



FIRESIDE CHAT WITH NOAH LAPINE, PRESIDENT OF LAPINE

This month, members of the Effectus Strategy Practice had the pleasure of sitting down with Noah Lapine, President of Lapine, to discuss his experience with all of the outcomes of the past year (the good, the bad and the ugly), as well as get his perspective on the continued challenges that global teams are facing today and shed some light on some new opportunities for leaders in the Ecosystem of Product for next year.

For our new readers who may not be familiar with the terminology "Ecosystem of Product," we at Effectus view it as the value chains or value webs that make up the environment where brands, suppliers, retailers and consumers connect. Although the concept might sound simple, in reality, there are so many moving parts that impact the product journey and execution of services, that no two webs are exactly the same.

Introduction: "Noah, could you please start by giving us a brief introduction about who you are, what your company does, and the role that you play there?"

Sure! I will start with defining Lapine – we are a Consumer Engagement Agency, and for us that means helping brands navigate the intersection between physical and digital engagement with consumers. Today, more often than not, that is rooted in access via some type of digital platform or experience.

We are a 3rd-generation, family-owned business founded in 1962. As for myself, upon graduating college, I spent 2 years serving with Teach For America, and then joined my father, and grandfather at the time, here at Lapine where I have spent the last 24 years. I am currently the company President.





Question: “In the past year, when did you first take a look at everything that was happening in the world and start to assess the impact (if any) that it would have on the people and brands that you serve at Lapine?”

Given our direct relationships with businesses in Southeast Asia, we began learning about and reacting to the impact to our supply chain back in November and December of 2019. While the magnitude wasn't fully known, we immediately began communicating with our clients and activating supply chain contingency plans.

We always try to keep a diversified set of manufacturing resources, and what was interesting is as we shifted operations away from our partners in Southeast Asia during the time period from November 2019 to February 2020, we soon noticed a cycle as things started shutting down in North America, and began reopening in Southeast Asia.

The same is true with our workforce with associates in the US and India. The timing of the impact in each country was different and remains a constant element of our planning as we adapt around the world.

Question: “To focus a little more on the operations side of the business: around the late-February/early-March timeframe, there was a very drastic awareness in the U.S. centered around Covid-19. Given how quickly things went from ‘it’s fine’ to the country shutting down:

- 1. What are some of the things you saw companies do that were wise?**
- 2. What were some of the missteps you noticed where companies were resistant to react?”**

In those early days, with so much uncertainty, there was a mix of luck, planning, and execution that determined how different companies fared. There were opportunities for smart pivots for many, but in some industries, like hospitality, the options were limited. For some companies, the shift to manufacturing PPE was an opportunity to fill gaps and supplement other losses they were suffering. The ones who moved the fastest and leveraged their strength of relationships and know-how in the right channels not only survived, but they have thrived.

Within the first 90 days, we could start to see sectors fall into one of three categories: those who would be absolutely devastated, those who could get a fighting chance, and those who might benefit greatly. Regardless of which bucket they fell into in the early stages of the pandemic, as it has worn on, the separators of performance we see have been fast decision making, strength of organizational leadership, and a focus on employee connectedness and wellness.

I think the companies who made the biggest mistake were the ones who only saw impending doom. They assumed they were among the companies and sectors that would not have a chance of surviving, when in reality, they may have had a real opportunity to gain market share and create sustainable pivots during this timeframe.



For those companies who recognized they were in one of the two more favorable buckets, the biggest battle was supply chain management and procuring supplies for unpredictable demand. For some, that volatility even gave a false sense of security when they did not just meet their forecast, but exceeded it. What was misleading was that normal behavior was no longer relevant. Consumers were cutting back in areas they normally wouldn't and vice-versa, especially when it came to products they felt the need to buy in bulk. Those who were able to keep a level-head and stay nimble in such a state of uncertainty were the ones who have made the most of their situation.

Question: "Is there any particular learning or outlook that you wish you would have had up front that would have guided you towards different decisions regarding the operations at Lapine?"

The first thing I would say is I do not think we have reached the end of this situation. During the early, difficult days of WWII, Winston Churchill said, *"It is not the beginning or the end, but it may be the end of the beginning."* That seems to be where we are right now – and it is hard to say how long this phase will last or what the next one will bring.

One of the things I have thought about a lot during this period are the similarities and differences between this crisis and the one we went through in 2008 and 2009. With the 2008 crisis, the build up was more of a slow-rolling train approaching as opposed to the events we have experienced this year - which were more like a bullet train.

Ten years ago, our company we didn't have the data that we have today which has enabled us to make more informed, faster decisions this time around. We were able to zoom-in on tangible data-points and evidence as opposed to relying so much on the emotional data-points which can often be misleading.

This crisis is multi-faceted with health, financial and psychological aspects. That required us to stand very firm in our values, and while part of that certainly entails looking after the financial health of the business, it also meant keeping our people healthy and safe above all else, regardless of the repercussions it could have on the business. That meant not letting people go, not cutting salaries or benefits, and also being hyper-transparent. We decided we were going to show our people the reforecasts, the performance stage gates, and also the risk factors. We also decided that we would have a weekly, company-wide debrief on what was happening in the business, how we were performing against key benchmarks, and what we were asking of them in order to help all of us control our fate in this. Ultimately, it comes down to identifying the things that we can and can't control and keeping the team focused on the things that are in our sphere of influence, which includes the way we react to the things that are not. Those are all things we did not do a decade ago, and I would say it is those lessons that stand out to me right now.

Question: “From a business perspective, whether on the operation or commercialization front – what do you think will be a legacy of this experience within the Ecosystem of Product? Which changes should we expect to not just be a phase?”

This whole experience has accelerated some existing trends by a matter of years. For example, a company's roadmap that may have aimed to be dependent on digital environments for a large percentage of total revenue in the next three years, may be an accelerated reality right now! Along with this comes the acceleration of the investments around digital capabilities, direct-to-consumer strategies, and their ability to interact with consumers in non-traditional venues. For instance, if you're in the CPG space and you depended on physical engagement whether at a restaurant, hotel, or convention, and those opportunities becomes scarce, how will your brand find new ways to engage with those consumers?

Even with stores being open again, consumers are not paying nearly as much attention to signage and displays from brands. Instead, the people going to these stores are on a mission to get what they came for and get back home. Brands are realizing this and it is forcing them to act quickly to stay relevant to their consumers' changing behaviors. This also means reviewing and bolstering the skillsets and competencies of team members who must navigate these changes and come up with new solutions.

Question: “Companies like WhatsApp, Venmo, Instagram, Uber and Slack were all founded during the last period of economic downturn and the same has been seen throughout history (where companies identified a gap in the ecosystem and found their niche amidst periods of uncertainty to become true outliers). Have you seen that kind of potential in any companies during this timeframe?”

We are all Amazon users, but pre-COVID, the percentage of all business done online was still relatively small. The acceleration of online shopping has really been crunched down from 3 years to 6 months and you see the players that came into this crisis with a head start really separating themselves from those that were slow in adapting to this new reality. I would bet that for most people, an Amazon box is showing up at our homes every few days or so - all the downstream implications of that is pretty dramatic. You remove that kind of percentage from what was already a weakening brick-and-mortar retail market, and it is catastrophic. You are seeing that play out in real-time as the list of bankruptcies and near-bankruptcies have just mounted up and I believe that is going to continue. I think there is going to be an accelerated clearing out of the retail landscape and the need for it being reimaged is important.

The companies that do not have all of their eggs in one basket and that have a diversified approach to their back-end supply chain and a global approach to staffing have a much greater advantage as well. If you have a diverse set of resources, then you are in as good of a position as any to come out of something like this more favorably than a company that does not. Also companies that can eliminate the physical separation as an obstacle to doing business will win big. That's not just Zoom. Organizations that have collaboration tools and platforms that allow stakeholders to engage in a meaningful way regardless of geography will be in high demand.



Question: “Because of Lapine’s experience and track record in the Ecosystem of Product, your clients look to your company for insights and guidance. What are the questions they generally ask for your help with?”

I think a lot of it is focused around consumer insights - as we are talking about the uncertainty of what comes next. Understanding the shopping preferences and habits of consumers has always been one of the biggest challenges for businesses, even pre-pandemic. Nowadays, a lot of brands are shifting their focus to the Millennial and Gen-Z demographics for market growth, as they are the life source of brand survival in the future. On top of that, communicating with that generation requires pivots to their traditional engagement strategies.

The biggest questions we are being asked now are centered around how to get a pulse on what this will mean for consumer behavior from this day forward? What tools do we have to meet that need? How do we distinguish between a crisis-induced temporal shift in consumer behavior and a lasting shift that you should pivot your business around?

They ask for advice about what to do to adapt to the market and planning - but getting those signals from the present about the future is never an easy exercise and the difficulty of that exercise increases as uncertainty increases. You have social uncertainty, economic uncertainty, health uncertainty, political uncertainty. There are also confusing signals, like how there can be record unemployment, yet the stock market continues to defy gravity. There is confusion about the traditional retail marketplace and uncertainty around staying engaged and top-of-mind with consumers during this time. Keeping the conversation going is tricky, but today it is mission-critical.

Question: “We have talked a lot about learnings that should be thought through and actions that should be taken. Vijay Govindarajan talks about 3 boxes. Box 1 being things that drive your economic engine today. Box 3 being creating the new future. Box 2 being things you are doing today that you should stop. Thinking about the Ecosystem of Product, is there anything happening that falls into box 2 that people and businesses are stubbornly holding onto and the pandemic has confirmed the need to remove?”

I think one thing that a crisis is great for is instant clarity. There is no time to dilly-dally or have philosophical arguments about what matters most. You cannot get into a philosophical argument while your ship is sinking, you just have to act, and I think that is what box 2 is about. However, giving up those things can be easier said than done. Distractions and non-productive activities may be easier to let go once you have identified the right data and signals that urge decisions and are hard to ignore.

That means sharpening the current business model, improving the things you do today and delivering a higher level of service and efficiency. It also means the re-allocation of time and resources into the business of tomorrow to replace the chunk that’s been lost. I know first hand from being in a 58 year old company that there are strong memories and connections to the elements of the business that has gotten us this far. It doesn’t mean that history is the map for the future. If companies aren’t careful, nostalgia can quickly become the enemy of progress.