

The view ahead for consumer & retail companies

Host: Jonathon Traer-Clark, GTS Managing Director

Co-hosts:

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Jonathon: [00:00](#) You're listening to the Treasury Insights Podcast. This podcast is part of our broader objective to foster a treasury relationship that prepares you for the future, supports more strategic decision-making, creates efficiencies and helps manage risk. Put it another way we want to give you the power to see what's next. Retail just lived through a market shaping year. Consumer behavior changed overnight as health and safety concerns suddenly became a purchase driver. We saw technological adoption that would normally have taken years of care in a matter of months. I'm Jonathan Traer-Clark, Managing Director of Global Transaction Services. And today I'm delighted to be joined by Jay Norris, Managing Director and Treasury Sales Manager and Rich Levine, Managing Director, Senior Corporate Banker. Together we will examine the rapidly changing consumer and retail business landscape. Gentlemen. Hello, how are you?

Rich: [00:55](#) Doing great, Jonathon. Thanks for having us on today.

Jay: [00:57](#) Doing well and glad to be here.

Jonathon: [00:59](#) Excellent. Thank you. Jay, why don't we start with you, tell us what shifts your clients have made given this crisis?

Jay: [01:07](#) Well, thank you, Jonathon. Thank you, Rich. Excited about today's discussion! The shifts that we've seen to a large degree for our consumer products and retail clients are around something you've already touched on, which is an acceleration of key things like digital leveraging technology, on demand, and then evolving to that consumer behavior and consumer drive. Many of those things were already part of the C&R industry, but what we've really seen is that acceleration and that drive over this period, a lot of innovation and development in a short period of time.

Jonathon: [02:23](#) Rich, have these trends been global? Have there been any variances across geographies or regions in different ways?

Rich: [02:30](#) These trends have been global, but they've also been pushed forward and implemented, I'd say differently across different countries and regions. Consumer behavior in North America is not always the same as it is in Europe, Asia-Pacific or Australia. The reactions from retail companies and consumers and restaurants that are selling to them are also different. I would say there has been heightened awareness of a need to connect better with consumers for each of these companies. But, even though it's been a global shift in terms of how things have moved, it's not been

uniform across regions.

- Jonathon: [03:05](#) Okay. And have either of you seen any new innovations emerging as a result of this shift?
- Rich: [03:11](#) Well, the way that consumers have interacted with these companies has certainly changed and the way that people have utilized e-commerce capabilities, mobile commerce, businesses like Instacart, anything that allowed these individuals to be able to get products in a new way has certainly evolved and changed. So, that was a very quick shift where literally you went from people that were almost predominantly physical shoppers going into stores and restaurants to in March and April having to do that all over the Internet. That's a huge change, and the reaction really has been quite extraordinary. If you think about it, given the speed with which everybody needed to make these changes.
- Jonathon: [03:52](#) Right, exactly. Jay, it's been an incredible six months. What else have you seen?
- Jay: [03:57](#) Well, that shift in the acceleration of online has also meant an acceleration of real-time payment options, alternative payment options, as well as a drive for contactless as we looked to have distance and move away from a physical presence. That's been a shift that we've certainly seen in this process. We've also seen a shift as a reaction to consumer behavior for evolution of business models focusing on where the consumer and the buyers focus. Maybe now more at home, health and wellness services, and then we have seen the clients also shift and evaluate in this period, their supply chains, really not only where they're sourcing, but how and who they're sourcing from.
- Jonathon: [04:44](#) That's interesting. Can you expand on that a bit? That global supply chains were heavily disruptive, as ships essentially became stuck in ports. Have you seen similar patterns of companies now started to go local more?
- Rich: [05:00](#) Well, think about disinfectants and the shortage that happened almost immediately, most companies weren't prepared for the volume that was going to be necessary. How do you change your supply chain and ultimately get through your sales channels to be able to come up with more of that product? What you found was, even distilleries shifting over to make that product, to be able to get things onto the shelves. If you think about the apparel that's needed for first responders; masks, gowns, things of that nature. The demand for that really expanded at a point where there was almost no way for traditional supply chains in manufacturing to be able to handle that. Companies shifted manufacturing to go over to those kinds of products, so they could be able to fill and meet that need. The way that had to be done was really hyper-local in a lot of different kinds of companies because shipping was disrupted. Getting things in and

out of the country was disrupted. That was really a lot of the hard work that was done by our clients, to be able to fill the needs for products like that.

- Jonathon: [06:04](#) Did that agility extend to their financing structures as well, Rich?
- Rich: [06:10](#) It had to, because for many of our clients, particularly I'd say on the retail and restaurant side, where you had this massive disruption in the places where they faced off with customers, which is primarily physical locations in a lot of cases. That volume was going to shift online and you have this massive investment in these fleets of stores that had to be supported. That's people, that's procurement, it's all the things that come with running a physical footprint and that required new ways of thinking about liquidity and finance. It was a much tougher proposition for some of our commercial and business banking clients, where some of the needs were more acute. Their ability to react to them was more challenged, and they just didn't have the same access to capital. It took a very different skillset and solution set with things like PPP, to be able to make sure that they got the money to keep their doors open.
- Jonathon: [07:05](#) We had to pivot according to client profile and demographics as much as anything else, right?
- Rich: [07:10](#) That's correct.
- Jay: [07:11](#) Jonathon, if you think about the shift in supply chain and the focus, it's not only the health crisis that we've experienced in 2020, but the combination of geopolitical concerns, social and economic unrest in certain locations. And the culmination of those various factors forced our clients to do this analysis and evaluation to ensure they could keep shelves full and product moving through the system.
- Jonathon: [07:38](#) One thing you also touched on was innovation in the way that consumers were connecting with clients. There's been different ways of doing contactless payments across different parts of the globe, and what that's been like for us, even from a matching services perspective?
- Jay: [07:54](#) This is something that again was a focus for the bank and for our clients and consumers ahead of the health crisis. And as Rich mentioned, the consumers and our companies that we cover do vary by country, by region based on a lot of the local nuances. What we have experienced and seen as an acceleration of the move to digital, and it's been a way for our clients to stay in front of the consumers and really answer their requests for more variety, faster delivery, more flexibility in everything that they buy and use. One of the things that we've done to address this is the addition of our corporate cards and our purchasing cards that we offer to our clients, to

our mobile wallets. Our consumers, our corporations and their employees can now use their phone to pay for goods and services that they may need.

- Jonathon: [08:49](#) Unfortunately, the pandemic is still ongoing. We're still in the prevention phase from infection and controlling the COVID-19 virus, but we're also looking at a vaccine distribution, something that's quite disruptive to supply chains, just simply because of the environmental requirements around the vaccine distribution, whether it be chilled and protected and so on and so forth. So, how has that changed any of the investment agendas or any of the priorities for clients that they shifted, the way that they're doing business for you?
- Rich: [09:17](#) Our clients have tried to think about how to plan for this year, and it's increasingly challenging just because knowing the timing of when we're going to actually get to herd immunity, is really fraught with variables. What we've seen so far is our CFOs and treasurers and their partners continue what they've been doing in a relatively conservative way as it relates to financing and liquidity. We've seen some companies that raised more money than they think they need, think about ways to deleverage throughout the year. If you're a treasurer, your primary job is to make sure that you can finance the corporation. We continue to see relatively high levels of cash. We continue to see some conservatism with regard to capital distribution, buying back stock dividends. The planning process really is managing through the vaccination process in a conservative way for most of our clients. And then just thinking about what to do once we get past that herd immunity threshold and getting back on a more rigorous investment agenda.
- Jonathon: [10:23](#) And are they doing that with the benefit of greater information? And I'm just wondering if clients have spent more time exploring their supply chains in more detail, or was it something they were always doing, but now they're being forensically examined, not just by the treasurer, but in fact by the whole company?
- Rich: [10:41](#) The pandemic is only part of that process. There's geopolitical activity that affects the way people think about supply chain. We have a changing tax environment, so it's a bit of a puzzle with pandemic, really being one of the primary driving factors. And we do see some thought that goes above and beyond just status quo planning with our clients, thinking about what to do with global supply chains. As an example, certain low cost jurisdictions, where many of our clients have source goods, they're becoming higher cost jurisdictions on a relative basis. If you're trying to manage the cost line, you're going to be looking at alternatives that might allow you to get back to a lower cost paradigm. And there's other cases of special needs or other geopolitical concerns, where on-shoring of supply is something that needs to be considered for a handful of products. It's

such a dynamic piece of our client's business that we need to think beyond just the pandemic and try to analyze how this will ultimately shake out for our clients and how they manage those supply chains.

Jonathon: [11:47](#) Jay, you discussed what the bank was doing by way of some of the trends that we're seeing. What advice, what guidance, what developments do we have that our clients might be able to take advantage of?

Jay: [11:58](#) One of the things that has been surprising is the number of our clients who did not have either a BCP or business continuity plan, or at least not one that was robust enough for the amount of dramatic change we saw so quickly. As we all moved to work and life from home, a lot of our clients were interested in, not only our business continuity plan as one of their key providers and supporters, but any advice we could provide in looking at theirs and things that we could offer. Going back to the data, the insight that the bank can provide from the companies that we work with, from what we do ourselves is invaluable to our clients. Another key piece of value that we've been providing is around fraud and fraud prevention. It's also accelerated in tough times. So, our clients are interested in hearing from us about new threats and what they should be doing to protect themselves and their business.

Jonathon: [12:52](#) Rich, there are other things going on, geopolitical changes, climate change, that sort of stuff. How do you see treasury and finance fitting into those kinds of broader objectives? I mean, there does seem to be ever increasing trend or momentum towards thinking about enterprise sustainability and obviously social initiatives doing the right thing for the communities that you serve and work and operate in as much as being a successful company in your own right. Have clients been making inquiries in that space?

Rich: [13:20](#) At the beginning of last year, this was something that just started to pick up momentum, and it's in full stride right now. It's probably 20 to 25% of my time in client discussions at this point. Sustainability is really an enterprise wide effort for our big companies and treasury and finance are now trying to figure out where they can really add value to the overall effort. The good news is that the tools that are available to them are growing, both on the corporate finance side, in supply chain financing, in managing liquidity. What used to just be a green or sustainable bond conversation with a lot of our clients is now expanded. There's now options in high-grade loan financing and some of the other channels that we just discussed. Social equity has become so much more of a priority, so we're having a lot of conversations from many different angles on how our treasury and finance colleagues can be able to put solutions together for the companies that they've worked for.

- Jonathon: [14:24](#) Can you give us an example of something new that we haven't seen before, in the last 12 months in that space?
- Rich: [14:31](#) A great example is the Bank of America social equality bond that we did at the end of last year, where we're going to be funding very specific initiatives that relate to the satisfaction to that mission. That's something that's available also to our corporate clients that have access to the high grade bond market. When companies take a look at what they want to fund and some of the things that are most important to them, there's tools available to be able to manage that and to the social equality bonds that you're seeing now happen more often are going to be much more prevalent in the financing plans for our clients. We're going to see more of these pledges coming for big companies about becoming carbon neutral and trying to find ways to achieve that. We're going to see all types of financing solutions and market solutions that are going to be related to that. This is certainly one that I can see throughout this year becoming much more common with our clients.
- Jay: [15:28](#) Building on that, Jonathon. A key example that we have seen is more of the treasury and finance partners of these corporations, not only having the conversations, but including in their procurement process, ESG meter. What they want to understand is the partners they're working with, have the same values and goals and it's driven by their own values and how they'd like to drive change. Also the consumer and the pending shift in demographics will impact all of us and all of the business models.
- Jonathon: [16:00](#) That's really interesting. It's not just what these companies do in terms of the products and services, goods and so on that they provide, but it's essentially how they're doing it. Responsibility is a big part of what we do here, as we continue to grow at the bank. Any other final observations you'd like to share with our audience, Jay?
- Jay: [16:19](#) I think our clients are focused on the change. We share with our clients a mutual desire for more reliability, simplicity, speed, transparency and insight into what and where all parts of the organization are functioning. Rich?
- Rich: [16:38](#) It's important for all of us to know where our clients are going, as their plans change throughout the year. The important thing is to make sure that everybody is connected, and know where our clients want to go with managing treasury, finance and liquidity.
- Jonathon: [16:52](#) Gentlemen, I want to extend my sincere thanks to both of you for your insights and your knowledge and your thoughts around the industry. And I know that all of us will be watching and listening very closely over the coming months and years. Thank you for looking after our customers.
- Jay: [17:08](#) Thank you for having us.

Rich: [17:09](#) Thank you, Jonathon.

Jonathon: [17:11](#) You're both welcome. You've been listening to Treasury Insights. I'm Jonathan Traer-Clark, Managing Director Global Transaction Services. My co-host today are Jay Norris, Managing Director and Treasury Sales Manager and Rich Levine, Managing Director and Senior Corporate Banker. As each day brings innovation and opportunity, we are dedicated to working with you to turn technological advances into intelligent treasury.

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