

How Retailers Were Forced to Modify Their Playbooks for Handling Crises

Historically, crises for consumer-facing businesses were limited to fires and robberies, or perhaps the moral failing of an executive.

The pandemic, however, challenged companies in ways no crisis has, widening the aperture on not only how businesses respond but also the types of disasters they can expect to face.

Crisis management handbooks provide some foundation regardless of the scenario, but there was no guide for handling a pandemic before last year, pointed out Brian Harper, CEO of RPT Realty, an operator of open-air shopping centers. Companies had to find long-term solutions to unprecedented challenges both far-reaching and niche.

In the process, brands changed the playbook for handling crises going forward, focusing their efforts on three pillars: humanity, liquidity and innovation.

Humanity

A company's ability to communicate effectively and empathetically will continue to play an outsized role following a year rocked by a pandemic and social unrest.

For fast-casual chain Torchy's Tacos, that meant getting the message out to customers digitally via social media channels on what it was doing to keep them and employees safe, CMO Scott Hudler said.

For its part, RPT Realty's primary aim was to provide its people with the tools they needed to succeed in a work-from-home environment while being empathetic toward their well-being, Harper said. It created manuals with best practices from sources such as the Centers for Disease Control and Prevention and holding town halls, to relay the response plan to tenants.

Party City, meanwhile, was already in the process of building an internal communications team to improve its corporate culture, said CMO Julie Roehm. That included transforming the retailer's social listening team and its call centers so that any negative feedback triggered a chain reaction of alerts, reducing response times in order to achieve resolutions within 24 hours.

Roehm emphasized that how a company communicates, how transparent it is and how quickly it responds to problems are key to finding a timely, successful solution.

Going forward, brands will be more proactive in quickly addressing the needs of employees and customers in order to create healthier work environments and increase consumer satisfaction.

Liquidity

The next most pressing issue during the pandemic was ensuring there was enough cash.

Never before had businesses contemplated a scenario where a large number of stores were required to close for lengthy periods. Ultimately, companies that were conservative with their balance sheets heading into the pandemic were better prepared.

A year ago, RPT struck a deal to place several of its properties in a joint venture with Singapore's sovereign wealth fund, GIC Private Limited, which put about \$118 million

in cash on the real estate company's balance sheet.

As the spread of Covid-19 began to threaten operations, RPT identified areas where it could curb its spending on the property level. Then it did an analysis of its tenants' financial health to determine who needed help, including mom-and-pop stores that need assistance in applying for Paycheck Protection Program (PPP) loans.

Beyond immediate measures to preserve cash, however, companies in the future will be more thoughtful about how they manage money before a crisis even strikes. They'll want to reconsider whether initiatives such as stock buybacks and dividend increases are the best uses of capital.

Innovation

A healthy balance sheet helps, but companies still have to innovate in a crisis. If the pandemic taught anything, it was that tech-savvy retailers performed better.

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