Responding to COVID-19
How the forest products industry can navigate through disruption

May 2020
As governments make significant interventions in response to the coronavirus, businesses are rapidly adjusting to the changing needs of their people, customers and suppliers, while also navigating financial and operational challenges.

With every industry, function and geography affected, the amount of potential change to think through can be daunting. But turning massive complexity into meaningful change is possible and essential.
For the forest products industry, COVID-19 is disrupting the entire value chain

To protect their people, organizations have implemented travel bans and restricted access to offices, mills, plants and timber plantations—and implemented work-from-home programs—all while examining how their workplaces operate and how people will function in a post COVID-19 world.

The impact varies widely by sector. Some mills and plants are experiencing shutdowns, while others are doing what they can to expand their capacity. But all are experiencing unpredicted events.

While the length and severity of the impact is unknown, we do know that it has scaled quickly and appears to be far from over. Leaders must prepare for the short term while also developing new capabilities and ways of working that will seamlessly enable longer-term changes to how they operate.

This document provides forest products leaders with a perspective on the evolving situation and implications for their businesses.
# The big picture:
## Key considerations for framing your response to the crisis

In the current environment, forest products companies need to respond immediately to varied demand and production challenges while laying out plans for the future. These actions fall into three categories:

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| • Stringently review outcomes of your emergency preparedness plan  
  • What went well and not so well? | • Prevent employees and contractors from coming in sick  
  • Manage entry with remote cameras and assess symptoms before workers come to a site | • Review fixed costs (leases, rentals, services, etc.) to understand options  
  • Reduce maintenance spend  
  • Stagger shift schedules to reduce personnel overlap |
| • Update preparedness plans, fill gaps and run simulations  
  • Adapt current actions to reflect new plan | • Increase social distancing in the workplace with connected worker technology  
  • Establish work practices that keep distance between people | • Shift more fixed costs to variable costs while maintaining flexibility  
  • Increase automation, utilize remote monitoring and leverage predictive analytics |
| • Does the preparedness plan actually work?  
  • Was it a good plan, but poorly executed?  
  • Audit, communicate and practice often | • Create a network of virtual operation command centers  
  • Increase planning automation for maintenance and production scheduling | • Prioritize long-term resilience, which requires flexibility and a cost structure that can adapt to variable output |

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In forest products, no sector is immune—but some have stronger defenses

Forest products sectors are struggling to gather relevant demand information that captures the wild fluctuations that are occurring across markets.

The towel and tissue segment has seen unprecedented demand, but will customer use patterns truly change?

Packaging experienced drops due to retail closures, but it is showing a resurgence due to increases in home delivery. Will this surge continue throughout the year?

While the challenges differ by sector, building resilience is critical for all. Doing this now will help forest products companies weather the storm of future unpredictability that lies ahead.

Impact of COVID-19 on the forest products industry

Days before and after crisis breaks

Source: Accenture Research analysis of industry indices performance. Rebased day of outbreak (D0) = 100, and COVID-19 outbreak date = 21 Feb 2020. To construct indices, share price and market capitalization were sourced from Capital IQ.
What should be happening now?

Actions that help mitigate near-term operational risks and protect your people
Actions that should be happening now

Uncertainty and disruption force quick action and many forest products companies have already risen to the challenge presented by COVID-19. Below is a comprehensive check list of suggested early actions to take.

Act now to define your culture and brand

- Create and deploy a response room composed of senior leadership
- Stand up cross-functional rapid response teams to deal with emerging challenges, consider participation of external parties such as suppliers, community leaders and specialized consultants
- Localize responses to communities in which you operate, and include your people and vendors
- Ensure information security monitoring for working from home

Ensure people are safe

- Deploy innovative strategies to protect your people
- Monitor your actions to ensure they are helping meet employees' physical, mental and relationship needs
- Leverage remote operating centers and technology/mobile tools to further reduce on-site workforce
- Provide access to needed technologies and mobile tools to ensure maximum productivity
- Be tolerant of initial inefficiencies, but do not compromise

Evaluate risks and opportunities and be ready to take swift action

- Assess your current financial position, looking at liquidity, capitalization strategy, revenue impact of different scenarios, market valuation outlook, competitor positioning and risks
- Update your strategic assumptions to stay ahead of your competitors
- Mitigate risk and identify opportunities that may arise from market volatility

Reduce your operational exposure

- Implement and deploy a rapid-response supply chain task force
- Assess and address potential supply chain disruptions
- Validate business continuity plans; engage suppliers, unions, communities and others
- Prepare to return to normal, but plan for disruptions and delays
- Challenge your workforce to identify opportunities to reduce operational impacts

Manage the situation with passion and discipline

- Keep track of the health of your workforce
- Monitor the sentiment of all your stakeholders, including your suppliers and contractors
- Continually assess internal and external indicators and have a mechanism in place to act swiftly
- Develop a ramp-up plan and update it on a regular basis
- Develop a risk assessment and monitor it daily
- Use applied intelligence to accelerate your response
What needs to happen next?
Actions to capitalize on opportunities beyond the immediate future
In the current climate, the decisions you make will determine how your organization fares in the near term, which is critical. But they will also have a significant impact on how well you operate in the future.

This means that effective leaders should seize the opportunity to take swift action to avoid business disruption and potential revenue loss—and at the same time, forge new levels of trust with their workforce and position their businesses for greater resilience and productivity in the future.

Each company, industry sector and region will have different needs and requirements for managing people, the workplace, customer service, data management and business continuity. But there are five major foundations that all forest products organizations should consider as they move forward:

1. **Embrace remote ways of working**
2. **Anticipate unpredictable demand**
3. **Figure out what to make and how to source it**
4. **Ensure inbound and outbound delivery**
5. **Rethink your assets**
Embrace remote ways of working

These are uncomfortable times, and they provide an opportunity for leadership to engage differently, increase communication, connect with employees and show their support.

What is a North Star for ways of working?
Embrace virtual work, upskill employees and automate workplaces for an elastic and digital future.

New workplace reality: elastic and digital

Source: “Productivity in Uncertain Times through the Elastic Digital Workplace”, Accenture, 2020
Anticipate unpredictable demand

Forest products companies have started to adjust behavior in the short term. But getting fresher demand signals as inputs to the production planning process is a major challenge.

What is a North Star for unpredictable demand?
Monitor information from new sources that have a current pulse on consumer demand, create end-to-end visibility and connect with the right partners to develop accurate demand sensing.

What if...sanitary wipes remain in high demand for the next three years due to the increased focus on cleanliness and widespread germaphobia?

Tips and accelerators

1. **Use social scraping.** Identify non-standard sources of information to identify and monitor demand swells.

2. **Augment decision-making.** Prepare for things to change by building faster outputs using artificial intelligence and predictive modeling.

3. **Build agility.** Leverage a digital twin to create multiple manufacturing scenarios that deal with demand fluctuations.

4. **Build buyer portals.** Maintain transparent relationships with customers and understand their needs.

5. **Remember sustainability.** Continue to rethink what happens to single-use products at their end of life.

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**End-to-end demand visibility in action**

- **1. Anticipate and aggregate demand**
- **2. Concurrent planning**
- **3. Supply ecosystem polling**
- **4. Fulfillment planning and execution**
- **5. Capture, sense and classify data**

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Source: Accenture Strategy
Figure out what to make and how to source it

Various types of volatility have destabilized demand signals and stability of supply across the forest products industry, including greater demand fluctuations for products such as toilet paper, unanticipated capacity constraints and limitations on the supply of raw materials due to chemical companies shutting down.

What is a North Star for sourcing raw materials?
Companies need to be able to react quickly and minimize the impact of this volatility. One way to do so is with a supply chain control tower, which allows a company to manage the confluence of inputs to outputs.

Supply chain control tower

What if...COVID-19 comes back with a vengeance after shelter-in-place orders are lifted, and the world returns to another period of social distancing?

Tips and accelerators

1. **Implement a supply chain control tower.** Orchestrate the overall supply chain from sensing demand to delivery to customers.

2. **Conduct simulations.** Assess different scenarios for demand-profile modeling by using a digital twin.

3. **Change product mix.** Produce the right product for the right market to better meet demand (e.g. at-home vs. away-from-home toilet paper).

4. **Increase real-time visibility.** Use dashboards to track data as circumstances change.

5. **Improve flexibility.** Create relationships up and down the value chain to speed response in a rapidly changing environment.

Source: Accenture experience
Forest products companies are experiencing a range of complications across different modes of transportation due to country-to-country travel restrictions and a lack of available containers. Import and export to China has slowed, reducing the supply of process chemicals and demand for lumber and logs.

**What is a North Star for inbound and outbound delivery?**
Companies can increase resilience by using data analytics to map transportation networks and ultimately by implementing autonomous logistics.

**Tips and accelerators**

1. **Map supply networks.** Leverage companies, networks and data sources to understand how supply is flowing through the network.

2. **Create contactless handoffs.** Minimize person-to-person contact by investing in RFID to track shipments.

3. **Improve the pickup/delivery experience.** Create a space that is sanitary and safe for drivers while they wait outside their trucks.

4. **Adjust pricing.** Incorporate freight rate changes into product pricing and manage discounts or promotions during high demand.

5. **Partner with network.** Engage with suppliers, distributors, retailers and customers to share transport, minimize less-than-truckload (LTL) shipments or ship direct to customers.
Rethink your assets

The COVID-19 pandemic is causing operational shutdowns, but some forest products companies are adjusting by shifting to production of essential medical equipment.

• **Mondi Gronau** is working to provide straps that will fit more than one billion nonwoven face masks, which are in increasing demand. The company is rapidly building up its capacity and volume by replacing rubber with soft elastic material that allows its machines to run quicker.¹

• **Smurfit Kappa** has developed a series of workplace dividers to separate workers from each other to help prevent infection in various settings, including hospitals in Spain. It has also used corrugated boards for face masks, beds in temporary hospitals and other styles of temporary furniture.²

What is a North Star for your assets?
Continue to work toward **product innovation** beyond the crisis, looking at more sustainable inputs and improving your ability to quickly pivot products.

What if...recycled paper becomes temporarily unavailable putting a strain on mill operations?

**Tips and accelerators**

1. **“Lean your mills.”** Focus on efficiencies such as decreasing raw material usage (e.g. water, chemicals and fiber).

2. **Invest in fast R&D.** Design virgin fiber-based products to replace recycled cartonboard products (e.g. corrugated boxes for home food delivery).

3. **Evaluate M&A opportunities.** Consider new business opportunities to ensure supply capacity, increase access to new markets and leverage new technologies.

4. **Increase inter-asset communication.** Ensure that mills can meet new forecasted demand and stay open to support your needs.

5. **Adjust pricing.** Work with suppliers and buyers to adjust pricing to help keep operations afloat during this challenging time.
New normal
Revisiting ways of working and developing future strategies
North Stars for the new normal

The COVID-19 crisis has created an opportunity to renew for the future—to strategically re-evaluate business models and be better prepared for the next “black swan” event. There are five North Stars for forest products companies to work toward in the longer term.

- Make data accessible in order to support increase in remote work programs
- Adjust employee work limitations for a more flexible and resilient workforce
- Shift some variable costs to automation, including: AI/machine learning, automated vehicles and increased use of conveyors, palletizers and stackers

- Capture data through new channels, such as social media
- Aggregate and analyze data through advanced analytics
- Respond to data insights with flexible operations

- Increase data points and data gathering to deliver the full picture
- Re-evaluate IT strategy (e.g. software, hardware, on/off shore, cloud, computers, cameras and as-a-service programs)
- Increase visibility across the supply chain through visualization
- Create action-based alerts to drive the management of materials

- Include more direct-to-customer shipping as part of the standard model
- Map supply networks
- Work with retailers on transportation logistics
- Get to driverless logistics where possible

- Increase resilience by competing in growing market sectors
- Reframe product sustainability, recognizing that the price of recovered versus single-use paper will fluctuate
- Increase flexibility to change product mix
Food for thought

The pandemic challenges us all to think differently and creatively. Below are a few questions to spark brainstorming on some hard topics.

1. **Product strategy**
   How might we **adjust our product strategy** for a more resilient future?
   - Will ecommerce see a permanent step-change increase in volume?
   - Did we cut out some SKUs during the crisis?
   - What service changes made life better for our customers?
   - What product changes improve resilience during a health-related event?

2. **Ways of working**
   How might we **grow virtual work models** in order to:
   - Engage younger generations in our workforce?
   - Positively impact our employees’ work-life balance (commute time, childcare, etc.)?
   - Reduce our CO2 footprint through less commuting?

3. **Autonomous operations**
   How might we **leverage autonomous operations or remote operating centers** to reduce operational safety concerns?
   - Which processes are more suitable for remote operations management?
   - How can wearables and hand-held devices be incorporated for operators and tradespeople?

4. **Circularity**
   How might we **reinvent our vision of circularity** with health in mind?
   - Will cleanliness specifications be updated to include disease-related topics?
   - Will there be a shift to lock in more supply of virgin fiber?
   - How do you “build back better,” leveraging investments to address climate change?
1 “Mondi adapts production line in Germany to make much-needed face mask components,” April 3, 2020, Mondi newsroom. Mondi is a global leader in packaging and paper, contributing to a better world by making innovative, packaging and paper solutions that are sustainable by design.

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Accenture Natural Resources
To learn more about the Accenture Natural Resources industry group, visit www.accenture.com/naturalresources.
To help our clients navigate both the human and business impact of COVID-19, we’ve created a hub of all of our latest thinking on a variety of topics.

Each topic highlights specific actions which can be taken **now**, and what to consider **next** as industries move toward a new normal.

From leadership essentials to helping ensure productivity for your employees and customer service groups to building supply chain resilience and much more, our hub will be constantly updated. Check back regularly for more insights.

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