

A decorative graphic on the left side of the page features a dark grey background with a grid of light grey lines. Overlaid on this are various green and teal elements: a curved band of small squares and rectangles, and several circles of different sizes and colors (some solid, some outlined) connected by thin lines, resembling a network or data visualization.

COVID-19

BCG Perspectives

Facts, scenarios, and actions for business leaders

Version: 13 April 2020

COVID-19 BCG 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 jointly. 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.

Executive Summary | COVID-19 BCG Perspectives

The **COVID-19 disease progression** is a global societal crisis which needs to be addressed collaboratively by leaders worldwide

- Medical response is ramping up according to health system preparedness; many countries have reached hospitalization and treatment capacity limits
- Government action includes a set of measures like social distancing, and financial stimulus and restart plans based on country-specific trade-offs
- Public engagement and response to these measures varies by country and will co-determine if, when, and how societies relax restrictions
- Countries will likely go through three principle phases of the outbreak: (1) **FLATTEN** the spread curve, (2) collectively **FIGHT** the virus, preserve public health and progressively reopen sectors of economy and society, and (3) prepare for the **FUTURE**

The evolution of the crisis shapes different **economic scenarios** that already imply significant **impact on business sectors and the public**

- From past crises, we find economies recover in one of three shapes: rapid recovery (V-shape), slow comeback (U-shape), or protracted challenge (L-shape)
- Countries which took swift, strong action and ensured adherence, such as China, seem to be on a recovery path
- Business impact is determined by demand shocks (e.g. consumer confidence) and supply shocks (e.g. shutdowns) as well as supply chain disruptions
- Consumer behavior changes towards increased savings and wellness as opposed to travel or discretionary spend, putting pressure on certain sectors
- Sectors such as health care, food, or household products see limited impact whereas sectors such as fashion retail, auto, or energy struggle

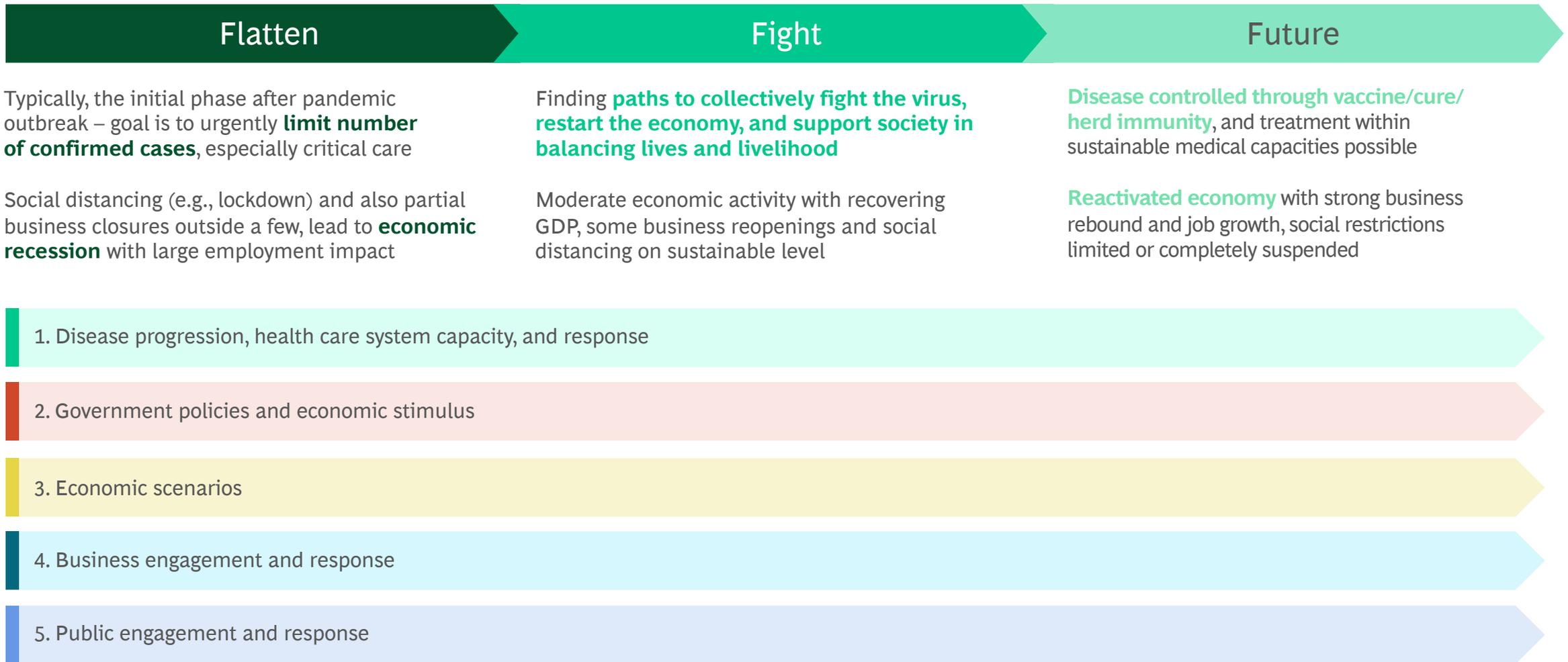
Business leaders globally therefore need to respond differently to this crisis and find tailored actions to urgent and important issues:

- Leaders will have to plan for scenarios across the Flatten, Fight, and Future horizons and take into consideration global footprints
- With a clear logic on demand curves, the period of disruption due to social distancing, and consumer confidence, leaders will need to take bold actions

We believe to navigate this crisis, leaders need to be able 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 and**
- (2) thinking multi-timescale (the now, near and long-term future); i.e., in a flatten-fight-future logic**

COVID-19 will be a journey with three distinct phases requiring an integrated perspective



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



1

COVID-19 Context and Development

Disease progression, health care system capacity, and response
Government policies and economic stimulus

2

Economic, Business, and Societal Impact and Scenarios

Economic scenarios
Business engagement and response
Public engagement and response

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Guide for Leaders

Principles for leadership in crisis
Frame to navigate the crisis



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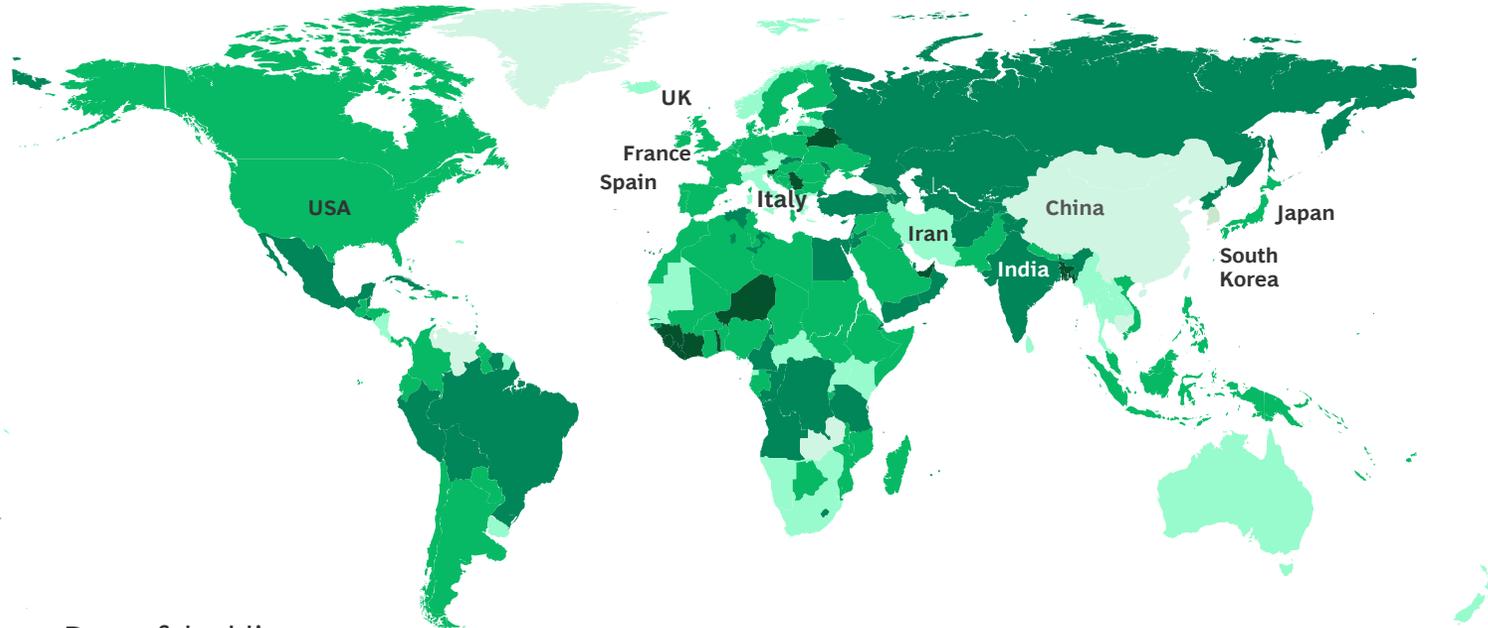
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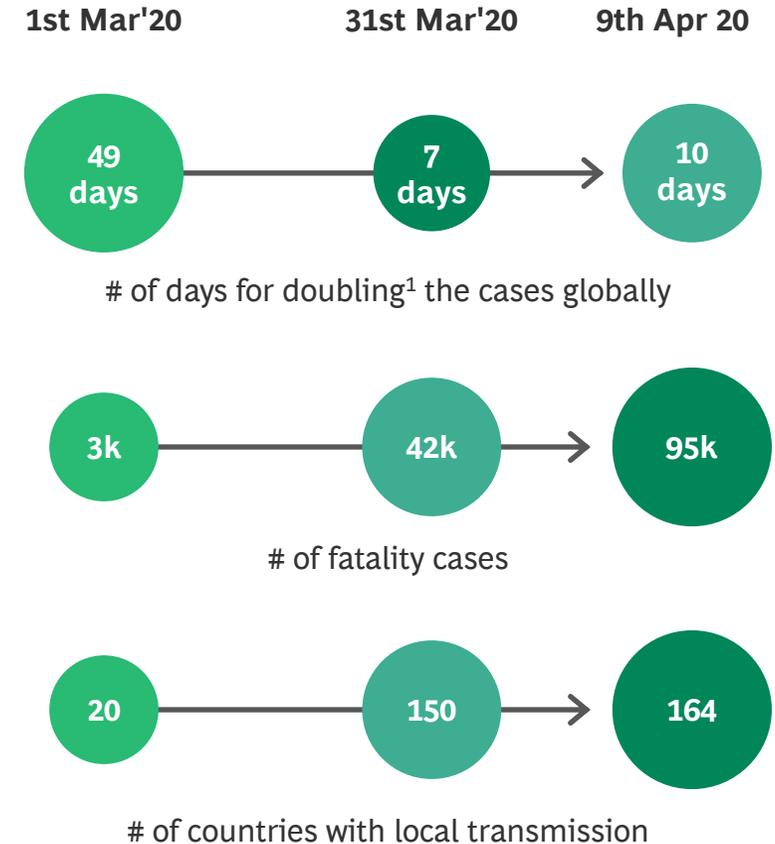
COVID-19 pandemic spread - cases doubling every ~10 days¹ globally

DISEASE PROGRESSION,
HEALTH CARE SYSTEM
CAPACITY, AND
RESPONSE

As of 09 April 2020



Days of doubling cases:



181
Countries with cases²

1.6M $[\Delta 7\%]^1$
Confirmed cases globally

95k $[\Delta 9\%]^1$
Fatality cases globally

Note: Continued cases and fatalities are subject to different testing, propensity, reporting standards and hence imperfect measures

1. No. of doubling days based on 7 day CAGR 2. Basis Johns Hopkins CSSE

Sources: Johns Hopkins CSSE, Our world in data, WHO situation reports, BCG analysis

The week that was...

DISEASE PROGRESSION,
HEALTH CARE SYSTEM
CAPACITY, AND
RESPONSE

From 03 to 09 April 2020



The Guardian

Thu 9 Apr 2020 10.41 BST

● **Live / UK coronavirus: lockdown likely to be extended as Boris Johnson remains in hospital**



THE TIMES OF INDIA

WED, APR 08, 2020 | UPDATED 06.25PM IST

Live: 773 new coronavirus cases, 32 deaths in 24 hours, says Centre



the japan times

APR 8, 2020

NATIONAL

Tokyo confirms record 144 COVID-19 cases, one day after emergency declaration



The Korea Herald

Published : Apr 8, 2020 - 17:07

S. Korea unveils another massive stimulus package against coronavirus

Economy

South Korea has unveiled an additional economic relief package worth 53.7 trillion won (\$44 billion) in its continued struggle to boost the domestic market and export...



The New York Times

Wednesday, April 8, 2020

Coronavirus Was Slow to Spread to Rural America. Not Anymore.

By Jack Healy, Sabrina Tavernise, Robert Gebeloff and Weiji Cai April 8, 2020

Urban counties are not shown

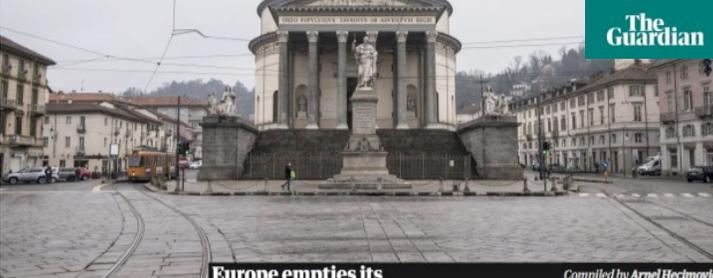


Updated: 2020-04-08 07:04

Wuhan reopens after 76-day lockdown

Ending the lockdown of Wuhan, Hubei province will become a milestone for China in securing final victory in the people's war against the COVID-19 outbreak.

CHINADAILY.COM.CN



The Guardian

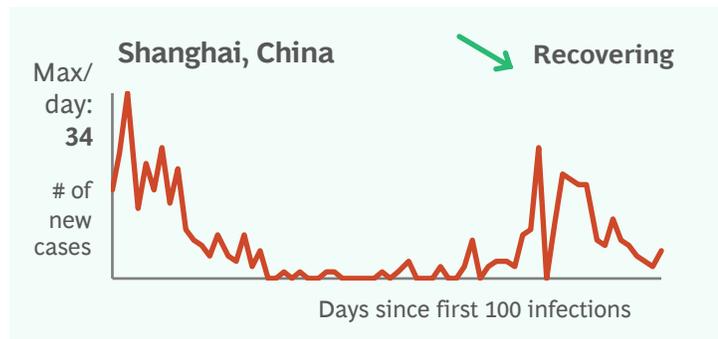
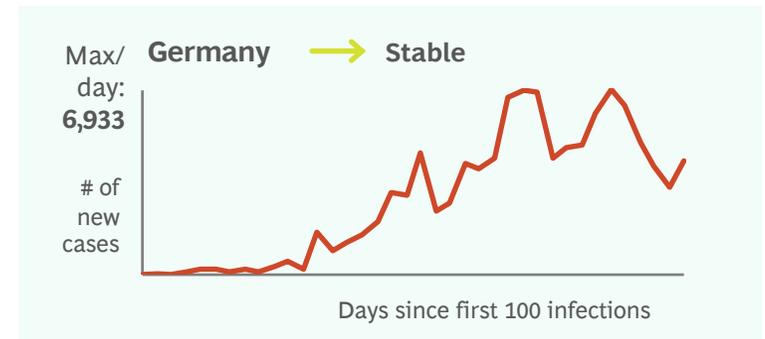
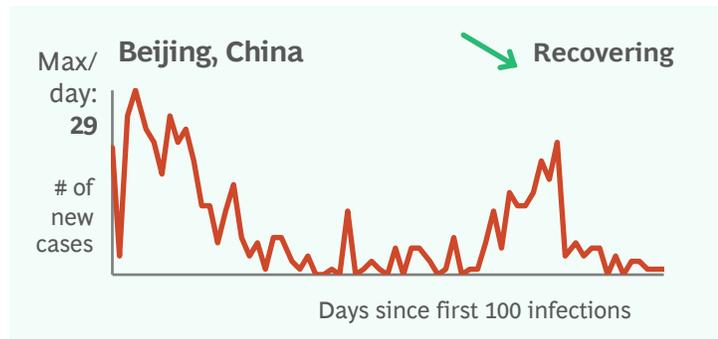
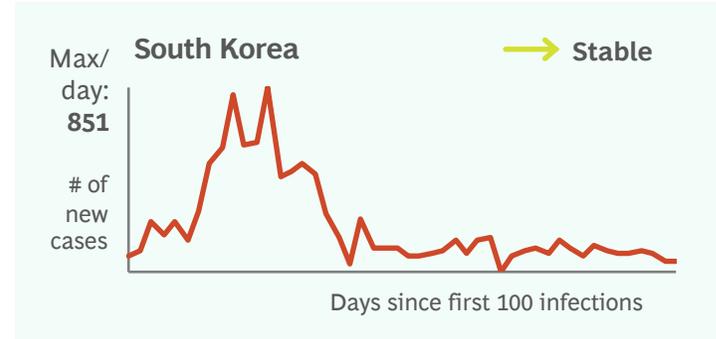
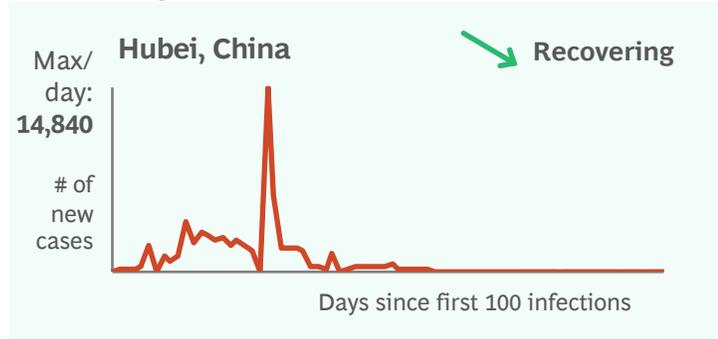
Europe empties its

Compiled by Arnel Heclmovic

Different progression scenarios have emerged across countries

DISEASE PROGRESSION,
HEALTH CARE SYSTEM
CAPACITY, AND
RESPONSE

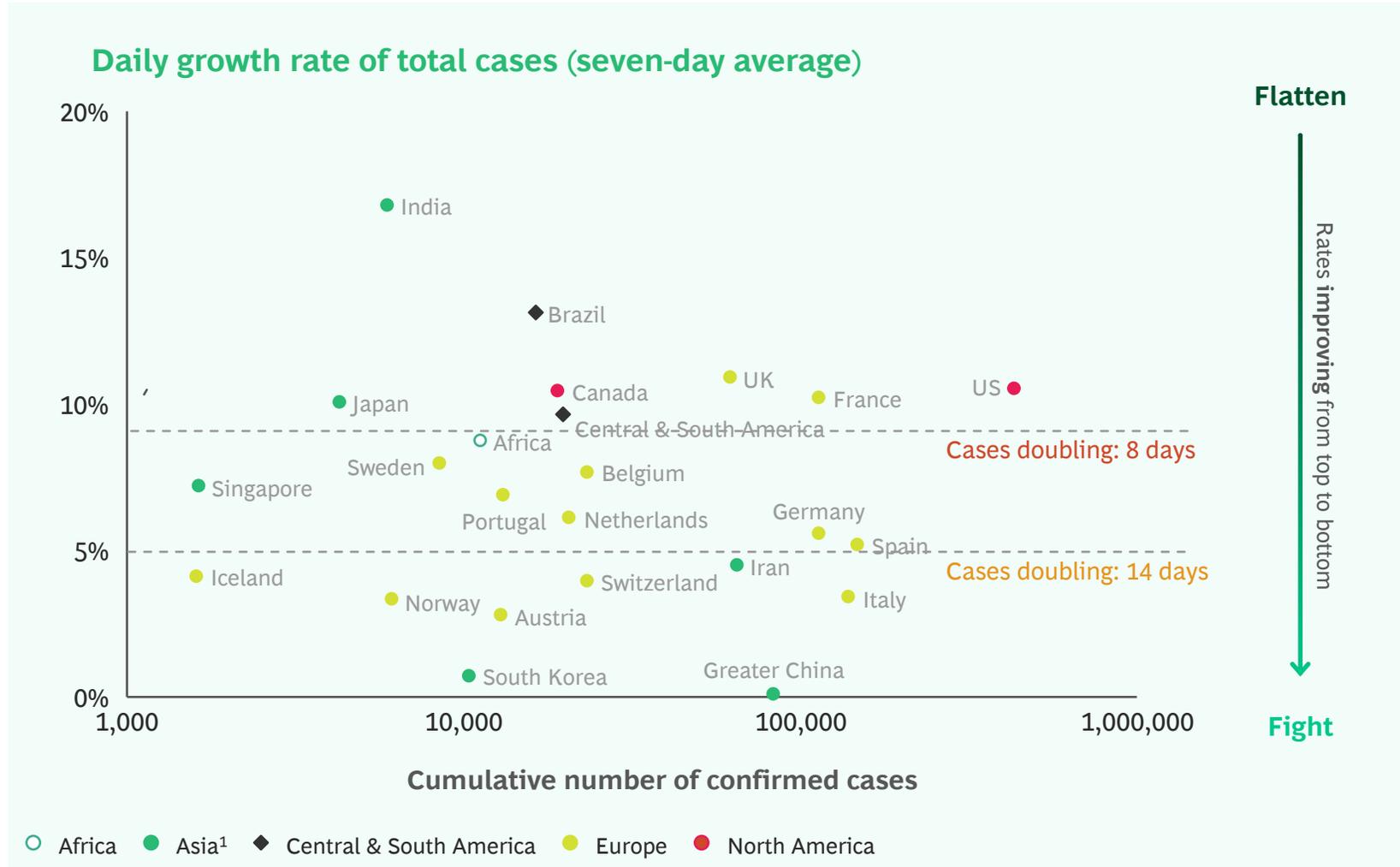
As of 07 April 2020



Doubling days is a good early indicator of the phase a country is in

DISEASE PROGRESSION,
HEALTH CARE SYSTEM
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As of 08 April 2020



Flattening of the curve

- Germany and Spain are approaching a doubling rate of 14 days
- US and Europe are current epicenters
- India currently has a high infection growth rate but a low base

Nations approaching fight stage

- China and South Korea in Fight stage, have loosened lockdown measures. Key focus now on 'imported' cases

1. Includes Middle-east .

Source: National Health Commission China (China-specific data), Johns Hopkins CSSE(Non-China Data), BCG Henderson Institute analysis

COVID-19: Still many unknowns

As of 07 April 2020

DISEASE PROGRESSION,
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RESPONSE

Property

Beliefs/unknowns in literature

Means of transmission

Respiratory droplets produced when infected person coughs or sneezes

Observed transmission rate¹ (R_0)

~2.0-2.6

Incubation period

~3-9 days

Average time from symptom onset until death

~14-20 days

Case fatality rate

~0.5 – 2.5% estimated, but depends on level of undetected cases

% of asymptomatic cases

~15-30% estimated, but difficult to measure

Reinfection/immunity

No demonstrated cases of reinfection yet but immunity period not known

Likely time to vaccine

Unclear, but estimated at ~12-18 months

Infection fatality rate

Not yet known

Seasonality

Not yet known

1. Av. number of infections by one case in a population where everyone is susceptible and highly dependent on interventions e.g. social distancing, population density, and cultural norms

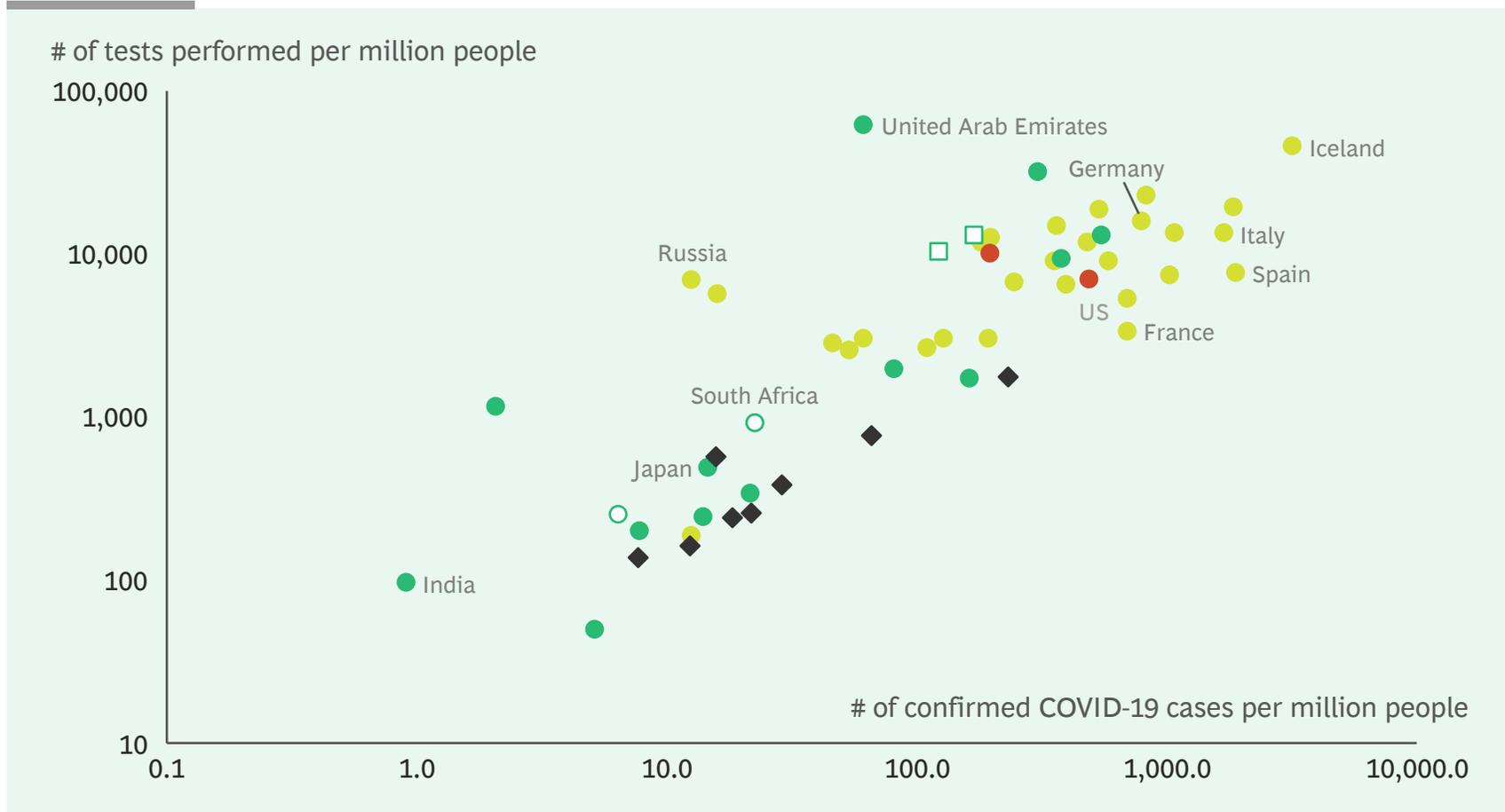
Note: Ranges based on 25-75th percentile range of estimates in literature where available

Source: John Hopkins Institute, scientific literature, press research, NIH

As testing ramps up, it will become clearer how disease progression is moving

DISEASE PROGRESSION,
HEALTH CARE SYSTEM
CAPACITY, AND
RESPONSE

As of 07 April 2020



Countries with **high GDP per capita** are **testing more** and have **higher # of cases**

| GDP/Capita ¹ | <\$35k | >\$35k |
|-------------------------|--------|--------|
| # Tests/M* | 1,873 | 14,707 |
| # Cases/M* | 54 | 707 |

1.GDP per capita is expressed in PPP (current, international dollars) based on 2018 2. Includes Middle-east * Data corresponds to the set of 56 countries represented in the chart
Source: World Bank, Worldometers.info, Our World in Data, Johns Hopkins

Launch of new testing methods critical for better understanding - scaling and quality of tests likely to be the next challenge

DISEASE PROGRESSION,
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RESPONSE

As of 07 April 2020

Not exhaustive

Test purpose

Available for last 2+ weeks

Becoming available now

In development

| Test purpose | | Available for last 2+ weeks | Becoming available now | In development |
|----------------------------|----------------------------|---|---|---|
| Presence of viral genome | Lab-based | <i>Examples</i>      |       |  |
| | Near-patient/Point-of-Care |    |   <p>Rapid, on-site portable test</p> |  <p>Panel with Flu A/B</p>  <p>Handheld digital PCR</p> |
| Immune response to virus | Lab-based | |    |   |
| | Near-patient/Point-of-Care | |     | <p>Many players announced development plans¹</p> |
| Amount of virus | | Currently none | | |
| Presence of viral particle | | <p>Biosensor, 1 min result (early stage of development)</p>  | | |

1. More than 70 serology test makers have notified FDA that they have serology tests available for use as of April 7, 2020
Source: CDC website, FDA website, company websites

Lack of seasonality, recurrence, and mutation – three elements to watch out for

As of 06 April 2020

Is there a seasonal impact?

Australia and Ecuador cases rising, indicating warmer weather may not slow outbreak

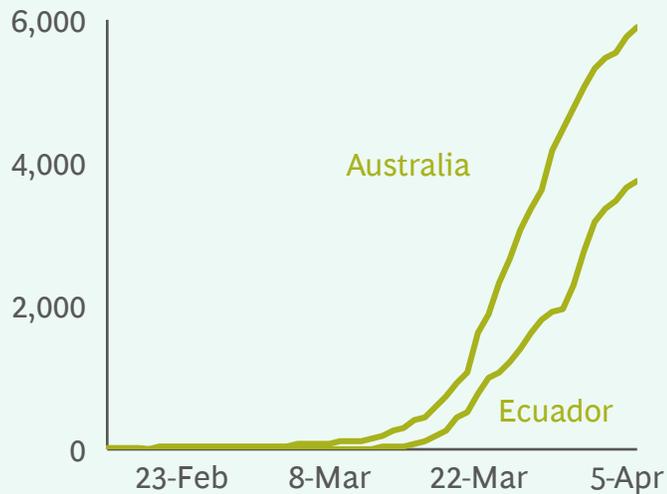
Is the virus recurrent?

Hong Kong experienced second wave, though new containment measures seem to have slowed it down

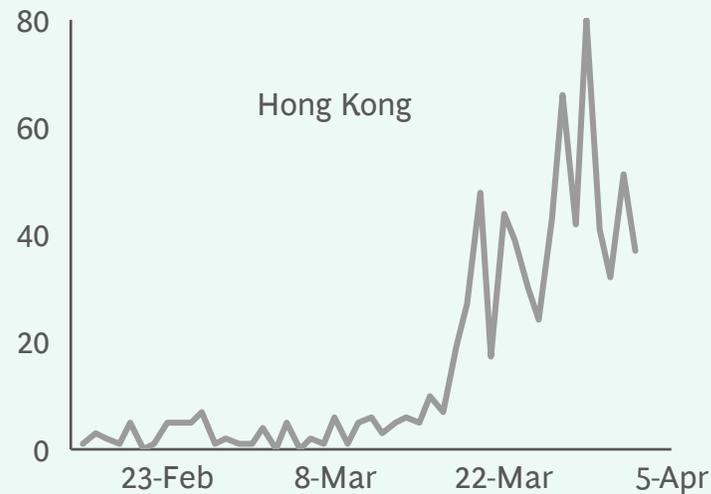
What is the mutation rate?

Research indicates mutation rate of SARS-CoV-2 is likely low

Cumulative # of confirmed cases



of new cases per day



"The mutation rate would suggest that the vaccine would be a single vaccine, rather than a new vaccine every year."

— Peter Thielen, JHU¹

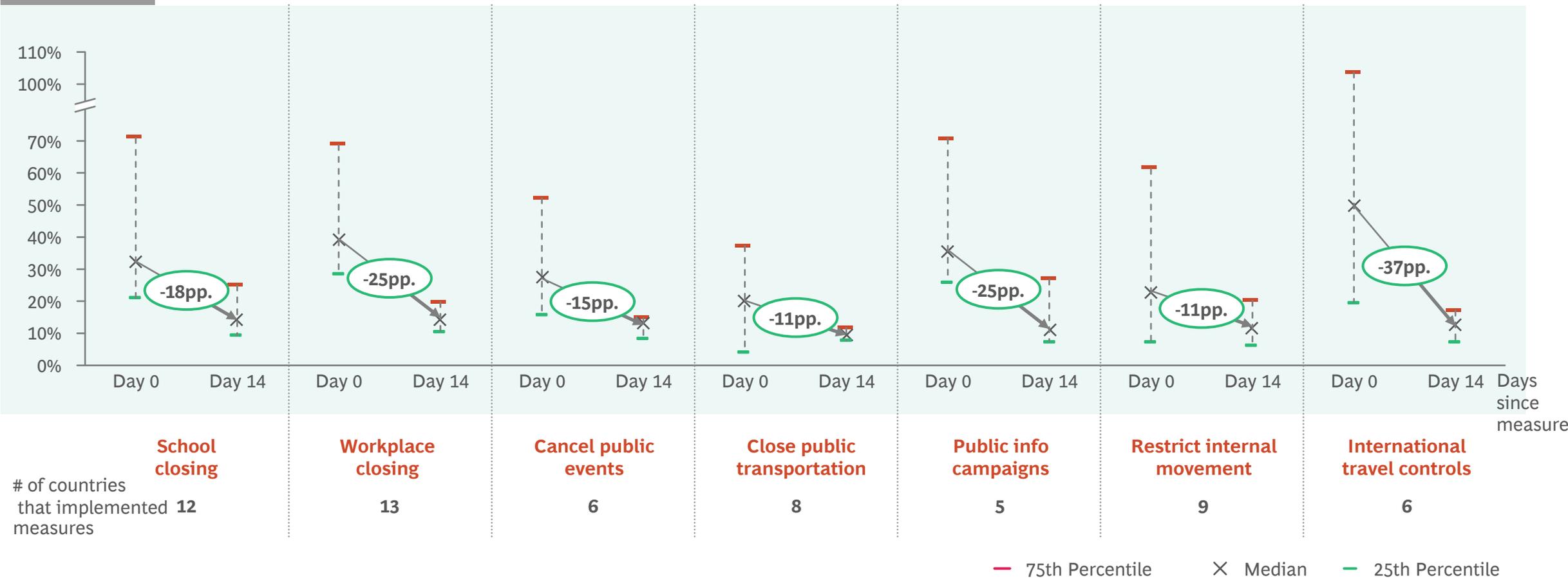
1. Johns Hopkins University
Source: Johns Hopkins CSSE, Press research, BCG Henderson Institute analysis

Governments across countries have applied several measures which already show a positive effect

As of 30 March 2020

Daily growth rate of infections

(correlations between individual effects of measures not taken into account)



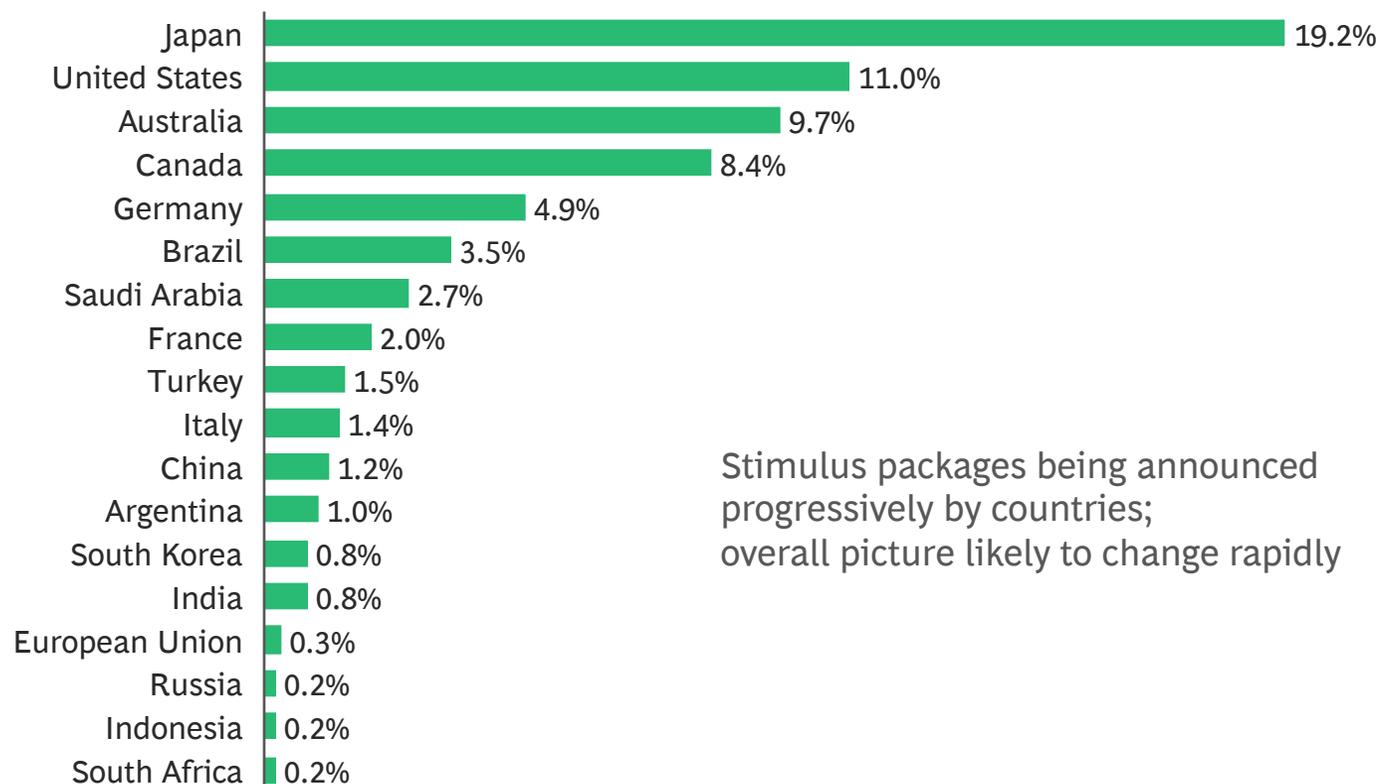
Note: Daily growth rate of infections based on compounded growth in 3-day window prior to date; only countries with above 100 cases at start of measure considered; Chinese province of Hubei considered as separate country for purpose of presentation; correlations between effects of measures not taken into account
 Source: Oxford COVID-19 Government Response Tracker; Johns Hopkins University CSSE data; BCG analysis

Many governments passed fiscal stimulus packages with unseen scale and some are suggesting more will be needed

As of 7 April 2020

Value of COVID-19 fiscal stimulus packages in G20 countries as a share of GDP

Support especially for small businesses, hard hit sectors, and lower wage earners



Stimulus packages being announced progressively by countries; overall picture likely to change rapidly

Examples of stimulus packages

25 Mar: German lower house approved a \$814B stimulus package² including:

- Direct payments to distressed small businesses and self-employed
- Loan guarantees to secure corporate debt at risk of defaulting
- Loans to struggling businesses

27 Mar: U.S. approved a \$2.2T stimulus package including:

- Direct payments to individuals
- Loans to small businesses and distressed firms
- Expanded unemployment insurance benefits

1 As announced on April 07 2020, based on following sources: IMF (2 April 2020) except Japan: Reuters (7 April 2020); Russia: BusinessLine (22 March 2020); South Africa: ABC (26 March 2020)

2. \$814B stimulus package across fiscal, monetary, etc.

Few governments are starting to prepare for the end of 'Flatten' phase

As of 06 April 2020

Some countries announce wave of projected measures to ease lockdown but at the same time urge the public to avoid social contacts

"Austria set to be first European country to ease lockdown" Financial Times, 6 April 2020

Austria

Currently planned: Mid-April

 **Limited retail reopenings**
Small non-essential, and DIY stores allowed to reopen with restrictions (e.g., minimum distance and face masks)

Currently planned: Beginning of May

 **Complete retail reopenings**
All shops, malls, and salons will be allowed to reopen under restrictions (minimum distance and face masks)

Currently planned: Mid-May

 **Reopening of schools**
All schools, as well as restaurants and hotels might potentially be reopened (specifics not yet confirmed)

Currently planned: Beginning of July

 **Events potentially allowed**
Permission for events to take place – no decision yet on a threshold for the allowed number of participants



Denmark

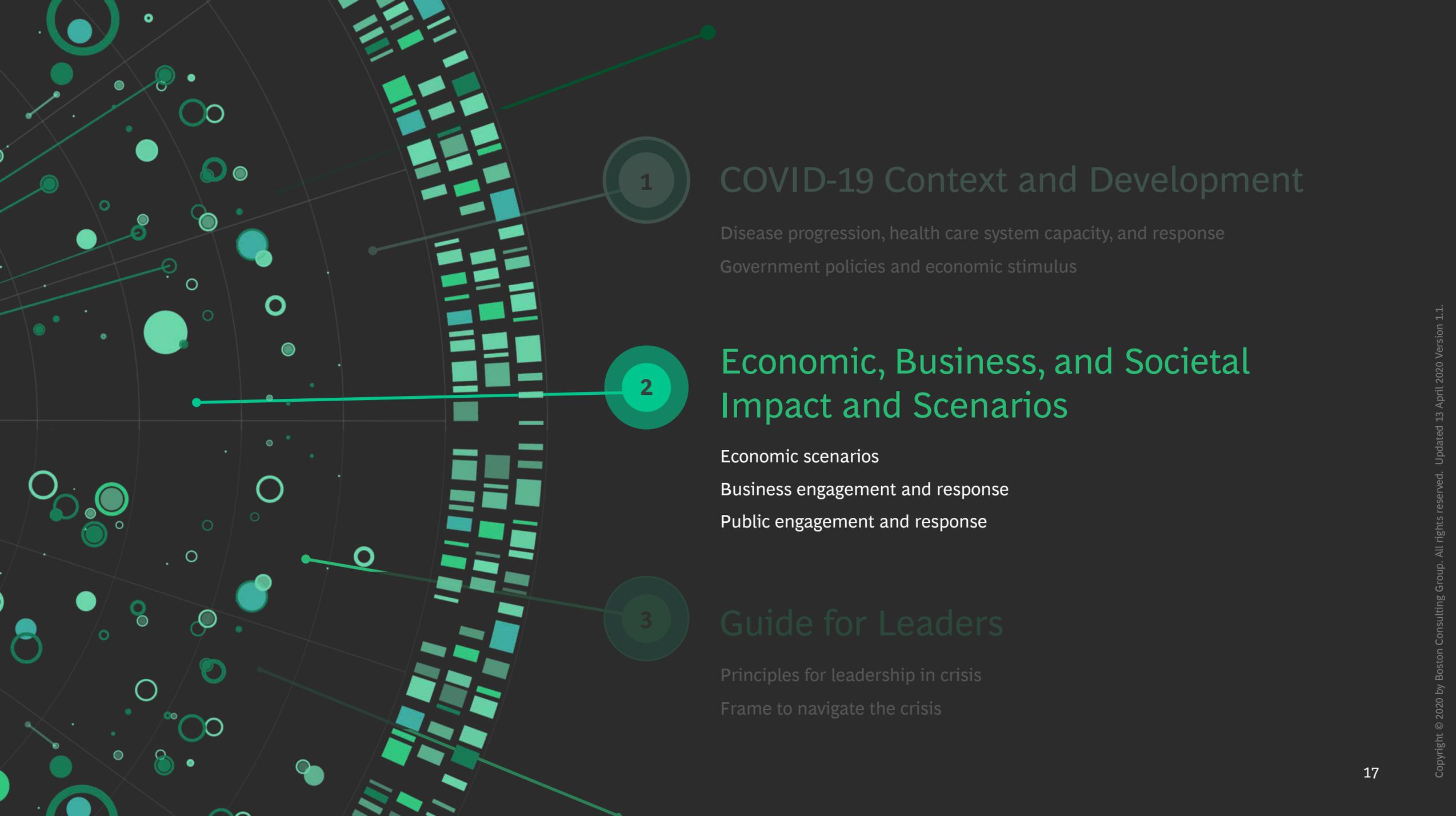
Currently planned: Mid-April

 **Reopening of some schools**
All nursery schools, kindergartens, and primary schools are confirmed to reopen

Currently planned: Mid-May

 **Reopening of all schools**
Middle and high schools are confirmed to reopen

"Denmark to ease restrictions next week after coronavirus lockdown" Reuters, 6 April 2020



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Key economic indicators point to a downturn

As of 09 April 2020

Global equity markets already started to price-in risks of COVID-19

Cumulative returns until 7th April (%)



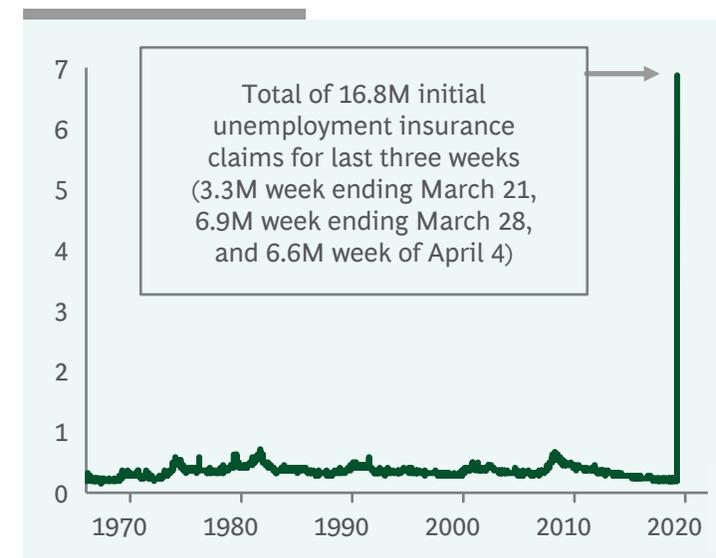
Steeper sell-off than in 1929

More critical sell-off than 30% in 2008¹

Higher volatility than '08 credit crisis peak²

Highest level of seasonally adjusted unemployment claims in history

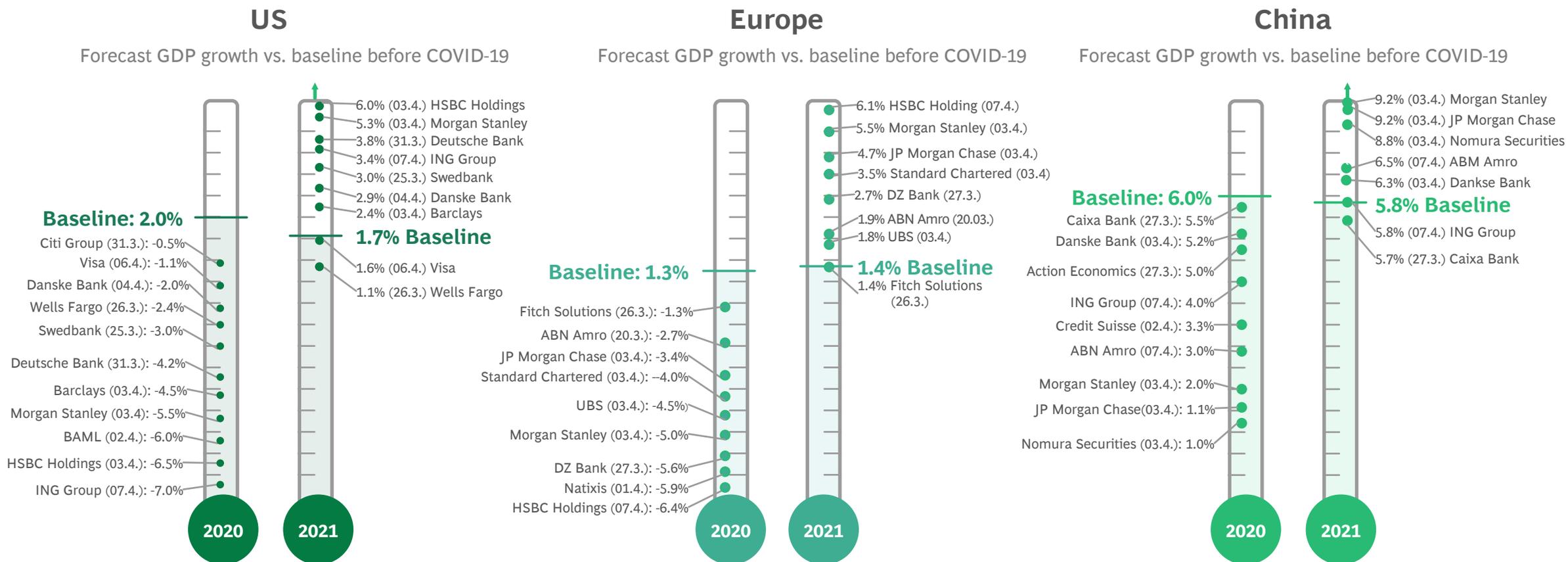
Initial US unemployment insurance claims (millions)



1. Financial Crisis S&P sell-off at comparable time frame: 26/09/2008 - 27/10/2008 and 19/02/2020 - 23/03/2020 2. Peak VIX recorded 16/03/2020
Source: OECD, Impact of the COVID-19 pandemic on global FDI and GVCs, UNCTAD, US Bureau of Labor Statistics, BCG

This has led to economic forecasts become increasingly negative

As of 07 April 2020

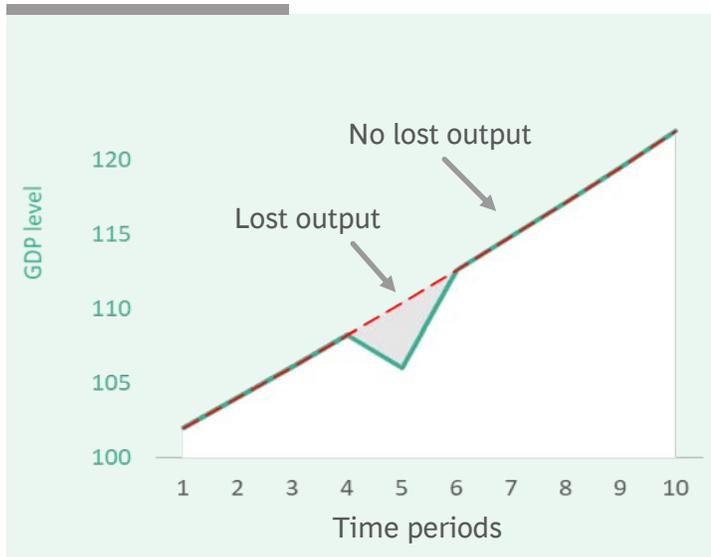


Note: As of reports dated 2 March 2020 to 07 April 2020
 1. Estimated since GDP growth mentioned for second half of 2020 as average
 Source: Bloomberg, BCG analysis

Three economic recovery scenarios could emerge under COVID-19

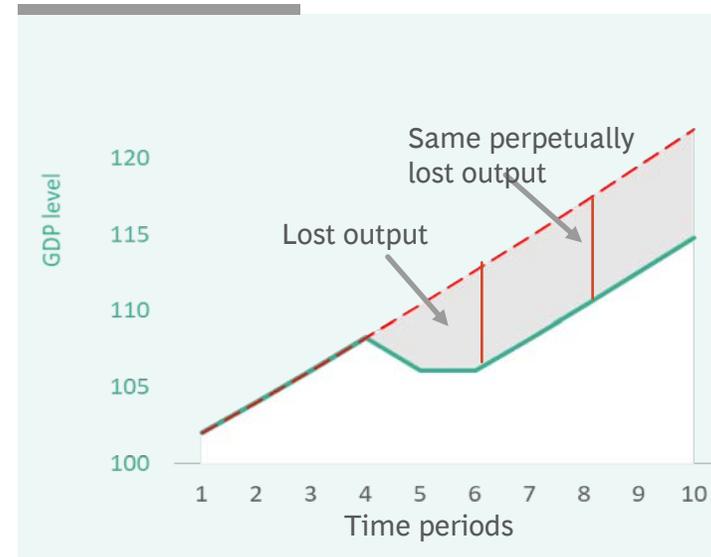
1 Sharp-rapid recovery (V)

De minimis impact on the present value of future output



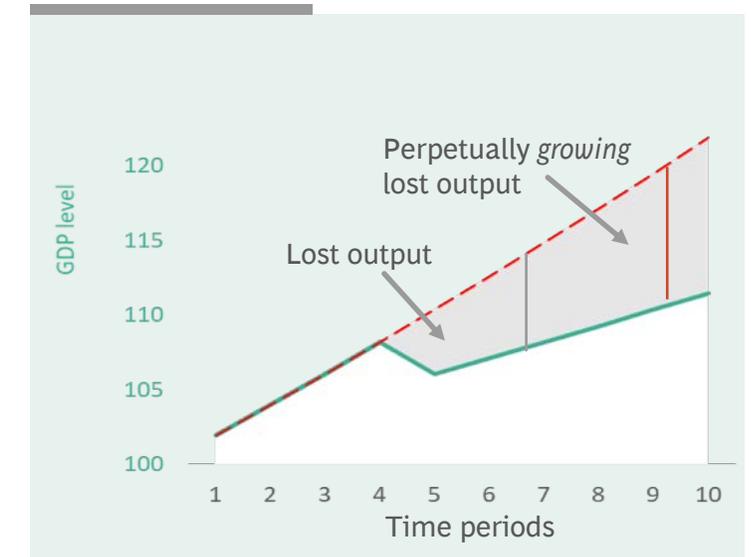
2 Slow comeback (U)

Large and perpetual loss of present value of future output



3 Protracted challenge (L)

Ever-growing loss in future output and infinite loss of future value



Multiple factors will determine scenarios

Evolving properties of the virus

Cure/vaccine development lead-time

Containment and mitigation efforts

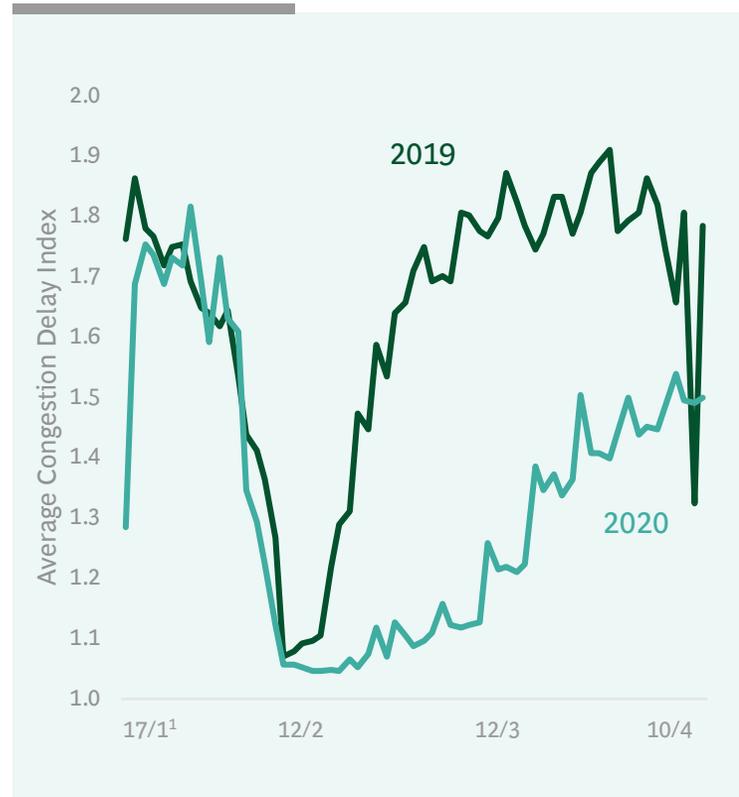
Development of policies and fiscal response

Business and societal actions and adherence

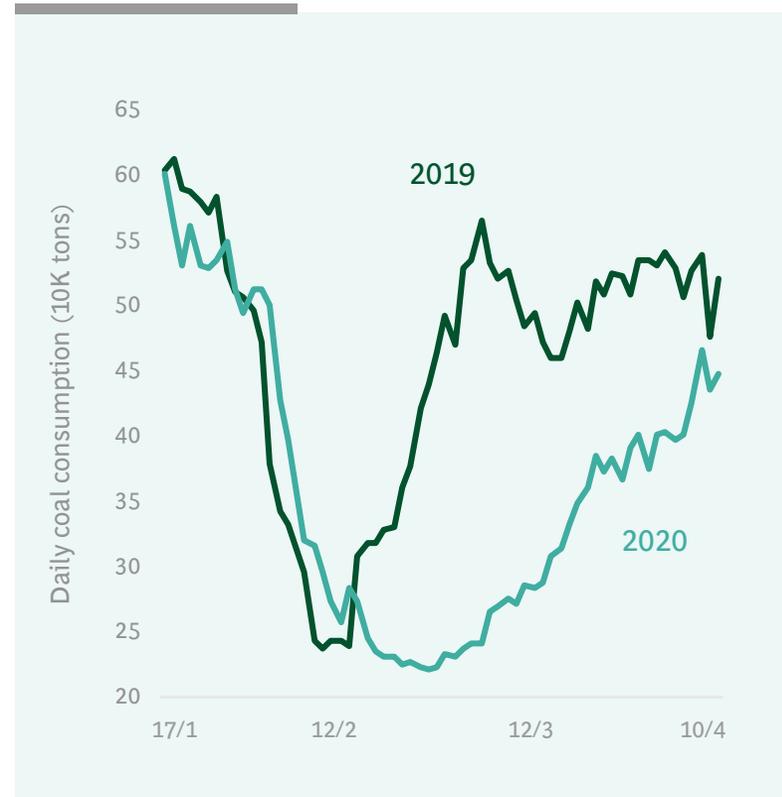
China's path is indicative of what a strong response can deliver

As of 08 April 2020

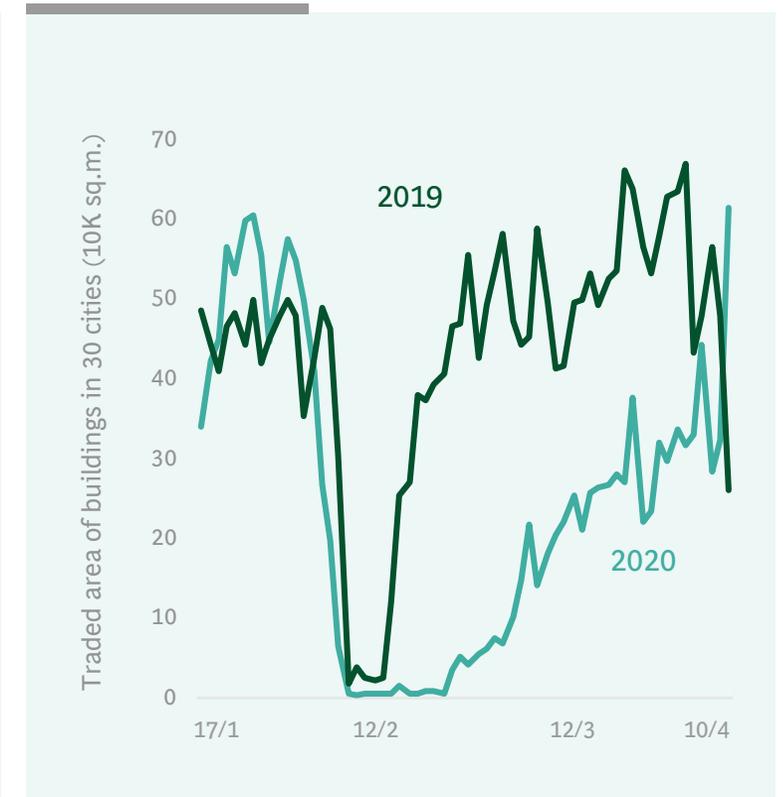
People and goods are starting to move again



Coal consumption moving higher



Property transactions are restarting



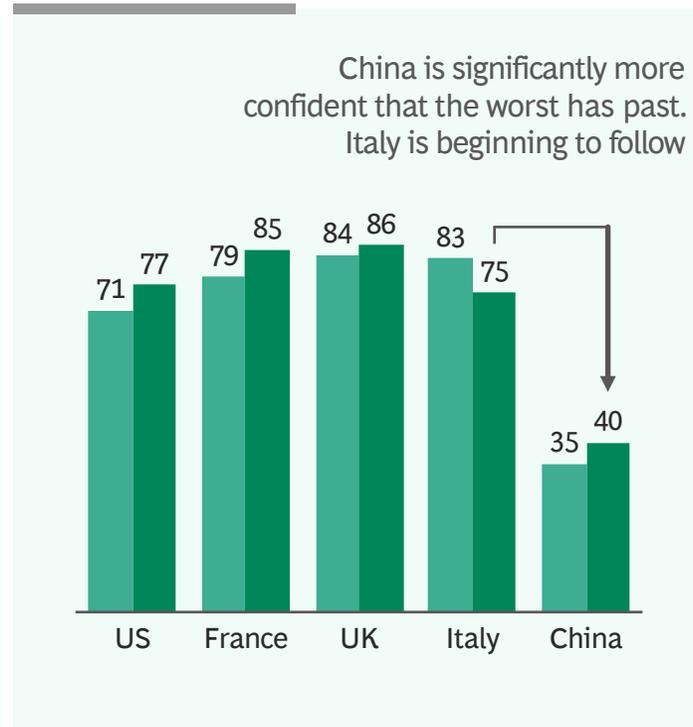
¹ In DD/MM format

Note: As of 07 April 2020; China data re-based for weekdays excl. weekends relative to start of Chinese New Year. Congestion delay index average include Beijing, Shanghai, Guangzhou, Shenzhen, and Wuhan; Daily coal consumption of major power plants = sum of daily average coal consumption of Jerdin Electric, Guangdong Yudean Group, Datang International Power Generation, and Huaneng Power International, Inc. Source: Wind, www.cqcoal.com, and BCG Center for Macroeconomics

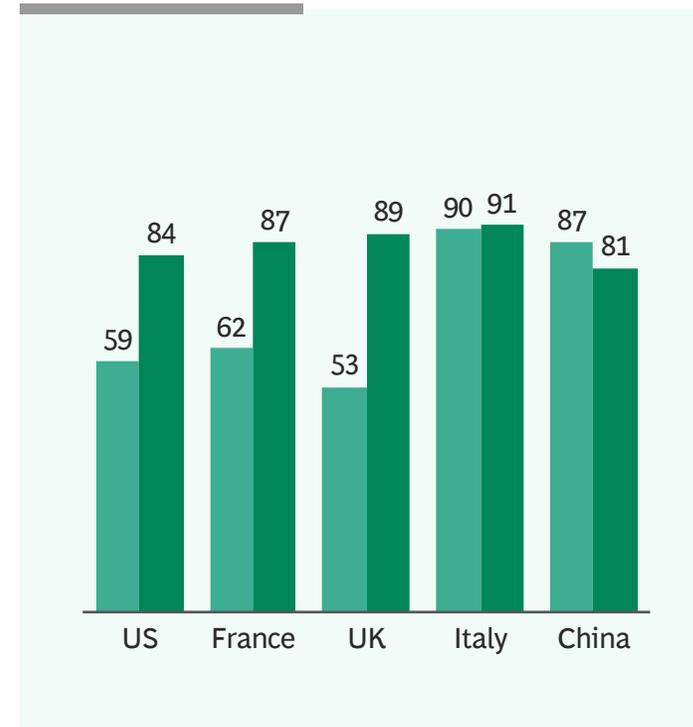
Consumer pessimism grows as infections spread

As of 30 March 2020

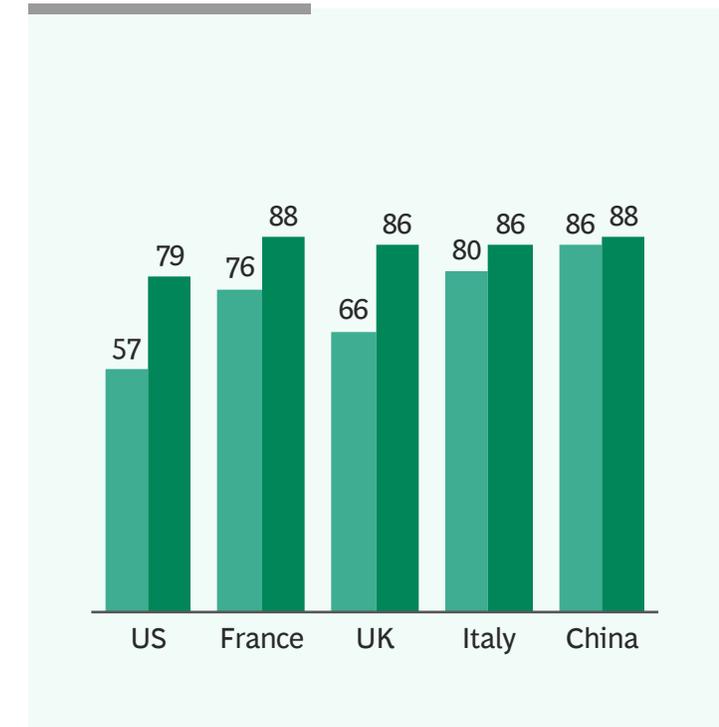
I believe the worst impacts are ahead



I have changed my daily lifestyle due to the virus



I believe the world is in serious danger

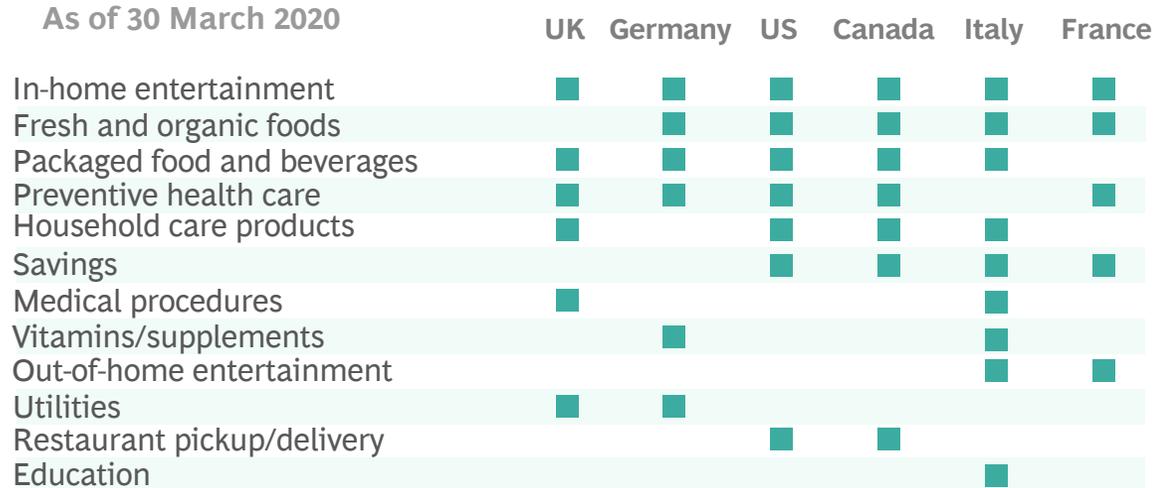


■ Agreement with each statement as of 13-16 March 2020 (%) ■ Agreement with each statement as of 27-30 March 2020 (%)

Note: Question text: “How much do you agree with each of the following statements about the coronavirus?”
 Source: BCG COVID-19 Consumer Sentiment Survey, 13–16 March 2020 (N = 1,831 China; 2,521 France; 2,206 Italy; 2,787 UK; 2,345 US), and 27–30 March 2020 (N = 2,916 China; 2,985 France; 2,150 Italy; 2,984 UK; 2,944 US) unweighted; representative within ±3% of census/national demographics

Consumers prioritize savings and wellness over travel and discretionary spend

As of 30 March 2020



■ **Healthier categories¹**
More than 20% of respondents plan to *spend more*

■ **Pressured categories¹**
More than 20% of respondents plan to *spend less*



Note: Question text: "How do you expect your spend to change in the next 6 months across the following areas?" Categories listed exclude baby/child food, childcare, and children's clothing

1. Countries can have categories in both columns - signaling volatility / shift in consumer preferences

Source: BCG COVID-19 Consumer Sentiment Survey, 27–30 March 2020 (N = 2,928 CAN; 2,985 FRA; 3,085 GER; 2,150 ITA; 2,984 UK; 2,944 US), unweighted; representative ±3% of census dem.

A large share of global sectors are seeing total shareholder returns (TSR) decline

As of 21 February 2020 to 04 April 2020

Decline reflects economic scenario and consumer sentiment

| | | TSR performance (21 February – 04 April 2020) ¹ | | | |
|---------------------------|---------------------|--|--------|------|---|
| | | Americas | Europe | Asia | |
| Healthier sectors | Food/staples Retail | -9% | -8% | -10% | ➤ |
| | Household Products | -11% | -13% | -2% | |
| | Pharma | -13% | -13% | -12% | |
| | Telecom | -14% | -15% | -10% | |
| | Food & Beverage | -17% | -23% | -8% | |
| Pressured sectors | Semiconductors | -21% | -34% | -21% | ➤ |
| | Utilities | -22% | -27% | -4% | |
| | Health Equipment | -22% | -23% | -4% | |
| | Software | -25% | -27% | -23% | |
| | Prof. Services | -26% | -26% | -24% | |
| | Capital Goods | -28% | -32% | -25% | |
| | Transport | -28% | -43% | -14% | |
| | Financials | -28% | -31% | -24% | |
| | Tech Hardware | -28% | -17% | -20% | |
| | Materials | -28% | -25% | -24% | |
| Vulnerable sectors | Media | -31% | -42% | -6% | ➤ |
| | Retailing | -35% | -35% | -16% | |
| | Insurance | -36% | -33% | -21% | |
| | Banks | -39% | -48% | -23% | |
| | Real Estate | -41% | -30% | -20% | |
| | Auto | -45% | -42% | -30% | |
| | Hospitality | -47% | -43% | -25% | |
| | Durable Goods | -47% | -32% | -17% | |
| | Energy | -47% | -26% | -28% | |

Observations

Non-discretionary/essential service sectors performing better in current climate – food and staples retail best positioned

Some evidence of more advanced recovery in Asia

Broad set of industries experiencing pressure, with some regions particularly affected for certain sectors (e.g. transport in Europe)

Utilities and health equipment generally better off in Asia

With exception of media, sectors down >20% across geographies

Note: As of 02 April 2020; Based on top S&P Global 1200 companies; Industries are based on GICS definitions

¹ Performance is tracked for the period 21 February 2020 (before international acceleration of outbreak), through 02 April 2020

Source: S&P Capital IQ; BCG Henderson Institute; BCG

Current climate implies increase in credit risk for majority of sectors

As of 21 February 2020 to 02 April 2020

| | | Median 5-year CDS ¹ implied probability of default ¹ | Number of companies with 5-year CDS probability of default >15% | Companies in distress (%) |
|---------------------------|---------------------|--|---|---------------------------|
| Healthier sectors | Food/Staples Retail | 7% | 0 | 0% |
| | Household Products | 5% | 0 | 0% |
| | Pharma | 4% | 3 | 17% |
| | Telecom | 7% | 6 | 23% |
| | Food & Beverage | 5% | 1 | 4% |
| Pressured sectors | Semiconductors | 7% | 1 | 17% |
| | Utilities | 5% | 0 | 0% |
| | Health Equipment | 6% | 0 | 0% |
| | Software | 5% | 0 | 0% |
| | Prof. Services | 5% | 0 | 0% |
| | Capital Goods | 6% | 7 | 12% |
| | Transport | 4% | 8 | 32% |
| | Financials | 8% | 0 | 0% |
| | Tech Hardware | 6% | 1 | 8% |
| | Materials | 8% | 11 | 24% |
| Vulnerable sectors | Media | 11% | 3 | 21% |
| | Retailing | 13% | 8 | 47% |
| | Insurance | 7% | 0 | 0% |
| | Banks | 9% | 2 | 4% |
| | Real Estate | 10% | 4 | 18% |
| | Auto | 15% | 10 | 53% |
| | Hospitality | 18% | 8 | 62% |
| | Durable Goods | 8% | 3 | 17% |
| | Energy | 17% | 19 | 59% |



Observations

Hospitality and energy industries facing greatest risk of default based on current credit profile

Less discretionary sectors are largely at lower risk of default in current climate

Other sectors may have individual companies in specific default risk as well

Note: As of 02 April 2020; Based on top S&P Global 1200 companies; Industries are based on GICS definitions

¹ Credit Default Swap; ² Performance is tracked for the period 21 February 2020 (before international acceleration of outbreak), through 02 April 2020

Source: S&P Capital IQ; BCG Henderson Institute; BCG

~60%
of companies
have started
preparing for
recession

Survey as of 01 April 2020

BUSINESS ENGAGEMENT
AND RESPONSE

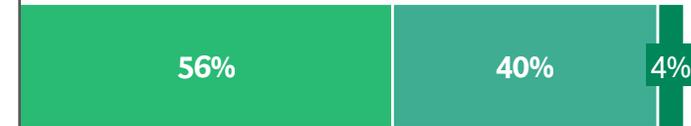
Forecast cash-flows and make liquidity assessments under potential stressed scenarios



Assess viability of current investment plan



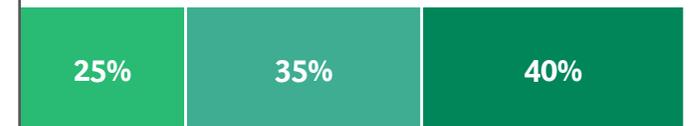
Put in place a cost-discipline plan



Modify dividend policies or share buy-back plans



Assess investment/M&A opportunities that may arise from a potential downturn



Have Taken Plan to Take Not Planned

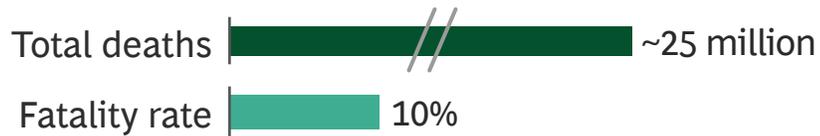
Note: As of 01 April 2020
Source: BCG COVID-19 Company Survey; BCG Henderson Institute Analysis

Past pandemics have resulted in societal shifts, COVID-19 is doing the same

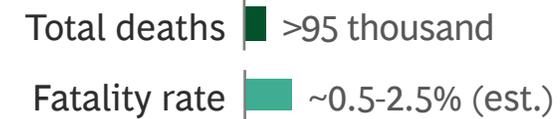
As of 09 April 2020

Facts and figures

Spanish flu



Covid-19



Key considerations

- Flu struck in three waves across the globe
- WWI played a crucial role in the outbreak
- Particularly deadly for young and healthy

- Social and economic impacts across the globe
- Outbreak in midst of rising climate awareness
- Globalization is at its peak

Societal Shifts

- Isolation efforts were not immediately implemented due to soldiers returning home
- Precautionary behaviors like wearing masks, staying indoors, and avoiding public places
- Efforts intensified to protect societies from the influenza through vaccines, and more awareness

- Regional lockdowns with shifts in behavior witnessed, such as hoarding
- Alternative means of societal interactions gaining prevalence, such as online medicines
- Changing mindsets likely altering societal view on speed of globalization

1. Average of estimated fatality rates, 2. Avg. # of people infected by each sick person at the peak of transmission (when the susceptible population is at its largest)
Source: Bridgewater Associates, National Health Commission China, American Journal of Epidemiology, US National Library of Medicine, BCG Henderson Institute analysis

Society dramatically embracing digitization and demanding contactless operations

Government measures taken in historic crises and right now

Employment

Launch of strong unemployment program: Holistic communication about benefit programs, provision of individual assistance

Remote trainings: At-home trainings in collaboration with community colleges and headhunters



Likely changes in society

Higher preference for virtual meetings: Virtual meetings likely to increase– remote work no exception

Impact on employment situation: Potential shift toward more flexible and 'shared' workforce

Daily essentials

Governmental logistics relief response: Removal of logistics obstacles by government for essential supplies

Relaunch of online order platforms: Relaunch of necessities shopping through e-commerce and contactless delivery



Boom for digitization of essentials: Increased demand for digital/distanced health care and grocery delivery

Demand for contactless operations: Potential increased usage of robots and pick-up shelves

Education

Internet access aid program: Paid internet access for underprivileged students

Switch to online education format: Online education companies providing courses for impacted schools



More virtual learning opportunities: Significant expansion of digital learning offering for all academic institutions

New online caregiving programs: Launch of new online programs, including childcare, mental health

Transportation

Three-level transportation strategies: From maintaining only essential transportation to resuming daily transportation

Inbound passenger management: Direct transfer of inbound passengers to centralized quarantine hotels



Less demand for public transportation: Selective use of public transportation in short-term – long-term dependent on alternatives

Centralized essentials supply: Governmental coordination of living and medical supply



1

COVID-19 Context and Development

Disease progression, health care system capacity, and response
Government policies and economic stimulus

2

Economic, Business, and Societal Impact and Scenarios

Economic scenarios
Business engagement and response
Public engagement and response

3

Guide for Leaders

Principles for leadership in crisis
Frame to navigate the crisis

Business
leaders have
asked us

7

key questions

- 1 What can we learn from leaders who have successfully managed past crises?
- 2 How (and when) do we restart and bring back the organization safely including operations and supply chain?
- 3 What are the big shifts/fundamental changes in consumer behavior and how do we move quickly to seize these shifts?
- 4 How do we manage profitability and cash/liquidity through the bear case scenario?
- 5 Are there some big moves (M&A, diversification, new segments), we can drive to create competitive advantage as business rebounds?
- 6 How do we enable our workforce with “new ways of working,” accelerate digital, and build robust cyber architecture?
- 7 How can we work together across industries, society, and government to be part of the solution?

Guiding principles for leadership in crisis

“THESE are the times that try men's souls. The summer soldier and the sunshine patriot will, in this crisis, shrink from the service of their country; but he that stands by it now, deserves the love and thanks of man and woman. Tyranny, like hell, is not easily conquered; yet we have this consolation with us, that the harder the conflict, the more glorious the triumph.”

Thomas Paine, The Crisis

Be visible, purposeful, and authentic

Communicate in ways that engage and increase the relevance of your teams and clarify the reasons underlying your communications

Use multiple clock-speeds

Think on multiple timescales by considering the now, the next, and the later. Ensure that leadership teams look ahead and prepare for the future

Cut through bureaucracy

Assemble a multi-functional task force that is empowered to make decisions and suspend normal decision protocols

Leverage the principle of “commander’s intent”

Share only key objectives and rationale of required actions to allow the organization to be flexible and adaptive, and allow a focus on execution

Engage externally

Communicate with customers and stakeholders to gather frequent, fresh, firsthand information to adapt and respond effectively

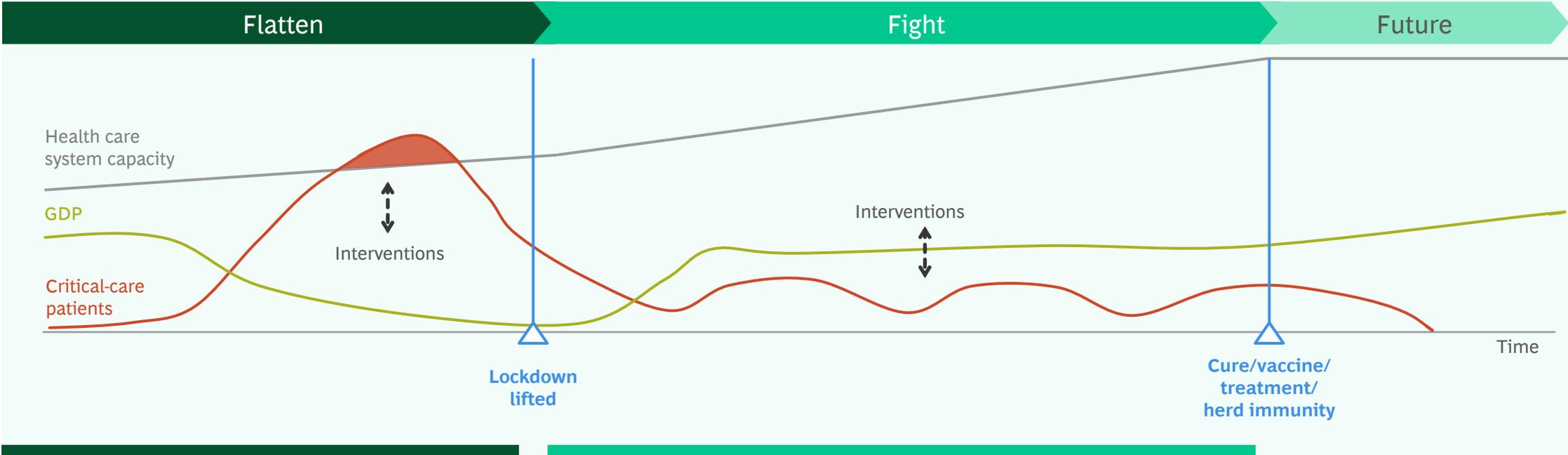
Keep imagination alive

Look out for new needs and opportunities to serve clients now and beyond the crisis. We will not be reverting to a 2019 reality

Extended 'Fight' likely after 'Flatten' phase; leaders need to focus on both now

Illustrative

Current focus for most public and business leaders



61% of world GDP and 41% of world population

18% of world GDP and 19% of world population

G-20 countries

- | | | | | |
|--------|--------|-----------|--------------|--------------|
| Turkey | Spain | Germany | Italy | South Africa |
| Brazil | Russia | Indonesia | Saudi Arabia | Australia |
| | France | UK | India | Canada |
| | Mexico | Argentina | USA | Japan |

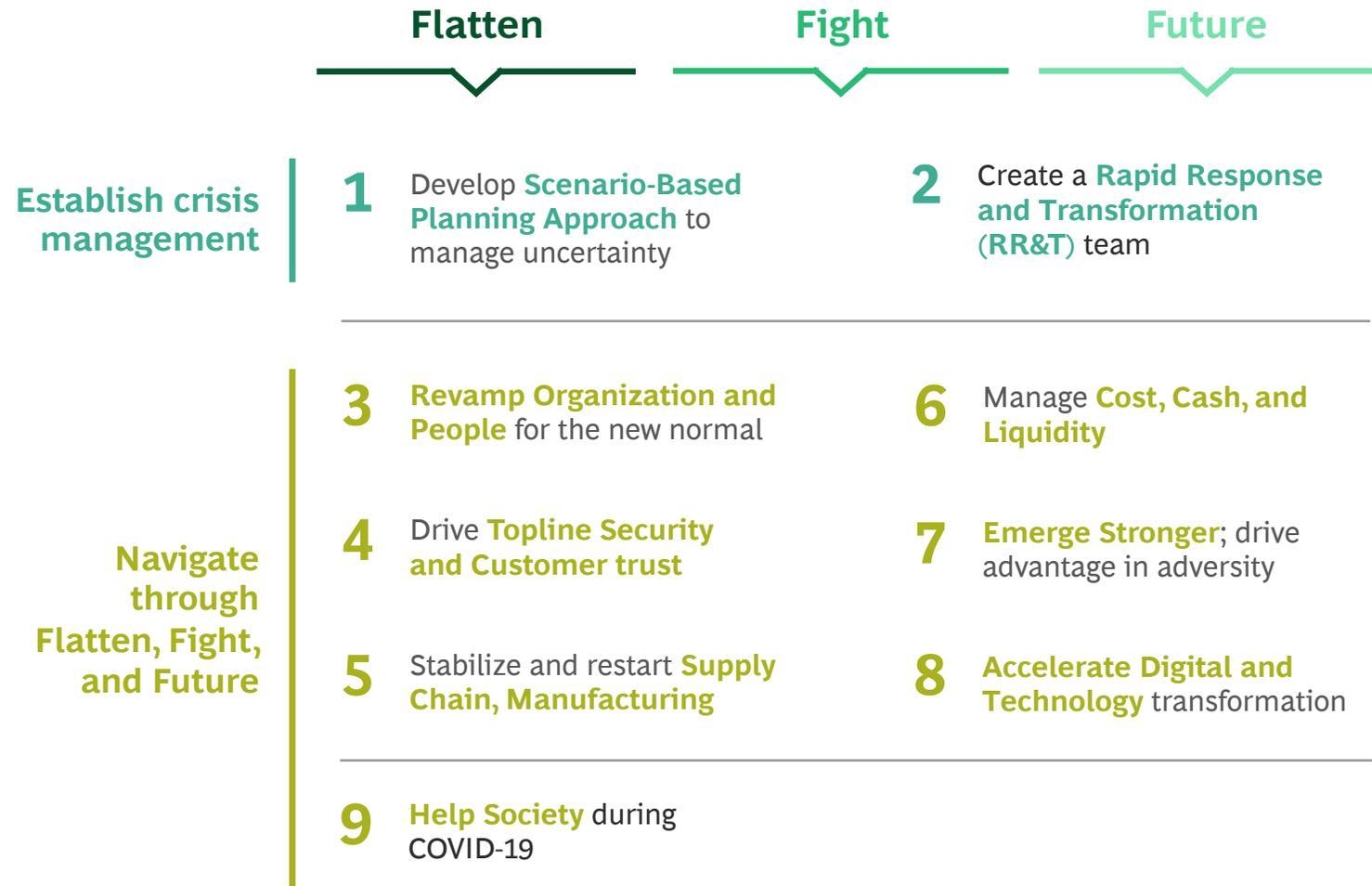
- China South Korea

Lockdown

Note: As of 08 April 2020
Source: World Bank, United Nations; BCG

9

action areas for business leaders



Note: RR&T = Rapid Response and Transformation Team
Source: BCG

Detailed measures across priority action areas (1/3)

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 and People for the new normal

Flatten

- Deep-dive into possible outcomes of disease spread, demand shifts, supply/ops 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
- 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 on team 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

Future

Detailed measures across priority action areas (2/3)

Navigate through Flatten, Fight and Future

4 Drive Topline Security & Customer Trust

5 Stabilize & restart Supply Chain, Manufacturing

6 Manage Cost, Cash, & Liquidity

Flatten

- Reach out to customers for their situation and needs,
- Drive actions to inspire confidence and ensure ability to deliver (e.g., multichannel, people-light approaches)
- Manage volatility in demand, and refine sales motions (e.g. to virtual) 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

- Build forecasts for COVID-19 impact on P&L, balance sheet, investor base
- Review capital sufficiency scenarios and possible effects on credit risk
- Manage credit and debt commitment for short term
- Create agile FY20-21 business plans and budgets to deal with uncertainty

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; drive 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.
- Accelerate production as demand rebounds; account for product shifts

- Build central team to simulate financials as per evolving scenarios; drive agile working ways
- Decisively take structural actions: TURN PMO, zero-based budgets, delayering/restructuring, re-base tech portfolio, etc.; deploy rapidly as speed is predictive of success in downturns

Future

Detailed measures across priority action areas (3/3)

Flatten

Fight

Future

Navigate through Flatten, Fight and Future

7

Emerge stronger; drive advantage in adversity

8

Accelerate Digital & Technology transformation

9

Help Society during COVID-19

- Stress-test current value proposition and business offerings, and scan crisis impact on key customer/market trends

- 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

- Address and serve immediate workforce needs for remote working
- Leverage tools for conducting key processes online
- Adapt traditional processes to become digitally viable

- 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

- 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

- 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.

Selected overarching publications



People & Organizations

[How to protect your workforce during the COVID-19 pandemic](#)



Strategy

[Sensing and shaping the post-COVID era](#)



Crisis Response Checklist

[Checklist](#)



Economic Impact

[Understanding the economic shock of coronavirus](#)



Strategy

[Anticipating the spread of COVID-19](#)

Selected sector publications



Transportation & Logistics

[Transportation and logistics companies must adapt to keep supplies moving](#)



Airlines

[The post-COVID-19 flight plan for airlines](#)



Public Sector

[Governing in the time of coronavirus](#)



Health Care

[How ready is the US to diagnose COVID-19?](#)



Consumer

[Delivering essential products to consumers, uninterrupted](#)

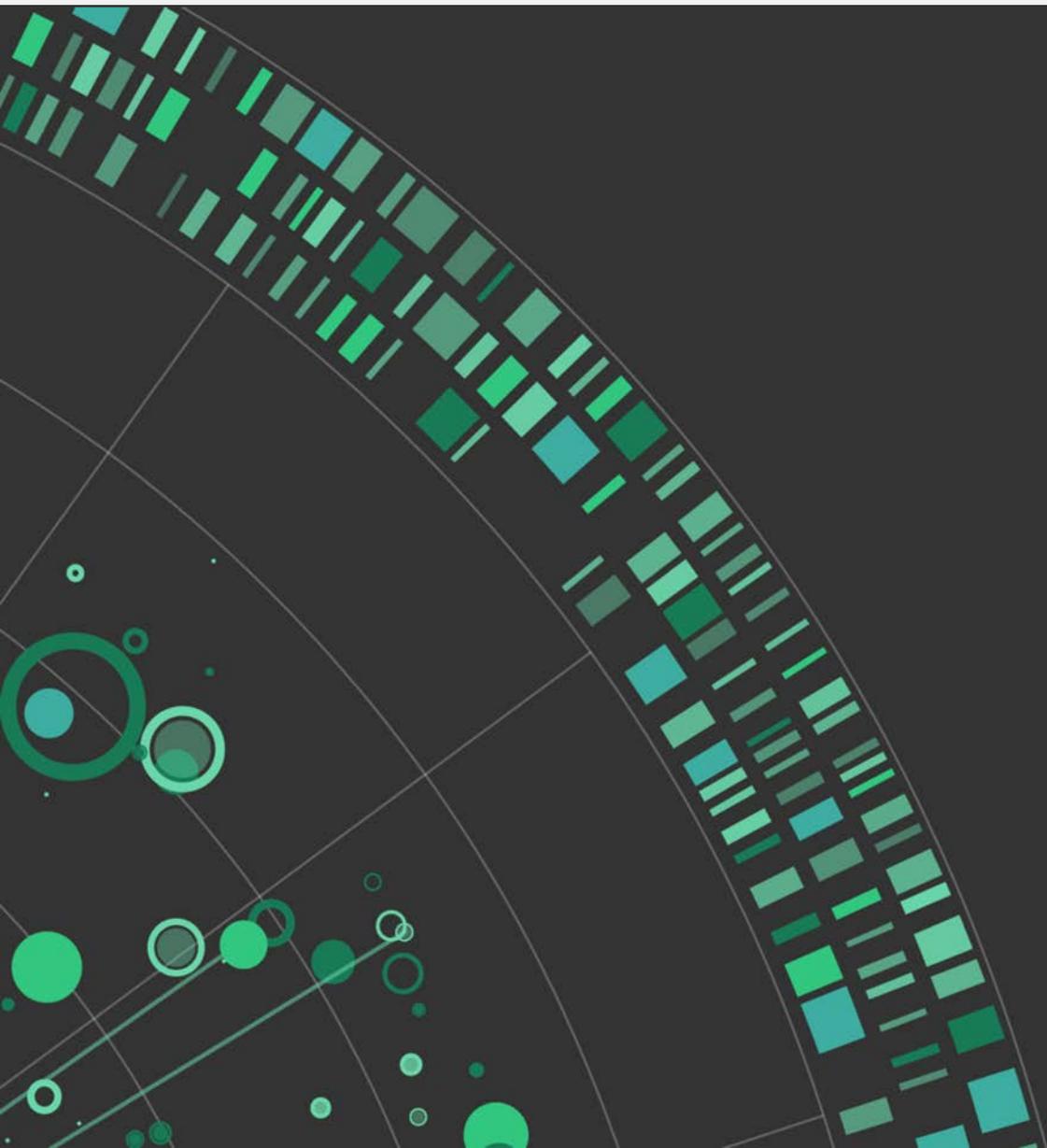
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