

# Emerging risk landscape

The aforementioned ten risks are interconnected. They interact to affect and influence each other.

In the diagram below, network analysis of the identified risks has been depicted, which allows for identification of 'risk clusters' with cross dependencies and influences. The interconnectivity between risks has been identified based on inputs from the subject matter experts.

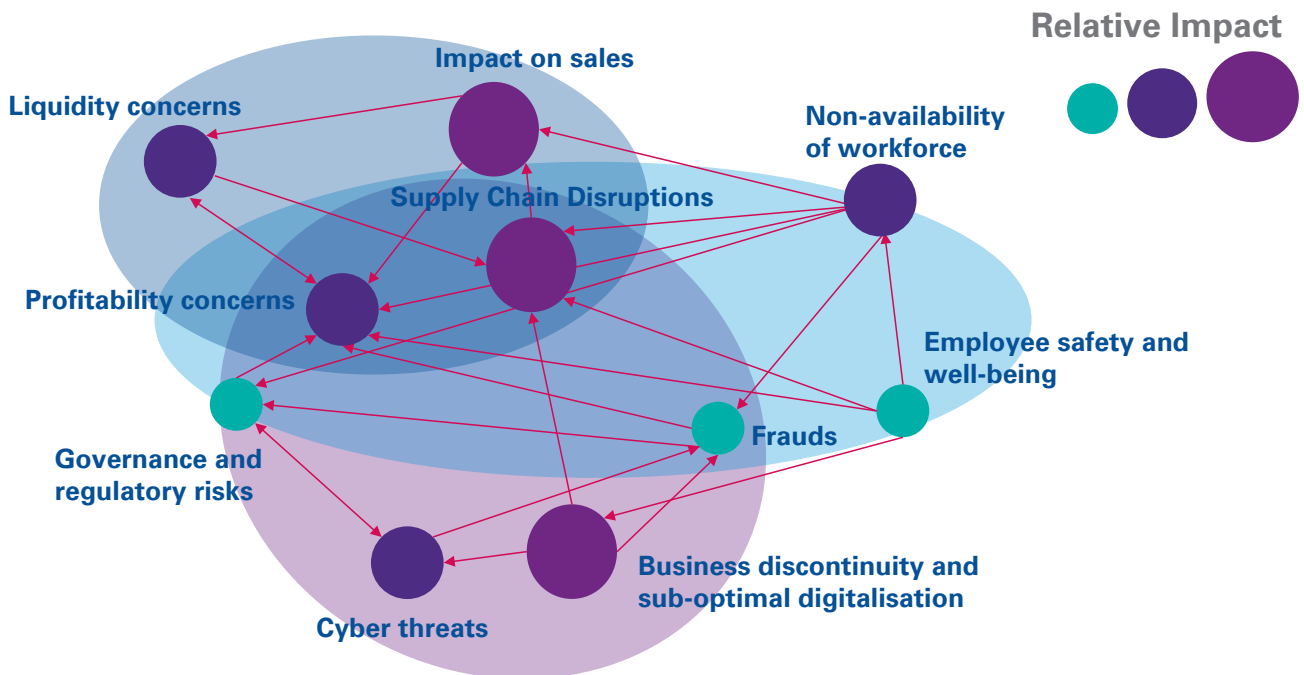
To have a holistic view of the risk environment in which an organisation operates, one should not focus on single risk on an individual basis, as it may trigger unintended consequences elsewhere in the overall risk environment.

The risk clusters are combinations of risks which are most likely to occur together by triggering each other, in the event of one of them occurring. The relative impact is

based on the responses received from the participants to KPMG COVID-19 risk assessment survey.

The interconnectivity helps to provide guidance on the optimal way to mitigate threats in totality. This means that some risks, when addressed, will have the greatest effect on mitigating other risks.

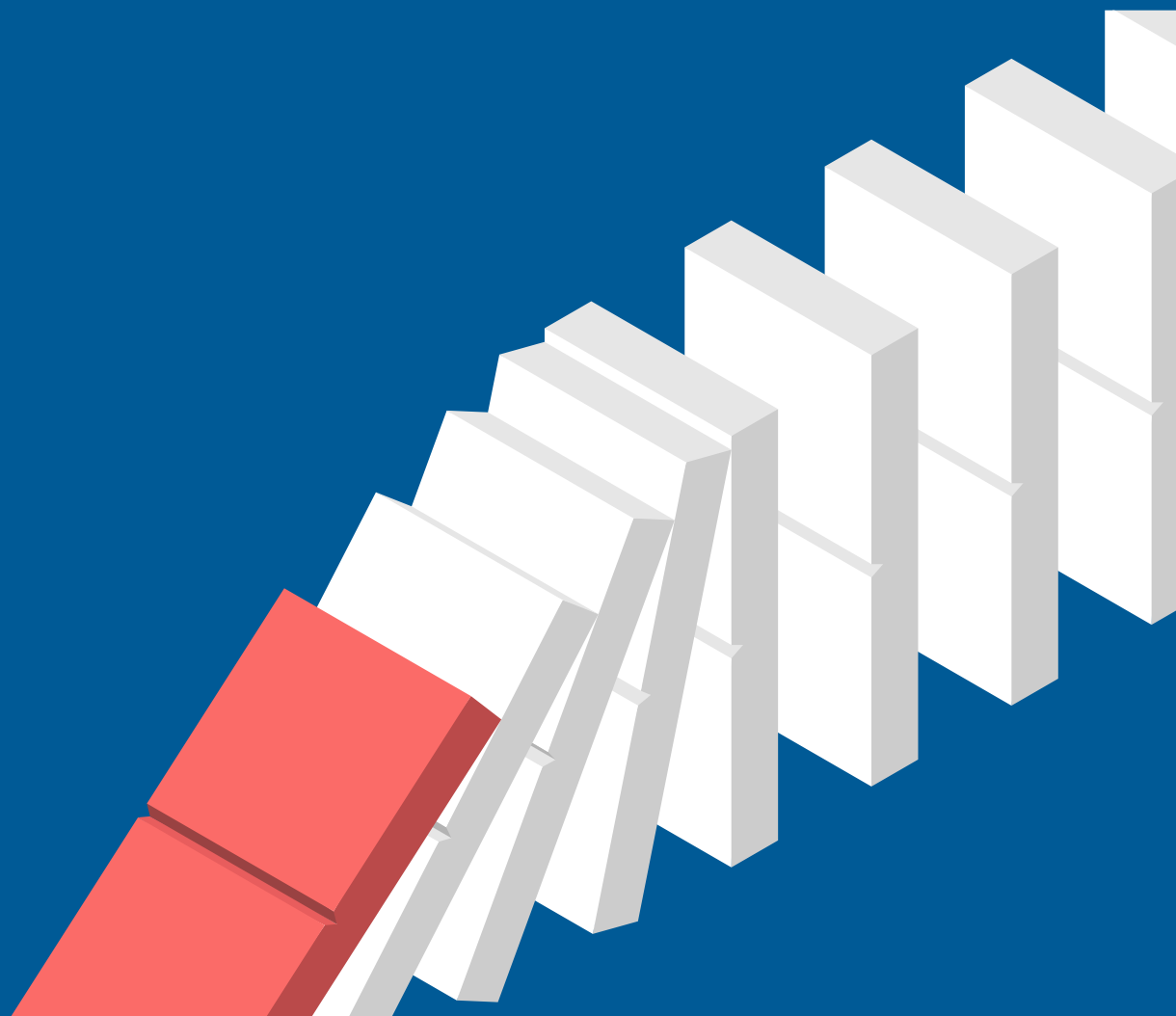
The combinations identified have been illustrated below.



<b>Cluster 1</b>	<b>Profitability</b>	Supply Chain Disruptions	Impact on Demand	Liquidity concerns	Profitability concerns		
<b>Cluster 2</b>	<b>People</b>	Employee safety and well being	Governance and regulatory	Non-availability of workforce	Supply Chain Disruptions	Fraud	Profitability concerns
<b>Cluster 3</b>	<b>Technology</b>	Business discontinuity and sub-optimal digitalisation	Cyber threats	Supply Chain Disruptions	Fraud	Governance and regulatory	Profitability concerns



# Impact of COVID-19: Key themes



# 1 | Strategy refresh - Redefining resilience

**A crisis is never an isolated and contained incident and comes with extreme levels of uncertainty. It is a situation that is generally beyond the experience of most organisations. One of the critical aspects of managing any crisis by an organisation is timely response to the situation by revisiting its strategy in order to ensure that an organisation is in the best shape possible to withstand what lies ahead.**

Organisations need to rethink and refresh their strategies to respond to disruptions across business, people, suppliers and customers. With uncertainties hovering around economic recovery, leaders are acutely aware that competition and entry of new players is inevitable, but the immediate focus seems to be on survival.

## Changing priorities

**Re-evaluate their strategies to focus on sustenance over growth:** Organisations feel the need to shift the short-term focus from growth to sustenance as they anticipate top-line growth to be stagnant coupled with increased competition.

**Selective customer focus is not seen as a key enabler:** Organisations are trying to ensure that no customer suffers and do not feel the need for selective customer focus, except for a few key players in consumer markets and financial services.

**Profiling competitor strategy not a priority but a need to thrive eventually:** The immediate focus may seem to be on survival and recovery. Respondents, however, continue to assess competitors' profiles in order to thrive eventually. Respondents are also divided over alliance as a strategy to mitigate the adverse effects of COVID-19.

Objectives have changed from growth to sustenance for the near term



No, we do not foresee pursuing a select class of customers



Yes, we have performed an assessment to find out if our competitors are better prepared to deal with COVID-19



Yes, we have considered the case for an alliance within and outside our sector



Source: KPMG in India's COVID-19 risk assessment survey

54%

Respondents feel that a price-war in a post-pandemic scenario may be imminent. The organisations that return to old ways of doing business may lose the competitive advantage of reimagining their business strategies in order to thrive eventually.

## 2 | Looking after the customers

**Customer relationships are key for any business to survive and succeed. An emotional quotient also holds true for connections between people and brands. Consumers feel that organisations have lost touch with the human element of customer experience.**

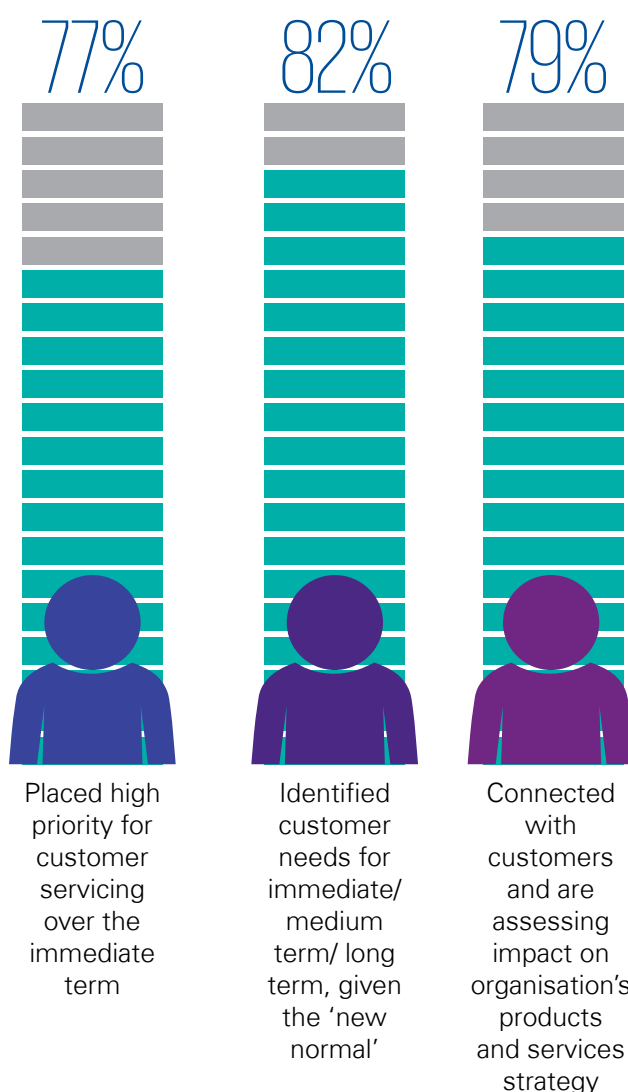
These are the times when the ability to predict and manage demand by fortifying customer relationships and placing importance on the bottom line is key. How organisations act today, in the midst of the global crisis, will influence how customers feel about placing their business with them in the future.

### Customer servicing

Customers have significantly lowered discretionary spending. These demand shocks significantly lowered annual growth estimates for most businesses. Also, virus induced panic buying has resulted in capacity constraints to meet increased demand levels/inventory and severe shortage of last-mile delivery capacity.

A resilient business adapts to evolving customer needs and emerging new behaviours. The current crisis will be a catalyst for innovation in customer offerings, outreach and unlocking greater levels of customer experience and personalisation.

For few businesses, virus induced panic buying has resulted in capacity constraints to meet increased demand levels/inventory and severe shortage of last-mile delivery capacity.



Source: KPMG in India's COVID-19 risk assessment survey

**Investing in the customer relationships in times of crisis will be repaid by lasting customer loyalty. Organisations that maintain their ethics during such periods grow and prosper.**