COVID-19

BCG Perspectives

Facts, scenarios, and actions for leaders
Publication #5 with a focus on
Revamping Organizations for the New Reality

Version: 8 May 2020
COVID-19 Perspectives

Objectives of this document

COVID-19 is a global societal crisis

We at BCG believe that the COVID-19 outbreak is first and foremost a societal crisis, threatening lives and the wellbeing of our global community. Society now, more than ever, needs to collaborate to protect people's lives and health, manage mid-term implications, and search for lasting solutions.

Leaders need to drive an integrated response to navigate the crisis

It is the duty of health, political, societal, and business leaders to navigate through this crisis. A complex interplay of epidemic progression, medical response, government action, sector impact, and company action is playing out. This document intends to help leaders find answers and shape opinions to navigate the crisis in their own environments. It encourages thinking across the multiple time horizons over which we see the crisis manifesting itself.
LEADING IN THE
NEW REALITY

Flatten

1 Develop Scenario-Based Planning Approach to manage uncertainty

Fight

2 Create a Rapid Response and Transformation (RR&T) team

Future

6 Restructure Cost, manage Cash, & Liquidity

7 Emerge Stronger; drive advantage in adversity

8 Accelerate Digital and Technology transformation

Establish crisis management

Navigate through Flatten, Fight, and Future

1 Flatten

Focus of this edition

3 Revamp Organization for the New Reality

4 Drive Topline Security and Customer Trust

5 Stabilize and restart Supply Chain, Manufacturing

9 Help Society during COVID-19

9 action areas for business leaders

Note: RR&T = Rapid Response and Transformation Team
Source: BCG
With several countries in restart mode, a critical priority for businesses is to think through emerging PEOPLE implications

- Many countries are moving into restart mode with the easing of lockdown measures from early May
- Consumers are starting to have a more optimistic outlook than two weeks ago, and are spending more time on the move
- Clear people priorities are emerging – including 'smart' (more remote, lower cost) work and a more flexible workforce, but also leadership and purpose
- As companies begin bringing (some of) their people back to work safely to meet business demand, a more flexible workforce will be required
- Leaders must assess current capabilities and future strategic needs to define a people plan that caters to short-term crisis and long-term strategy

Across countries, efforts to flatten the curve and ramp-up testing continue; the impact on economy, sectors, and business persists

- Globally, about 33% of COVID-19 patients have recovered and the case doubling rate has improved to 28 days
- While many countries are planning to relax lockdown measures based on the flattening disease spread curve, they continue to step up testing
- The testing landscape is changing rapidly and molecular testing continues to be the “gold standard;” efforts focused on improving speed
- Economic and employment impact from lockdown of 'non-essential' activities during 'Flatten' phase becoming more evident for many countries
- Economic forecasts deteriorating globally for 2020 while remaining stable for 2021; global rebound to pre-COVID levels not expected before end of 2021
- Total Shareholder Return continues to rebound with only a few sectors above pre-crisis level; impact still varies widely within industries

We believe during this crisis leaders need to think along two dimensions:

1. Taking an integrated perspective on health/medical progression, governmental responses, societal reactions, and economic implications to understand business/sector impacts
2. Thinking multi-timescale in a Flatten-Fight-Future logic
COVID-19 will be a journey with three distinct phases requiring an integrated perspective

1. Flatten
   - Typically the initial phase after a pandemic outbreak – goal is to urgently limit number of new cases, especially critical care
   - Social distancing (lockdown) and partial business closures, lead to economic recession with large employment impact

2. Fight
   - Finding paths to collectively fight the virus, restart the economy, and support society in balancing lives and livelihood
   - Increasing economic activity with recovering GDP, some business reopenings, and social distancing on sustainable level

3. Future
   - Disease controlled through vaccine/cure/ herd immunity, and treatment within sustainable medical capacities possible
   - Reactivated economy with strong business rebound and job growth, social restrictions limited or completely suspended

All of the above five factors result in specific economic and social outcomes in each phase

Source: BCG
Guide for leaders

Getting ready for Restart
How to revamp organization for the New Reality

Updated epidemic, economic, and business scenarios and impact

Epidemic progression
Economic impact
Business scenarios and impact

Appendix: Detailed action areas and further readings

Detailed action areas for business leaders
Further readings
## COVID-19: Impact dashboard

### As of 06 May 2020

#### Epidemic Progression

<table>
<thead>
<tr>
<th># of cases</th>
<th># of recoveries</th>
<th># of fatalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.7M</td>
<td>1.2M</td>
<td>264K</td>
</tr>
</tbody>
</table>

- **# of days of case doubling**:
  - 22 Apr: 19
  - 29 Apr: 25
  - 6 May: 28
- **# of reported recoveries as % of total cases**:
  - 27%
- **# of countries with 1k+ cases**:
  - 81
- **# of tests / case**: 19
- **# of tests / million**: 12k

#### Economic Impact

**GDP forecasts** *(Current outlook, likely to evolve further)*

<table>
<thead>
<tr>
<th>IMF forecast</th>
<th>2020 As of Jan’20</th>
<th>2020 As of May’20</th>
<th>2021 As of Jan’20</th>
<th>2021 As of May’20</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>2.0%</td>
<td>-5.9%</td>
<td>1.7%</td>
<td>4.7%</td>
</tr>
<tr>
<td>China</td>
<td>6.0%</td>
<td>1.2%</td>
<td>5.8%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Europe</td>
<td>1.3%</td>
<td>-7.5%</td>
<td>1.4%</td>
<td>4.7%</td>
</tr>
<tr>
<td>India</td>
<td>5.8%</td>
<td>1.9%</td>
<td>6.5%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Japan</td>
<td>0.7%</td>
<td>-5.2%</td>
<td>0.5%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

**Estimated current employment impact**

- US: 159 employees impacted (21%)
- UK: 33 employees impacted (14%)
- Germany: 45 employees impacted (23%)
- France: 28 employees impacted (36%)
- Italy: 23 employees impacted (28%)
- Spain: 20 employees impacted (21%)

#### Stock market performance

<table>
<thead>
<tr>
<th>Stock market performance</th>
<th>20 Mar vs 21 Feb</th>
<th>06 May vs 21 Feb</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P500</td>
<td>-31%</td>
<td>-15%</td>
</tr>
<tr>
<td>FTSE100</td>
<td>-30%</td>
<td>-20%</td>
</tr>
<tr>
<td>DAX</td>
<td>-34%</td>
<td>-21%</td>
</tr>
<tr>
<td>CHN SSE</td>
<td>-10%</td>
<td>-6%</td>
</tr>
</tbody>
</table>

#### Total Shareholder Returns

<table>
<thead>
<tr>
<th>Total Shareholder Returns</th>
<th>Americas</th>
<th>Europe</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharma</td>
<td>-19%</td>
<td>-20%</td>
<td>-22%</td>
</tr>
<tr>
<td>Telecom</td>
<td>-17%</td>
<td>-20%</td>
<td>-14%</td>
</tr>
<tr>
<td>F&amp;B</td>
<td>-26%</td>
<td>-24%</td>
<td>-12%</td>
</tr>
<tr>
<td>Software</td>
<td>-30%</td>
<td>-32%</td>
<td>-28%</td>
</tr>
<tr>
<td>Retailing</td>
<td>-42%</td>
<td>-36%</td>
<td>-24%</td>
</tr>
<tr>
<td>Capital goods</td>
<td>-38%</td>
<td>-35%</td>
<td>-29%</td>
</tr>
<tr>
<td>Financials</td>
<td>-36%</td>
<td>-35%</td>
<td>-19%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>-42%</td>
<td>-26%</td>
<td>-22%</td>
</tr>
<tr>
<td>Auto</td>
<td>-47%</td>
<td>-45%</td>
<td>-32%</td>
</tr>
<tr>
<td>Energy</td>
<td>-56%</td>
<td>-45%</td>
<td>-41%</td>
</tr>
</tbody>
</table>

### Business Impact

#### Stock market performance

- Performance tracked for two periods, first from 21 February 2020 (before international acceleration of outbreak) to 20 March 2020 (trough of the market) and from 21 February 2020 through 06 May 2020

#### Total Shareholder Returns

*IMF forecast as of Jan’20, As of May’20*

1. No. of doubling days based on 7 day CAGR
2. Mean of values for top 15 countries by nominal GDP (except China)
3. On-going trials including pre-clinical, Phase 1 (first trial in humans), Phase 2, Phase 3, Phase 4
4. 12 month development ‘best case’, then likely to require time to scale across population
5. Remdesivir is approved now, could be more widely available by Jul’20. For the next wave, estimated timeline is Oct’20 - April’21 (6-24 months), if first round of drugs being tested succeeds - then 6-9 months, if not - substantially longer
6. Available data as of May 1; figures are changing rapidly and often being reported with a lag from the current date
7. Includes increase in unemployment and employees covered by government’s wage support programs
8. Performance tracked for two periods, first from 21 February 2020 (before international acceleration of outbreak) to 20 March 2020 (trough of the market) and from 21 February 2020 through 06 May 2020
9. Food & Beverage

Source: WHO, World Bank, JHU CSSE, Our World in Data, IMF, Bloomberg, BCG, Employment data: Eurostat, Trading Economics, Gov’t Wage Support figures: The Guardian (UK), Reuters (Italy), News Break (Spain), RFI (France), Bauman (Germany)
Many countries in restart mode with easing of lockdown measures

As of 06 May 2020

### # of days for case doubling

1. No. of doubling days based on 7 day CAGR. 2. For China, S Korea, Hong Kong, number of average daily new cases is fewer than 10 resulting in ~0% growth rate; and very high doubling days.

### Current status of measures

- **Europe**
  - **Spain**: Four phased de-escalation of restrictions planned with Phase 0 starting 04 May
  - **Germany**: Cautious exit in coordination with states with ongoing restrictions
  - **France**: Plan to ease restrictions from 11 May with shops and businesses to reopen
  - **Italy**: Factories, wholesale trade, parks opened. Restrictions on restaurants till 01 June
  - **Sweden**: “Low-scale lockdown” approach avoided total economic shutdown
  - **UK**: Gov’t to review lockdown by 07 May and announce plan for easing restrictions

- **North America**
  - **US**: Federal gov’t proposed three-phase plan; implementation at governor’s discretion
  - **Canada**: Several provinces started to ease restrictions on allowing non-essential businesses

- **Asia**
  - **Japan**: Declared emergency with suggested lockdown restrictions; extended till 31 May
  - **China**: Eased in low-risk areas with shops opening; extended in high-risk areas for 2 weeks
  - **S Korea**: Avoided lockdown with exception of schools; now reopening gyms, cinemas, bars
  - **Hong Kong**: Avoided lockdown with exception of schools; now reopening gyms, cinemas, bars

<table>
<thead>
<tr>
<th>Country</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th># of days for case doubling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td></td>
<td></td>
<td></td>
<td>164 (↑)</td>
</tr>
<tr>
<td>Germany</td>
<td></td>
<td></td>
<td></td>
<td>108 (↑)</td>
</tr>
<tr>
<td>France</td>
<td></td>
<td></td>
<td></td>
<td>103 (↑)</td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td></td>
<td></td>
<td>87 (↑)</td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
<td></td>
<td></td>
<td>29 (↑)</td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td></td>
<td></td>
<td>25 (↑)</td>
</tr>
<tr>
<td>US</td>
<td></td>
<td></td>
<td></td>
<td>28 (↑)</td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td></td>
<td></td>
<td>23 (↑)</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
<td>47 (↑)</td>
</tr>
<tr>
<td>India</td>
<td></td>
<td></td>
<td></td>
<td>11 (↓)</td>
</tr>
<tr>
<td>China</td>
<td></td>
<td></td>
<td></td>
<td>NA2</td>
</tr>
<tr>
<td>S Korea</td>
<td></td>
<td></td>
<td></td>
<td>NA2</td>
</tr>
<tr>
<td>Hong Kong</td>
<td></td>
<td></td>
<td></td>
<td>NA2</td>
</tr>
</tbody>
</table>

Notes: ‘(Began….)’ refers to the start date of a country’s lockdown, lockdown definition varies among countries but generally refers to date non-essential businesses were ordered to shut down. Easing of lockdown comes with certain restrictions in all the countries; Source: Oxford COVID-19 Government Response Tracker, World Economic Forum, Our World in Data, Press search, BCG Analysis
Consumers starting to display more optimistic outlook than two weeks ago

Source: BCG COVID-19 Consumer Sentiment Survey. March 6–9, 2020 (N = 3,454 UK; 3,465 US), March 13–16, 2020 (N = 2,521 France, 2,797 UK, 2,417 US), March 27–30, 2020 (N = 2,928 Canada; 2,985 France; 2,150 Italy; 2,984 UK; 2,944 US), April 10–13, 2020 (N = 2,827 Canada; 3,156 France; 2,922 Italy; 3,112 UK; 2,960 US), and April 24–27, 2020 (N = 2,933 Canada; 2,954 France; 3,024 Italy; 3,126 UK; 2,783 US), unweighted, representative within ± 3% of census demographics.

Note: Question text: “How much do you agree with each of the following statements about the coronavirus?”
People starting to spend more time on the move

As of 02 May 2020

**Non-residential movement compared with usual**
Tracked as changes in visits to retail & recreation stores, grocery stores and pharmacies, parks, transit stations, and workplaces

**Weekly city movement compared with usual**
Tracked as movement of people including walking, cycling, public transport usage, cabs, etc. by an app.; 100% implies usual level of movement

---

1. Taken as weekly average compared with decline from baseline (median value to corresponding day of the week during Jan3-Feb 6 2020); Represented only for selected countries.

Note: Dates mentioned are the week commencing. Source: Google mobility report; Citimapper mobility index.
With Restart, businesses start to think about revamping organizations for the new reality

As of 06 May 2020

Ministers meet unions and business to plan getting UK back to work

Talks aimed at bringing in practices that reassure employees it is safe to leave lockdown

Coronavirus: Firms ready to restart within three weeks, says business group

Coronavirus: IT sector looks at staggered opening

Prodded by锁定，印度的大型IT公司已经采取了所有政策，以确保周围85%的员工都在工作，即使他们一直与全球客户保持联系。

What Will Tomorrow’s Workplace Bring? More Elbow Room, for Starters

German labor minister calls for right to work from home

Coronavirus has forced millions of Germans to work remotely. One minister wants this to continue, even after the threat from the virus has passed.

How Covid-19 is accelerating the shift from transport to teleport

We are fast moving to a world where more economic activity takes place in digital form

COVID-19: How an office outbreak in South Korea shows that protecting workers is vital for relaxing lockdown

Singapore Signals More Working From Home Even After June 1 Deadline Lifts
People priorities to be accelerated by the COVID-19 crisis

**From COVID-19...**
1. Accelerate smart work
2. Enhance corporate health and hygiene
3. Manage workforce flexibility
4. Mitigate people and skills risk
5. Communicate openly with empathy
6. Stand together
7. Speed up digital readiness

**...to the New Reality**
1. Smart work (more remote, lower cost)
2. Comprehensive health and wellbeing
3. Flexible workforce
4. New talent and skill paradigm
5. Leadership with head, heart, and hands
6. Purpose-driven organization and culture
7. Resilient and Bionic organization

Source: BCG analysis
7 people priorities for the new reality

1. Smart work (more remote, lower cost)
   - Accommodate virtual collaboration and remote work at scale
   - Try a new approach that balances remote and on-site work
   - Set up smart workspaces
   - Realize the cost upsides

2. Physical and mental health
   - Cultivate physical health capabilities
   - Make mental health and mindfulness matter
   - Promote wellbeing and resilience

3. Flexible workforce
   - Make your workforce, cost, and skill-planning dynamic
   - Tailor working models to employees
   - Institute new performance, rewards, and compensation systems

4. New paradigm for skills and talent
   - Create an adaptive learning ecosystem
   - Upskill and reskill by building digital capabilities at scale
   - Refocus and enable talent programs and platforms

5. Leadership with head, heart, and hands
   - Lead with empathy, and direction
   - Enable and empower frontline leaders
   - Develop a continuous, two-way communication platform

6. Purpose-driven organization and culture
   - Foster a culture of resilience
   - Align purpose, vision, and values
   - Commit to sustainability and social impact at a higher level

7. Resilient and Bionic Organization
   - Simplify your operating model
   - Harness data and digital platforms
   - Use AI and algorithms to complement humans
   - Adopt agile at scale

Source: BCG
Find the right balance between onsite and remote…

On-site work benefits
- Easier communication and social interaction
- Better group creativity and problem-solving
- More “chance” encounters yielding potential

Remote work benefits
- Easier social distancing
- Lower infrastructure costs
- Better environmental footprint
- Reduced commuting and travel time

… and pull the right levers to make it work …

Levers for successful smart work

<table>
<thead>
<tr>
<th>Smart office spaces &amp; usage</th>
<th>Right technology &amp; infrastructure</th>
<th>New travel policy</th>
<th>Purpose-driven sustainable culture</th>
<th>New Leadership skills</th>
</tr>
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…for safety, productivity, effectiveness, and cost savings

<table>
<thead>
<tr>
<th>Example Insurance company</th>
</tr>
</thead>
<tbody>
<tr>
<td>~40% target for remote work</td>
</tr>
<tr>
<td>~20-40% reduction in desks¹</td>
</tr>
<tr>
<td>~10%+ reduction in leasing expenses</td>
</tr>
<tr>
<td>~5-10% reduction in travel expenses</td>
</tr>
</tbody>
</table>

1. Based on 0.6 desks/employee
Source: BCG

Which smart work practices will remain after the crisis? How can we optimize for safety, productivity, and effectiveness while realizing cost savings?

- **Who** should work remotely in my organization?
- **What** should the newly balanced model be?
- **Which** tools do we need for remote collaboration?
- **How** do we keep motivation and productivity high?
- **Can** we translate changes to OPEX savings?

On-site work benefits

- Easier communication and social interaction
- Better group creativity and problem-solving
- More “chance” encounters yielding potential

Remote work benefits

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- Lower infrastructure costs
- Better environmental footprint
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… and pull the right levers to make it work …

Levers for successful smart work

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…for safety, productivity, effectiveness, and cost savings

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<tbody>
<tr>
<td>~40% target for remote work</td>
</tr>
<tr>
<td>~20-40% reduction in desks¹</td>
</tr>
<tr>
<td>~10%+ reduction in leasing expenses</td>
</tr>
<tr>
<td>~5-10% reduction in travel expenses</td>
</tr>
</tbody>
</table>

1. Based on 0.6 desks/employee
Source: BCG
Physical and mental health

How do we ensure employee safety? How can we manage increased stress and make working models sustainable?

- What physical health and safety measures should be maintained for rebound preparation?
- What mindfulness and mental health measures can help employees improve their wellbeing and performance?
- What innovative tools can we leverage to optimize for customization and access?

Ensure physical health—non-negotiable for operations

1. Update emergency protocols
2. Create transparency for workforce
3. Increase hygiene standards
4. Guarantee social distancing
5. Track infection chains

Example | App manages operational safety

- Targeted information
- Crowd density alerts
- Contingency staffing
- Workspace management
- Compliance monitoring
- Self-reporting
- Infection tracing

Foster mental health—more critical than ever

Example | Service provider offers employees mental health training

<table>
<thead>
<tr>
<th>Mental health training</th>
<th>Stress management</th>
<th>Positive thinking</th>
<th>Collective intelligence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Habit review</td>
<td>Asking for help</td>
<td>Mindfulness</td>
<td></td>
</tr>
<tr>
<td>Psychological safety</td>
<td>Emotion regulation</td>
<td>...</td>
<td></td>
</tr>
</tbody>
</table>

- Employee focus: +22%
- Stress level: -30%
- Burnout rate: -50%

Source: BCG
Understand changing demand and the impact on staff functions...

<table>
<thead>
<tr>
<th>Function</th>
<th>FTE</th>
<th>Surplus</th>
<th>Demand versus supply (# FTE, color %)</th>
<th>Shortfall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance &amp; Controlling</td>
<td>407</td>
<td>0</td>
<td>3 6 10 15 20 25 20 10 10 5 3 2 3 -1 2 -1 2 0 0</td>
<td></td>
</tr>
<tr>
<td>Engineering</td>
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<td>0</td>
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<td></td>
</tr>
<tr>
<td>General Management</td>
<td>587</td>
<td>0</td>
<td>2 10 15 20 15 15 10 20 20 10 10 8 7 8 10 13 7 8 3</td>
<td></td>
</tr>
</tbody>
</table>

... then manage the surplus/gaps proactively

**Reduce employee capacity**
- Reduce overtime
- Extend vacations
- Furloughs, leaves
- Short-time work
- Terminate contractors
- Hiring/promotion stop
- ...

**Optimize personnel factor costs**
- Leverage governmental support
- Delay/reduce voluntary payments
- Reduce other expenses (e.g. travel)
- (Re)negotiate tariffs
- ...

**Repurpose workers for other activities**
- Insourcing: replace ext. with int. workers
- Second people to other organizations
- Pool talents across or within industry
- Support pro bono work
- ...

**Ramp up/shift capacity**
- Bring back alumni/part-timers
- Offer inducements
- Leverage talent platforms
- Expand automation of work
- ...

Source: BCG
Example | Companies leverage flexible work models in three dimensions

Dimensions of flex-work models

**Affiliation**

**Contracted ↔ Contingent**
Leverage flex-talent options: use gig economy platforms, share workforce with partners in your ecosystem, etc.

**Example**
**Pharmaceutical company**
Uses on-demand talent
Rapid spin up/down of research teams in changing clinical trials results in much lower cost

**Time**

**Full-time ↔ Part time**
Individualize flex-time options, such as part time work adapted to team specifics, life stages, and nature of work

**Example**
**Facilities mgmt.¹ firm**
Introduces flex-time
Initiative lets employees craft individual flex-time work options with their managers

**Location**

**Onsite ↔ Remote**
Introduce flex-location options, such as offering remote work adapted to needs, possibilities, and nature of work

**Example**
**Health care provider**
Pilots remote working
Call center staff leveraging special at-home technology saves space and attract better global talent
Determine who needs which skills in the future...

| Capabilities | Digital business | Digital HR | Adv. Analytics | ...
|--------------|-----------------|------------|---------------|-----
| Job function |                 |            |               |     |
| 1 Lead/Global Business Partner | A | B | A | B |
| 2 Talent Attraction (incl. student) | A | B | A | B |
| 3 Learning Program Manager | A | E | | B |
| 4 ... | | | | |

Not directly relevant

A Awareness “I know”
B Basic “I can apply”
E Expert “I can teach”

... and source proactively

- Bring back: Alumni talent pools
- Borrow: Gig economy and contract labor
- Buy: Tech-enabled recruiting
- Build: Automation
- Training and development

Example | Household products retailer builds offline workers’ digital skills

Majority of salesforce skilled for sales in 150 **offline stores**

Offline sales limited due to **shutdown**

**Digital skills lacking** for acceleration of online sales

Virtual **training** to drive customer acquisition on third-party online tools

**Conversion of offline staff to digital salesforce** within one week

Acquisition of **~20k** new customers

Source: BCG
Leadership with head, heart, and hands

What have we learned about our firm’s leadership capabilities in this crisis and how can we prepare it for the future?

- What do leaders need to do now?
- How can we build capabilities of frontline leaders?
- How can we drive behavior change?

Envision, inspire, and execute on three topics and timelines

**Head**
Envision the future and focus on the big rocks

**Heart**
Inspire and empower your people

**Hands**
Execute and enable with agility

Example | Mining company uses head, heart, hands to communicate to employees

**Head**
CEO announces plans for business continuity
Recruiting director lowers intake targets but continues campaign
Plant manager limits production but pursues maintenance

**Heart**
Coworker mobilizes sponsorship for community support projects
Board members communicate via video messages from home
Team lead checks in with team members via daily video chats

**Hands**
COVID task force regularly updates work guidelines
Line managers push changes in work schedules via employee app
Directors host townhall meetings to directly address concerns

Source: BCG
Purpose-driven culture

What did the crisis teach us about our organization’s purpose and culture and how should we shape it for the future?

- How should we lean into our purpose and vision?
- Do we need to adapt our culture?

Link purpose, strategy, and culture to succeed in the new reality

Purpose
Why we exist guides what we should do

Strategy
What we do guides how we act

Culture
How we act guides our success

Example | Supermarket leans into purpose in reaction to COVID-19 crisis

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Updated strategy and culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Feed the Nation”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>launched new ways to deliver groceries to customers</td>
</tr>
<tr>
<td></td>
<td>created dedicated call center for customers who cannot shop online</td>
</tr>
<tr>
<td></td>
<td>implemented faster payments to secure cashflow of smaller suppliers</td>
</tr>
</tbody>
</table>

Source: BCG
Resilient and Bionic Organization

How can we rapidly simplify our operating model to prepare for the new reality?

- How can we increase productivity with a new operating model?
- How can we simplify the organization quickly and reduce costs?
- How do we enable more agile ways of working and increase resilience?

Pull key levers to accelerate org design for the new reality…

… following five-step logic

1. **Rapid assessment** of current state and future needs to prioritize areas of focus
2. **Finding the 'Big Rocks'**—no-regrets moves for rapid cost take out
3. **Defining meaningful changes** to the operating model for the New Reality
4. **Accelerated implementation** across the full organization
5. Start of transition to Resilient and Bionic Organization with agile and digital structure, processes, and talent

**Near-term:**
- Prepare for strongest possible crisis impact
  - Cost efficiency & productivity

**Mid-/long-term:**
- Prepare for rebound and pursue structural enhancements
  - Agility & resilience

Source: BCG
Leaders need to assess current capabilities and strategic importance as they chart their priorities.

**Quick assessment of current capabilities and strategic importance of New Reality topics**

1. Smart work (more remote, lower cost)
   - Current capabilities
   - Strategic importance

2. Physical and mental health
   - Current capabilities
   - Strategic importance

3. Flexible workforce
   - Current capabilities
   - Strategic importance

4. New paradigm for skills and talent
   - Current capabilities
   - Strategic importance

5. Leadership with head, heart, hands
   - Current capabilities
   - Strategic importance

6. Purpose-driven culture
   - Current capabilities
   - Strategic importance

7. Resilient and Bionic organization
   - Current capabilities
   - Strategic importance

**Identification and prioritization of key initiatives and next steps**

- Working models
- Purpose, vision, & values
- Dynamic workforce planning
- Physical health capabilities
- Balances remote and onsite work
- Adaptive learning ecosystem
- Data and digital platforms
- Mental health & mindfulness
- AI and algorithms
- Reflective culture
- Empathy, coaching, & direction
- Enable & empowerment
- Digital capabilities
- Rewards & compensation systems
- Sustainability & social impact
- Future differentiators
- Mid-term initiatives
- First changes

Source: BCG
Guide for leaders

Getting ready for Restart
How to revamp Organization for the New Reality

Updated epidemic, economic, and business scenarios and impact

Epidemic progression
Economic impact
Business scenarios and impact

Appendix: Detailed action areas and further readings

Detailed action areas for business leaders
Further readings
~33% reported recoveries\(^1\) globally so far; case doubling rate improves to 28 days

As of 06 May 2020

Days of doubling cases:
- 0-3 days
- 3-6 days
- 6-14 days
- 14-30 days
- >30 days

Countries with cases\(^3\): 184

Confirmed cases globally: 3.7M [\(\Delta 2\%\)]\(^4\)

Fatalities globally: 264k [\(\Delta 2\%\)]\(^4\)

Note: Continued cases and fatalities are subject to different testing, propensity, reporting standards and hence imperfect measures
1. Refers to total reported recoveries as a percentage of total reported infections (cases), 2. No. of doubling days based on 7-day CAGR 3. Basis Johns Hopkins CSSE; 4. Daily growth rate basis 7-day CAGR 5. Community transmission defined basis WHO - Countries experiencing larger outbreaks of local transmission on basis of decided factors

Sources: Johns Hopkins CSSE, Our world in data, WHO situation reports, BCG analysis
Many countries currently flattening the curve

As of 06 May 2020

- Daily growth rate of total cases (seven-day average)
- Cumulative number of confirmed cases (log scale)
- Cases doubling rates
- Countries with doubling rates > 14 days

Includes Middle East
2. Countries selected from the chart on the left
3. # of days after exceeding 100 confirmed cases
Source: Johns Hopkins CSSE, Our World in data, WHO situation reports
Countries planning to relax lockdown measures and substantially ramp-up testing

As of 06 May 2020

For countries with complete or partial lockdowns (Singapore, UK, France, etc.), reopening is gated by lack of widespread testing.

For countries with relaxed lockdowns (S. Korea, Australia, etc.), continued higher testing critical.

For countries to move to the right and reopen, they need an integrated Virus Monitoring System that includes testing, tracking, and tracing.

Source: Worldometer, BCG Analysis
**Epidemic Progression & Virus Monitoring**

As of 04 May 2020

<table>
<thead>
<tr>
<th>Test purpose</th>
<th>Available for last 3+ weeks</th>
<th>Becoming available now (over last 1-2 weeks)</th>
<th>In development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presence of viral genome</td>
<td>Lab-based</td>
<td>Lab-based</td>
<td>Handheld digital PCR</td>
</tr>
<tr>
<td></td>
<td>Near-patient /Point-of-Care</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Immune response to virus</td>
<td>Lab-based</td>
<td></td>
<td>Many players announced development plans¹</td>
</tr>
<tr>
<td></td>
<td>Near-patient /Point-of-Care</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Antigen tests: Presence of viral particle</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Viral load: Amount of virus</td>
<td></td>
<td>Currently none</td>
<td></td>
</tr>
</tbody>
</table>

1. More than 120 serology test makers have notified FDA that they have serology tests available for use as of April 23, 2020

Source: CDC website, FDA website, company websites, BCG analysis

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Scenarios and impact | Five key questions

As of 06 May 2020

Flatten
- Shut down
- Economic activity 100%
- Critical care patients

Fight
- Restart
- Vaccine/treatment

Future

Five questions will shape the economic impact

1a. What will the LENGTH of "Flatten" be? What are the preconditions to transition? When will we achieve them?

1b. To what DEPTH does the economy drop in "Flatten"?

2a. What will the LENGTH of "Fight" be? What are the preconditions to transition? When will we achieve them?

2b. What will the DEPTH of "Fight" be? What level of recovery does the economy achieve in "Fight"?

3. Where does the economy return to, relative to the pre-COVID era in "Future"?

Source: BCG
Methodology | To determine economic impact, must derive depth (from economic starting point) and factor-in length of crisis

**Economic starting point:**
Understanding a country’s sector composition

**Depth:**
Deriving the impaired economic activity

**Length:**
Factoring-in the duration of crisis

**Projected economic impact:**
Determining the result as full-year economic impact from direct impact of disease

- For each country and sector cluster, assumptions are made on activity-reduction based on reduced contact
- For each country, a range of microeconomic loss is derived
- For each country, expected length of stay-at-home order is factored in
- Result is full-year economic impact (not comparable to GDP as excludes fiscal stimulus and other effects) – need to combine pre-crisis, Flatten, and Fight phase to conclude impact for 2020

**Source:** BCG
Economic starting point | Understanding of countries' sector composition critical to estimate negative impact of reduced contact

As of 05 May 2020

Revenue by sector (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>E.g., groceries, &amp; health care providers</th>
<th>E.g., legal, &amp; software</th>
<th>E.g., auto &amp; mining</th>
<th>E.g., tourism &amp; restaurants</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>54%</td>
<td>12%</td>
<td>22%</td>
<td>12%</td>
</tr>
<tr>
<td>Germany</td>
<td>65%</td>
<td>11%</td>
<td>16%</td>
<td>9%</td>
</tr>
<tr>
<td>Italy</td>
<td>66%</td>
<td>8%</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td>Spain</td>
<td>67%</td>
<td>7%</td>
<td>11%</td>
<td>15%</td>
</tr>
<tr>
<td>UK</td>
<td>68%</td>
<td>11%</td>
<td>7%</td>
<td>13%</td>
</tr>
<tr>
<td>US</td>
<td>53%</td>
<td>13%</td>
<td>23%</td>
<td>11%</td>
</tr>
<tr>
<td>Brazil</td>
<td>71%</td>
<td>9%</td>
<td>1%</td>
<td>18%</td>
</tr>
<tr>
<td>Mexico</td>
<td>62%</td>
<td>8%</td>
<td>19%</td>
<td>11%</td>
</tr>
<tr>
<td>India</td>
<td>71%</td>
<td>4%</td>
<td>19%</td>
<td>6%</td>
</tr>
<tr>
<td>Japan</td>
<td>53%</td>
<td>5%</td>
<td>29%</td>
<td>12%</td>
</tr>
</tbody>
</table>

For each country and sector cluster, estimates on activity reduction are made

Example of Germany:
60-80% activity reduction estimated for 'red' sectors (consumer services, retail, travel and tourism, food service and bars)
'Flatten' | Impaired economic activity (depth) and lockdown duration (length) yield full-year economic impact for 'Flatten' phase

As of 05 May 2020

<table>
<thead>
<tr>
<th>Region</th>
<th>Country</th>
<th>Lockdown duration (in weeks)</th>
<th>Full-year economic impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>France</td>
<td>8</td>
<td>-2% – -4% vs. pre-COVID run rate</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
<td>4-6</td>
<td>-1% – -3%</td>
</tr>
<tr>
<td></td>
<td>Italy</td>
<td>8-12</td>
<td>-2% – -6%</td>
</tr>
<tr>
<td></td>
<td>Spain</td>
<td>8-12</td>
<td>-2% – -6%</td>
</tr>
<tr>
<td>North Am.</td>
<td>US</td>
<td>10-14</td>
<td>-2% – -7%</td>
</tr>
<tr>
<td>LatAm</td>
<td>Brazil</td>
<td>4-6</td>
<td>-1% – -3%</td>
</tr>
<tr>
<td></td>
<td>Mexico</td>
<td>8-12</td>
<td>-2% – -8%</td>
</tr>
<tr>
<td>Asia</td>
<td>India</td>
<td>8</td>
<td>-2% – -4%</td>
</tr>
<tr>
<td></td>
<td>Japan</td>
<td>6-10</td>
<td>-2% – -6%</td>
</tr>
</tbody>
</table>

Note: Lockdown length capped at 6 weeks.; We expect a lot of variations across geographies, even within countries.

1. European figures reflect gross output by sector, which is analogous to revenue by sector. US figures directly reflect revenue by sector.
2. Only accounts for COVID-19 impact, does not factor in underlying growth.

Source: Eurostat Database; St. Louis Fed Reserve; O*NET; American Community Survey; other country-specific sources available on request; BCG COVID response teams; BCG Analysis

Disclaimer: These analyses represent only potential scenarios based on discrete data from one point in time. They are not intended as a prediction or forecast and the situation is changing daily. Figures shown only reflect economic activity "directly displaced" by effect of virus. However, multi-order impacts and the impact of government spending and stimulus not considered.

Max of estimated range (i.e. period hardest hit by the lockdown) Min of estimated range
ECONOMIC IMPACT

As of 06 May 2020
Numbers are approximate

<table>
<thead>
<tr>
<th>Country</th>
<th>2019 total employment (M)</th>
<th>Increase in unemployment (M)</th>
<th>Employees covered by support programs (M)</th>
<th>Employees impacted by COVID-19 crisis</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Absolute numbers (M)</td>
<td>% of total employment</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
<td>Absolute numbers (M)</td>
<td>% of total employment</td>
</tr>
<tr>
<td>France</td>
<td>28</td>
<td>0.1</td>
<td>10.0</td>
<td>10</td>
<td>36%</td>
</tr>
<tr>
<td>Germany</td>
<td>45</td>
<td>0.1</td>
<td>10.1</td>
<td>10</td>
<td>23%</td>
</tr>
<tr>
<td>Italy</td>
<td>23</td>
<td>−1</td>
<td>5.0 - 7.7²</td>
<td>5 - 8</td>
<td>22-33%</td>
</tr>
<tr>
<td>Spain</td>
<td>20</td>
<td>3.5 - 5.0</td>
<td></td>
<td>3.5 - 5.0</td>
<td>18-25%</td>
</tr>
<tr>
<td>UK</td>
<td>33</td>
<td>0.6</td>
<td>4.0</td>
<td>5</td>
<td>14%</td>
</tr>
<tr>
<td>US</td>
<td>159</td>
<td>33.5³</td>
<td></td>
<td>34</td>
<td>21%</td>
</tr>
</tbody>
</table>

North America

<table>
<thead>
<tr>
<th>Country</th>
<th>Absolute numbers (M)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>34</td>
<td>Government wage support provided through unemployment Insurance</td>
</tr>
</tbody>
</table>

Note: These figures are changing rapidly and are often being reported with a lag from the current data.; Bolded figures are rounded to the nearest million; 1. Absolute unemployment went down driven by less people looking for work; 2. Only SM have received funds.; 3. Government wage support provided through unemployment insurance; jobs protected by PPP not included.

Source: Employment figures: Eurostat (Europe), Trading Economics (US); Gov’t Wage Support figures & comments: The Guardian 4/27 (UK), Reuters.com 4/29 (Italy), The Financial Times 5/7 (US), Reuters S/S (Spain), RFI 4/22 (France), Barrons 4/30 (Germany)
'Fight' | ~5 to 25% of economic activity can be temporarily at risk – implying protracted economic challenges

As of 05 May 2020

Impaired economic activity during 'Fight' phase
Estimation in private sector relative to pre-COVID-19 in %

Europe
- France
- Germany
- Italy
- Spain
- UK

North Am.
- US

LatAm
- Brazil
- Mexico

Asia
- India
- Japan

ECONOMIC IMPACT

To determine full-year economic impact, need to factor in length of 'Fight' which is still unknown – see next page for estimated timeline

Disclaimer: These analyses represent only potential scenarios based on discrete data from one point in time. They are not intended as a prediction or forecast and the situation is changing daily. Figures shown only reflect economic activity "directly displaced" by effect of virus. However, multi-order impacts and the impact of government spending and stimulus not considered

Note: Gov’t employment does not include health care in EU countries to maintain comparison with US.; We expect a lot of variations across geographies, even within countries, hence the wide ranges.
1. European figures reflect gross output by sector, which is analogous to revenue by sector. US figures directly reflect revenue by sector.

Source: Eurostat Database; St. Louis Fed Reserve; O*NET; American Community Survey; other country-specific sources available on request; BCG COVID response teams; BCG Analysis
'Fight' | Accelerated movement toward vaccine or treatment at scale could limit Fight phase to 12-24 months

As of 06 May 2020

<table>
<thead>
<tr>
<th>Current status</th>
<th>Estimated timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vaccine</strong></td>
<td></td>
</tr>
<tr>
<td>• Multiple vaccines (e.g. Moderna, CanSino, AstraZeneca) in Phase 1 trials</td>
<td>April ‘21 – April ‘23 (12-36 months)</td>
</tr>
<tr>
<td>• Simultaneously, investments being made in manufacturing capacity</td>
<td>12-month development “best case,” then likely to require time to scale across population</td>
</tr>
<tr>
<td>• Likely about 12 months to earliest FDA-approval</td>
<td></td>
</tr>
<tr>
<td>• Likely to take 4-6 months post-approval to full implementation</td>
<td></td>
</tr>
<tr>
<td><strong>Treatment</strong></td>
<td></td>
</tr>
<tr>
<td>• Anti-viral therapies potentially available at scale in Q4-2020—however, likely only used for more advanced cases</td>
<td>Remdesivir is approved now, could be more widely available by July ‘20</td>
</tr>
<tr>
<td>• Antibodies from recovered patients currently being tested—use will be limited to small scale/at-risk groups</td>
<td>For the next wave, estimated timeline is October ‘20 – April ‘22 (6-24 months)</td>
</tr>
<tr>
<td><strong>Herd immunity</strong></td>
<td></td>
</tr>
<tr>
<td>• Potentially could achieve herd immunity through exposure to disease and subsequent recovery</td>
<td>Substantial</td>
</tr>
<tr>
<td>• Estimates suggest greater than 60% population is required to acquire and recover to reach herd immunity²</td>
<td>Would likely involve “pulsing” economy on/off, but always maintaining caseloads below care capacity</td>
</tr>
<tr>
<td>Likely must be combined with vaccine</td>
<td></td>
</tr>
</tbody>
</table>

1. If first round of drugs being tested succeeds – then 6-9 months; if not – substantially longer; 2. This would require mass exposure, high fatality rate, and an assumption that re-infection does not occur. Achieving herd immunity through disease exposure would likely take significant time, and it is currently unclear if exposure prevents reinfection

Source: BCG analysis; Morningstar
Economic forecasts deteriorating globally for 2020 while remaining stable for 2021

As of 05 May 2020

**GDP growth forecast vs. baseline**

**US**
- 2020: Forecast -5.9%, Baseline 2.0%
- 2021: 1.7% to 4.7%

**China**
- 2020: -7.5% to 6.0%
- 2021: 5.8% to 9.2%

**Europe**
- 2020: -7.5% to 1.3%
- 2021: 1.4% to 4.7%

**India**
- 2020: -5.2% to 0.7%
- 2021: 1.9% to 5.8%

**Japan**
- 2020: -5.2% to 0.7%
- 2021: 0.5% to 3.0%

**GDP level forecast\(^2\)**

EOY 2021 vs. EOY 2019

- **US**: 97-100%
- **China**: 107-112%
- **Europe**: 95-101%
- **India**: 104-111%
- **Japan**: 96-100%

Note: As of reports dated 31 March 2020 to 05 May 2020, YoY forecasts 1. Announced by the German Federal Ministry for Economic Affairs and Energy on 29 Apr 2020 2. Range calculated with 25th & 75th percentile values of forecast range 3. Range from forecasts (where available) of International Monetary Fond, JP Morgan Chase; Morgan Stanley; Bank of America; Fitch Solutions; Credit Suisse; Danske Bank; ING Group; HSBC Source: German Federal Ministry for Economic Affairs and Energy; Bloomberg; IMF; BCG analysis
TSR has rebounded over last month, but impact visible across all sectors

Two time periods from 21 February 2020 to 6 May 2020

Decline reflects economic scenario and consumer sentiment

<table>
<thead>
<tr>
<th></th>
<th>Americas</th>
<th></th>
<th>Europe</th>
<th></th>
<th></th>
<th>Asia</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2/21/3/20</td>
<td>2/21-5/6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TSR performance1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthy sectors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food/staples Retail</td>
<td>-10%</td>
<td>-7%</td>
<td>-15%</td>
<td>-15%</td>
<td>-8%</td>
<td>-12%</td>
<td></td>
</tr>
<tr>
<td>Pharma</td>
<td>-19%</td>
<td>1%</td>
<td>-20%</td>
<td>-1%</td>
<td>-22%</td>
<td>-4%</td>
<td></td>
</tr>
<tr>
<td>Household Products</td>
<td>-19%</td>
<td>-10%</td>
<td>-16%</td>
<td>-10%</td>
<td>-5%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Semiconductors</td>
<td>-30%</td>
<td>-8%</td>
<td>-43%</td>
<td>-19%</td>
<td>-27%</td>
<td>-8%</td>
<td></td>
</tr>
<tr>
<td>Software</td>
<td>-30%</td>
<td>-9%</td>
<td>-32%</td>
<td>-21%</td>
<td>-28%</td>
<td>-16%</td>
<td></td>
</tr>
<tr>
<td>Pressured sectors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telecom</td>
<td>-17%</td>
<td>-11%</td>
<td>-20%</td>
<td>-21%</td>
<td>-14%</td>
<td>-8%</td>
<td></td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>-26%</td>
<td>-15%</td>
<td>-24%</td>
<td>-18%</td>
<td>-12%</td>
<td>-3%</td>
<td></td>
</tr>
<tr>
<td>Health Equipment</td>
<td>-33%</td>
<td>-14%</td>
<td>-31%</td>
<td>-14%</td>
<td>-11%</td>
<td>-5%</td>
<td></td>
</tr>
<tr>
<td>Tech Hardware</td>
<td>-29%</td>
<td>-11%</td>
<td>-25%</td>
<td>-11%</td>
<td>-23%</td>
<td>-16%</td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td>-34%</td>
<td>-17%</td>
<td>-31%</td>
<td>-19%</td>
<td>-30%</td>
<td>-18%</td>
<td></td>
</tr>
<tr>
<td>Prof. Services</td>
<td>-30%</td>
<td>-17%</td>
<td>-29%</td>
<td>-17%</td>
<td>-31%</td>
<td>-21%</td>
<td></td>
</tr>
<tr>
<td>Retailing</td>
<td>-42%</td>
<td>-25%</td>
<td>-36%</td>
<td>-24%</td>
<td>-24%</td>
<td>-3%</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>-37%</td>
<td>-26%</td>
<td>-38%</td>
<td>-35%</td>
<td>-36%</td>
<td>-18%</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>-33%</td>
<td>-22%</td>
<td>-30%</td>
<td>-25%</td>
<td>-6%</td>
<td>-1%</td>
<td></td>
</tr>
<tr>
<td>Capital Goods</td>
<td>-38%</td>
<td>-22%</td>
<td>-35%</td>
<td>-25%</td>
<td>-29%</td>
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<td>Vulnerable sectors</td>
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<td>-23%</td>
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<td>-47%</td>
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<td>-14%</td>
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<td>-41%</td>
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</tr>
</tbody>
</table>

Note: As of 6 May 2020; Based on top S&P Global 1200 companies; Sectors are based on GICS definitions
1) Performance is tracked for two periods, first from 21 February 2020 (before international acceleration of outbreak) to 20 March 2020 (trough of the market) and from 20 March 2020 through 6 May 2020
Source: S&P Capital IQ; BCG ValueScience® Center; BCG

Observations

- Non-discretionary/essential service less hit but still had recovery
- Broad set of industries experiencing pressure, with some regions particularly affected for certain sectors (e.g. transport in Europe)
- Utilities, media, and health equipment generally better off in Asia
- Hardest hit sectors had the strongest recoveries except banks
Credit risk continues to be a concern for majority of sectors

As of 21 February 2020 to 6 May 2020

<table>
<thead>
<tr>
<th>Observations</th>
<th>Healthy sectors</th>
<th>Pressured sectors</th>
<th>Vulnerable sectors</th>
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<tbody>
<tr>
<td>Less discretionary and cash-rich sectors are largely at lower risk of default in current climate</td>
<td>Food/staples Retail</td>
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<tr>
<td>Pharma</td>
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<tr>
<td>Household Products</td>
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<tr>
<td>Semiconductors</td>
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<tr>
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<tr>
<td>Health Equipment</td>
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<tr>
<td>Tech Hardware</td>
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<tr>
<td>Materials</td>
<td>4%</td>
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<tr>
<td>Prof. Services</td>
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<td>5%</td>
<td></td>
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<tr>
<td>Retailing</td>
<td>5%</td>
<td>9%</td>
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<tr>
<td>Transport</td>
<td>3%</td>
<td>3%</td>
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<tr>
<td>Utilities</td>
<td>3%</td>
<td>4%</td>
<td></td>
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<tr>
<td>Capital Goods</td>
<td>3%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Retailing, hospitality, and energy industries facing greatest risk of default based on current credit profile</td>
<td>Financials</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Media</td>
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<tr>
<td>Hospitality</td>
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<td>12%</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>4%</td>
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<tr>
<td>Banks</td>
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<td>Real Estate</td>
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<td>Durable Goods</td>
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<tr>
<td>Energy</td>
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<td>12%</td>
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</table>

1. Credit Default Swap
2. Performance is tracked on 21 February 2020 (before international acceleration of outbreak), and 6 May 2020
3. Distressed comprises over 15% implied probability of default
Source: S&P Capital IQ; BCG ValueScience® Center; BCG

Note: As of 6 May 2020; Based on top S&P Global 1200 companies; Sectors are based on GICS definitions

36
Majority of companies negatively affected—yet some companies in each sector manage to emerge much stronger

As of 6 May 2020

Note: Sectors are based on GICS definitions; data as of 6 May 2020; Companies sampled from S&P Global 1200

Source: S&P Capital IQ; BCG ValueScience® Center
Appendix: Detailed action areas and further readings

Guide for leaders
Getting ready for Restart
How to revamp Organization for the New Reality

Updated epidemic, economic, and business scenarios and impact
Epidemic progression
Economic impact
Business scenarios and impact

Detailed action areas for business leaders
Further readings
Establish crisis management

1. Develop Scenario-Based Planning Approach to manage uncertainty

2. Create a Rapid Response and Transformation (RR&T) team

Navigate through Flatten, Fight, and Future

3. Revamp Organization for the New Reality

Detailed measures across priority action areas (1/3)

Flatten

- Deep-dive into possible outcomes of disease spread, demand shifts, supply/operations issues, regulatory requirements, and potential operations restart; adjust for sector-specific issues
- Perform scenario stress tests around cash-flow
- Establish preconditions for what it will take to get workforce back to offices, factories, etc.
- Set up teams to work on different time horizons (Flatten, Fight, Future) to avoid reverting to crisis management across all

- Establish nimble cross-functional Rapid Response & Transformation team (RR&T)
- Refine processes to manage the crisis situation, remote working, disruption in supply
- Ensure smooth transition of operations and workforce to the ‘New Reality’
- Shift to digital/remote customer interactions

- Define policies to keep employees safe with high morale
- Engage across levels to retain talent
- Move to online/remote working; redefine rosters, and train for efficiency/effectiveness
- Establish preconditions for coming back to the working environment; clearly communicate them
- Build SWAT teams to address critical business areas, such as product launch, digital channel redesign, retail delivery models

Fight

- Frequently run scenarios and update plan; focus on understanding the de-averaged impact by geography and line of business, depth of demand drop, duration of Fight phase
- Develop recommendations for daily planning, resources, supply chain, workforce, and other stakeholder management as per modeled scenarios

- To manage the massive complexity of "restarting," enhance Rapid Response & Transformation team structures
- Develop approach for how to bring people back to work, how/when to engage customers
- Establish governance and standardization to effectively coordinate other areas from the RR&T

- Get ahead of the curve to manage policies to get teams back to work safely
- Take a clear view of forward demand and the new normal: manage/restructure organization to fit capacity needs
- Create dedicated focus to accelerate digital, process automation, new ways of working

Source: BCG
Detailed measures across priority action areas (2/3)

**Flatten**
- Reach out to customers for their situation and needs
- Drive actions to inspire confidence and ensure ability to deliver (multichannel, people-light approaches)
- Manage volatility in demand and refine sales motions (to virtual, etc.) and objectives
- Take measures to ensure operations continuity: workforce safety and management, stop-gap measures for supply chain, site readiness (access, maintenance, services, suppliers)
- Ensure open and direct communication with employees
- Explore solutions to retain key talent

**Fight**
- Assess changes in customers' behaviors
- Adapt and transform channels (e-commerce), sales, marketing spend, pricing, and support
- Ramp up commercial efforts significantly to seize market shifts; leverage learnings to accelerate digital capabilities
- Ensure quick and safe restart of facilities; push centrally driven efficiency measures
- Set up capabilities (org, control tower) to manage unstable supply chain; explore alternate networks, dual/multiple suppliers for critical goods and services, delivery methods, etc.
- Acceleration production as demand rebounds; account for product shifts

**Future**

**Navigate through Flatten, Fight, and Future**

**4 Drive Topline Security and Customer Trust**
- Reach out to customers for their situation and needs
- Drive actions to inspire confidence and ensure ability to deliver (multichannel, people-light approaches)
- Manage volatility in demand and refine sales motions (to virtual, etc.) and objectives
- Take measures to ensure operations continuity: workforce safety and management, stop-gap measures for supply chain, site readiness (access, maintenance, services, suppliers)
- Ensure open and direct communication with employees
- Explore solutions to retain key talent

**5 Stabilize and restart Supply Chain, Manufacturing**
- Assess changes in customers' behaviors
- Adapt and transform channels (e-commerce), sales, marketing spend, pricing, and support
- Ramp up commercial efforts significantly to seize market shifts; leverage learnings to accelerate digital capabilities
- Ensure quick and safe restart of facilities; push centrally driven efficiency measures
- Set up capabilities (org, control tower) to manage unstable supply chain; explore alternate networks, dual/multiple suppliers for critical goods and services, delivery methods, etc.
- Acceleration production as demand rebounds; account for product shifts

**6 Restructure Cost, manage Cash and Liquidity**
- Assess changes in customers' behaviors
- Adapt and transform channels (e-commerce), sales, marketing spend, pricing, and support
- Ramp up commercial efforts significantly to seize market shifts; leverage learnings to accelerate digital capabilities
- Ensure quick and safe restart of facilities; push centrally driven efficiency measures
- Set up capabilities (org, control tower) to manage unstable supply chain; explore alternate networks, dual/multiple suppliers for critical goods and services, delivery methods, etc.
- Acceleration production as demand rebounds; account for product shifts

Source: BCG
**Navigate through Flatten, Fight, and Future**

7  **Emerge stronger; drive advantage in adversity**

8  **Accelerate Digital and Technology transformation**

9  **Help Society during COVID-19**

### Flatten
- Stress-test current value proposition and business offerings, and scan crisis impact on key customer/market trends
- Address and serve immediate workforce needs for remote working
- Leverage tools for conducting key processes online
- Adapt traditional processes to become digitally viable
- Ensure immediate support to employees, suppliers, communities, etc.
- Team with government/local communities/across industries to address crisis
- Leverage assets, supplier relationships, logistics networks, and employees to help adjacent communities
- Work across industry boundaries to identify cross-sectoral synergies to deploy solutions

### Fight
- Plan for new projects to shift the portfolio and leverage the ‘new normal’; plug capability gaps
- Identify white spaces in own industry and ecosystem
- Selectively invest in areas where opportunistic M&A can be conducted
- Develop and implement strategy to exploit greater talent availability
- Identify and implement key digital use cases and adapt to agile way of working
- Accelerate use cases to meet demand shifts
- Redesign key customer journeys with emphasis on digital interventions
- Determine how to contribute in the crisis to employees, customers, through medical response, supply of essential items for society, or by playing a positive economic/employment role
- Allocate innovation resources where possible to focus on solutions to COVID-19 crisis
- Leverage expertise developed to support government policies and responses, rebuild business for local customers, suppliers, etc.

### Future

Source: BCG
Additional perspectives on COVID-19

Selected overarching and functional publications

- Business & Society
  - How to Restart in the Wake of COVID-19

- People & Organizations
  - People Priorities for the New Now
  - COVID-19 and Our New Bionic Society

- Corporate Strategy
  - How Scenarios Can Help Companies Win the COVID-19 Battle

- Crisis Response Checklist
  - Checklist

- Cash & Liquidity
  - A Cash Management Survival Guide

- Leadership
  - Leadership in the New Now
  - The Role of Trust in the COVID-19 Economic Recovery
  - The COVID-19 CFO Pulse Check

- Finance
  - A Cash Management Survival Guide
  - The COVID-19 CFO Pulse Check

Selected sector publications

- Technology
  - How Tech Companies Can Shape Their Demand Recovery Post-Coronavirus

- Consumer
  - COVID-19 Consumer Sentiment Snapshot #8

- Public Sector
  - How Governments Can Galvanize Their Nations for the Rebound

- Health Care
  - Rescuing Hospitals by Resuming Care for All Patients

- Engineering
  - Stimulus Offers a Rare Chance for Defense Agencies to Buy Better

- Power & Utilities
  - B2B Energy Retailers Can Weather the COVID-19 Storm
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