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How Businesses are Adapting to the COVID-19 Crisis

A thought piece by PSA Philippines Consultancy, Inc. (PSA)

PSA expects some level of business disruptions for at least 18 months, until the COVID-19 vaccine is developed, tested, and distributed. This article discusses the kinds of changes that are likely to continue, and how businesses can adapt, using specific best practices across industries from different countries.

What is likely to happen, and how long will it last?

[In a comprehensive article on what the next 18 months could look like for the world, Tomas Pueyo argues that countries need to respond to the crisis with “The Hammer and the Dance”.](#)

The initial response requires a hammer, characterized by a few weeks of intense lockdown and disruption. The “hammer” in the Philippines will now last at least until April 30, with the enhanced community quarantine officially being extended as of today.

Following the lifting of the Enhanced Community Quarantine, Luzon will very likely move into a “modified community quarantine,” potentially lasting 18 months. This “dance” as Pueyo characterizes it, will be characterized by trying to keep the reproductive value of the virus low and waiting for a vaccine to be produced and distributed. These months would probably involve lesser restrictions, and in the Philippines may look like some combination of the below measures, although all of these measures are unlikely to be in place for the entire 18 month time period before a vaccine:

- Localized Massive Testing
- Mass Quarantine of Mild or Asymptomatic Cases
- Aggressive Contact Tracing
- Localized Lockdowns as Needed (on the Barangay or Municipal level)
- Mandatory Wearing of Face Masks in Public
- Shelter in Place orders for the Most Vulnerable (those over 60 or 70 or with major underlying health issues)
- Temporary Closure of Malls and Bars
- Restaurants for Pick Up and Delivery Only
- Skeletal Workforces
- 14 Day Quarantine on Arrival in the Philippines or Documenting Immunity
- No Mass Gatherings (10 to 50 Person Max)
- Large Scale Public Disinfection
- Hand Washing and Sanitization Public Education
- Temperature Checkpoints
- Limiting Travel Between Provinces

- Mobile phone tracking

Internationally, other, less optimistic researchers believe several lockdowns may be needed.

How can businesses adapt?

Become Lean and Mean

Whether the coming downturn sees a sharp recovery or not, there will be a downturn. The economic impact will hit countries to different extents at different periods. The International Monetary Fund (IMF), which has seen 80 countries asking it for help, has said the crisis will be at least as bad as the 2007-2009 Global Financial Crisis.

Firms that can trim expenses, for example negotiating rents to be a percentage of sales, will be better positioned. Rent for many shopping malls in the Philippines has been waived until April 14, but businesses with commercial establishments elsewhere should try to renegotiate rent payments.

Many retail and fast food outlets around the world, such as Burger King, Adidas, and H&M, have announced that they will not pay their rent, or will pay rent as a variable percentage of sales.

Layoffs and retrenchment of employees have also become prevalent, especially in the United States, which operates under 'at-will' employment. In contrast, **businesses in the Philippines can only terminate an employee for a 'just' or 'authorized' cause, examples of which are redundancy, retrenchment to prevent losses, or the closing or cessation of operation.** Recruitment consultancy [KC Global Talent Solutions Inc.](#) and law firm [Nicolas and De Vega Law Offices](#) both have publicly available articles on the topic.

Companies that are still operating have to figure out bill collection processes for clients who are not, as well as how to deal with companies (whether suppliers or clients, and from all countries) that will pay late or go bankrupt. How much forbearance can your company afford, and for how long? [For firms whose only problems were brought on by the crisis, Baker McKenzie suggests providing liquidity support to suppliers.](#)

Companies that rely on in-person check pickups and encashment processes should look into electronic check clearing and digital banking. Finance departments who use cloud-based accounting software, [especially the kind that doesn't require on-site access, will better be able to adapt to closing the books remotely.](#) There is some leeway to figure this out, as the Bureau of Internal Revenue (BIR) and the Securities Exchange Commission (SEC) have both extended their filing deadlines to May 15 and June 30, respectively.

Be Ready to Implement a Skeletal Workforce

When the Philippines moves from a full lockdown to a modified community quarantine at some point in the future, there will likely still be social distancing requirements in the workplace and in retail outlets. A good number to use as a rough estimate is 25 to 50 percent of the normal workforce could be expected to physically work in the workspace at any one time. However, the real deciding rule will likely be whatever measures it takes to keep workers and customers 1 to 2 meters apart. **In**

order comply with these requirements, businesses will still likely be doing lots of teleworking and may have to implement multiple shifts where previously they only had one shift.

Adapt to Demand

As consumers and businesses lose their incomes and defer purchases, ensuring continued demand for your firm's goods and services is vital. This is true for small businesses as well as giants like Microsoft. As stock markets everywhere crash, people who own assets have less wealth – the 'wealth effect' – and will want to spend less. People who have been laid off or asked to work fewer hours will have less income – the 'income effect' – and will have less to spend.

Companies selling essential goods, such as food and beverages, toiletries, medicine, household cleaning supplies, and pet supplies, can stabilize or increase consumer demand by reworking their distribution systems. **Long lines at groceries and restrictions on nonessential activities mean companies need to get creative.**

Real estate millionaire and Shark Tank investor Barbara Corcoran said she doesn't expect most of the businesses she has invested in to make it through the crisis. The smarter ones she works with, she said, have been tightening their teams by talking to their employees online every day. These companies are being creative and changing their models. Cousins Maine Lobster, for example, is taking online orders and delivering lobster rolls to customers in their neighborhoods. That helped turn a 70 percent loss into a 40 percent loss.

Restaurants are getting creative with their offerings. Some restaurants like The Moment Group's Manam have begun distributing ready-to-eat versions of their products at convenience stores, for example. Ramen restaurants like Mendokoro Ramenba, notorious for prohibiting delivery and takeout, are selling bowls of frozen broth to be heated with noodles. Some delivery restaurants like Jollibee are offering ready-to-cook versions of their food. Bars and breweries abroad are selling alcohol and beer to-go, although this would depend on the duration and implementation of any liquor ban. Others who have continued delivery services are suspending cash-on-delivery options, opting for verified bank deposits or e-wallets like GCash. This has the added benefit of allowing customers to purchase food for others.

Companies that do not provide essential goods are not powerless, even as e-commerce has ground to a halt. See if switching production to something in-demand is possible. For example, although the auto industry is considered nonessential, car makers like General Motors and Tesla are repurposing their factories to produce essential ventilators and personal protective equipment (PPE) sets. Garments manufacturers and fashion designers are switching over to sewing face masks and PPEs. **One reusable PPE design uses Tafetta Silver Back Lining, a water repellent fabric also used for umbrellas and raincoats.**

There may also be new opportunities to be found, as the crisis changes people's daily lives and creates new needs to be fulfilled. Many parents who find themselves working at home have flooded social media with complaints about how to keep their young children occupied, let alone educated, as schools are suspended. Online study schedules and learning websites like [Coursera](#) and [Khan Academy](#) are seeing booms in visitor traffic, as they adapt their online courses to out-of-school students and laid off workers looking to upskill.

[Another opportunity lies in online streaming. Demand for live streaming is “exploding”, according to head of Facebook application Fidji Simo.](#) Facebook is responding by shifting product development towards live streaming, adding new features to Facebook Live. [Streaming traffic on WarnerMedia’s HBONow, Disney Plus, and Amazon’s Twitch are seeing 20 to 70 percent increases in viewership and subscriptions.](#) This has led many governments, including the Philippines, to request Netflix lower streaming quality, as digital infrastructure tries to keep up. [Twitch, which is known for video game streaming, is now the host to yoga and Zumba classes, college professors’ Q&A sessions, and theatre improv performances.](#) Musicians who were forced to cancel tours and promotion events are now turning to livestreams to promote their music. On March 30, the Late Late Show’s James Corden featured conference concerts from Dua Lipa in London, K-Pop group BTS in South Korea, and Andrea Bocelli in Italy. Even backup dancers performed on the video call.

Diversifying your client base could also be useful, as the crisis is hitting different industries in different ways. Although the events, cruise ship, restaurant, and hospitality industries are down, for example, hospitals and telecommunications are more necessary than ever.

Some companies have shifted their advertising budgets into donations, such as Coca-Cola Philippines and Ligo Sardines. [Ligo Sardines’ recent advertisements have very subtly poked fun at recent events, becoming widely shared on social media.](#) **So although there will be less advertisement opportunities from event cancellations, especially sports events, there are other opportunities for companies trying to catch their customers’ attention.** Events organizer Congrex Switzerland notes that virtual events, such as online meetings, webinars, and conference calls, are still compatible with traditional events marketing and sponsorship strategies, and [may in fact reach a bigger audience than a traditional live event.](#)

For industries in the ‘**sharing economy**’, such as garment rentals or ride-sharing services, companies might improve consumer confidence by showcasing sanitization processes and efforts to reduce person-to-person contact. [For example, Zipcar in the United States has upgraded its cleaning process with antiviral solutions and is waiving cancellation fees.](#) Customers who have tested positive are encouraged to tell the company, so the company can isolate and sanitize the vehicles they used.

Transportation and even airline companies could try spacing out their customers to comply with physical distancing. [In the United States, for example, some airlines are reducing customer-staff contact, spacing out customers’ seats, and closing some meeting areas and lounges.](#)

Some **real estate developers** in New York City have made sales from filming or live streaming virtual property tours. This may be easier for companies with experience selling sight-unseen to foreign buyers. Shark Tank investor and [real estate mogul Barbara Corcoran is skeptical, though, saying very few people will take the risk of buying sight-unseen.](#) She does believe virtual tours may convince renters to take the risk, however, and that virtual tours will play an important role in marketing real estate in the future. The Metro Manila market may provide opportunity as well, as lockdowns and transportation halts will increase uncertainty regarding travel, and some people from the surrounding provinces may want to live nearer their workplaces.

Businesses in the [events industry, or those with large events planned, have five options, according to events organizer Congrex Switzerland.](#) Large events may be cancelled, postponed, relocated, or turned into virtual online events, whether in full or partial, hybrid form. A hybrid event would allow some people to meet, but have the flexibility of moving online in case of enhanced quarantines. The benefits of moving online are eliminating the need to rent space, pay event insurance, and pay for staffing and catering. Feedback from attendees is also easier to gauge, making measuring the

success of an event easier. **Congrex Switzerland notes that virtual events are still compatible with events marketing and sponsorship strategies, and may actually reach a bigger audience than a physical event. The event could be broadcast in part from multiple locations, and have multiple interactions with the audience as well.**

Ensure Supply

Supply chains are kinked, as far-flung manufacturers stop producing and logistics operations try to work through chaotic new policies. Enrique Razon Jr.'s International Container Terminal Services, Inc. (ICTSI) said on March 27 that 36,000 containers were stuck at the Manila Port. Businesses that can re-source supply, at least temporarily, will find it easier to continue production. [Baker McKenzie suggests providing liquidity support to suppliers, re-sourcing supply \(subject to legal contracts and intellectual property\) and ensuring liquidity for business operations.](#)

International borders are being reinforced, and domestic production of essential goods is no longer mercantilist antiquity, but necessity. For example, Canada is working to secure 'made-in-Canada' solutions after reports of the United States diverting other countries' supplies from China. [Nearly three dozen countries have banned or limited the export of medical supplies.](#) India had previously banned the export of Hydroxychloroquine, an anti-malaria drug that some small studies have shown helps COVID-19 patients improve, however they changed their position just before publication of this article. Vietnam, Russia, Ukraine, Kazakhstan, and Serbia have begun or may soon begin restricting food exports. Companies may find redundant supply chains a useful contingency measure.

Due to the newly imposed borders, employees living outside of Metro Manila – or even in cities other than their workplaces – may find it difficult in the coming months to get to work. Some industries, including business process outsourcing firms (BPOs) were required to set up temporary accommodations and/or nearby shuttle services for their employees. This may be an option for added flexibility in the coming months. **Companies that plan on establishing accommodations should use the time after the lockdown is lifted on April 12 to set up proper facilities.** Other options to enhance employee mobility are shuttle services, or even bicycles. Before the systems for transporting frontliners were set up, for example, non-profit bike rental organization LifeCycles raised PHP 1.4 million to provide bikes to stranded frontliners.

Due to the possibility of multiple waves of infection, plan for the possibility of your employees, even top-level executives, getting sick. Can you afford a significant amount of your workforce being out for two or more weeks? In recent weeks, high-level officials of ABS-CBN and SBS Philippines Corporation have passed away. **Refreshing your company's contingency plans in case key employees or partners become sick could help maintain operations in the worst-case scenario.** If the Philippines sees death tolls like in Bergamo, Italy, it may be necessary to consider emotional and mental health support for employees as well. Researchers warn that the crisis could inflict emotional trauma and post-traumatic stress disorder (PTSD).

Companies that are successful in stabilizing their supply will find that others do not, and may be able to take market share from those who fumble. Cirtek Holdings, a local semiconductor exporter, announced on March 25 that it was receiving more orders from staying open, because its competitors had shut down operations.

Images from other nations show a preview of what may come to the Philippines. [In Spain, ice-rinks piled up with the dead and luxury stores boarding up their storefronts against rioters emphasize that we are in a new reality.](#) On April 1, around 100 people protested against hunger on EDSA; around 21 were arrested, but the community later received relief goods. PSA notes eroding confidence in the system which raises the possibility, even if slightly, of further hoarding, shortages, bank runs, and social unrest.

How likely are these scenarios? The government has worked with supermarkets to limit purchases of food and hand sanitizers, although this is not uniformly enforced around Metro Manila. The Bangko Sentral ng Pilipinas (BSP) says the country's banking system is well-capitalized, and banks say they have been working around-the-clock to ensure ATMs remain filled. So far, the Philippine National Police (PNP) says rumors of looting are fake news, and have filed criminal charges against some individuals. The PNP also said on March 22 that crime had decreased by 70 percent in Metro Manila and by 77.3 percent in Central Luzon.

Other countries with Asian or Asian-looking minorities have seen a spike in hate crimes and racist attacks. [Asians in the United States, Australia, and other countries have faced racial slurs, violent physical attacks, and increased threats.](#) Racist attacks do not discriminate; [Chinese-looking Indians from northeastern India have been verbally abused, denied entry into groceries, and physically attacked.](#) In the Philippines, this may be less likely, due to a long-established and integrated Chinese minority. Caution is still advised.

Closing thoughts

The Philippines, as the rest of the world, is entering into a period of uncertainty and disruptions that will likely last many months. Businesses that can adapt to lockdowns, border controls, and bans will be better off than those that cannot change. PSA recommends tightening operations, reworking company systems to adapt to current demands, and ensuring plans for supply disruptions.

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