

Covid-19 Scenarios: Proposition & Business Model Implications

FREE REPORT

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How to use this document:

We've interviewed >20 senior healthcare, political and business leaders to create this output, and have analysed a wide range of scientific, government and business publications. All business leaders interviewed have worked at or with well known blue chip corporations in Director-level roles



These scenarios represent a set of simplified, plausible future realities. They are not designed to predict the future, but to create a backdrop for strategic planning



The scenarios have been co-developed with healthcare and political experts. They encompass a wide spectrum of futures. Considering implications and responses for your business across each scenario will help prepare you for the challenges to come



White Space has canvassed business leaders to analyse how scenarios could impact the products and services businesses offer their customers, both during the Covid-19 crisis and longer term



These scenarios are UK-focused, but we would expect very similar scenarios to apply in other developed countries. They can be therefore applied to developed non-UK markets, but time frames should be adjusted accordingly



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2. Scenario drivers & business perspectives
3. Scenarios & business responses
4. 5 things to focus on
5. Appendix: about White Space Strategy

Executive Summary

01

Executive Summary...

Covid-19 will be ever-present within society and the economy for at least the next 18 months

All plausible scenarios involve significant disruption to how most businesses can operate

Economic activity will evolve and continue during this period – some companies will come out of it very well positioned. Others will struggle to adapt quickly enough

Developing offerings and delivery models that are fully adapted to social distancing and digital delivery will be critical to success – timeframes are such that delaying change is not an option



There is not necessarily cause to panic, but businesses and charities need to adapt quickly

Scenario Drivers & Business Perspectives

02

There are three main drivers of government policy around Covid-19 response...

Medical: Save Lives



- Left un-checked, we would have **~500k deaths** in the UK (Imperial College)
- Risk of breaching NHS capacity
- Relaxing lockdown risks **second wave**
- **Vaccine likely**, but not for at least 12 months
- **Cure unlikely** (viruses typically very hard to cure)

"You can find a vaccine very quickly, but often they only give a couple of months' immunity. Only the passage of time tells you whether you've got an effective one which you'd want to deploy" **Medical Expert**

- **Unemployment** could rise to 6m / 1/5 UK workforce; rose by almost 500k in the space of 9 days in UK
- Major impact on businesses
 - Debt/ overdrafts are short-term measures - 1/5 of small businesses could go **bankrupt** within a month (Corporate Finance Network)

"You can't put the economy into suspended animation forever. Health, economic and social factors will all need to be considered when planning for this"
Elected Politician (UK)



Economic Protect Jobs & Country Finances



Social: Support Wellbeing

- Ability/ willingness of people to put up with lockdown
- Impact of lockdown on **mental health** (financial worries and isolation)
- Unsafe home situations: abusive parents and partners
- Education: how much longer can we put **kids' education** on hold?

"For some kids, the only real meal they get every day's at school" **Former Teacher**

- Govt. ability to pick up the bill
 - Estimated **3m to be furloughed**: ~£5bn a month
 - Significant decrease in tax receipts (especially from VAT, typically ~£130bn a year)
 - RBS bailout in 2008 cost £76bn: govt can't afford to keep current measures in place indefinitely

There are some major uncertainties, which could significantly reshape the decision making environment in the medium term...

Will **seasonality** provide downward pressure on virus spread?

How soon will we have an effective **vaccine**?
Min. = 12 months. Max = never

Immunity – does getting the virus mean you can't catch/ carry it again?

Treatments – will a highly effective treatment be developed?

Actual level of **spread** – have many more people contracted Covid-19 than we think, but have been asymptomatic?

How vulnerable are businesses, banks and governments to **debt** crises? How long can we afford to keep the economy locked down for?



Our scenarios will not play out exactly as described, and it's possible that significant developments fundamentally alter the decision making landscape

However, even if all of the uncertainties work out favourably, it is clear that businesses will have to operate in a radically different, socially distanced way for at least the next 12 months

Business leaders hold vastly different views on the level of threat posed by Covid-19...

"We've seen our trade decline by 80% overnight"
Director, Global Manufacturer

"Universities are being hammered by this. Lots of students will defer next year, and they won't be prepared to pay full fees for digital learning"
CEO, Global Education Supplier

"I've heard the American tech giants are going bananas with recruitment right now – there's an unprecedented amount of talent on the market suddenly"
Director, Global Manufacturer

"My company has got billions of dollars in reserves, and we're diversified across many industries"
Director, Global Tech Firm

Pessimistic

Optimistic

Removes Ability to Trade / Operate

Significantly Reduces Demand

Recruitment Opportunity

M&A Opportunity

Triggers Debt Crisis

Transformational Change Opportunity

Growth Opportunity

"This is a complete disaster for most highly leveraged firms, especially if they also can no longer trade"
Director, Global Professional Services Firm

"Big companies struggle to push through major change in normal times. There will be CEOs out there who use this as an opportunity to drive things through that would otherwise not be possible"
Director, Global Manufacturer

"Ecommerce and digital specialists will grow significantly. Who'd even heard of Zoom and Houseparty a month ago – there are companies like this in lots of sectors"
Former Head of Strategy Delivery, FTSE 100 Company

Scenarios & Business Responses

03

The scenario drivers give rise to 4 plausible outcomes...

- All scenarios last for 18 months, when it's assumed an effective vaccine will be deployed at scale
- In each scenario, a 2-3 week intensification of the lockdown is highly plausible around the anticipated peak later in April (UK)

Economic health prioritised

Public health prioritised

In all 4 scenarios, there's considerable disruption to all forms of life for at least 12 months

The 'best case' for businesses sees all industries able to trade by the summer – but still with significant restrictions in place

Sc.
1

Economy First

Lockdown lifted in early May, followed by social distancing

Sc.
2

Striking a Balance

Lockdown until June-July. Then multiple lockdown periods, alternating with social distancing

Sc.
4

Tech-Enabled

Tech enabled release of low-risk groups from lockdown

Sc.
3

Medic-Led

Long lockdown period until Sept to avoid second wave. Followed by multiple lockdown periods



Scenario 1: Economy First

Some relaxation of lockdown in late April/ May (due to risk of social unrest and deep economic consequences)

Low risk groups allowed back into workplaces. Shops and restaurants slowly re-open (following social distancing)

Phased conditional resumption of all 'normal' activity through the summer

Education settings open in a socially distanced way in May (e.g. smaller class sizes, reduced hours, alternating days)

Restrictions remain in place until an effective vaccine is deployed (mid-late 2021)

If scenario 1 happens, business leaders would prioritise the following actions relating to propositions and delivery models...

Develop health propositions for high-value, high-risk groups

"High net wealth individuals who are in high-risk groups will be looking for support around testing and private medical help to allow them the greatest freedom possible. Health insurers would be well-placed to offer this"

Director, Technology Sector

Improve quality of life for those still in lockdown

"Those still in long-term lockdown would be looking to improve their quality of life. Supermarkets have done a good job reaching out to these people, others could offer Covid-proof service. Transport, gyms and entertainment may lead the way here"

Director, Technology Sector

Prepare for pent up demand

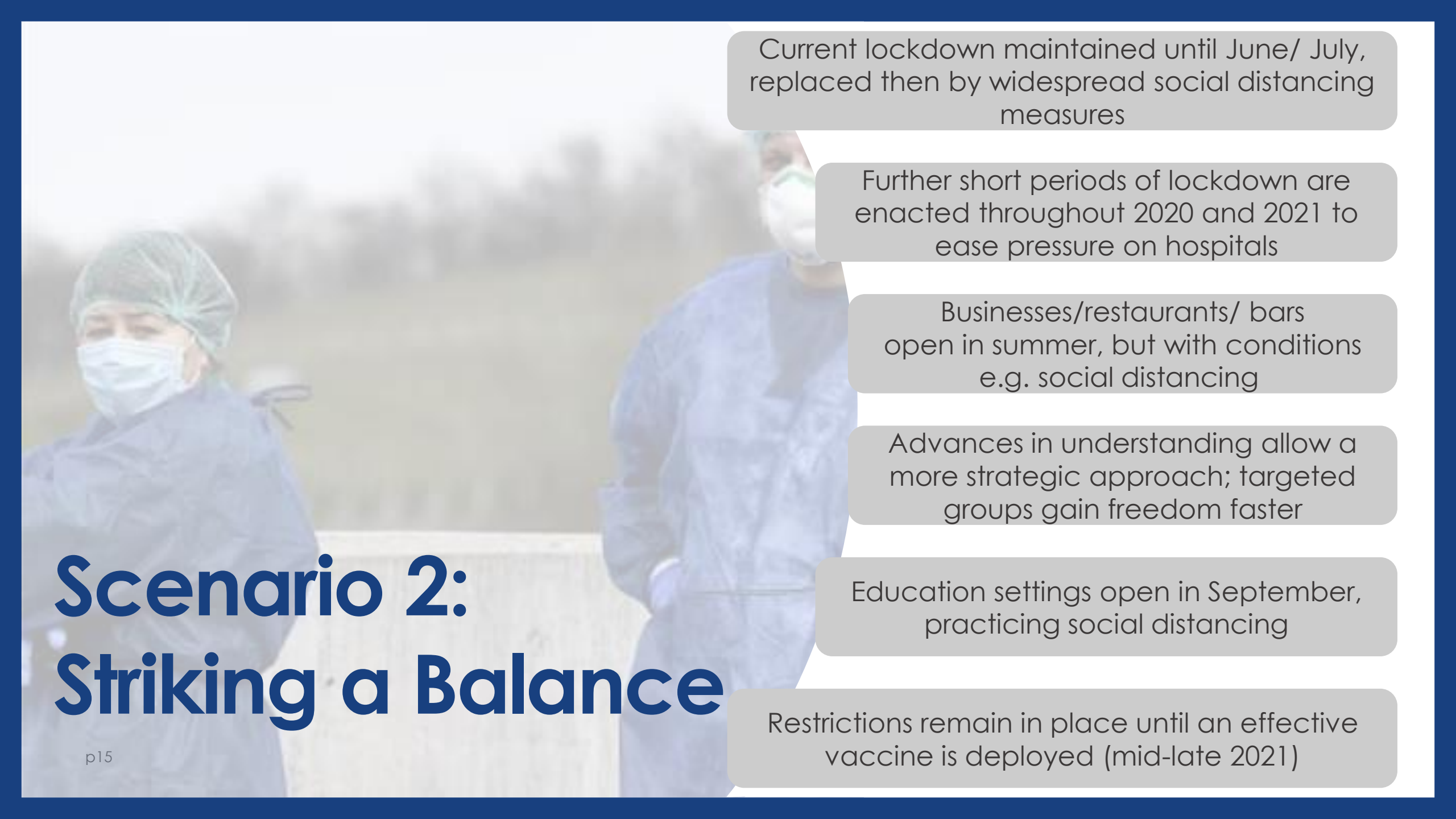
"Hard-hit sectors like automotive and leisure must prepare for the demand wave that will hit hard in this scenario. They need to focus on simple, low-level investments in digital journeys to make sure that they are prepared with slick, easy offerings that help them capture share at this pivotal time "

Managing Director, Technology Sector

Develop an amazing 'social distancing' delivery model

"In this scenario, you'd need to focus on delivering a really good social distancing experience, whilst keeping staff and customers safe"

Former Head of Strategy Delivery, FTSE 100 Company



Scenario 2: Striking a Balance

Current lockdown maintained until June/ July, replaced then by widespread social distancing measures

Further short periods of lockdown are enacted throughout 2020 and 2021 to ease pressure on hospitals

Businesses/restaurants/ bars open in summer, but with conditions e.g. social distancing

Advances in understanding allow a more strategic approach; targeted groups gain freedom faster

Education settings open in September, practicing social distancing

Restrictions remain in place until an effective vaccine is deployed (mid-late 2021)

If scenario 2 happens, business leaders would prioritise the following actions relating to propositions and delivery models...

Develop new ways to communicate with and sell to customers: B2B and B2C

"Ways to market to customers will have to change with traditional OOH disrupted. This particularly impacts B2B as they rely more heavily on field sales. A reviews or validation platform for B2B suppliers could emerge to help build trust" **Former Strategic Planning Director, Global Energy Company**

Shift from on-demand to planned consumption

"The on-demand economy could effectively disappear for the duration of the crisis. This creates opportunities to help businesses create structure and plan for demand. Demand modelling tools and booking platforms could be winners" **Technology Director, Global Energy Company**

Develop new customer journeys as a result of social distancing

"Persistent social distancing means that many routine customer journeys become difficult. Having a boiler serviced or signing for a delivery are good examples. Companies that can help smooth these journeys will be well placed " **Director, Technology Company**

Prioritise demand planning

"This scenario creates big fluctuations in demand levels for different goods and services. Companies that can predict where and when goods are needed will have the edge" **Technology Director, Global Energy Company**

A woman with short brown hair and glasses, wearing a teal sweater, is sitting on a light-colored sofa. She is holding a black smartphone to her ear with her left hand and has her right hand on a laptop keyboard. A young girl with brown hair tied in a ponytail is sitting in front of her, focused on a laptop screen. The girl is wearing a white long-sleeved shirt. On the table in front of them are various items: a laptop, a pink folder, a white paper with text, and some colorful markers. The background is a plain white wall.

Scenario 3: Medic-led

A version of the current situation becomes the new normal for the medium-long term

Strict lockdown for 4-6 months, followed by alternation of lockdown and social distancing

Education settings open via virtual classrooms in September. Structured teaching resumes, delivered remotely

Home working is strongly advised/expected

Shops/bars/restaurants closed during lockdown. Conditional opening during periods of relative relaxation

Restrictions remain in place until an effective vaccine is deployed (mid-late 2021)

If scenario 3 happens, business leaders would prioritise the following actions relating to propositions and delivery models...

Digitise fast and effectively

"This is the easiest scenario to plan for: you've got no choice but to go digital and don't need as much flexibility as in the other scenarios. Businesses will need to move as much revenue as they can to digital channels. There could be a wave of re-intermediation of physical businesses going way beyond the Ubers/Deliveroos we see today. Logistics organisations could be in demand for partnerships"

Director, Technology Company

Social unrest leading to potential growth in security sector

"Unemployment could lead to social unrest. This could lead to growth in home security tech or even personal security services"

Technology Director, Global Energy Company

Business customers demand flexibility from suppliers (at a price)

"With many businesses having to ramp up and down operations in response to lockdowns, B2B suppliers who offer greater flexibility will get lots of custom – this could go as far as payment holidays, but could be as simple as the ability to move between tiers of service"

Former Strategic Planning Director, Global Energy Company

Consider intelligent discounts

"Clearly, many companies would be tempted to heavily discount to generate some revenue in this scenario. This would risk undermining price points when normality returns, though. Smart companies will find ways to offer freebies, rewards and one off rebates which protect their price points"

CEO, Global Education Supplier



Scenario 4: Tech-enabled

Current lockdown is maintained until June, when technology allows certain groups of people to return to normality

Example forms this could take:

Immunity passports (via antibody testing) – people who have had Covid-19 are allowed to resume normal activity

Opt-in China-style monitoring via location-enabled app. Normal activity can resume, but users must quarantine if they show symptoms, and self-isolate if the app tells them to

Schools, universities workplaces and businesses open, for tech-released groups only

Restrictions remain in place until an effective vaccine is deployed (mid-late 2021)

If scenario 4 happens, business leaders would prioritise the following actions relating to propositions and delivery models...

Look out for unpredictable market opportunities/ challenges

"The workers and customers who are returned to normality would presumably be disproportionately young. They would become more attractive, but you'd still have to serve everyone else remotely. I could see this being very hard to deliver to in practice" **Former Head of Strategy Delivery, FTSE 100 Company**

Prepare for a porous labour market, with immune workers demanding a premium

"Immune workers are immensely valuable in any care or front-line roles. There will be an important role to facilitate flexible resourcing of these roles, and these workers could demand higher wages given their value" **Director, Global Utilities Company**

Look into health tech as a short- and long-term opportunity

"Short-term, health wearables could be critical to getting an opt-in monitoring system to work well. Long-term this industry should see good growth too, as awareness of, and value attached to, personal health has of course spiked" **Technology Director, Global Energy Company**

Look out for more growth of broader data-led propositions (with concerns about privacy eroded)

"Due to data and insight being seen as the saviour here, consumers become more accustomed to insight-led and personalised propositions. Biggest effect seen in energy tariffs and FS market which would see a permanent shift" **Former Strategic Planning Director, Global Energy Company**

5 Things to Focus On

p21



04

Business leaders recommend focusing on 5 key things, to prepare for all of the scenarios...

What's the **main thing** you would do to prepare for these scenarios...?

"Think about how to meet your customers' needs without being able to see them in person"
Former Head of Strategy Delivery, FTSE 100 Company

"If you're a B2B company, or have a portfolio of businesses, make sure you're focusing on the sectors that will perform well"
Director, Global Manufacturer

"The most critical things through a crisis is transparency. Customers can sense when companies are not being open, especially younger ones. This is also incredibly hard for a lot of major organisations to deliver in practice"
CEO, Global Education Supplier

"Look to understand how you can serve the needs of a population in lockdown. This doesn't have to be basic needs. People need quality of life too"
CEO, Technology Company

"Pay careful attention to, and look after, your cashflow, customers and colleagues first of all. Other things can come later"
Former Director, Global Utilities Company

Planning ahead around operating models and finance will also be important...

Major planning focus areas:



Workforce

- How do we weather periods of low resource, due to isolation, sickness and compassionate leave?
- How do we handle the unpredictability of workforce release in sc. 4?
- How do we smooth transitions between home and office working?



Demand Planning

- Old rules no longer apply: how can we rapidly model changing demand and order produce effectively to meet it?
- How do we scale up during periods of high demand?



Digital Imperative

- Are our digital channels up to scratch?
- How do we move as much revenue as possible to these channels?
- How can we partner to gain capabilities we can't build fast enough?



Financial

- Will high levels of leverage/ borrowing be possible for us or our competitors in the future?
- How are our competitors' finances likely to be looking right now?



Long term Future

- Will longer term changes in our markets do we still need to focus on?
- How can we do this, whilst also focusing on our immediate challenges?

Now?

In each scenario?

Appendix: About White Space Strategy

05

WHAT WE DO:

**We unlock growth
in complex
markets...**



WE OFFER:

Market Strategy

New Revenue Identification

Market Analysis

Proposition Development

Go to Market Strategy

Investment Decision Support

M&A

Capital Allocation

Next-Gen Growth Planning

Emerging Opportunity Analysis

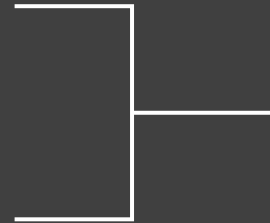


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World Class Analytics

Creative Thinking



**Deep Market
Understanding**



WE DELIVER:

**Better, quicker and more
creative decisions on
growth**



WE WORK FOR ESTABLISHED BRANDS AND FAST GROWTH VENTURES

ENERGY AND UTILITIES



FINANCIAL SERVICES



MANUFACTURING



CONSTRUCTION AND FM



AUTOMOTIVE AND MOBILITY



HEALTH



WHAT OUR CLIENTS THINK OF US



A **British Gas** innovation

"White Space contributed to a new way of thinking about the home services market. Their analysis was well grounded in theory, but at the same time was brutally practical"

Mat Moakes, Head of Local Heroes



"It was a pleasure working with White Space. They have a refreshing approach, coming with concrete examples & recommendations. Great ability to keep things simple"

Chief Financial Officer, Unilever Food Solutions

SAMSUNG

"All the intellectual capability of McKinsey or Bain, without the cost or arrogance. That's rare. They'll tell me if I'm being unreasonable. And they'll listen to other ideas. It's a two-way relationship"

Strategy and Transformation Director, Samsung



"Bright, approachable people who elevate the quality of the decisions I make. They can handle lots of data, find insights and present me with a simple set of conclusions. They take on very difficult problems, and solve them with a minimum of fuss and bull"

Group Head of Strategy, DS Smith

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