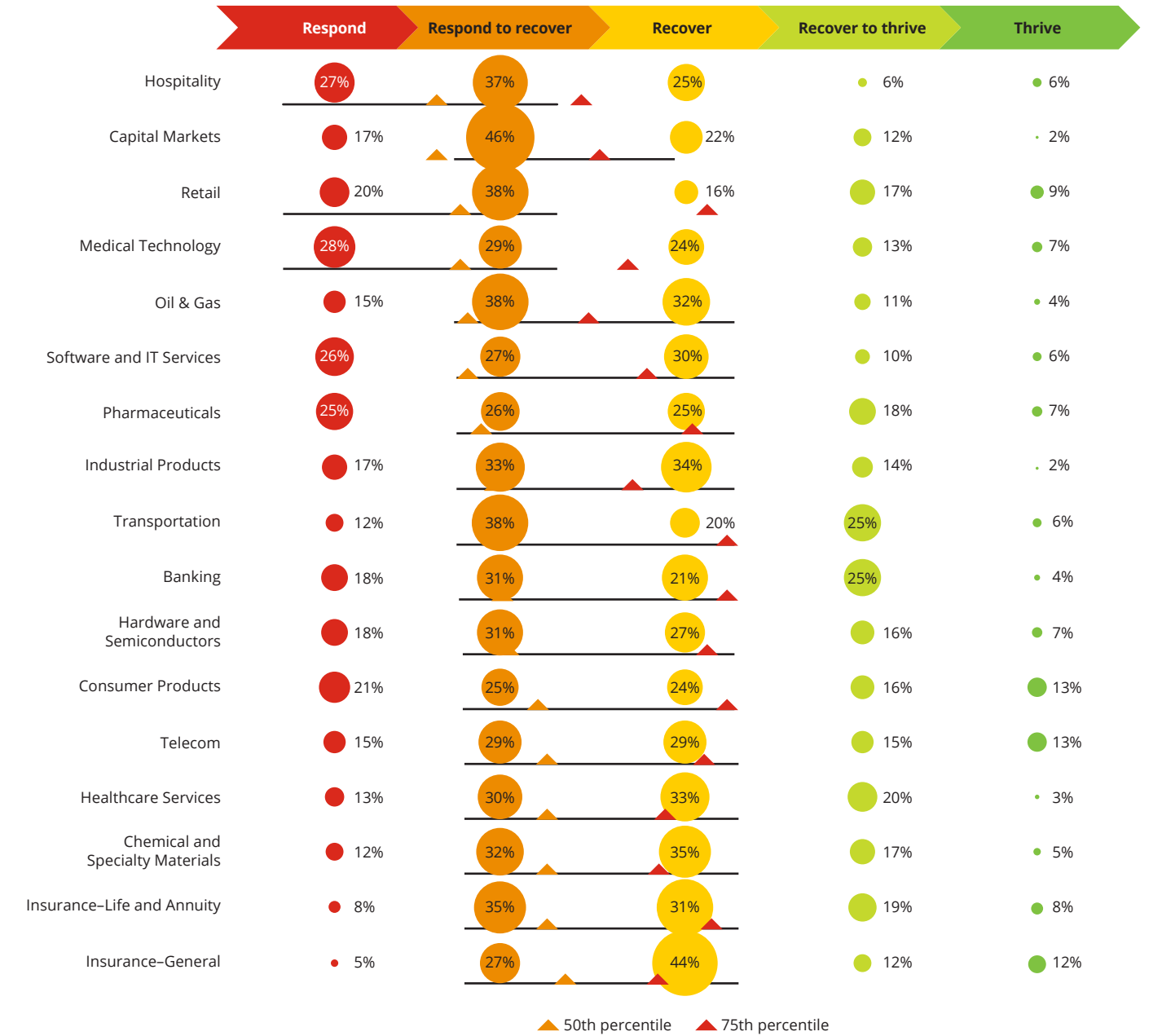


Different sectors are at different stages of progress

In addressing the challenges of COVID-19, the average rate of progress in all sectors falls somewhere between the "respond" and "recover" stages. As depicted by the orange triangles in Figure 22, the median progress in sectors such as Hospitality,

Capital Markets, and Medical Technology is skewed towards the "respond" stage, while sectors such as Insurance (both General and Life/Annuity), Consumer Products, and Banking are generally further along, with progress skewed toward the "recover" stage.

Figure 22. Current sector positioning on the Respond-Recover-Thrive framework



Looking at the red triangles (which depict the 75th percentile), the relative results directionally align with the median (i.e., the 50th percentile), but with a few noteworthy exceptions such as Hospitality (where 75th percentile companies are closer to the median than in other sectors) and Banking (where 75th percentile companies are far ahead of the median and actually lead all other sectors).

Overall, there is much more variation between sectors at the 75th percentile. However, in most cases the 75th percentile falls within the "recover" stage, except for the Hospitality sector, which has been hit particularly hard by the COVID-19 crisis.

Revenue outlooks vary significantly by industry

Although the future revenue outlook remains generally positive for all sectors—especially in the *thrive* stage—expectations vary significantly by sector (see Figure 23).

- In the *respond* stage, Transportation and Consumer Products have the most negative revenue outlooks, while Medical Technology and Pharmaceuticals have the most positive outlooks.
- In the *recover* stage, Transportation and Hospitality have the most negative revenue outlooks, while Medical Technology and Pharmaceuticals have the most positive outlooks.
- In the *thrive* stage, Hospitality, Chemicals & Specialty Materials, and Hardware & Semiconductors have the most negative outlooks, while Medical Technology and Telecom have the most positive outlooks.
- The Medical Technology sector stands out for having the most positive revenue growth outlook in all three stages.

Figure 23. Sector revenue growth outlook by stage



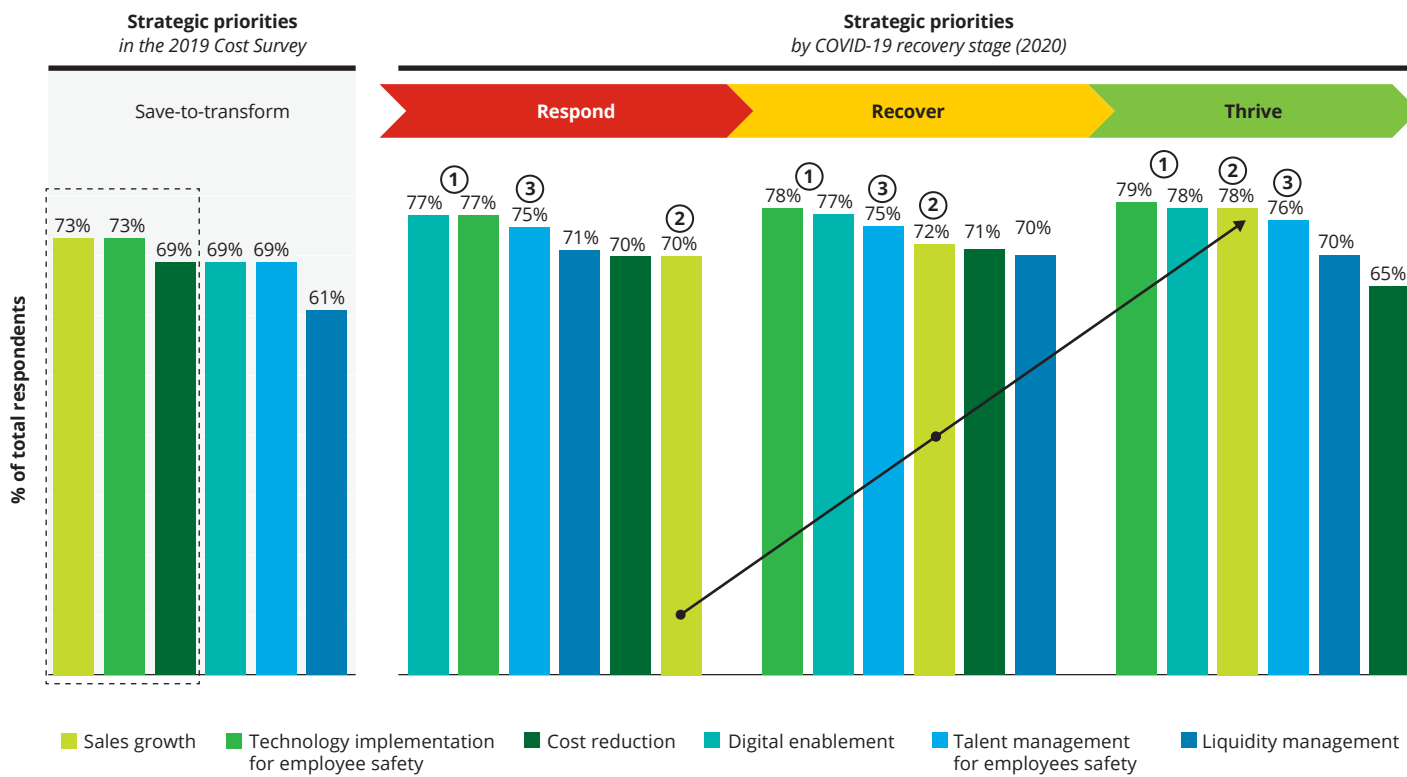
Save-to-Thrive

Save-to-Transform is becoming Save-to-Thrive

The strategic priorities associated with the COVID-19 *thrive* stage are very consistent with the Save-to-Transform trend we identified in Deloitte's 2019 Cost Survey, which uses the strategic levers of cost, growth, talent, technology and digital enablement to transform how companies do business.² And as companies bounce back from the COVID-19 crisis and position themselves

to *thrive* in the next normal, many expect to continue focusing on those same levers—but with an increased and accelerated emphasis on technology and digital enablement, along with a renewed emphasis on growth and talent. We call this evolved mindset "Save-to-Thrive." (see Figure 24).

Figure 24. Organization's strategic priorities reported at each stage



Survey findings

- ① IT-related strategic priorities (i.e. digital enablement and technology implementation) top the list of global respondents in all three stages of Respond-Recover-Thrive.
- ② Respondents expect sales growth to rise as a strategic priority in each subsequent stage, bringing the priorities into alignment with Save-to-Transform at the *thrive* stage.
- ③ In all stages, respondents continue to rank "talent to manage new ways of working" among the top priorities (along with technology and growth).

Save-to-transform

Deloitte's 2019 Biannual Cost Survey saw a shift in the key focus areas of companies from save-to-grow to save-to-transform.

This means that, in addition to cost, growth, and talent, technology became a key priority area for most companies.

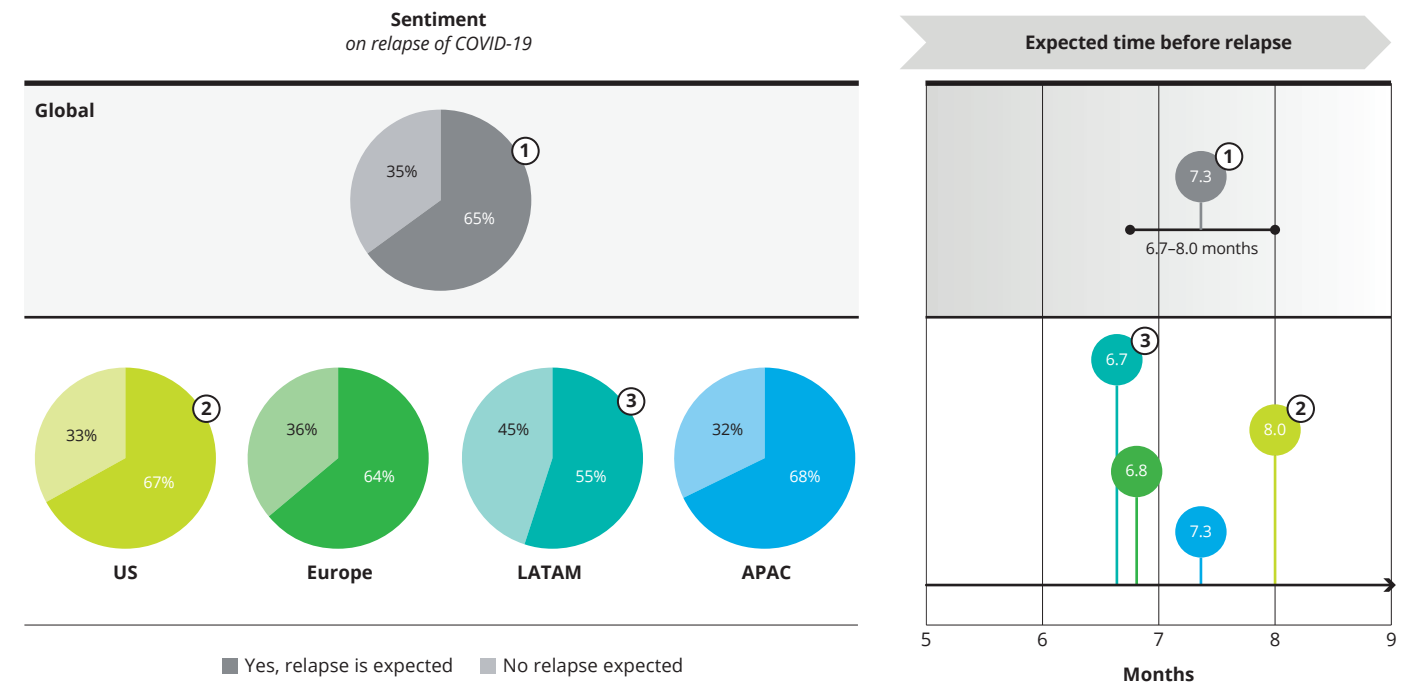
In the current survey, we can clearly observe that IT levers (technology implementation and digital capabilities) continue to be among the top priorities.

2. "Save-to-Transform as a catalyst for embracing digital disruption: Deloitte's second biennial global cost survey," Deloitte, 2019

Most companies expect a second wave of COVID-19

The majority of respondents (65%) expect a COVID-19 relapse, with an estimated timeframe of early 2021. Those that follow strategies consistent with Save-to-Thrive will likely be the ones best positioned to weather potential challenges resulting from a second wave (see Figure 25).

Figure 25. Expectation of COVID-19 relapse and expected time of relapse



Survey findings

- ① Globally, 65% of respondents expect a relapse of COVID-19, with an expected timeframe of 7.3 months from the date of the survey (early July 2020).
- ② In the US, 67% of respondents expect a relapse to happen; however, the expected timeframe is 8 months—the longest among all regions.
- ③ In LATAM, 55% of respondents expect a relapse, and the expected time timeframe is 6.7 months; both numbers are the lowest among all regions.

Conclusion

The COVID-19 pandemic is having a massive impact on the global business environment. Yet many companies continue to expect positive revenue growth—particularly in the thrive stage when they have successfully responded to and recovered from the early challenges of the crisis.

Decisions that companies make today to cope with COVID-19 can help or hinder their positioning for the future. Before the pandemic, the prevailing mindset for strategic cost management and transformations in general was “Save-to-Transform”—using the strategic levers of cost, growth, talent, technology and digital enablement to transform how companies do business. Now, we are seeing that Save-to-Transform mindset evolve into “Save-to-Thrive,” with the crisis highlighting and accelerating changes in key transformation areas such as technology and talent.

By using cost reduction and performance improvement strategically to transform the enterprise and improve competitiveness—which includes investing in key capabilities such as automation and remote work that align with the new realities of a post-crisis business environment—companies can leverage their cost savings and performance improvement efforts to not only transform how they operate, but to position themselves to thrive in the next normal.

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As the global leader of the Strategic Cost Transformation Market Offering for Deloitte Consulting LLP, Omar focuses on broad business transformation efforts, and on providing innovative and lasting solutions to local and multinational clients’ complex problems at the CEO and CXO levels in the US and globally. Omar’s areas of expertise include strategic cost transformation, margin improvement, restructuring, turnarounds, disruptive cost strategies and business model transformations enabled by “save-to-turnaround”, “save-to-fund”, “save-to-grow” and “save-to-transform” strategies to achieve sustainable results.

Omar has published widely on the topic of sustainable and scalable cost management, and has been quoted by or has written for Business Finance, The Journal of Cost Management, Strategic Finance, Chief Executive, and The Wall Street Journal, among others. He is a frequent speaker and has been a guest lecturer at the University of Pennsylvania’s Wharton School of Business, Stanford University’s Graduate School of Business, and Carnegie Mellon’s Tepper School of Business.

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Appendix

Appendix

Progress by region and country

Progress on the Respond-Recover-Thrive journey varies significantly by region and country (see Figures A1–A3).

Figure A1. Progress in Europe

In Europe, the largest percentage of companies (31%) are in the “respond to recover” phase, followed closely by those in the “recover” phase (30%). Germany leads the region with 32% of companies in either the “recover to thrive” or “thrive” phase.

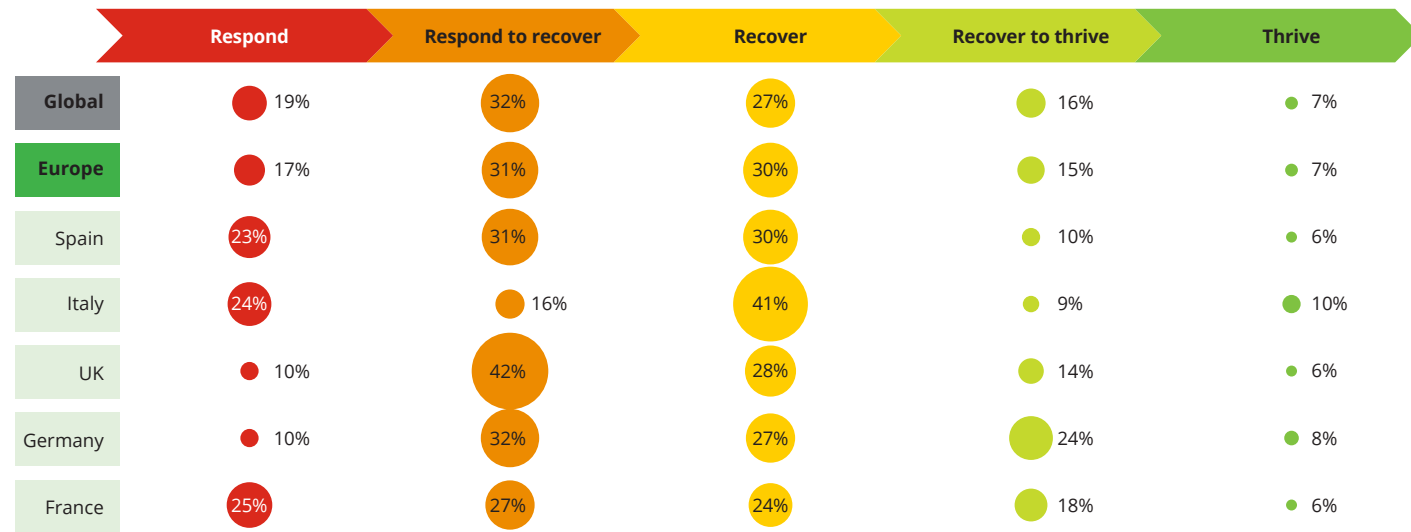


Figure A2. Progress in LATAM

In LATAM, the largest percentage of companies are in the “respond to recover” phase (35%), followed by those in the “respond” phase (26%). Mexico leads the region with 29% of companies in either the “recover to thrive” or “thrive” phase.

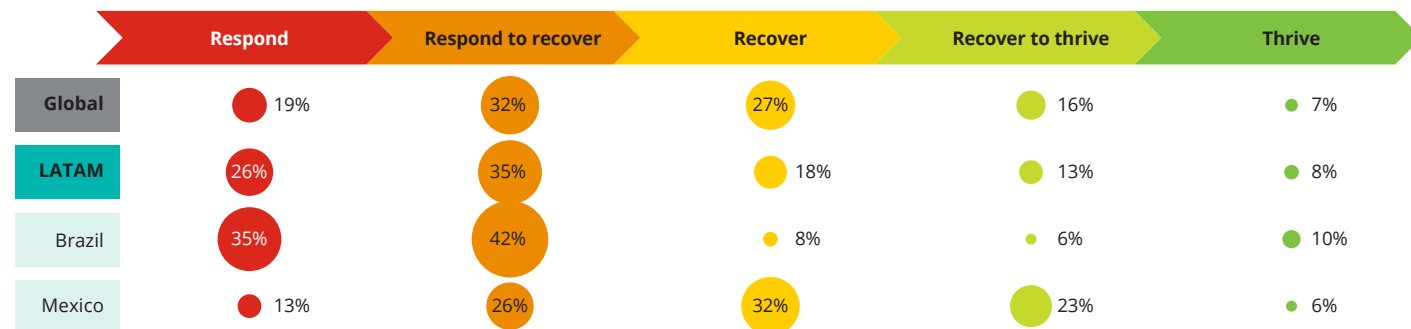
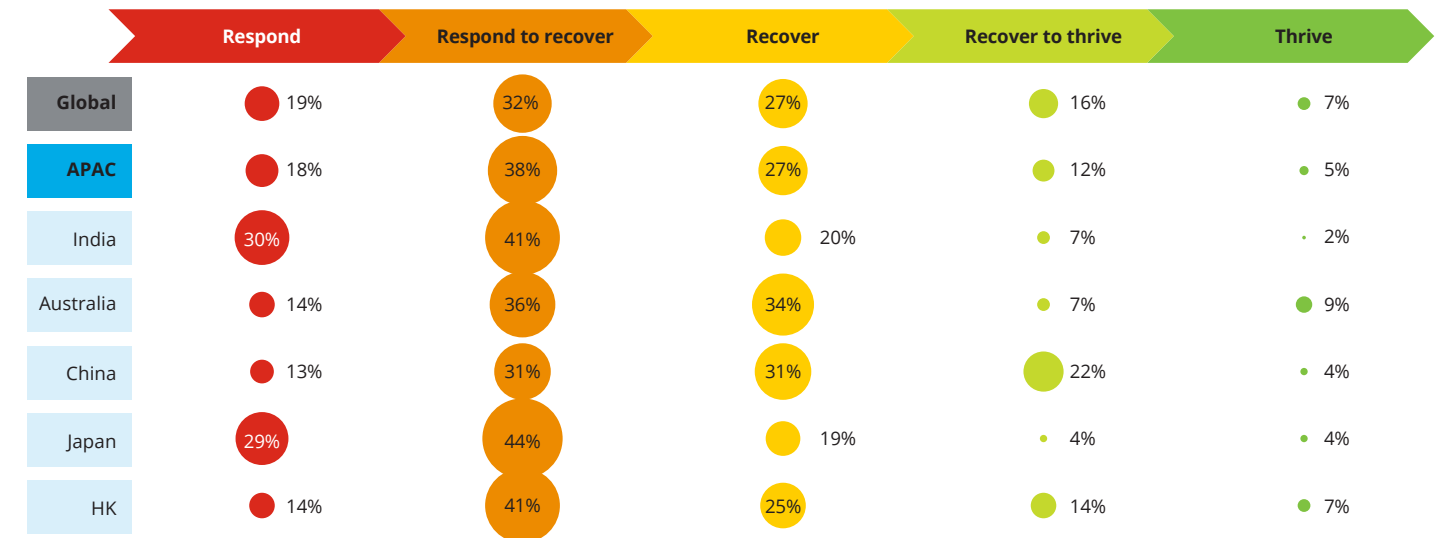


Figure A3. Progress in APAC

In APAC, the largest percentage of companies are in the “respond to recover” phase (38%), followed by those in the “recover” phase (27%). China leads the region with 26% of companies in either the “recover to thrive” or “thrive” phase.



Revenue by stage and country

Figure A4. Change in revenue expected in each stage

In the short term, Hong Kong has the most negative revenue outlook for the “respond” stage, with 48% of companies expecting revenue to decline. Long term, the most optimistic revenue outlooks for the “thrive” stage are in mainland China (87%) and India (84%).



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