



Repositioning for the COVID-19 Economy: **Adapting to a New Economic Reality**

Companies need to make decisions based on the best information available. The following discussion captures current facts and perspectives, providing insight into how companies can adapt to a new economic reality.

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marketing group

Repositioning for the COVID-19 Economy: Adapting to a New Economic Reality

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Companies need to make decisions based on the best information available. The following discussion captures current facts and perspectives, providing insight into how companies can adapt to a new economic reality. Three questions are examined:

When will this end?

When a vaccine is created, in roughly 12–18 months.

What will happen in the economy?

A severe economic recession, with disproportionate harm to certain types of companies. Plan for prolonged disruption, with a return to stability in 6 months and a turn toward recovery in 12–18 months.

What is next for my business?

Deal with the economic realities of the situation and embrace the need to restructure the value you offer customers in the current market conditions.

Note: Rather than giving a comprehensive overview of the situation, this analysis draws conclusions based on key points from credible news outlets. The situation changes rapidly – some aspects change within hours of a document such as this being published.

When will this end?

When a vaccine is created, in roughly 12–18 months.

The economic crisis will end when the health crisis is over, either through extreme interventions (e.g., social distancing, self-isolation) or when a vaccine is created. However, few authorities predict the virus will burn itself out and disappear. Most believe COVID-19 will be suppressed by a vaccine or eventually become endemic, similar to viruses that cause colds and flu.¹

How many people are likely to get the virus, even with social distancing and self-isolation? The consensus is that roughly 60–70% of the world's population will become infected.²

Rather than eliminating the virus, the social distancing and self-isolation mandated by governments is meant to “flatten the curve,” which means delaying infection and ultimately reducing the number of people infected at one time. Delaying infections avoids having more people requiring hospital care than what is available – a situation that developed in Italy, where doctors had to choose which patients could use respirators and which were left to die.

With *no* intervention, one model predicts that roughly one quarter of the global population will have COVID-19 by late May 2020.³ With aggressive social distancing and self-isolation, the number of people with the virus at one time could be cut roughly in half, with the peak delayed until September.

When will Canada's healthcare system reach capacity? Probably just after Easter – three weeks away – according to one estimate based on the number of intensive care beds available and Canada's current rate of growth in infections.⁴

¹ Andrew Joseph. “Coronavirus spread could last into next year, but impact could be blunted, CDC official says,” *STAT News*, March 9, 2020. <https://www.statnews.com/2020/03/09/coronavirus-spread-could-last-into-next-year-but-impact-could-be-blunted-cdc-official-says/>

² Sharon Kirkey. “Stopping COVID-19 could require eight months of ‘aggressive social distancing,’ outbreak modelling shows,” *National Post*, March 22, 2020. https://nationalpost.com/health/could-the-covid-19-crisis-mean-we'll-be-social-distancing-for-eight-months-or-more?video_autoplay=true

³ Ivan Semeniuk. “When does social distancing end? These graphs show where we're heading and why,” *Globe and Mail*, March 22, 2020. <https://www.theglobeandmail.com/business/technology/science/article-when-does-social-distancing-end-these-graphs-show-where-were-heading/>

⁴ Andrew Coyne. “The coronavirus is pushing the world into unknown territory. Canada is especially vulnerable,” *Globe and Mail*, March 23, 2020. <https://www.theglobeandmail.com/opinion/article-the-coronavirus-is-pushing-the-world-into-unknown-territory-canada-is/>



The take-away is that the social distancing strategy will lengthen the pandemic but potentially avert a collapse of the healthcare system. It does not eliminate the virus in a short period of time. In fact, the US government believes the pandemic will last 18 months or longer and will include multiple waves of illness.⁵ Waves of infection happened with the 1918 influenza epidemic, during which there were many cases in the spring. Numbers decreased in the summer – creating a false sense of security – and then came back strong in the fall.⁶

It appears COVID-19 is different than other pandemics, such as SARS, in that a high number, 50–75%, of people infected with the virus do not show symptoms.⁷ The reported infection rate is misleading because authorities face a shortage of test kits. People who feel sick are being asked to self-isolate but are not necessarily being tested. The order of magnitude of unreported cases is unknown, and cases could just as easily be understated by a factor of 3 or of 300.⁸

It is important to consider the death toll, not just the rate of infection. The commonly accepted perspective seems to have started with research from Imperial College London,⁹ endorsed by the UK government and used by the US in COVID-19 planning efforts. It estimates the following:

- With no intervention, 2.2 million people would die in the US. Canada has about 10% of the US population, so a simple estimate would be that 220,000 people would die in Canada.
- With extreme interventions until a vaccine is available, the death toll would be reduced to about 10% of that estimate, so roughly 22,000 people in the US and 2,200 in Canada. Extreme interventions are what most countries are doing now – social distancing for the entire population, isolating all cases, demanding quarantines of entire households where someone is sick, and closing all schools and universities.

Extreme interventions are likely to remain in place in some form until a vaccine is available. Infection likely will have peaked by that point; projections are that a vaccine will take 12–18 months to approve if it is fast-tracked.¹⁰ However, alternative measures are being considered, such as using drugs that treat conditions like malaria to slow or kill the COVID-19 virus or to treat symptoms such as inflammation.¹¹ This approach could drastically improve society's ability to manage the crisis.

⁵ Peter Baker and Eileen Sullivan. "U.S. virus plan anticipates 18-month pandemic and widespread shortages," *The New York Times*, March 17, 2020. <https://www.nytimes.com/2020/03/17/us/politics/trump-coronavirus-plan.html?referringSource=articleShare>

⁶ Aaron E. Carroll & Ashish Jha. "This is how we can beat the coronavirus," *The Atlantic*, March 19, 2020. <https://www.theatlantic.com/ideas/archive/2020/03/how-we-beat-coronavirus/608389/>

⁷ Eric Reguly. "Italy's coronavirus fatalities overtake China's, and the government prolongs the tight quarantine," *Globe and Mail*, March 19, 2020. <https://www.theglobeandmail.com/world/article-italys-coronavirus-fatalities-overtake-chinas-and-the-government/>

⁸ John P.A. Ioannidis. "A fiasco in the making? As the coronavirus pandemic takes hold, we are making decisions without reliable data," *STAT News*, March 17, 2020. <https://www.statnews.com/2020/03/17/a-fiasco-in-the-making-as-the-coronavirus-pandemic-takes-hold-we-are-making-decisions-without-reliable-data/>

⁹ Neil M. Ferguson, Daniel Laydon, Gemma Nedjati-Gilani, et al. "Impact of non-pharmaceutical interventions (NPIs) to reduce COVID-19 mortality and healthcare demand," *Imperial College London*, March 16, 2020. <https://www.imperial.ac.uk/media/imperial-college/medicine/sph/ide/gida-fellowships/Imperial-College-COVID19-NPI-modelling-16-03-2020.pdf>

¹⁰ "When will a coronavirus vaccine be ready?," *The Guardian*, March 20, 2020. <https://www.theguardian.com/world/2020/mar/20/when-will-a-coronavirus-vaccine-be-ready>

¹¹ Kai Kupferschmidt & Jon Cohen. "WHO launches global megatrial of the four most promising coronavirus treatments," *Science*, March 22, 2020. <https://www.sciencemag.org/news/2020/03/who-launches-global-megatrial-four-most-promising-coronavirus-treatments>



WE ARE LIKELY TO SEE SOME ECONOMIC STABILITY IN ROUGHLY SIX MONTHS (SEPTEMBER 2020) COINCIDING WITH PASSING THE PEAK IN THE TOTAL NUMBER OF INFECTIONS IN THE COMMUNITY AT ONE TIME.

What will happen in the economy?

A severe economic recession, with disproportionate harm to certain types of companies. Plan for prolonged disruption, with a return to stability in 6 months and a turn toward recovery in 12–18 months.

The economic crisis will follow the health crisis. For the next six months we can expect unreliable supply chains and unpredictable demand. We are likely to see some economic stability in roughly six months (September 2020) coinciding with passing the peak in the total number of infections in the community at one time. The public is sure to pressure governments to relax social distancing and self-isolation measures by that time – quarantine is simply not sustainable over the long term.

As social interaction increases, it is possible further infections may come in waves, which would likely cause additional uncertainty and volatility. Economic recovery will not occur until the health crisis is behind us, most likely as a result of a vaccine being developed in roughly 12–18 months (between March and September 2021).

The fall in economic activity is massive. Economic activity in the US is projected to decline 12–24% in the second quarter of 2020.¹²

Roughly half of sectors are heavily affected by the health and economic crises.¹³ However, it is important to realize that so far, there has been disproportionate harm to certain types of companies. Gyms and restaurants have been mandated to shut down. Companies selling medical supplies or groceries have seen an increase in demand.

Structural changes to the economy will soon be evident. For example,

- Customers will become more comfortable online and much of the shift in demand will be permanent. Bricks-and-mortar stores are shutting down and online stores are capturing market share. Amazon is hiring 100,000 new employees.¹⁴ Many retail stores will never reopen.
- People will do business differently as face-to-face interaction is shunned and activity moves online. This change will cause a gradual shift in the suppliers that companies use and the customers they target.
- Supply chains are disrupted as workers around the world stay home. Companies will find new suppliers, some of which will be closer to home, and we may see a movement away from globalization.

¹² Nelson, D. Schwartz. "Coronavirus recession looms, its course 'unrecognizable,'" *New York Times*, March 21, 2020. <https://www.nytimes.com/2020/03/21/business/economy/coronavirus-recession.html>

¹³ Jack Mintz. "How long will this last? Six-month recession is the best case scenario," *National Post*, March 18, 2020. <https://business.financialpost.com/opinion/jack-mintz-how-long-will-this-last-six-month-recession-is-the-best-case-scenario>

¹⁴ Craig Timberg, Drew Harwell, Laura Reiley, & Abha Bhattarai. "The new coronavirus economy: A gigantic experiment reshaping how we work and live," *The Washington Post*, March 21, 2020. <https://www.washingtonpost.com/business/2020/03/21/economy-change-lifestyle-coronavirus/>



WE ARE STILL IN THE EARLY STAGES OF CRISIS MODE, AND MOST EFFORT INVOLVES EXECUTING ON BUSINESS CONTINUITY PLANS AND CRISIS COMMUNICATION STRATEGIES.

- Skyrocketing unemployment will have far-reaching effects. The US government predicts the unemployment rate could rise from about 3.5% to 20%.¹⁵ The Canadian government received 500,000 employment insurance applications between March 15 and 19, a rate on par with the worst month for unemployment during the Great Depression.¹⁶

What is next for my business?

Deal with the economic realities of the situation and embrace the need to restructure the value you offer customers in the current market conditions.

We are still in the early stages of crisis mode, and most effort involves executing on business continuity plans and crisis communication strategies. Each company must identify its own priorities, although some universal objectives exist, such as preserving cash and protecting the health of employees.

Slowly, companies are acknowledging the harsh realities of the situation. Some of those realities are related to the health crisis. With the pandemic seeing a 30–70% infection rate, some of your employees are destined to get the virus. Many will be asymptomatic. What does this mean for the employer's obligation to provide a safe work environment?

Some of the new realities pertain to the economic crisis. It is prudent to re-assess the value your company provides to customers in this new economic environment.

Opportunities will likely begin to emerge in the next few months. Companies will address unreliable supply chains by spreading purchases among multiple vendors or consolidating purchases to gain more leverage. Expect the labour market to shift in the employer's favour as unemployment soars – you may have an opportunity to hire high-calibre employees. The competitive landscape will change as some companies go bankrupt and others refocus on how they are relevant to customers. The value you offer customers will be more important than ever.

It is not too early to prepare for a recovery. The economy will not look the same in 12–18 months when the health crisis is resolved. Actions taken today will position companies for a rapid recovery when the economic situation changes. Plan accordingly.

¹⁵ James Hohmann. "The daily 202: Six chilling estimates underscore danger of coronavirus to public health and the economy," *The Washington Post*, March 18, 2020. <https://www.washingtonpost.com/news/powerpost/paloma/daily-202/2020/03/18/daily-202-six-chilling-estimates-underscore-danger-of-coronavirus-to-public-health-and-the-economy/5e71d4f5602ff10d49ace866/>

¹⁶ David Parkinson, Nicolas Van Praet, & Joe Castaldo. "Ottawa receives 500,000 new applications for Employment Insurance as coronavirus-related layoffs increase," *The Globe and Mail*, March 20, 2020. <https://www.theglobeandmail.com/business/article-ottawa-receives-500000-new-applications-for-employment-insurance-as/>



Banda Marketing Group Inc. was formed in 1997. The firm provides strategic planning, strategic marketing, sales management, and proposal management services to entrepreneurial companies. Over the past two decades, the firm has helped over 200 companies increase revenue and profit.

Brent Banda most often works with business owners and their management teams who are launching new products, entering new markets or refocusing their current marketing plan. These periods of change build value in a company and drive profit. Brent holds an MBA and has taught as assistant professor at St. Francis Xavier University in areas such as advertising, professional sales and marketing management.

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