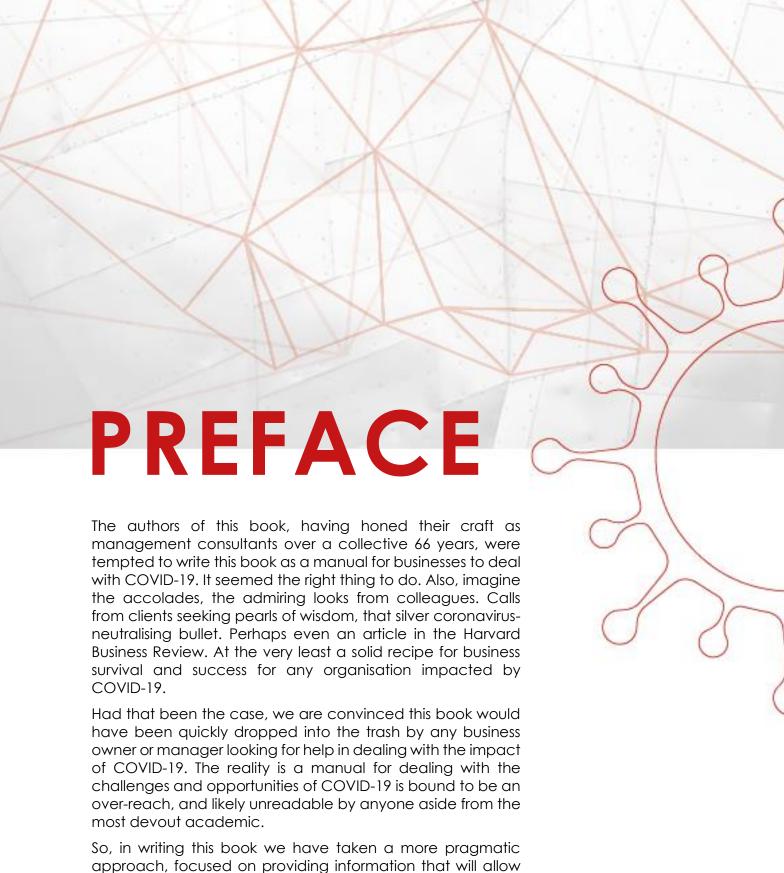




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So, in writing this book we have taken a more pragmatic approach, focused on providing information that will allow business owners and managers to better understand the impact of COVID-19, down to sector level, and on outlining some ideas that organisations may adopt in dealing with the challenges, and opportunities, stemming from the pandemic. Our end goal is to help keep you in the financial black, assuming your organisation is fortunate enough to occupy that space; otherwise to help move you out of the red.



So how does this match up to your situation? As the leader of an organisation, or organisational unit, in the midst of COVID-19, you may be amongst the 1 in 4 business owners and managers running under business as usual. More likely, statistically speaking, you are amongst the 76% of businesses that have experienced a drop in revenue; and hopefully not in the 26% that will require 6 months of funding to stay open over the next 12 months¹. The bottom has fallen out, and putting it back is most likely not an option. Accepting the bottom has gone for a long time is a good start. But then what?

This book helps provide some answers to exactly that question. It shines a light on the nature and the extent of the impact of COVID-19 on South African businesses, nationally, and at a sectoral level, for the sector your business is in, and for related sectors. The more clearly you can see the terrain you, your customers and your suppliers are in, the better you will be able to navigate a beneficial path forward.

The other way in which this book will be useful to you as a business owner and manager is that it identifies things you could do in response to the situation your organisation finds itself in. The situations are defined as Scenarios, and the "things you could do" are referred to as Strategic Plays.

The scenarios will help you identify which Strategic Plays are relevant to your circumstances, and thus worth considering. For instance, you are likely to be interested in the Costovation Strategic Play (more on this in Chapter 5) if you are in the Down Maybe Out scenario. In this scenario, your revenue has shrunk and you have limited funds on hand to turn things around, so doing more with less (the essence of costovation) will appeal to you. In the Down Maybe Out scenario though, some other options, such as the Acquisition Strategic Play, would have limited relevance. In this situation, buying out other businesses is almost guaranteed to be the last thing on your mind.

So, we are hoping that this book will prove of use. To you. The head of an organisation, or organisational unit, in the unfortunate situation of facing challenges, or more hopefully, opportunities from COVID-19. Even if it triggers just one idea that turns the tide on a drop in demand from 80% less than normal to 40% below. Or reduces the period your organisation stays closed from six months to five. Ideally, of course, our hope is that an idea (or four) in this book will bring about the perfect storm of change that will permanently keep your organisation in the black, or move you forever out of the red.

To help get something out there that could start businesses on the path to recovery as soon as possible, we pulled this Playbook together in a very short space of time. It means, for instance, that while we have key stats on all sectors, we were not able to produce detailed narratives for each one of them. You may also notice that some Strategic Plays are documented at a lower level of detail than others. And much to her chagrin, the timeframes unfortunately left no time for our copywriter to work her magic. Rest assured, though, that this book will be beefed up appropriately in forthcoming editions. In the meantime, we believe it will provide much needed immediate assistance.

Before we sign off, something to bear in mind. When reading this book, do your darndest to tear it apart. Provided your ideas lift the content up a level, we would be eternally grateful. Drop us a note on the BeyondCOVID.co.za website, and we will

¹ BeyondCOVID, (2020), BeyondCOVID Business Survey.





gladly incorporate your improvements. It will help give voice to the grassroots ethos of the BeyondCOVID movement. It also means that the next version (and yes, there will be frequent updates) may help a set of business owners and managers the current version did not reach. And while you are on the website, please sign up; as an organisation in need, a volunteer, partner association, industry specialist or sponsor. BeyondCOVID needs you.

If this book helps you in the slightest let us know. We are looking for stories to inspire in these difficult times. To lift the collective South African business spirit, and to guide the next bunch of pioneers. Which is our ultimate goal; that the ideas in this book don't just help your organisation rise above the waves, but that in so doing it provides another business success story to lead the way.

The Authors Lings Naidoo, Matungoe Chidi, Etienne van Wyk

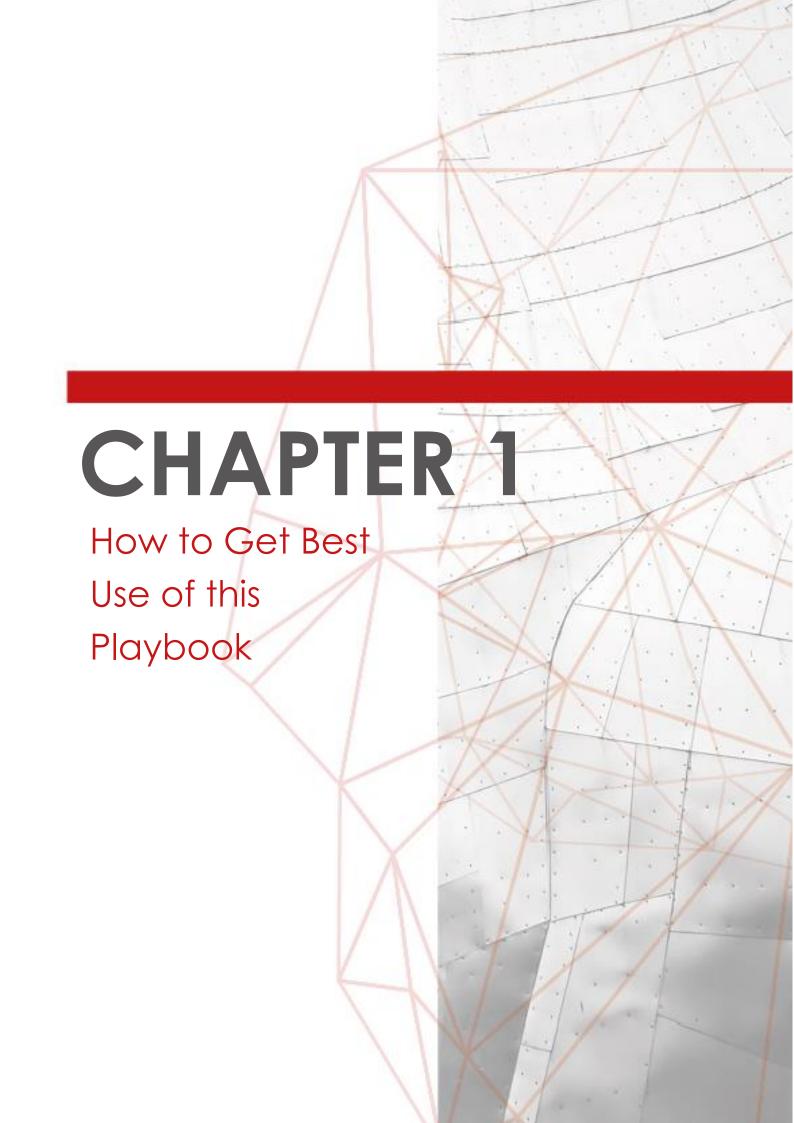




We would also like to thank the team at Redflank for assisting with the primary and secondary research and the initial drafts that have informed this book. To our business partners, such as Gazzaroo, that as always, are so willing to lend a hand when it is needed most. To the South African press, that provided the coverage of the launch and the survey that will hopefully help this book reach more organisations that may benefit from it. To Gail from Scoop Communications, for so tirelessly and wonderfully helping us get the BeyondCOVID message out there.

Our heartfelt appreciation to our better halves, Parusha, Suanne and Neezo for putting up with a bunch of tree huggers wanting to make the world a better place, who somehow simultaneously forget every other nappy change, mealtime, dirty dish.

Finally, our deepest depth of gratitude to you, dear reader, for picking up this book, thereby giving it the traction that will help us reach more organisations we could help; and hopefully for providing the feedback that will help us lift the Playbook up a level in the next edition.





As a business owner/manager, we recognise that your time is valuable and that you may not have a lot of it to spend reading this book. To ensure you are able to get as much value as practical out of the Playbook, this chapter provides a brief overview of which chapters you should focus on, depending on how much time you have and what you are hoping to gain from this book².

Chapter 2 and Chapter 3 provide an overview of the impact of COVID-19 on South African businesses and the impact on specific sectors, respectively. If you are interested in gaining a deeper understanding of the impact of COVID-19, give these chapters a read.

If you are looking for ideas regarding how you and your company should respond to COVID-19, place focus on reading Chapter 4: How to Respond to COVID-19 and Chapter 5: Strategic Plays.

The following provides further detail regarding what to read specifically in Chapters 4 and 5, depending on how much time you have on hand.

15 Minutes

If you only have 15 minutes then read the Costovation Play (pages 67 to 73). This strategic response to COVID-19 should help you push up sales while reducing costs. If there is only one thing you choose to do in response to COVID-19, do this.

40 Minutes

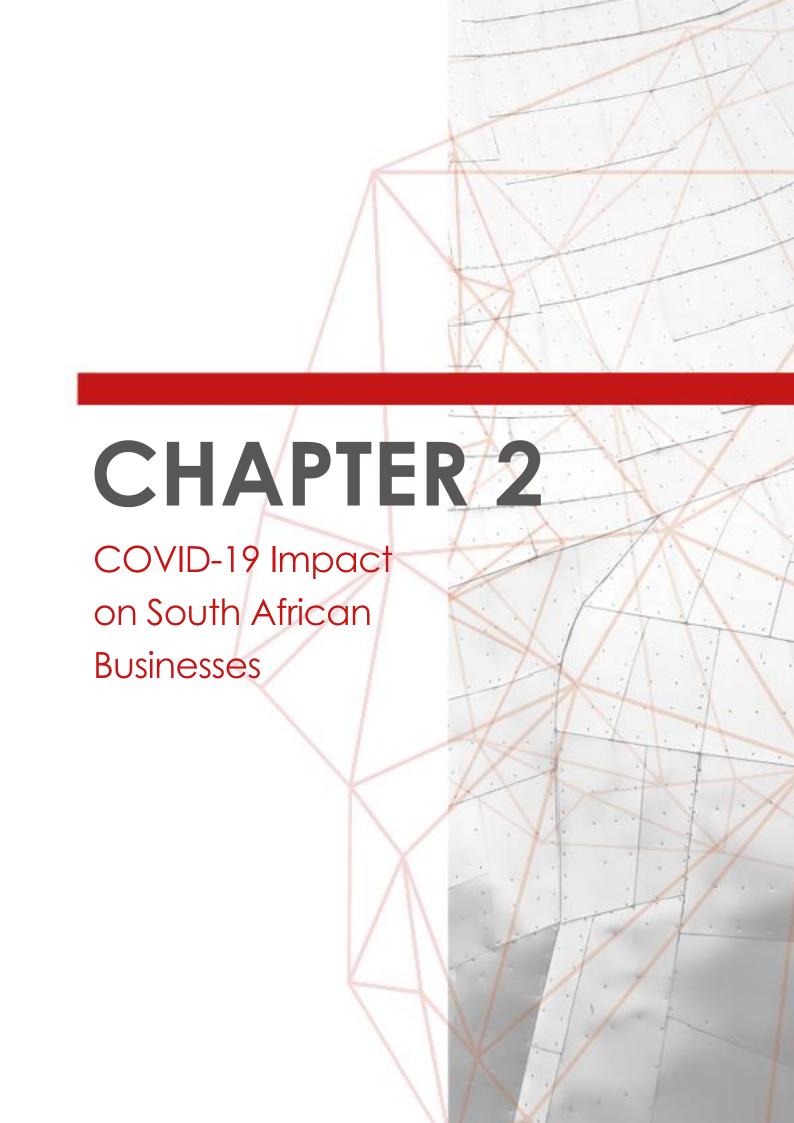
Should you have 40 minutes to spare and are looking for some quick ideas on how to respond to COVID-19, read pages 60 to 63 in Chapter 4 to determine what COVID-19 scenario your organisation is in. Then select the single most important Strategic Play (chosen from the plays indicated as relevant for your scenario on page 63) and read up on this Strategic Play in Chapter 5 – the page number for each play appears on page 63 – you can also find an index on page 66.

90 Minutes

If you are able to spend 90 minutes reading this Playbook, it is recommended that you read the whole of Chapter 4: How to Respond to COVID-19, in detail. It is also recommended that you select two Strategic Plays to focus on, based on your current scenario, and read up on these Strategic Plays in Chapter 5.

²This BeyondCOVID Playbook is intended as a guide, and not a comprehensive instruction manual. Redflank Solutions Pty Ltd ("Redflank"), in conjunction with Beyond COVID NPC ("the BeyondCOVID Initiative" or "BeyondCOVID") make no guarantee, representation or warrantee regarding the information contained herein or the suitability of this information for a particular purpose, nor do Redflank or the BeyondCOVID Initiative assume any liability whatsoever arising out of the use or application of said information . We recommend seeking professional advice before implementing any of the guidance and/or information set out in this Playbook. Use of this Playbook is solely at the user's own risk.







2.1 South Africa in the Global COVID-19 Context

Since the inception of the coronavirus in China at the end of 2019, it has spread globally, infecting over 25 million³ people, resulting in governments across the world imposing restrictions to slow the spread of the virus and in people having to change the way they live and work. These changes have had far-reaching impacts. South Africa has not been spared.

2.1.1 South Africa's Infections Relative to Other Countries

The following figure illustrates the spread of COVID-19 within five countries, between December 2019 and August 2020. The five countries that were chosen include South Africa, two countries that handled its response to the pandemic well, and two that did not.

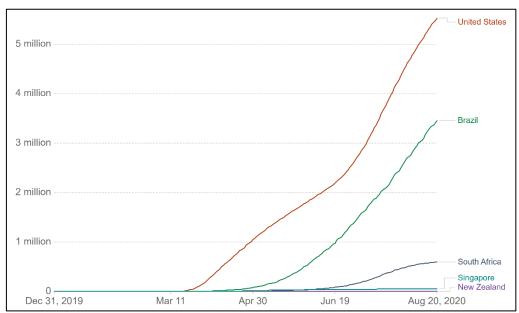


Figure 1: COVID-19 Cases Per Country

Source: (Our World in Data, 2020)

As at 20 August 2020, the United States was the country with the highest number of COVID-19 cases (5.61 million), followed by Brazil with 3.5 million cases. South Africa had over 600 000 cases, whilst Singapore had 56 216 and New Zealand had 1 665. At time of writing, South Africa was in the top 5 countries for number of infections⁴.

New Zealand and Singapore have been highlighted as some of the most successful countries in dealing with the COVID-19 pandemic. On the other hand, the US and Brazil can be seen as countries which responded poorly to the COVID-19 pandemic.

To curb the spread of the virus, various restrictions have been implemented across the world. These includes closing borders, banning leisure travel and large gatherings, encouraging social distancing, closing schools and non-essential businesses etc. Whilst these restrictions have helped contain the spread of the virus, they have also

⁴ Our World in Data, 2020. Coronavirus (COVID-19) Cases. [Online] Available at: https://ourworldindata.org/covid-cases?country=ZAF~NZL~CHN~USA~BRA [Accessed 20 August 2020].



³ The World Bank, 2020. The Global Economic Outlook During the COVID-19 Pandemic: A Changed World. [Online] Available at: https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world [Accessed 21 August 2020].



resulted in economic activity almost coming to a stand-still, causing many businesses to close, unemployment to rise and the global economy to contract⁵.

2.1.2 The Global Economic Impact

According to the June 2020 Global Economic Prospects, a contraction of between 5.2% and 8% in Global GDP is expected for 2020. The baseline forecast of 5.2% assumes that by the second half of the year, the pandemic will have reduced enough to allow for mitigation measures to be lessened or lifted completely. Should this not be the case, and as a result of restrictions being extended or reintroduced and further disruptions to economic activity occur, a contraction of up to 8% is forecasted. This contraction would represent the deepest recession experienced by the World in years⁶.

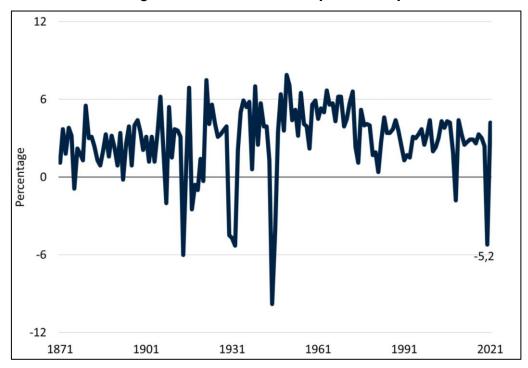


Figure 2: Global GDP Growth (1871 – 2021)

Source: (World Bank Group, 2020)

In advanced economies it is anticipated that economic activity will shrink by 7% in 2020, whilst in emerging market and developing economies, it is anticipated that economic activity will shrink by 2.5%.

⁶ Ibid. ⁷ Ibid.



⁵The World Bank, 2020. The Global Economic Outlook During the COVID-19 Pandemic: A Changed World. [Online] Available at: https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world [Accessed 21 August 2020].



2.2 The Progression of COVID-19 in South Africa

South Africa reported its first case of COVID-19 on the 5th of March 2020. Thereafter, a number of measures were taken and restrictions were implemented (see below) in an attempt to curb the spread of the virus.

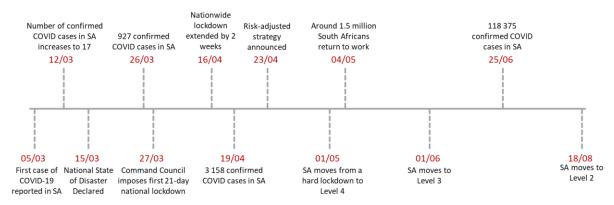


Figure 3: COVID-19 in South Africa

Source: (Wiysonge, 2020); (South African History Online, 2020); (Mahlati, 2020)

On the 23rd of April, it was announced that a risk-adjusted strategy would be taken to re-open the economy. This risk-adjusted strategy would include 5 levels of lockdown with level 5 being hard lockdown and level 1 reflecting almost all economic activity resuming with minimal restrictions.

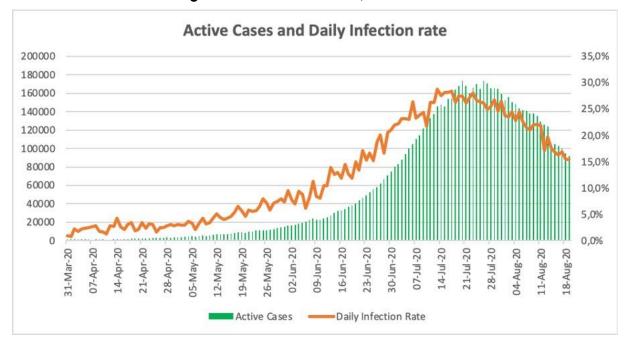


Figure 4: COVID-19 Statistics, South Africa

Source: NICD South Africa (own calculations)

As indicated in the figure above, the number of active cases in South Africa peaked in July 2020 with over 173,000 cases and has since been on a decline. Since the risk-adjusted strategy was announced, South Africa has moved from a hard-lockdown to Level 2 over the period of 4 months which has resulted in a gradual re-opening of the economy.





2.3 The Business Impact⁸

The impact of COVID-19 on South African organisations is severe. Over half (56%) of organisations across all sectors are currently operating under their normal capacity. An even bigger percentage (76%), has seen their revenues shrink and a quarter (23%) has had to shut down, temporarily or permanently. For just one in five it is business as usual, while only a tiny fraction (2%) has grown its operations.

2.3.1 Impact to Date

2.3.1.1 Current Operational Status

As indicated in the figure below on the left, just 1 in 5 organisations are operating under business as usual. Almost a quarter of organisations (23%) have closed, with more than half operating under reduced capacity. Just 2% of organisations are operating under increased capacity.

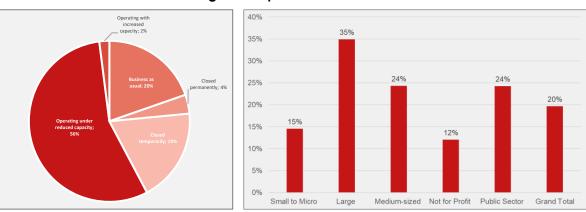


Figure 5: Operational Status

Source: Beyond COVID Business Survey (2020 Q3)

As is to be expected a greater proportion of large businesses (35%) are operating under business as usual with just 15% of small to micro enterprises falling in this category. At 12%, NGOs have even fewer organisations in business as usual. These figures are indicated in the bar graph above.

The figure that follows indicates the operational status of organisations by sector.

⁸ Details in this section are largely based on the findings of the BeyondCOVID Business Survey, conducted by the BeyondCOVID initiative, including more than 1800 respondents nationally, including public sector, business and NGO organisations and covering all sectors.





Operating with Increased Capacity **Business as Usual** Health & Social Work (11%) Financial Services (48%) Professional Services (36%) · Real Estate (32%) **Permanent Closures** Personal Services (11%) · Accommodation, food (7%) · Agriculture (6%) • Retail (6%) Reduced Capacity **Closed Temporarily** · Public Sector (69%) Entertainment, recreation • Retail (66%) (50%)Accommodation, food (60%)

Figure 6: Operational Status by Sector

Source: Beyond COVID Business Survey (2020 Q3)

As indicated in the figure above, the financial services, professional services and real estate sectors lead the sectors operating under business as usual. Those sectors hardest hit with regard to permanent closures are personal services; tourism, accommodation, food; agriculture and retail. Half of organisations in the entertainment and recreation sector are closed temporarily.

As to be expected, the health and social work sector has a significant proportion of its organisations operating under increased capacity.

2.3.1.2 Impact on Revenues

The following figure indicates the percentage of organisations that have experienced a drop in revenue by type of organization. Small to micro organisations have taken the biggest knock; with 84% of these organisations experiencing shrinking revenues, 8 percentage points more than the average across all organisations.





Revenue (20% or more lower) 90% 84% 75% 80% Average (76%) <u>73%</u> 70% 64% 60% 49% 50% 40% 30% 20% 10% 0% Small to Micro Large Medium-sized Not for Profit Public Sector

Figure 7: Drop in Revenue

Source: Beyond COVID Business Survey (2020 Q3)

The sectors experiencing the greatest impact are tourism, accommodation and food (93% of organisations with decreased revenues), construction (89%), entertainment and recreation (87%). Those with the least impact are the public sector (47%), financial services (58%) and health and social work (62%).

2.3.1.3 Retrenchments to Date

The following figure indicates the proportion of organisations that have undertaken retrenchments to date. Again, as is to be expected, it is the SMME organisations that have experienced the greater impact.

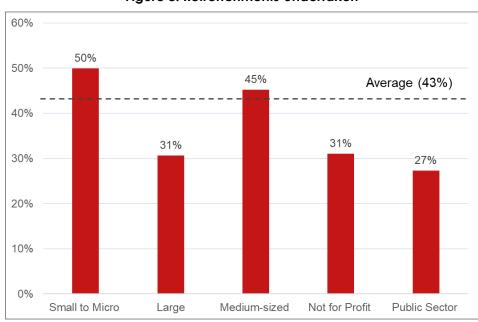


Figure 8: Retrenchments Undertaken

Source: Beyond COVID Business Survey (2020 Q3)





The sectors with the greatest impact are tourism, accommodation and food (68%), other services, which includes hairdressers, beauty therapists (62%), entertainment and recreation (57%), construction (61%) and education (53%). Those sectors with the least impact are financial services (13%), public sector (17%), health and social work (23%), mining (24%) and professional services (29%).

2.3.2 Outlook

2.3.2.1 Planned Retrenchments

With regard to planned retrenchments, organisations on average are planning to retrench 11% of their staff over the next 6 months. As illustrated below, there is little difference in the figures based on size, with there being just a one-point percentage difference from small and micro (12%) to medium (11%) and from medium to large (10%).

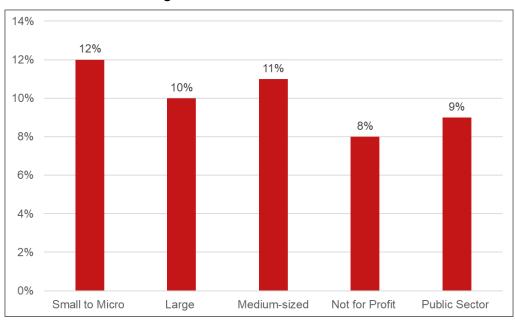


Figure 9: Planned Retrenchments

Source: Beyond COVID Business Survey (2020 Q3)

The sectors that are expecting to retrench a greater portion of its' workforce are tourism, accommodation, food (20%), construction (15%), manufacturing (14%) and ICT (13%). The sectors expecting to retrench less of its workers are mining (3%), financial services (5%), health and social work (5%) and education (6%).

2.3.3 Cashflow Requirements

The figure below indicates the percentage of organisations, by type of organisation requiring at least 6 months funding over the next 12 months to stay open.

An average of more than 1 in 4 businesses (26%) require at least 6 months of funding over the next 12 months; a worryingly high proportion. As is to be expected, large businesses require the least, while NGOs are at the higher end of the scale. Interestingly public sector organisation are at the top of the scale; a possible indication of the lack of capacity in existing, or perhaps reduced, budgets to fund the response to COVID-19.





35% 32% 31% 30% 27% Average 26% 25% 19% 20% 15% 10% 5% 0% Small to Micro Large Not for Profit Public Sector Medium-sized

Figure 10: Funding Required

Source: Beyond COVID Business Survey (2020 Q3)

The sectors with the greater need of funding are tourism, accommodation, and food (39% of organisations requiring more than 6 months of funding), other services such as hairdressers (35%) and entertainment and recreation (34%). The sectors with less need of funding, by percentage of organisations are financial services (9%), the public sector (14%) and professional services (15%).

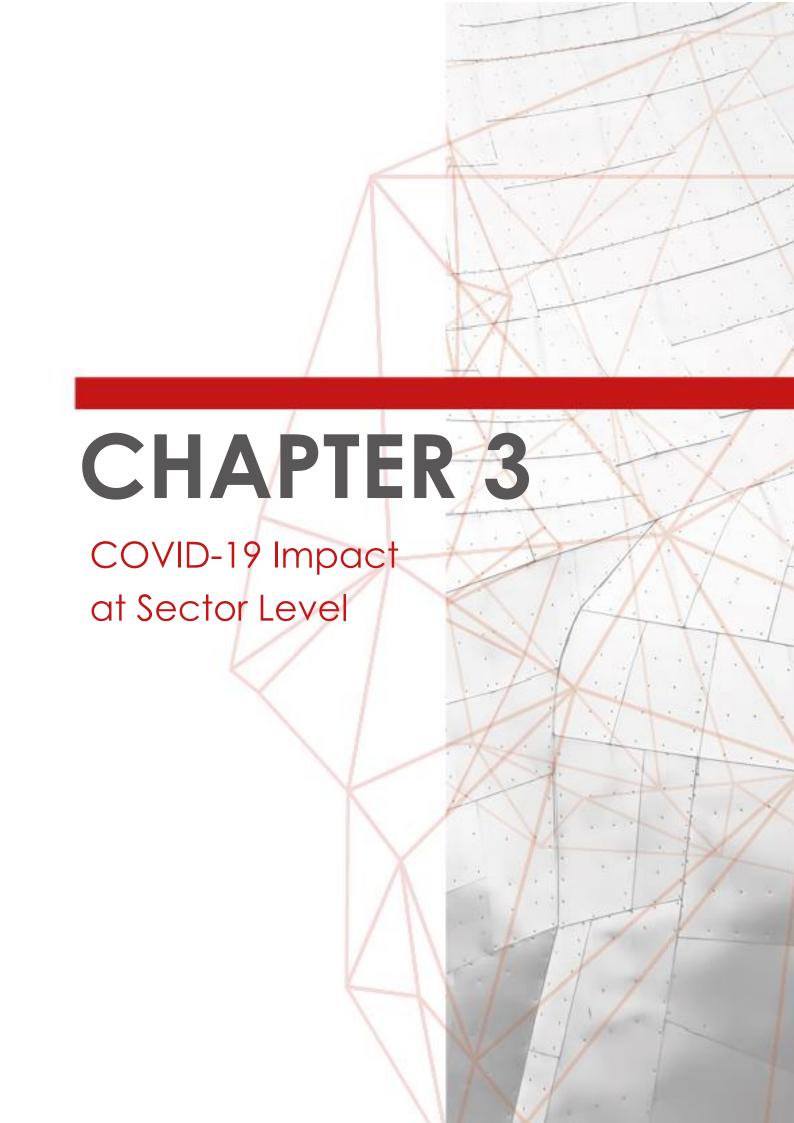
2.3.3.1 **Recovery**

The average organisation in South Africa expects that it will take 4.3 years for recovery to pre-COVID levels. While this is a sobering perspective, it does reflect an acceptance of the difficult environment businesses are operating in, and the weak outlook for the near future.

2.3.4 The Business Response

In the midst of the severe negative impact on their businesses, and facing a weak outlook, most organisations in South Africa are considering the business decisions they will need to make to survive in the short term and properly get back on their feet in the longer term. More than 1 in 3 businesses (36%) are undergoing replanning to decide on their response strategy going forward. Chapters 4 and 5 in this book are intended to assist with this. Chapter 4 outlines a simple 5 step process for formulating this strategic plan, providing guidance on what strategies to consider based on the scenario the organisation finds itself in. Chapter 5 includes details, including case studies, on relevant Strategic Plays that will help generate ideas for specific changes organisations should consider implementing.









This chapter provides an indication of the impact of COVID-19 on various sector in South Africa. The introduction to this chapter provides an overview of the impact by sector. What follows thereafter is an analysis by sector, for the following sectors:

- Agriculture
- Construction
- Financial Services
- Manufacturing
- Mining
- Tourism, Accommodation, and Food

Future editions of this Playbook will include similar in depth analyses on additional sectors.

The table below provides an overview of the impact of COVID-19 on firms across various sectors. The current impact of COVID-19 is illustrated through the percentage of firms that have experienced a drop in revenue, the percentage of firms that have had to retrench staff and the percentage of firms which currently have more than 20% of their workforce operating from home.

The table also provides a view of the impact that COVID-19 is expected to have on businesses going forward. This view is illustrated through the percentage of firms that have planned retrenchments in the next 6 months, the percentage of firms that require at least 6 months funding over the next 12 months to be able to continue operating and the percentage of firms that are expecting more than 20% of their workforce to continue operating from home on a permanent basis.

Table 1: Impact per Sector

		Current Situation			Outlook			
#	Sector	Firms with a Drop in Reve- nue	Firms that have Retrenc- hed Staff	Firms with > 20% of Staff Working from Home Currently	Firms that have planned retrench ments in the next 6 months	Firms needing at least 6 months funding over next 12 months	Firms expecting > 20% of Staff to Work from Home Permanently	
1	Tourism, accommodati on, food	93%	68%	29%	39%	39%	23%	
2	Administrative and support services	81%	32%	53%	18%	23%	56%	
3	Agriculture	78%	49%	23%	26%	22%	21%	





		Current Situation			Outlook		
#	Sector	Firms with a Drop in Reve- nue	Firms that have Retrenc- hed Staff	Firms with > 20% of Staff Working from Home Currently	Firms that have planned retrench ments in the next 6 months	Firms needing at least 6 months funding over next 12 months	Firms expecting > 20% of Staff to Work from Home Permanently
4	Entertainment and recreation	87%	57%	57%	23%	34%	46%
5	Construction	89%	61%	23%	28%	17%	20%
6	Education	70%	53%	59%	16%	26%	48%
7	Electricity and related services	83%	33%	67%	20%	18%	20%
8	Financial Services	58%	13%	84%	9%	9%	82%
9	Health and social work	62%	23%	36%	8%	31%	32%
10	Information and communicatio n	72%	40%	73%	29%	23%	71%
11	Manufacturing	76%	48%	40%	25%	23%	30%
12	Mining	71%	24%	50%	0%	17%	14%
13	Other services	86%	39%	39%	22%	35%	43%
14	Professional services	77%	62%	84%	14%	15%	82%
15	Government	47%	29%	46%	15%	14%	58%
16	Property	70%	17%	82%	6%	25%	73%
17	Transportation	70%	37%	53%	12%	30%	23%
18	Retail	83%	32%	31%	22%	25%	30%

With regard to revenue, it can be seen that the sectors which have been the most affected are Tourism, Accommodation and Food, Construction and Entertainment and Recreation, with 93%, 89% and 87% of firms indicating that they have experienced a drop in revenue, respectively. The significant drop in revenue for firms in the Tourism,





Accommodation and Food industry is not surprising due to the restrictions on leisure travel that were imposed by government in an attempt to curb the spread of the virus. The sectors which have been the least affected in terms of revenue include the Government, with 48% of firms indicating they experienced a drop in revenue, and the Financial Services sector, with 58% of firms indicating they experienced a drop in revenue.

Some sectors have been less affected by COVID-19 than others. In terms of retrenchments, the sectors in which the lowest percentage of firms have retrenched staff are Financial Services (13%) and Property (17%). 84% of firms in the Financial Services sector and 82% of firms in the Property sector also indicated that currently, more than 20% of their staff are operating from home. Additionally, 82% of Financial Services firms and 73% of Property firms indicated that they expect that more than 20% of their workforce will continue operating from home on a permanent basis. The ability of the firms in these sectors to transition to the new way of operating (i.e. working from home) may have allowed for business to continue as usual, thus reducing the need for them to retrench staff.

The sectors which have been the most affected in terms of retrenchments include; Tourism, Accommodation and Food, Professional Services and Construction, with 68%, 62% and 61% of firms in these sectors indicating that they have had to retrench staff, respectively. Additionally, in terms of planned retrenchments, 39% of firms in the Tourism, Accommodation and Food sector and 28% of firms in the Construction sector indicated that they are planning to implement further retrenchments in the next 6 months.

Providing a rather sobering outlook is the percentage of firms across the various sectors that indicated that they will require at least 6 months of funding over the next 12 months, with 39% of firms in the Tourism, Accommodation and Food sector, 34% of firms in the Entertainment and Recreation sector and 31% of firms in Health and Social Work sector indicating that this is a requirement for them.

Overall, it can be seen that the sectors which have been hit the hardest by COVID-19 are the Tourism, Accommodation and Food sector and the Construction sector.





3.1 Agriculture

3.1.1 Importance of Sector to South Africa

South Africa has a world-class and internationally recognized formal agricultural sector, which according to FNB employs over 865,000 people across 39,966 commercial farms in South Africa. Polity reported in June that South Africa also has approximately 2.5 million small-scale or subsistence farmers. Most of these small-scale farmers are based in rural areas and isolated from key markets and services associated with commercial farming.

Prior to the discovery of precious metals in South Africa, the country did not have a need for mechanised and mass scale farming. The booming mining industry caused a huge influx of people that needed to be fed, and agriculture was industrialized, modernized and expanded to meet the growing needs.

According to Grain South Africa the ability of South Africa's agricultural output to meet its domestic feeding needs has been on a steady decline since the mid-1970s and South Africa has not been self-sufficient in terms of the main food items it consumed since the mid-1990s. A dramatic contraction of the formal agricultural industry will have severe consequences as the weak buying power of the Rand will leave many people unable to purchase imported food.

It is against this backdrop that the impact of COVID-19 and the sector's future beyond COVID-19 must be viewed.

3.1.2 Impact of COVID-19 on the Sector

The formal agriculture sector, in sharp contrast to other industries, is looking forward to having a stellar year despite COVID-19 related disruptions.

In August 2020 chief economist Wandile Sihlobo of Agricultural Business Chamber of South Africa (Agbiz) stated that the agriculture sector grew almost 28% in the first quarter of 2020 and that he expects it to grow between 20% to 25% in the second quarter. The improvement follows a dismal 2019 in which the sector shrank for four consecutive quarters, contracting by 7% overall.9

Paul Makube, Senior Agricultural Economist at FNB Agri-Business, announced that the National Crop Estimates Committee (CEC) confirmed in August that SA's total summer grain and oilseed output (17.85 million tons) was one of the largest on record and 34% higher than 2019.¹⁰

Makube indicated in a July 2020 report by Bizcommunity that good weather conditions boosted crop prospects, allowing farmers to plant 7% more hectares under commercial grain and oilseed crops. Planted area for maize, SA's largest staple, was 13% higher year-on-year. The Bizcommunity report stated that strong export demand boosted maize revenues 86% higher year-on-year.

The oilseed complex flourished in 2020 and the soybeans estimate is 7.8% higher than 2019 despite a 3% contraction in planted area. The sunflower estimate is 13% higher

¹⁰ See above.



⁹ Business Insider, 2020.



year-on-year on much better yields as planted area also decreased by 3%. The groundnuts harvest jumped 169% year-on-year due to an 87% increase in hectares.¹¹

According to a report by Business Insider, the total maize crop of 15.54 million tons was 38% larger than last year. Makube has indicated that the first winter crop estimates came in 32% higher off the back of good rains and snow in the Western Cape while Sihlobo added that the winter wheat harvest may be the biggest in a decade, while the barley and canola harvests could be the largest on record.¹²

Makube states that, "interestingly, grain prices - especially maize - have been unseasonably strong and will encourage farmers to plant more in the new crop season amid favourable production conditions with the La Niña¹³ weather pattern in the forecasts."

The wheat spot price in South Africa was around 9% higher than the same time in August 2019 and South Africa is also looking forward to reduced wheat imports. According to Sihlobo, South Africa has imported around 51% of its annual wheat consumption over the past decade but that the improved crop meant that South Africa would need 300,000 tons less wheat from importers in 2020.

Not all the commercial farming sectors prospered though, with grapes, tobacco and wool farmers being negatively impacted by a large drop in demand, largely caused by the tobacco and alcohol bans, as of August 2020.¹⁵

The Africa Report indicated in July that red meat, poultry, milk and potato producers were sitting on stockpiles and struggling to shift their stock in the domestic market due to the shutdown of sit-down restaurants to observe COVID-19 health and safety protocols.

In July 2020, a Bizcommunity report indicated that the greatest challenge for exporting farmers was that activity in some ports has been slowed down by intermittent stoppages due to the detection of personnel infections that triggered disinfection protocols. Delays caused port congestion prompting some of the shipping lines to start implementing surcharges or even by-passing ports.

This was corroborated by Fresh Plaza that reported in June that Cape Town Container Terminal was operating at 50% capacity at one stage during the month.

Small-scale and subsistence farmers also felt the brunt of COVID-19, probably more so than the negatively affected commercial farmers. The Institute for Poverty, Land and Agrarian Studies (PLAAS) of the University of the Western Cape indicated that small-scale and subsistence farmers have suffered tremendously because of the pandemic and lockdown measures, more so than their large commercial counterparts.¹⁶

The Polity report states that the closing of fresh produce markets and the initial curtailing of street vendors, two of their main routes to market for these growers, were seen as the key reasons for these farmers struggles. The report stated that most small-

¹⁶ Polity.org, 2020.



¹¹ Bizcommunity, 2020.

¹²Business Insider, 2020.

¹³ La Niña is a weather pattern that begins in the Pacific Ocean that usually brings rain to South Africa.

¹⁴ Business Insider, 2020.

¹⁵ Farmers Weekly, 2020.



scale producers are locked out of the formal supermarket supply chains and had to find alternative markets to sell their produce.

The loss of income, during the hard lockdown, for rural and peri-urban communities served directly by these small-scale farmers would also have led to a loss of revenue by those farmers.

The following figure indicates the operational status for organisations in the Agriculture sector, as per the BeyondCOVID survey findings.

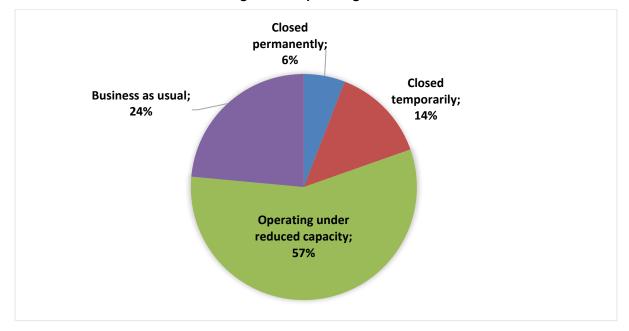


Figure 11: Operating Status

The following table indicates the impact of COVID-19 on revenue, staffing working arrangements and retrenchments for organisations in the Agriculture sector based on the BeyondCOVID Business Survey.

Agriculture Min **Average** Max Firms with Drop in Revenue 78% 46,67% 75,19% 92,59% Firms that have Retrenched 47% 67,59% 43,43% 14,73% Firms with > 20% of Staff 23% 23,26% 51,27% 84,15% **Working from Home Currently**

Table 2: Impact on Revenue and Staff

3.1.3 Beyond COVID-19

Beyond COVID-19 the biggest opportunity for the formal agricultural sector lies in the upgrade of export related infrastructure. AllAfrica quoted Paul Makube, Senior Agricultural Economist at FNB Agri-Business in July saying that "The biggest potential for the sector is in post-COVID-19 upliftment of critical infrastructure such as rail, ports, water and related services to support the high-value export commodities such as citrus, avocados, macadamias,"





The table below indicates the outlook going forward on retrenchments, funding and work arrangements for organisations in the Agriculture sector based on the BeyondCOVID Business Survey.

Table 3: Industry Outlook

	Agriculture	Min	Average	Max
Firms that need more than 6 months relief funding	22%	9,09%	24,78%	38,71%
Firms that have Planned Retrenchments	26%	0,00%	19,37%	38,98%
Firms where > 20% of Staff could work from Home Permanently	21%	14,29%	43,63%	81,54%

BeyondCOVID is a sizeable opportunity for the informal and small-scale agricultural sector lies in successfully integrating the farmers into what is now a very sophisticated and global food market.

Gaining access to this sophisticated and global food market will require collective organization by small-scale farmers to achieve the economies of scale necessary to obtain input cost discounts and also to spread risk. This collective organization is also necessary for accessing quality supplies, obtaining production credit, accessing highly regulated local and international markets and obtaining quality control services to qualify for these highly regulated markets.

The Jobs Fund, which is part of National Treasury, has embarked on a variety of projects to establish and assist agricultural intermediary institutions that integrate small scale farmers into the global food industry, establishing a template for others to follow.

Digital technology will play a critical role in organizing the small-scale farming community for their collective benefit. Active participation of the government in negotiation of trade agreements that benefit local farmers, be they formal or currently informal, will also play a significant role. Financial engineering to manage the risks associated with small scale farming will also be required to ensure sustainability.

The need for digital technology is further evidenced by software giant Microsoft South Africa announcing an investment of up to R40 million (US\$ 2.3 million) in South Africa's agriculture sector, as reported by VentureBurn in August 2020. The report noted that the investment was aimed at informal smallholder farmers.

Ultimately though, the most important element in the collective organization of small-scale farmers is the involvement of the formal agricultural sector in the collective structure in a manner that is financially profitable for all parties. Achieving this will be the main challenge and opportunity for the agricultural sector overall.





3.2 Construction

3.2.1 Importance of Sector to South Africa

Despite being in steady decline for several years, construction remains a major industry in terms of contribution to the GDP and number of employees.

According to StatsSA (2020) the construction industry employed 566,000 people prior to the lockdown while GDP from Construction in South Africa was R100 664.93 million in the first quarter of 2020, down from R101 881.74 million in the fourth quarter of 2019.¹⁷ According to ResearchAndMarkets total expenditure on construction works and related activities amounted to more than R430.2bn in 2018.

Apart from its overall economic contribution the construction industry is also labour-intensive and can employ a broad range of lower skilled labour. As such, the South African government sees infrastructure investment as a key vehicle to address unemployment and achieve economic growth, as witnessed by President Cyril Ramaphosa's address at the Sustainable Infrastructure Development Symposium of South Africa in June.

3.2.2 Impact of COVID-19 on the Sector

The construction industry was already vulnerable when the pandemic struck.

It has been noted that the protracted economic downturn and reduced levels of public infrastructure investment over a number of years have negatively impacted a number of major infrastructure companies. ¹⁸ Furthermore, a number of former bluechip construction companies like Group Five, Basil Read and Esor have been placed under business rescue while Murray and Roberts have refocused on Australia and other markets to recover. ¹⁹

The construction industry was impacted in a number of ways by the pandemic. Construction sites were in full lockdown from 27 March until 1 June. After construction sites were reactivated numerous health and safety protocols for protection of employees were required, presenting construction companies with additional cost and legal risk. Finally, local and global supply chains were disrupted with goods and services from different industries and different suppliers becoming available at different stages.

Industry Insight suggested that the impact of the pandemic could result in a year-onyear contraction of 18%, representing 4% of GDP.²⁰

GlobalData expected South Africa's construction industry to contract by 5.9 per cent in 2020. GlobalData also noted the role of high national debt, labour shortages and dwindling infrastructure spending in keeping the industry depressed.²¹

Master Builders South Africa president John Matthews, speaking during an International Zinc Association (IZA) webinar hosted by Creamer Media on July 15 2020, expressed

²¹ African Review, 2020.



¹⁷ Trading Economics, 2020.

¹⁸ ResearchAndMarkets, 2020.

¹⁹ See above.

 $^{^{\}rm 20}$ Engineering News, 2020.



concern that the construction and built environment industry would not survive should the new infrastructure pipeline not materialise.

In August 2020 construction and engineering group Murray & Roberts (M&R) reported that the pandemic had a direct profit impact of R622m when announcing the company's performance for the financial year ending June 2020. M&R did claim that their prospects were improving after looking for new markets in Australia and elsewhere after battling through a long period of government underspending on infrastructure projects.²²

The following figure indicates the operational status for organisations in the Construction sector, as per the BeyondCOVID survey findings.

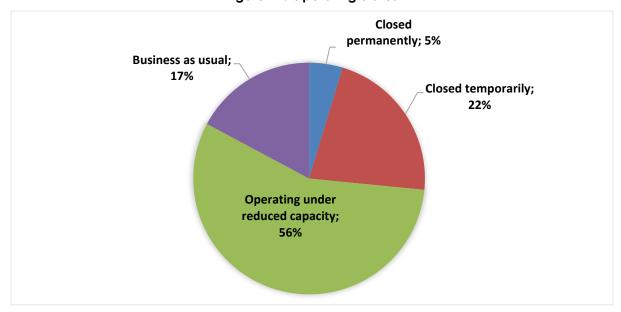


Figure 12: Operating Status

The following table indicates the impact of COVID-19 on revenue, staffing working arrangements and retrenchments for organisations in the Construction sector based on the BeyondCOVID Business Survey.

	Construction	Min	Average	Max
Firms with Drop in Revenue	89,06%	46,67%	75,19%	92,59%
Firms that have Retrenched	59,38%	67,59%	43,43%	14,73%
Firms with > 20% of Staff Working from Home Currently	23,40%	23,26%	51,27%	84,15%

Table 4: Impact on Revenue and Staff

3.2.3 Beyond COVID-19

In April 2020, the construction sector formed a Construction Sector COVID-19 Task Team composed of contractors (main and subcontractors), built environment professional

²² Mining Weekly, 2020.





services firms, property developers, manufacturers, regulators and some 30 professional institutes and industry associations from across the construction supply chain.

The Task Team submitted a short- to medium-term plan to government regarding reforms to help the sector recover and worked to develop an industry-specific COVID-19 Construction Health & Safety Protocol.

In April 2020, the Presidential Infrastructure Coordinating Commission Council issued a list of projects as part of a R2.3 trillion infrastructure drive. The range of projects included water supply and irrigation developments, energy, roads, housing, and fish-farming developments.²³

At the Sustainable Infrastructure Development Symposium of South Africa (SIDSSA), held on the 23rd of June, President Cyril Ramaphosa called on both the private and public sector to invest in infrastructure development. Ramaphosa reiterated the negative impact of South Africa's dwindling infrastructure investment on the construction industry in the years prior to the pandemic. Ramaphosa stated that project proposals would be evaluated in terms of their job creation impact.

In July 2020 Cobus Bedeker, MD of Evergreen Property Investments, stated that "The construction sector is already working together to respond to the impact of COVID-19 and ensure the sustainability of this industry over the coming months so as to play its part in our country's economic recovery."²⁴

In August 2020, the Director-General of South Africa's National Treasury, Dondo Mogajane, in a conversation with IMF Country Focus outlined the government's response to the COVID-19 crisis. Mogajane stated the importance of stimulating both demand and supply and specifically referenced infrastructure funding as a vehicle to achieve this.

In August 2020, the Minister of Transport, Fikile Mbalula, identified road infrastructure development as a key contributor to South Africa's economic recovery. Mbalula made the statement during the announcement by the South African National Roads Agency Limited (Santal) that it was ready to commence with R30 billion worth of construction projects. The report went on to indicate that 136 projects worth R7.3 billion have already seen contracts awarded.²⁵

Changes to Regulation 28 of the Pension Funds Act appear to be part of government's economic recovery plan. Regulation 28 may be amended to allow for the funding of long-term infrastructure and high-impact capital projects. Government reportedly hopes that the change will facilitate direct access to pension funds' assets by state development finance institutions. 27

While Regulation 28 could be changed by the government it is still up to the trustees of the funds to direct the investments towards state directed infrastructure projects. To date both the public and private sector pension funds have expressed an

²⁷ Sunday Times, 2020.



²³ Business Tech, 2020.

²⁴ Engineering News, 2020.

²⁵ Infrastructure News, 2020.

²⁶ Sunday Times, 2020.



unwillingness to green-light investments into state infrastructure projects, specifically noting endemic corruption and poor performance of State-Owned Enterprises.

Andrew Duvenage, Managing Director of NFB Private Wealth Management, expressed the view that significant and systemic corruption and the state of state-owned enterprises "did not inspire confidence that the state was capable of leading the economic recovery." Duvenhage also stated that, "past infrastructure projects were poorly implemented and that the planned projects were not bankable". Duvenhage stated that South Africans should be "vehemently opposed to any form of pension fund investment prescription."

According to Market Watch, in August 2020 the Congress of SA Trade Unions (COSATU) also stated that corruption must be addressed before the government can use workers 'pensions. In a statement after its Central Executive Committee (CEC) meeting on 26 August, COSATU said pensions "should be invested in ways that benefit workers and should not be used to deal with government policy failures."

COSATU further added that," a corrupt government that pushes anti-worker and antipoor policies cannot automatically count on the unconditional support of workers when it comes to the use of their pensions. Before the government talks about workers 'pensions, we demand to see real change in fighting corruption and also the implementation of pro-poor policies."

As new information about the virus emerged over the months since lockdown was first announced regulations aimed at stopping its spread have evolved. This in turn led industry stakeholders to amend their policies and procedures to avoid the shutting down of worksites. This will continue until lockdown is lifted in full.

In July 2020 Morag Evans, CEO of Databuild, stated that, "...the building of schools, roads, hospitals, bridges and the like will help to create much-needed jobs, the hiring of additional staff will mean increased activity on site, which could cause a surge in COVID-19 infections. Consequently, it's imperative that all role-players develop appropriate policies and procedures to protect their workers from exposure to the virus."³⁰

Evans also elaborated on the new ways of work on job sites and listed COVID-19 education and training, staggered work shifts, limited tool and equipment sharing, social distancing, wearing of face masks, frequent sanitisation, virtual meetings between developers, architects, engineers and other professionals and enhanced site supervision as part of the various measures that would be employed.³¹

While the majority of the discussions around construction have focussed on large infrastructure developments the residential housing market was also affected and will also be subject to major changes going forward. This is especially true as housing remains central to South Africa's transformation and development agenda.

³¹ Infrastructure News, 2020.



²⁸ HRPULSE, 2020.

²⁹ HRPULSE, 2020.

³⁰ Infrastructure News, 2020.



In July 2020 it was reported that the housing backlog is more than 500 000 units, with demand growing daily. Addressing the backlog could provide significant employment and development opportunities.³²

In summary the construction industry can act as a major lever in pulling South Africa out of its current economic malaise. The challenge for government will be to ensure a positive return on construction investment for the pension funds and any other potential institutional investors that the government approaches to fund the ambitious pipeline of project.

The table below indicates the outlook going forward on retrenchments, funding and work arrangements for organisations in the Construction sector based on the BeyondCOVID Business Survey.

Table 5: Industry Outlook

	Construction	Min	Average	Max
Firms that need more than 6 months relief funding	16,67%	9,09%	24,78%	38,71%
Firms that have Planned Retrenchments	27,78%	0,00%	19,37%	38,98%
Firms where > 20% of Staff could work from Home Permanently	20,45%	14,29%	43,63%	81,54%

 $^{^{\}rm 32}$ Mail and Guardian, 2020.





3.3 Financial Services

3.3.1 Importance of Sector to South Africa

The South African banking industry is highly respected in terms of its successful integration of contemporary digital technologies and product offerings. The industry has also borne witness to the introduction of three entirely digital banks: Zero Bank, Thyme Bank, and Discovery Bank. The addition of these digital banks has provided additional impetus to digital innovation amongst the established players.

This constant innovation in market offerings, coupled with existing payments, branch, cash management and security infrastructure has allowed South African banks to continue to operate as effective business enablers to businesses and consumers alike. This is true both within South Africa as well as across the African continent.

While the introduction of Zero Bank, Thyme Bank, and Discovery Bank has the potential to alter the market in time, the industry is still dominated by Standard Bank, Absa, Nedbank, Investec, and FirstRand Bank. These banks account for 90% of the sector's assets between them. This translated to about 116% of GDP at the end of 2019. Crucially these traditional banks employ over 186,600 people.³³

In combination with the banking sector, South Africa also has equally contemporary and digitally viable insurance and capital market industries. These industries compete globally, adhere to global standards, and successfully provide South Africa with the full array of financial services found in "developed" economies.

3.3.2 Impact of COVID-19 on the Sector

In March, the South African Reserve Bank (SARB) commenced a series of reporate cuts which by the end of July reached a total of 300 basis points. This resulted in a reporate of 3.5%, an all-time low in the democratic era.

In March 2020, Fitch Ratings downgraded South African banks to 'BB' while citing a heightened macro-economic risk from falling commodity prices, disruption to tourism, mining activity and manufacturing and the debt to GDP ratio increasing. The country downgrades occurred in March (Moody's Ba1), and April (Fitch BB and S&P BB-). Usually sovereign credit ratings are reviewed every six months.

In May 2020, the government announced a 100-billion-rand loan guarantee scheme. The National Treasury initially provided R100 billion to the banking industry through the South African Reserve Bank, with the option to extend the scheme to R200 billion if required. According to National Treasury the Government and commercial banks were sharing the risk of non-repayment of these loans.

The appetite for these loans to date has been modest. As of August 2020, there had been an uptake of 7% of available funds since launch. National Treasury and the Banking Association of South Africa (BASA) have committed to having ongoing engagements regarding the design of the scheme.³⁴

Treasury also reported in August that it hoped that small and medium businesses will have more appetite to take up loans from the guarantee scheme. Treasury reported

³⁴ Moneyweb, 2020.



³³ FR Market, 2020.



that the scheme has disbursed R14 billion to nearly 10 000 businesses and that another 15 000 applications were still being processed by the banks.

Engineering News reported in August that South African banks have provided voluntary relief on loans with a book value of R537 billion since the beginning of the pandemic.

In April, Fitch Ratings published a commentary: Coronavirus Impact on South African Banks. The article outlined the impacts of COVID-19 on South African banks' operating environment, indicating downside risk with asset quality and earnings to be pressured in 2020. Furthermore, Fitch Ratings mentioned that sharp declines in economic activity due to the pandemic and compounding existing threats will impact banks' profiles. This takes into consideration the poor economic growth, power supply shortages, weak business confidence, and deep social inequalities. Fitch expects asset quality to deteriorate as households and corporates become stressed.

In May, Fitch acknowledged that adequate levels of capital have been built up since the implementation of Basel III and South African banks still remain well capitalised. However, the pandemic has negatively impacted South African banks' financial performance

Reuters (2020) reported in August that Nedbank hoped that the worst impacts of the COVID-19 pandemic were over after half-year profits fell almost 70%. Nedbank indicated that its full-year profits would be at least 20% lower and that credit impairment charges increased 202% to almost R7.7 billion (\$458 million) during the six months to June 30, 2020. Absa Group had an 82% decline in normalised interim earnings after impairments increased four-fold to R14.7 billion.³⁵

In August 2020, the Daily Maverick reported that headline earnings at Standard Bank were down 44% to R7.5-billion. Bad debt charges were similarly poor, with Absa reporting impairment charges of R14.7-billion, Standard Bank R11-billion and Nedbank R7.7-billion. In Absa's case the impairments were four times the usual charge. All the banks suspended declaring a dividend as per the Regulators request.

From a retrenchment perspective the South African banks were less impacted than other sectors.

Business Tech reported in May 2020 that Standard Bank Group and Absa Group were among South African banks holding off on any further layoffs. At that stage local lenders joined global institutions from New York, Paris, London and Frankfurt that have pledged to preserve jobs during the Coronavirus pandemic. Standard Bank Group and Absa Group did however say they could not offer unconditional or permanent job stability should the economic situation continue to deteriorate.³⁶

Redflank's own BeyondCOVID survey reported that financial services respondents were amongst the least impacted organisations with 85.60% reporting the same staff or increased staff complement, with less than 14.40% of sector respondents reducing or implementing staff retrenchments.

³⁶ See above.



³⁵ Business Tech, 2020.



The Daily Maverick reported in July that the South African short-term insurance sector was hit with a surge of business interruption claims. After being unable to do business for several months, restaurants, bars, hotels, and guesthouses submitted business interruption claims. Later in July, as seen in the Business Day, the Financial Sector Conduct Authority issued a national mandate to insurers not to broadly reject these claims following a Cape Town court's interpretation of what qualifies as a business-interruption claim. The Business Day further cited that Old Mutual Insure estimates it will have to pay more than R650m in settlements.

Santam and Hollard announced a commitment in July to extend relief to mainly smalland medium-sized businesses. The Insurance Journal mentioned in July, that Santam alone has committed to a R1 billion rand (\$60 million) in payments.

In August 2020, Momentum Metropolitan Holdings and Old Mutual warned that their full-year earnings could slump.³⁷ Momentum by as much as 65% as the Group continued to be impacted by the COVID-19 outbreak in its operations. This resulted in an overall impact in the group's earnings, headline earnings and diluted normalised headline earnings for the year of R1.3billion, before-tax, and R1billion after-tax for the year to end June. Insurance giant Old Mutual is expecting its earnings to plunge by up to 72% during the six months to June to between R1.4 billion and R1.98billion from R5.21billion a year earlier.

The Business Day reported in August that Santam warns of plunges in headline earnings and impaired losses for the year to end-June will be 28% - 38% lower than in 2019.

In August, Business Day cited local Bourses feeling upbeat on Chinese data, suggesting China's recovery remains on track, but is domestic consumption-led, with export markets still fragile as COVID-19 rampages across the globe. Global Bourses have benefitted from national and international monetary easing with the JSE following suite.

The Daily Maverick reported that in August, the JSE All-Share Index was higher than it was at the start of the year despite what may be the biggest economic calamity in a generation. Winners such as GoldFields was up 120%, AngloGold 55% and Sibanye-Stillwater 36% for the year-to-date. Whilst some losers: City Lodge, Tsogo and Sun International have all lost in the region of 60% of stock value this year. Nedbank is down 50%, Investec 45% and even a market favourite, Capitec, has fallen by 40%.

The following table indicates the impact of COVID-19 on revenue, staffing working arrangements and retrenchments for organisations in the Financial Services sector based on the BeyondCOVID Business Survey.

The following figure indicates the operational status for organisations in the Financial Services, as per the BeyondCOVID survey findings.

^{37 I}ndependent Online, 2020.





Operating with Increased capacity; Permanently; 0% Closed temporarily; 3%

Business as usual; 48%

Operating under reduced capacity; 47%

Figure 13: Operating Status

The following table indicates the impact of COVID-19 on revenue, staffing working arrangements and retrenchments for organisations in the Financial Services sector based on the BeyondCOVID Business Survey.

Min Financial Services **Average** Max Firms with Drop in Revenue 58,14% 46,67% 75,19% 92,59% Firms that have Retrenched 14,73% 67,59% 43,43% 14,73% Firms with > 20% of Staff 83,90% 23,26% 51,27% 84,15% **Working from Home Currently**

Table 6: Impact on Revenue and Staff

3.3.3 Beyond COVID-19

The largest risk that the banks face going forward is rising debt defaults. The postponement of principal and interest payments, as well as government help for businesses and borrowers has limited the rise of impaired loans to date. As seen in August 2020, Absa granted payment relief on R37bn of loans, 12% of their loan book.³⁸ This is but one example of how provisions for bad debts and consumer relief has been put into effect. Whether this situation continues will depend on the country's overall economic recovery.

The banks will not be able to contain their impairments with ongoing economic contraction, a significant drop in asset prices and a further deterioration of the country's sovereign rating. This leaves the fate of the South African banks inextricably linked to the fate of the country's overall economy.

^{38 I}ndependent Online, 2020.





In August 2020, the Business Insider mentioned that Banks are reporting a massive surge in provisioning for bad debt, as their clients cannot afford to repay loans amid the Coronavirus crisis. In August home loans' impairments, or provision for potential write-offs, grew by 1,090% to R1.750bn in the six months to end-June, while vehicle and asset finance credit impairments rose 289% to R2.129bn. The impairment charge on credit cards and overdrafts jumped by 156% to R5.107bn. Absa provided payment relief on loans to customers representing R217bn, or 22% of total loans.³⁹

The banking sector is one of the main catalysts for economic growth as distribution of loans enables businesses and individuals to finance income generation, employment opportunities and business growth. While the loan guarantee scheme has seen modest uptake the banks' continued ability and willingness to extend loans beyond the depletion of the loan guarantee scheme will also directly impact the sustainability of the economic recovery.

The table below indicates the outlook going forward on retrenchments, funding and work arrangements for organisations in the Financial Services sector based on the BeyondCOVID Business Survey.

Table 7: Industry Outlook

	Financial Services	Min	Average	Max
Firms that need more than 6 months relief funding	9,09%	9,09%	24,78%	38,71%
Firms that have Planned Retrenchments	9,46%	0,00%	19,37%	38,98%
Firms where > 20% of Staff could work from Home Permanently	81,54%	14,29%	43,63%	81,54%

³⁹ Business Insider, 2020.





3.4 Manufacturing

3.4.1 Importance of Sector to South Africa

CNBC Africa reported in August that the manufacturing sector is crucial to South Africa's economy, and contributes 14,5% of the formal sector GDP, according to the Gauteng Growth and Development Agency ("GGDA").⁴⁰ The World Trade Organisation (WTO) in its 2019 World Trade Report has also recognised manufacturing as a key driver to global trade.

In an article by Moneyweb published in August 2020, Tebogo Makube, chief director of industrial procurement, development and localization for the Department of Trade, Industry and Competition (DTIC) was quoted as saying "Manufacturing is a key cog in the wheel of SA's economy, especially because of the multipliers associated with it, such as the high labour absorption rate and enabling exports...".

CNBC Africa stated in its August article that since 2014, 60% of Foreign Direct Investment (FDI) projects into Gauteng have been in the manufacturing sector and its subsectors. The article further states that despite this high percentage, since 1970, local manufacturing has dropped as much as 10 percentage points in contribution to GDP. The decline in Gauteng's manufacturing output has also impacted the sector's ability to absorb jobs. In 1994 the sector employed approximately 600 000 people in Gauteng, translating to 17,4% of all people employed in Gauteng. However, by 2019, that dropped to 10,4% of people employed in Gauteng.⁴¹

As Phillipa Rodseth, executive director of the Manufacturing Circle, observed in an article published by EE Publishers and titled *The importance of manufacturing for SA's Economic Growth*, "growth of manufacturing has mirrored GDP growth in South Africa over the last four decades." Rodseth goes on to state that "as Africa continues to urbanise, manufacturing opportunities [will] arise in areas of fast-moving consumer goods, packaging, durable household goods, metal components, plastics, pipes, tubing and automotive exports." Rodseth concludes by noting that however, "Manufacturing's share of South Africa's GDP has remained at an average of around 15% over the last two decades. This is typically lower than other countries at both much lower and higher stages of development in comparison; indicating a much greater role that manufacturing can play in our economic development."

3.4.2 Impact of COVID-19 on the Sector

The manufacturing sector has been severely impacted by the COVID-19 lockdown. Recovery has been slow given the protracted lockdown of certain industries.

The following figure indicates the operational status for organisations in the Manufacturing sector, as per the BeyondCOVID survey findings.

⁴¹ See above.



⁴⁰ CNBC Africa, 2020.



Operating with Increased capacity, 1% 5%

Business as usual, 17%

Closed temporarily, 12%

Operating under reduced capacity, 65%

Figure 14: Operating Status

The following table indicates the impact of COVID-19 on revenue, staffing working arrangements and retrenchments for organisations in the Manufacturing sector based on the BeyondCOVID Business Survey.

Manufacturing Min **Average** Max Firms with Drop in Revenue 75,61% 46,67% 75,19% 92,59% Firms that have Retrenched 47,56% 67,59% 43,43% 14,73% Firms with > 20% of Staff 39,71% 23,26% 51,27% 84,15% **Working from Home Currently**

Table 8: Impact on Revenue and Staff

As can be seen by the table above, over three quarters of respondents indicated a drop in revenue. 47.56% of the respondents indicated that they had to retrench staff. However, 39.71% of respondents indicated that more than a fifth of their staff could work from home.

Engineering News reported in July that according to Stats SA (2020) manufacturing output contracted in June 2020, although this contraction was not as severe as that seen in April 2020. In April, manufacturing production had recorded its biggest annual decline, contracting by 49,4% year-on-year as the lockdown restrictions virtually halted economic activity. By June, the year-on-year contraction had recovered slightly to 16,3%.

In total, Stats SA (2020) recorded that manufacturing production fell by 30,2% between April and June, compared with the first three months of the year, and that





all 10 manufacturing sub-sectors registered a sharp decline in production in the second quarter.

The largest contributor to this decline was the sub-sector of motor vehicles, parts and accessories, and other transport equipment. The productivity levels of this sub-sector during April 2020 was virtually zero as total output decreased by 98% (contributing -7,8 percentage points) according to the Engineering News report.

The table below indicates the decline of the five worst performing sub-sectors, together with their relative contribution to the decline of the manufacturing sector.

Table 9: Decline of Manufacturing Sub-sectors - April 2020

#	Sub-sector	% change in sub-sector	% contribution to manufacturing sector decline
1	Motor vehicles, parts and accessories and other transport equipment	-98%	7.8%
2	Basic iron and steel, nonferrous metal products, metal products and machinery	-65.4%	13.2%
3	Wood and wood products, paper, publishing and printing	-49.2%	4.9%
4	Petroleum, chemical products, rubber and plastic products	-41.5%	9.5%
5	Food and beverages	-19.4%	5.4%

(Stats SA, 2020)

A multitude of manufacturers in the same sector and sub-sector were impacted in different ways. SMME manufacturers were impacted particularly negatively.

In a study published in August 2020 the University of Johannesburg (UJ) and the University of Edinburgh (UE) explored the plight of SMME manufacturers in the food processing industry. The study sought to gauge the impact of the national lockdown on sixteen SMME maize milling and dairy firms by conducting qualitative telephonic interviews.

The study conducted by UJ and UE found that food processing SMMEs play a critical role in supplying localised and under-served markets. They are also an important source of rural employment. These industries act as an important link with other small businesses by targeting local wholesalers and retailers, group buying schemes and informal "spaza" shops. The study stated that the food processing SMMEs are particularly crucial for under-served communities as they contribute to school-feeding





schemes, local catering businesses, as well as providing individual local consumers with goods.⁴²

The study found that the national lockdown regulations closed these under-served markets to the maize milling and dairy firms. This caused a loss in revenue, suspension of business improvements, retrenchments, pay cuts and reductions in workable hours. The maize milling and dairy firms were already vulnerable from the crippling effects of load-shedding and many of the firms indicated that it is likely they will not recover from the impact of COVID-19.⁴³

The study also found that the maize milling and dairy firms found they could not turn to supplying the larger, national supermarkets. A large investment of capital would have been needed to meet the quality, packaging, traceability and hygiene standards that the larger supermarket chains demand. This, coupled with being pitted against the major national food suppliers, meant that a shift in target-markets was not an option for these firms.⁴⁴

Finally, the study found that well-intentioned government support for these businesses was found to be insufficient. The process was overly complicated, with an overt reliance on a top-down approach for the provision of support. The applications themselves turned out to be too costly for firms already facing a capital deficit.⁴⁵

In August 2020, the Daily Maverick reported that marginal signs of improvement were apparent in the publication of Absa's Purchasing Managers' Index (PMI) during the same month. The industry benchmark PMI measures expectations of purchasing managers, whose buying orders are based on assumptions about the future performance of their businesses.

A plunge in the PMI in April to a record low of 5,1 index points - far below the neutral level of 50 - was followed by a gradual recovery once the "hard lockdown" had been lifted.

Absa announced that the PMI declined slightly to 51,2 index points in July 2020, from 53,9 in June, but "continued to signal a further month-on-month improvement for conditions in the manufacturing sector." This is because, at over 50 index points, the seasonally adjusted index remains in positive territory.

Most encouragingly, Absa reported a slight increase in export sales for the first time since October 2019.⁴⁷ The shape of the GDP recovery in Europe, a key market for South African manufacturing goods, will continue to be important for local producers targeting the export market going forward.

Unfortunately, the output recovery did not extend to an employment recovery. While the new sales order index remained above 50 index points in July 2020, the

⁴⁷ Engineering News, 2020.



⁴² See A Bowman and R das Nair "COVID-19 Has Hit SMEs in South Africa's Food Sector Hard. What Can Be Done To Help Them", published August 2020.

⁴³ See above.

⁴⁴ See above.

⁴⁵ See above.

⁴⁶ moneymarketing.co.za, August 2020.



employment index remained considerably below 50, at 33 index points, hardly changing from 32,7 the month before.⁴⁸

Absa PMI suggests that in July, even while activity was picking up, job losses were still mounting. This is supported by Redflank's own findings regarding the number of businesses who indicated that they are planning retrenchments in the future.

The two alcohol bans also impacted capital investment. Businesstech reported in August that Consol Glass, South African Breweries and Heineken suspended capital investments to the value of R2.3bn, R2.5bn, and R6bn, respectively.

BusinessTech reported that the glass industry has lost R1,5bn due to alcohol trading bans and that Consol indicated that it might move its manufacturing operations offshore, a move that would cost the country 25,000 direct jobs and hundreds of thousands of indirect jobs.

3.4.3 Beyond COVID-19

In addition to the new challenges brought about by COVID-19 the familiar challenges to manufacturing still remain.

Addressing energy reliability and energy cost remains a priority for manufacturing as no production is possible when there is load-shedding. Reuters (2020) reported in August 2020 that an analysis by the Council for Scientific and Industrial Research (CSIR) found that 1,498 Gigawatt hours (GWh) of energy had been shed so far in the first eight months of 2020, more than the 1,352 GWh shed during the whole of 2019 and 1,325 GWh in 2015, the previous two worst years on record. The CSIR estimated that planned load-shedding cost the economy up to R120 billion in 2019.

According to a Bloomberg report in August 2020 Eskom has received R133bn (\$8bn) in bailouts since 2008 and is due to get another R112bn over the next three years. Eskom does not generate enough cash revenues to meet its operating and financing costs and is surviving on government bailouts.⁴⁹ The electricity supplier's debt pile stands at R454bn, of which R300bn is guaranteed by the government. In August 2020, Eskom was projecting a R20bn loss for the 2020 financial year. Bloomberg sees Eskom as the biggest risk to the nation's economy.

SMME manufacturers, who lack the balance sheets of large manufacturers, experience crippling impacts from load-shedding and many SMME manufacturers could close due to the combination of COVID-19 and load-shedding.

IOL reported in July 2020 that the founder and chief executive of the National Small Business Chamber (NSBC) Mike Anderson stated that small and medium-sized enterprises (SME) were under enormous strain as a result of the COVID-19 pandemic and that more than 90% of these SMEs were dealing with a cash flow crisis. Anderson stated that, "load shedding would prevent a significant amount of these SMEs from trading, which would result in increased business closures and job losses."

⁴⁹ dailymaverick.co.za, August 2020.



⁴⁸ Daily Maverick, 2020.



Outside of the energy crisis the government sees increased manufacturing of local content as a key strategy to revive the local manufacturing industry.

Moneyweb reported in August 2020 that the Department of Trade, Industry and Competition (DTIC) Chief Director of Industrial Procurement, Development and Localisation, Tebogo Makube, stated that no country has developed by solely relying on imports. Makube was also formerly part of the Gauteng Growth and Development Agency (GGDA).

Moneyweb reported that Busmark Group's Chief Executive, Patuxolo Nodada, claimed that the biggest challenge facing the DTIC is how local content regulations are being implemented by municipalities and explicitly stated that, "when you buy an imported product, you are actually exporting jobs."

Nodada stated that, "Busmark had managed to beat any imported bus products in terms of price and that its 80% market share of the bus rapid transit market was due to localisation."

Moneyweb also reported that Anand Mehta, the owner and Managing Director of pharmaceuticals manufacturer Pharma-Q claimed that globalisation has been replaced by localisation because of COVID-19, and that it was essential for every country in the world to become self-reliant and self-sufficient in terms of essential services and products.

Apart from energy and localization, the creation of effective incentive structures and a supportive regulatory environment is also required to enable exporting of manufactured goods, both to Africa and beyond.

Fin24 reported in June that there are over 200 grants and incentives available for manufacturing, with almost all being administered by either the South African Revenue Services (SARS) or the Department of Trade Industry and Competition (DTIC). These incentives are, however challenging to obtain, according to Keith Engel, the CEO of the South African Institute of Tax Professionals (SAIT).

Zahra Rawjee, of finance advisory firm Uzenzele, indicated that unlocking these incentives and grants could unlock significant employment opportunities.⁵⁰ Uzenzele has assisted over 2000 SMEs to access a variety of grants and incentives over the last decade, with an average of R53,5M per SME.⁵¹

Getting the funds into the best hands is however important to obtain the optimal employment creation. Zahra is quoted as saying "if we can get South African manufacturing working again, we can create a lot of jobs. Again, this is rarely for start-ups but for experienced manufacturers looking to pivot their product ranges." ⁵²

The table below indicates the outlook going forward on retrenchments, funding and work arrangements for organisations in the Manufacturing sector based on the BeyondCOVID Business Survey.

⁵² News24, 2020.



⁵⁰ News24, 2020.

⁵¹ Uzenzele, 2020.



Table 10: Industry Outlook

	Manufacturing	Min	Average	Max
Firms that need more than 6 months relief funding	23,29%	9,09%	24,78%	38,71%
Firms that have Planned Retrenchments	24,53%	0,00%	19,37%	38,98%
Firms where > 20% of Staff could work from Home Permanently	29,82%	14,29%	43,63%	81,54%





3.5 Mining

3.5.1 Importance of Sector to South Africa

Statistics from the South African Department of Mineral Resources and the US Geological Survey indicate that South Africa possesses ore reserves amounting to a value of more than US\$2.5 trillion, or R41,6 trillion.

South Africa has the largest known reserves of Platinum-group metals (PGMs; 88%), Manganese (80%), Chromite (72%) and Gold (13%) in the world. It is ranked second in Titanium minerals (10%), Zirconium (25%), Vanadium (32%), Vermiculite (40%) and Fluorspar (17%).

According to a 2019 World Bank report (Digging Beneath the Surface, An Exploration of the Net Benefits of Mining in Southern Africa) South Africa was the wealthiest mining jurisdiction in the world.

Considering the wealth involved it also follows that no other industry has shaped the history of South Africa as much as mining has. It turned a largely agricultural economy into an industrial one and led to the establishment of cities such as Johannesburg and Kimberly, as well as a raft of modern institutions.⁵³

South Africa's dominant mining reserves have made it the subject of far-reaching global interests and rivalries. The US Dollar was linked to the gold standard until 1971, placing South Africa squarely on the geo-political map.

The industry required the development of very high levels of skill and technology to mine gold up to four kilometres below the surface of the earth with the Mponeng gold mine in Carletonville being recognised as the deepest mine in the world. South Africa is also home to 14 of the world's 20 deepest mines.

Mining played a pivotal role in shaping the country's labour markets, unions, and institutions. President Cyril Ramaphosa is only one of many of South Africa's leaders that emerged from the Apartheid era mining union community.

Given that the location of mines is dictated by where the minerals are, the mining companies created towns with amenities and infrastructure around the mineral deposits. In this way the locations of the mineral deposits drove the locations of numerous South African cities and towns.

The mining sector no longer dominates the South African economy as it once did and its contribution to Gross Domestic Product (GDP) has fallen from 20% in 1970 to 8% in 2018. Gold production peaked around 1,000t in 1970 and fell to 130t in 2018 according to Goldhub.

Despite recent decreases in mining output, the economies of four of the nine provinces and of several large towns are still dominated by mining, as is the port of Richards Bay. StatsSA reported in 2017 that mining is the largest industry in North West, Limpopo, Mpumalanga, and Northern Cape. Coal is also still the major fuel source for South Africa's electricity, with the result that every other sector of the economy is still heavily dependent on coal mining.

⁵³ Federation for a Sustainable Environment, 2018.





According to the Minerals Council of South Africa (MCSA) the sector employed 440,293 workers as of August 2020.

Purchases by the mining industry of everything from boots to heavy machinery to rail services are also significant, making it a major economic driver for downstream industries such as manufacturing.

The Federation for Sustainable Environment (FSE) reported in 2018 that at the time that mine wages, once among the lowest in the country, were then among the highest, representing 40% of industry expenditure at the time. In addition, over and above what they pay in royalties and tax, mining companies also contribute to local communities, either voluntarily or in terms of statutory requirements.

Miners from rural areas play an important role in the income of these areas through remittances made from the mine to family members back home.

3.5.2 Impact of COVID-19 on the Sector

The MCSA reported in its 20 August COVID-19 update that the industry had recorded 140 deaths up to that point. This is from a number of 12,617 members that tested positive and 43,897 members that were tested.

The sector went into hard lock-down in late March but was one of the first industries to be allowed back to limited production in May. The impacts of the lockdown were severe, with outputs plummeting 51,2% in April.⁵⁴

The following figure indicates the operational status for organisations in the Mining sector, as per the BeyondCOVID survey findings.

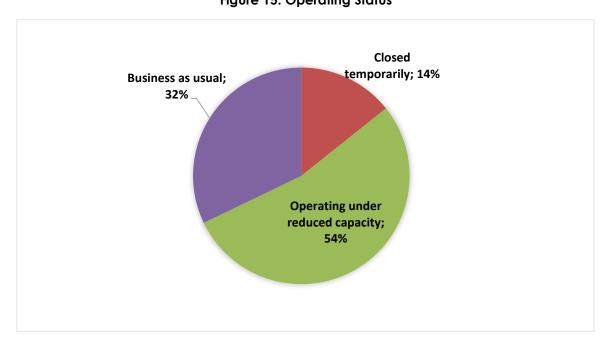


Figure 15: Operating Status

Mining Weekly reported in August that the sector bounced back strongly in June with MCSA chief economist Henk Langenhoven reporting that in value terms, gold was more than 60% up on pre-lockdown 12-month averages; chrome was 31% better,

⁵⁴ Mining Journal, 2020.





platinum 26% better, manganese 18% better, copper 17% better and other metals 29% better.

While return to full production levels was allowed from 1 June onwards not all mines went back to full production. MCSA stated that this was mainly due to the late and uncertain return of foreign workers as well as logistics constraints with the railroads and the ports.⁵⁵

MCSA stated that, with gold trading at around \$2000 an ounce, there was an opportunity for even greater revenue, but for the constraints on the export logistics chain.⁵⁶

The following table indicates the impact of COVID-19 on revenue, staffing working arrangements and retrenchments for organisations in the Mining sector based on the BeyondCOVID Business Survey.

Mining and Min **Average** Max quarrying 92,59% Firms with Drop in Revenue 71,43% 46,67% 75,19% Firms that have Retrenched 32,14% 67,59% 43,43% 14,73% Firms with > 20% of Staff 50,00% 23,26% 51,27% 84,15% **Working from Home Currently**

Table 11: Impact on Revenue and Staff

The MCSA predicts that the mining sector in South Africa is moving towards a decline in average real production of approximately 11% by the end of the year. This will represent a relative V-shaped recovery given the output plunge at the onset.⁵⁷

In August 2020, Business for South Africa (B4SA), headed by former Anglo American South Africa deputy chairperson Norman Mbazima, also predicted that annual output would come in at between 15% and 25% below pre-COVID expectations for 2020.⁵⁸

Several mining companies continued to pay their employees during the lockdown. Mining Weekly reported in April that Sibanye-Stillwater's overall COVID-19 donations totalled R78-million and that the company paid R1.5-billion in wages to workers during the lockdown.

Mining Journal also reported in April that Anglo American committed to paying the salaries of all 47,000 employees in South Africa during the 21-day lockdown.

3.5.3 Beyond COVID-19

Looking beyond COVID the mining industry's progress could be a bell-weather for South Africa's overall economic recovery.

⁵⁸ See above.



⁵⁵ Mining Weekly, 2020.

⁵⁶ See above.

⁵⁷ See above.



In the 10 years since the launch of the first Mining Charter South Africa's mining sector has been in steady decline. Mining has gone from 17% of GDP to 5%, capital investment has dropped by 48%, employment has been reduced by approximately 50,000 jobs, real production output has shrunk by 10% and only one large brand-new mine was established in this period.⁵⁹

Profits are still being made but very little of it is being reinvested, making the mining operations more expensive as the mines go deeper without the investments in new equipment. Large players like AngloGold and Billinton have left the industry and no major new players entered.

One factor frustrating increased investment in the sector is the disconnect between the South African government's expectations for the transformation of the industry, as governed by the Mining Charter, and the global mining industry's expectations regarding policy certainty.⁶⁰

Mining companies' planning horizons are between 10-30 years, whereas the Mining Charter is subject to change at very short notice, making it difficult to create the business cases necessary for investors to proceed.

The strained relationship between government and the mining industry must be viewed in the context of the role that global mining companies played in South Africa's history.

In July 2020, the South African government tabled a recovery plan to restore business confidence, stimulate investments, safeguard and create jobs in the mining and energy sector. It was presented by tourism minister Mmamoloko Kubayi-Ngubane, who stood in for Gwede Mantashe who was still recovering from COVID-19.

The Mining and Energy Recovery Plan focusses on the implementation of the Small-Scale Mining (SSM) Framework to revive the mining sector. Formal and informal Small-Scale Mining is regionally based and is usually associated with small producing companies, although small specialist service companies may fit the definition of small scale. Small Scale Mining occurs generally in those mines employing fewer than 50 people.

While the transformational goals and historical roots of the Small-Scale Mining Framework are clear, the ability of this model to attract the capital, skills and technology required to unlock the wealthiest mineral deposits in the world is unclear.

When looking at conventional mining methods and companies the industry is clear in what it requires from government to return investment and prosperity to the sector. Apart from policy certainty for a long enough period to develop business cases the industry also requires government to address electricity reliability, electricity costs, rail capacity, port capacity as well as endemic corruption.⁶¹

In August 2020, Mineral Resources and Energy Minister Gwede Mantashe withdrew an appeal at the Supreme Court of Appeal (SCA) on the requirements for black mining ownership. The appeal concerned an April 2018 High Court ruling that favoured

⁶¹ Daily Maverick, 2020.



⁵⁹ Daily Maverick, 2020.

⁶⁰ See above.



the Minerals Council of South Africa's challenge to a regulation specifying that the black ownership target of 26% should be maintained at all mines. The court ruled that mining companies only needed to make the 26% threshold once and did not need to 'top up' again if the black shareholders decide to sell their stake.

The Department of Mineral Resources and Energy (DMRE) positioned the withdrawal as a measure to improve the legal certainty over the more recent 2018 Mining Charter. The Minerals Council welcomed the withdrawal and stated that it advanced the goal of achieving regulatory certainty in the sector.

Whether or not the withdrawal of the appeal signals a real improvement in the relationship between government and the mining industry remains to be seen. What is clear though is that South Africa's mineral wealth of R41,6 trillion presents a tangible opportunity to restore economic prosperity to South Africa.

The table below indicates the outlook going forward on retrenchments, funding, and work arrangements for organisations in the Mining sector based on the BeyondCOVID Business Survey.

Table 12: Industry Outlook

	Mining and quarrying	Min	Average	Max	
Firms that need more than 6 months relief funding	17,39%	9,09%	24,78%	38,71%	
Firms that have Planned Retrenchments	0,00%	0,00%	19,37%	38,98%	
Firms where > 20% of Staff could work from Home Permanently	14,29%	14,29%	43,63%	81,54%	





3.6 Tourism, Accommodation, and Food

3.6.1 Importance of Sector to South Africa

According to the *Tourism Sector Recovery Plan* published in August by the Department of Tourism, the travel and tourism sectors contributed 2,9% to South Africa's GDP prior to COVID-19 and accounted for 8,2% of the country's total investment activity in 2019. The sector employed approximately 725 000 people, or an average of 1 in every 22 working South Africans. The sector's contribution to South Africa's total workforce was 4,5%.

The *Tourism Sector Recovery Plan* reports that prior to the lockdown tourism generated R82.5 billion in direct foreign spending out of R126.7 billion total tourism expenditure. Direct foreign spending contributed an equivalent of 9,2% to total national exports.

PwC's 5th edition of the *Hospitality Outlook*: 2015 – 2019 reported that in 2019 more than 10 million people visited South Africa, and stayed in at least one of the 63 000 available hotel beds, amounting to a cumulative expenditure of R27 billion. The report continued to state that in January 2019 the sale of food at restaurants, coffee shops, and fast-food outlets contributed R4,7 billion in foreign spending to the economy.

3.6.2 Impact of COVID 19 on the Sector

The *Tourism Sector Recovery Plan* reported that an estimated R54,2 billion in output was lost between mid-March and the end of May alone. The Ministry estimated a potential 75% reduction in revenue for 2020, putting R149.7 billion in output, 438,000 jobs, and R80,2 billion in foreign receipts at risk.

The following figure indicates the operational status for organisations in the Tourism, Accommodation and Food sector, as per the BeyondCOVID survey findings.

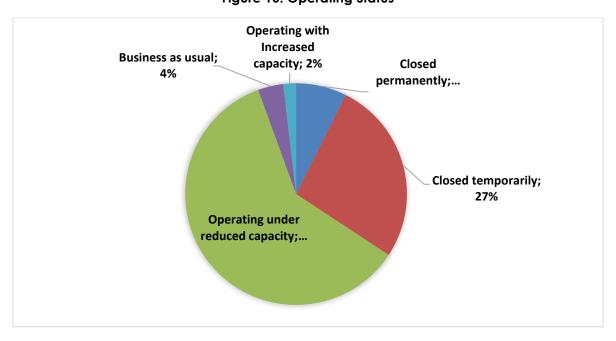


Figure 16: Operating Status

In August IOL also reported that R68 billion in tourism spend has been lost since the lockdown began.





A nationwide survey of accommodation establishments was conducted by *LekkeSlaap.co.za* to ascertain how COVID-19 and the national lockdown have impacted both the financial viability of the businesses as well as their respective workforces. According to results published in June 2020 a total of 4,488 contributions were received from accommodation business owners who represented 7,262 local accommodation establishments.

The LekkeSlaap.co.za survey results showed that 56.5% of the surveyed businesses had been negatively impacted by COVID-19, the national lockdown, and the subsequent protocols for conducting business during a pandemic. Their results suggested that the following few months would be very challenging as 27.6% of the respondents indicated a high likelihood that their business would not survive while 3.9% indicated that their business would definitely not survive the pandemic.

Businesses in the provinces of Limpopo (37.5%), North West (37.8%), Mpumalanga (33.5%), and the Northern Cape (34,2%) reported a particularly high probability of business failure.

With Limpopo and Mpumalanga widely regarded as the provinces with the most locally and internationally sought-after game viewing opportunities, these potential business failures could have a dramatic long-term impact on South Africa's tourism economy.

Reporting on the *Lekkeslaap.co.za* survey did not qualify the results in terms of potential end dates of the lockdown and did not publish the exact period during which the survey was performed.

While travel and accommodation providers are clearly impacted by a lack of tourists there are other downstream industries that also strongly depend on tourism. Carnac reported that soft drinks and tobacco products were the most vulnerable to contractions in tourism activity.⁶² According to Carnac, hotels and restaurants spend up to 28% of their total procurement on soft drinks and tobacco products while the tourism industries also constitutes a substantial share of the overall supply of the soft drinks and tobacco industries (17% and 12% respectively).

Business Insider South Africa reported in June 2020 that the Global hotel group Marriott International announced that it would terminate its contract to operate the Mount Grace Country House & Spa in Magaliesburg, the Protea Hotel by Marriott Durban Edward, and the Protea Hotel by Marriott Hazyview in response to what it has termed the unprecedented impact of COVID 19 on the hospitality sector. The Marriot indicated that travel restrictions and social distancing resulted in weaker demand and economic uncertainty. Following Marriott's announcement, Tsogo Sun, which owns the properties, said it will take over the operations of the hotels, with an expected reopening within 18 months.

Unlike other industries the situation has not recovered materially since the shutdown was announced just over 5 months ago. IOL reported in August 2020 that Western Cape Premier Alan Winde expected over 100 000 people to lose their jobs in the province's tourism sector as a direct result of the COVID-19 lockdown. Winde

⁶² Carnac, "COVID-19's Economic Effects: Tourism's Supply-Chain Impacts", 2020.





expected formal employment to drop by 8.4% in 2020 and only to recover by 1.9% in 2021. Winde also expected the informal sector to lose 38 000 jobs in the province in 2020.

In August, IOL also reported that R68 billion in tourism spend has been lost since the lockdown began.

The following table indicates the impact of COVID-19 on revenue, staffing working arrangements and retrenchments for organisations in the Tourism, Accommodation and Food sector based on the BeyondCOVID Business Survey.

Table 13: Impact on Revenue and Staff

	Tourism, Accommodation, and Food Service Activities	Min	Average	Max
Firms with Drop in Revenue	92,59%	46,67%	75,19%	92,59%
Firms that have Retrenched	67,59%	67,59%	43,43%	14,73%
Firms with > 20% of Staff Working from Home Currently	29,49%	23,26%	51,27%	84,15%

While restrictions have relaxed with the introduction of Lockdown Level 2 on the 17^{th} of August the return of international travel remains a major factor impacting the ultimate recovery of the sector.

3.6.3 Beyond COVID 19

In August South African Tourism released a *Tourism Sector Recovery Plan* in a bid to mitigate the damage suffered by the industry. The *Recovery Plan* states that, "the priority for tourism is to resume operations as early as it is safe to do so... [T]he sector will need to develop clarity on how South Africa can outcompete in a market where every destination will be chasing recovery... South Africa's tourism 'recovery 'cannot just mean a return to pre-crisis levels and practices, but rather a growth trajectory that realises the country's vast and diverse tourism potential."

The Tourism Sector Recovery Plan positioned three strategic themes for the sector's recovery: Re-Igniting Demand, Rejuvenating Supply, and Strengthening Enabling Capability. These themes were underpinned by 10 recommendations and initiatives consisting of:

- 1. Public Private Collaboration
- 2. Government Relief Packages
- 3. New Safety Protocols
- 4. Enhanced Air Access
- 5. E-Visa and SAPS Security Support





- 6. Renewed Marketing to Domestic Markets
- 7. Global Marketing and Travel Trade Program
- 8. Investment and Market Entry Program
- 9. SADC Tourism Strategy
- 10. Revised Industry Policy and Institutions

In April 2020 News24 reported that government had been dispensing packages focused on sustaining SMEs, with the Department of Tourism accepting applications for once-off grants from small and medium enterprises such as bed and breakfasts, certain restaurants, lodges, and coach operators. A total of R200 million had been set aside to protect these types of businesses with up to R50,000 available to each successful applicant.

In August 2020, the George Herald reported that 967 Western Cape businesses and more than 100 operators in the Garden Route and the Klein-Karoo had benefitted from the grants dispensed since the beginning of pandemic.

Regarding the resumption of cross-border air travel the *Tourism Sector Recovery Plan* projected a global re-opening between August 2020 and early 2021. The plan anticipated that the re-opening of the sector would progress from local community attractions through to a broader domestic tourism, followed by regional markets and finally international leisure travel. The Department of Tourism stated that strong domestic demand would be critical to the sector's performance in the second half of 2020.

Changes in the industrial outlook are forecasted when the sector goes back to full capacity. The table below indicates the outlook going forward on retrenchments, funding and work arrangements for organisations in the Tourism, Food and Accommodation sector based on the BeyondCOVID Business Survey.

Table 14: Industry Outlook

	Tourism, Accommodation, and Food Service Activities	Min	Average	Max
Firms that need more than 6 months relief funding	38,71%	9,09%	24,78%	38,71%
Firms that have Planned Retrenchments	38,98%	0,00%	19,37%	38,98%
Firms where > 20% of Staff could work from Home Permanently	22,73%	14,29%	43,63%	81,54%

In August 2020 Nedbank posted an article on its website predicating that tourists from Europe, Asia, and America will only be allowed to return in 2021 noting that international visitors spend R3 for every R1 spent by a domestic tourist





In June the Daily Maverick reported that many lodges and game reserves that rely on foreign currency to keep them and the surrounding communities' afloat have focused on testing COVID-19 protocols for when the lockdown is lifted as well as exploring alternative value offerings. According to the report Valeri Mouton, PR manager of andBeyond indicated that lodges and game reserves offered "couch" safaris in the interim —using social media platforms to view live webcams and even live game drives during lockdown. An example of this was leveraging live daily safaris hosted on WildEarth, a live wildlife broadcaster.

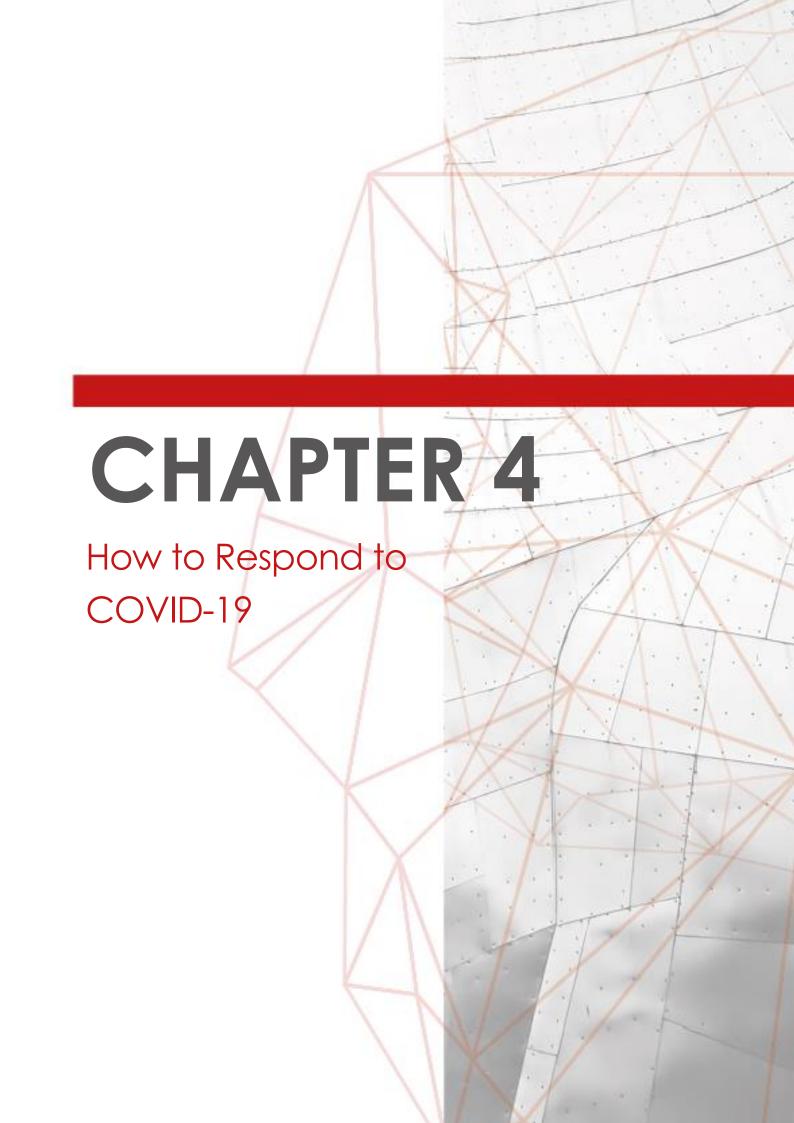
Looking forward to when the tourists return in person the report also noted a move towards offering the future traveller more "connected" experiences such as encountering big game on foot whilst on safari or interacting with local community projects. Angus Sholto-Douglas, managing director of the 22,000ha Kwandwe Private Game Reserve in the Eastern Cape was quoted as saying "We are talking about lifechanging experiences, ethical involvement,"

The SADC tourism strategy discussed in the Tourism Sector Recovery Plan build in work already performed in the past. The SADC's 1998 Protocol on the Development of Tourism suggests the need for a collaborative local approach. The 1998 Protocol sets out to build upon the region's potential as a tourist destination, ensure even distribution of tourism development throughout the region, and to create a favourable environment for tourism within that locality thereby using tourism as a vehicle for socio-economic development.

In July 2020 Future Directions International posted an article titled "Tourism as an Agent of Recovery in Post-COVID-19 Southern Africa" that positions South Africa as the hub for an integrated Southern African tourist sector. The article argues that South Africa is best positioned to broaden the access and appeal of SADC countries by being home to the region's main airport hub in Johannesburg with a smaller hub in Cape Town, its international road connections and the favourable exchange rate of the Rand.

In conclusion it is clear that the tourism industry has been severely impacted by COVID-19 and that a large number of jobs and establishments have disappeared. South Africa and the broader SADC regions' natural splendour have however not changed during the pandemic and will ultimately lure domestic and international tourists back once the lockdown has been lifted in full. The prospect of greater regional integration and improved public infrastructure will also benefit the sector.



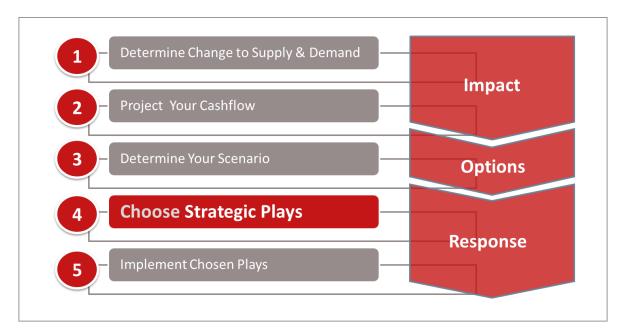




As a business owner or manager faced with the altered COVID-19 business environment, your key focus will be on understanding the impact of COVID-19 on your organisation, and on deciding how your organisation will adjust in response. The BeyondCOVID survey indicates that 36% of organisations in South Africa are considering exactly this. In consultant speak, what they are preparing for is strategic re-planning.

The first step in the strategic re-planning process is to acknowledge that there is no silver bullet. Once that sinks in it's time to roll up the sleeves and work through a systematic process to accomplish the strategic re-planning for your organisation.

The Playbook proposes a 5-step process for Strategic Planning.



Of the 5 steps the cornerstone activity is choosing the Strategic Plays to pursue. This is the key to unlocking what it is you need to do for your organisation's response to COVID-19. If you are the kind of person who tends to make business decisions on gut, as opposed to paper and structure and analytics, skip steps 1 to 3 and go straight ahead to step 4 below.

In the 5 step Strategic Planning process, once you have completed step 4, and you have determined the Strategic Plays that are relevant for your business, you have the basic elements of a plan to ensure your organisations' survival and potential success. The Plays will provide you with relevant ideas on the what and the how of your response to the pandemic. More on the Plays in the next chapter.

It is critical that you work this process each time your supply, demand or cashflow changes. Also take note that different lines of business within the same organisation may be in different scenarios – requiring different Strategic Plays.

Each of the steps of the Strategic Replanning process are described below.

4.1 Step 1: Assess the Impact of COVID-19 on Your Supply and Demand

This step is critical in formulating your organisation's response to COVID-19. It goes without saying that the response should match your organisation's current situation.



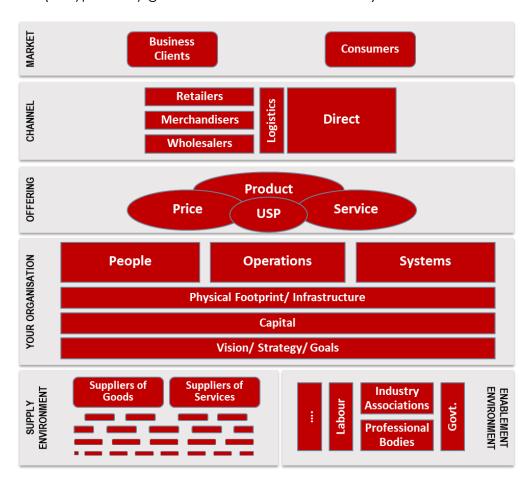


Fundamental analysis indicates that key drivers of the impact of COVID-19 on an organisation is the change in demand for the organisation's offerings, as well as changes relating to the supply of goods and services and the availability of staff required to produce these offerings.

You probably have a feel for how your demand now compares to what it was pre-COVID. The same for your access to products and services required to produce your offerings, and the availability of your employees. So long as you are able to say whether your demand has increased or decreased and the same for your supply, then you have what you need to proceed to the next step.

Should you be interested in a more scientific approach to determine and to forecast increased or decreased supply and demand read on.

The figure below indicates how changes in the broader macro environment translate into impacts at the micro, or organisational level. The impact at the macro level is driven by the level of COVID-19 infections and deaths, combined with the nature of governments response (e.g. relief programmes) and the extent of government restrictions (as typified by government's Lockdown Levels).



The macro impact permeates to the organisational level through the social and business climate it brings about. This in turn influences people's needs and behaviours as well the circumstances your organisation finds itself in. Ultimately the influence

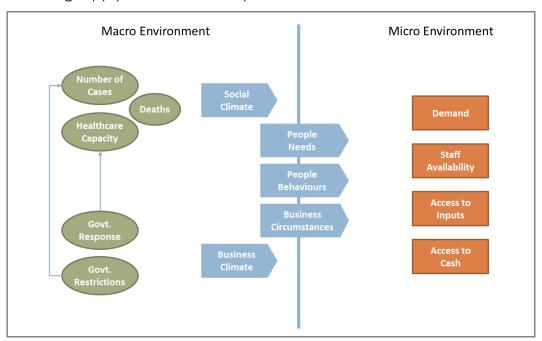




wrought by COVID-19 at the macro level impacts demand and supply⁶³ at the organisational level.

It is key for business owners and managers to look beyond the visible effects of changes in supply (e.g. a raw material is not available) and demand (revenues are dropping). Understanding the underlying factors driving this change will help you predict the likely direction of the change and spot the early signs for changes coming down the line.

The following figure provides a framework that organisations can use to better understand what areas of its internal and external environment to scrutinise in understanding supply and demand impacts.



The figure above outlines an organisation's business model. It consists of the organisation's offering - its reason for existence - enabled through the organisation itself. Offerings are delivered to the organisation's clients through relevant distribution channels. The organisation is supported by its suppliers and by the enablement environment.

The above models are intended to assist organisations with understanding and anticipating the impact on supply and demand from COVID-19.

4.1.1 The Impact on Demand for your Products and Services

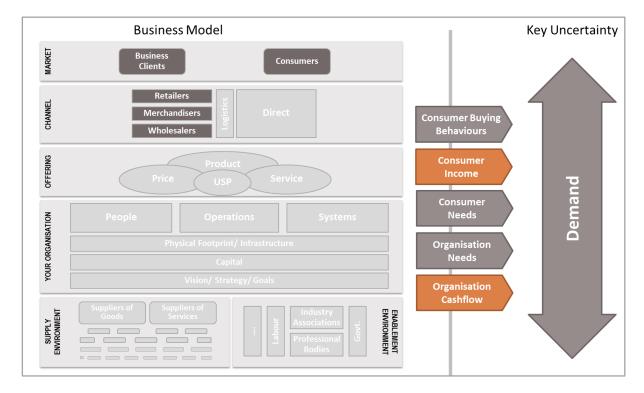
The figure below provides a framework for understanding the impact of COVID-19 on demand. As indicated, impacts on your organisation's clients (either businesses or consumers) and on organisations in the distribution chain will translate into impacts for your organisation. This is affected through changes in consumer buying behaviours, consumer income, consumer needs, organisational needs and associated cashflow. As an example, a consumer fearful of contracting the virus may be reluctant to shop in-store and may either avoid the purchase or switch to an online channel. A business

⁶³ In this Chapter, the term "supply" includes both the supply of goods and services required for an organisation to produce its client offerings, as well the staff that are required to deliver these offerings.





client of your organisation may be short of cash, and may thus defer a purchase, or default on payment for a past purchase.



As indicated above, determining how much sales you have (in rand value) is easier than understanding the factors that drive the underlying demand. Truly getting under the hood of what causes changes to demand and formulating changes in your organisation's strategy in a way that addresses these issues requires a fundamental understanding of the drivers of these changes, e.g. changes in your clients buying behaviours.

Establishing insights into what drives changes in demand, for example, is critical to understanding, anticipating and responding to these drivers of change. As a business owner or manager you need to be thinking of questions such as: how is my business client impacted by COVID-19, how is that likely to change his buying behaviour, and how will that impact my demand and revenue?

Speaking to clients will help understand and predict impact on demand. Conducting a survey is recommended, given the benefits of independent and quantitative enquiry.

Whatever method you employ, what is key to determine is the current level of demand (not just in rand terms but in customers, units of products etc.), how this compares to pre-COVID levels, and how demand may change in the immediate and near future.

4.1.2 The Impact on Employee Availability

Similar to the impact on demand, it is key that you get under the hood of what factors (e.g. level of adherence to social distancing) may impact on the availability of your employees. Even more important, if you are to anticipate the direction of changes in availability, you will need to understand how these factors influence availability, as





well as what the root causes are for these factors (e.g. employees purchasing in-store, as opposed to online, due to affordability considerations).

The factors that affect the availability of your employees are the following:

- Leaves of absence:
- Retrenchments;
- Government restrictions;
- Workplace infections; and
- Retrenchments at other organisations.

Employee surveys can help with understanding the status of drivers of employee availability. Speaking to employees and keeping close to their situations and thinking is naturally key in understanding and predicting availability.

Based on the above analysis, you should be forecasting levels of staffing going forward, by week, and by month if you can. For a 6-person organisation, you can do this at the person level. For larger organisations projecting the number of people by department would work better.

4.1.3 The Impact on Access to Input Goods and Services

In the same vein as for demand and employee availability, it is critical that you understand and are able to anticipate the impact of COVID-19 on your access to input goods and services. The factors that will influence the level of access are the following:

- Reduced demand for suppliers;
- Breakdowns in supply chains;
- Suppliers operating at less than full capacity; and
- Supplier shutdowns.

Similar to understanding and predicting impact on demand, engaging with your suppliers will help in assessing current and potential availability of input goods and services. Conducting a survey is recommended, given the benefits of independent and quantitative enquiry.

4.2 Step 2: Determine your Current and Projected Cash Situation

This step requires that you determine whether your organisation is cash-flush or not. The term cash-flush may sound extreme. It is reasonable to expect that very few businesses have money sitting idly in their bank accounts. In the context of this document, the term "cash-flush" is used to denote an organisation that has access to resources, typically, though not necessarily in liquid form. This may well take the form of cash in realisable assets (e.g. an investment) or access to finance from a bank. It may also relate to access to the resources required to exploit the opportunities available under a particular scenario, e.g. credit terms from a supplier that will allow your organisation to increase output to meet increased demand.

Again, for the purposes of moving on the next step, if you are simply able to determine whether you are cash-flush or cash-strapped then you may consider this step





complete. However, for determining likely future scenarios your organisation may find itself in, a cash-flow projection is strongly recommended.

4.3 Step 3: Determine What Scenario Best Fits Your Situation

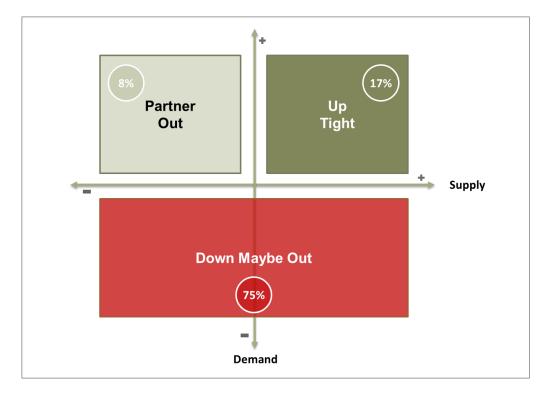
The impact of COVID-19 on your supply and demand, and your available cash will determine what strategic responses are open to you. These scenarios are laid out by the 4 combinations of changes in supply and demand, grouped by the 2 options for available cash; cash-flush (you have excess cash) or cash-strapped (you don't have excess cash).

The typical organisation is seldom cash-flush. However, if yours is, it will allow much more flexibility in how your business responds to COVID-19. These are not the easiest times to secure additional funding for your business, but if you are able to it, it will also broaden your options.

A key driver of the strategic responses available to you is the amount of cash your organisation is able to access. If you are amongst the 43% of organisations that require 6 months of cashflow to make it through the next 12 months⁶⁴, then you are likely in the cash-strapped situation. Let's deal with that first.

4.3.1 The Cash-Strapped Scenarios

In the Cash-strapped set of scenarios, a key consideration is the extent to which demand for your products has been impacted, and how long any reduction in demand is likely to persist. The numbers in circles indicate the percentage of cash-strapped businesses in South Africa that fit in each scenario.



⁶⁴ BeyondCOVID Business Survey (2020)





In the Down Maybe Out scenario, the drop in demand overrides supply considerations. For this scenario, should you have limited access to the resources required to grow your revenue (as most cash strapped-businesses will), you will most likely need to down-scale your operations. In this scenario you are not alone, 75% of cash-strapped businesses find themselves in the same situation. Should break even sales not be possible for you, you may need to shut down operations or considering selling.

In the *Down Maybe Out* scenario you have 3 options. The option of shutting down or down-scaling operations has been mentioned above. Moving out of the business, and allowing a buyer with deeper pockets is the second option. There is also the option of *maybe* increasing demand while decreasing costs – the Costovation Strategic play – described at the start of Chapter 5.

In the *Up Tight* scenario, a lack of cash will likely make it difficult to take advantage of the increased demand and supply your organisation is enjoying. In this case, continuing with business as usual until your access to resources improves would be the most prudent course of action. In other words, sit tight. Should you be able to access the resources required for increasing capacity to take advantage of improved supply and demand, you could then scale up.

In the *Partner Out* scenario, the increase in demand your organisation is blessed with is unfortunately not matched by a corresponding increase in supply of the goods and service you will need to meet this increased demand. In this scenario, without the resources you would need to reconfigure your supply chain and to increase output, partnering with another organisation to access the supply you require would help move you closer to the *Up Tight* or *Time to Expand* scenarios (see below).

4.3.2 The Cash-Flush Scenarios

The figure below outlines the key scenarios relevant to a cash-flush organisation. The numbers in circles indicate the percentage of cash-flush businesses in South Africa that fit in each scenario.







The *Time to Grow* scenario is the situation all organisations would ideally want under COVID-19. In this scenario, an increase in both supply and demand can be easily exploited by making the investments to increase output to meet the increase in demand. It is simply a time for your organisation to grow.

The Comeback Kid scenario is the diametric opposite of the above scenario. Here, reduced demand and supply are the defining characteristics of the situation the organisation finds itself in. A business owner or manager faced with this scenario may decide to reduce organisational output to match the reduced demand. Given the organisation's access to resources though, there is the option to make a comeback. Avenues to pursue for this comeback, with the goal of improving demand and supply, are outlined in step 4 below.

With regard to the *Supply Fix* scenario, the reduced supply that will hamstring taking advantage of increased demand can be addressed by applying the resources that a cash-flush organisation is likely to have at its disposal. Key to this is the *Increasing Access to Inputs Play*, described in Chapter 5.

In the case of the *Rise Up* scenario, for an organisation with access to resources, options to increase demand come into play. Strategic Plays to capitalise on this scenario are outlined below.

4.4 Step 4: Based on your Best-fit Scenario, decide which Response Plays to Pursue

The seven scenarios outlined above can get confusing. What is key though is that you only need to focus on one of them. That's the scenario that is the best fit to your current situation. It's also important to bear in mind that the scenarios are simply a means to an end. Once you know what scenario your organisation is in, you can then





zone in on the Strategic Responses that are relevant; that you should be considering for your business' response to COVID-19.

For forward planning, it's also important to consider what scenario your organisation may find itself in in the next month, 3 months and 12 months. For more information on how to do this, refer to Steps 1 to 3 above.

The following table indicates the Plays that you should be considering, based on your best fit scenario.

		Cash-flush				Cash-strapped			
Page no.	Strategic Plays	Supply Fix	Time to Grow	Come -back Kid	Rise Up	Partner Out	Down Maybe Out	Up Tight	
67	1. Costovation			✓	✓		√		
	Revenue Increase								
74	2a. Socially distant client offerings	✓	✓	✓	✓	✓	√	✓	
79	2b. Product diversification			✓	✓			✓	
86	2c. Market expansion			✓	✓			√	
93	2d. Channel diversification			✓	✓			√	
100	2e. Improved client experience			✓	✓			√	
105	3. Cost reduction			✓			√		
	Enhanced Working								
109	4a. Socially distant working	√	✓	✓	✓	✓	√	√	
115	4b. Employee welfare	√	✓	✓	✓	✓	√	√	
119	5.Increased access to inputs	√		✓		√			
	Increased Cashflow								
124	6a. Sacrificing profits for increased sales						√		
128	6b. Accessing funding					✓	√	√	
133	7. Longer term brand building	√	✓	√	✓				
136	8. Fast-tracking catalytic change	√	✓	✓	✓				
138	9. Collaboration	√				✓		√	





The above Strategic Plays are described in Chapter 5.

Authors Note

This version (1.00) of the Playbook presents key Strategic Plays that the authors view as most impactful for organisations' response to COVID-19. Additional scenarios will be added in the next version; so if you don't see a Strategic Play that you have in mind for your business, please log a request on www.BeyondCOVID.co.za, and we will certainly consider it for inclusion in version 2.00 of the Playbook.

4.5 Step 5: Define and Implement Changes to your Business Based on Chosen Plays

Once Step 4 above is complete, once you have considered the relevant Strategic Plays and decided on which ones you'd like to pursue, it is imperative that the combined effect of these strategies is determined, and a blueprint underpinning this combined effect is formulated that can drive the change your organisation will need to undertake.

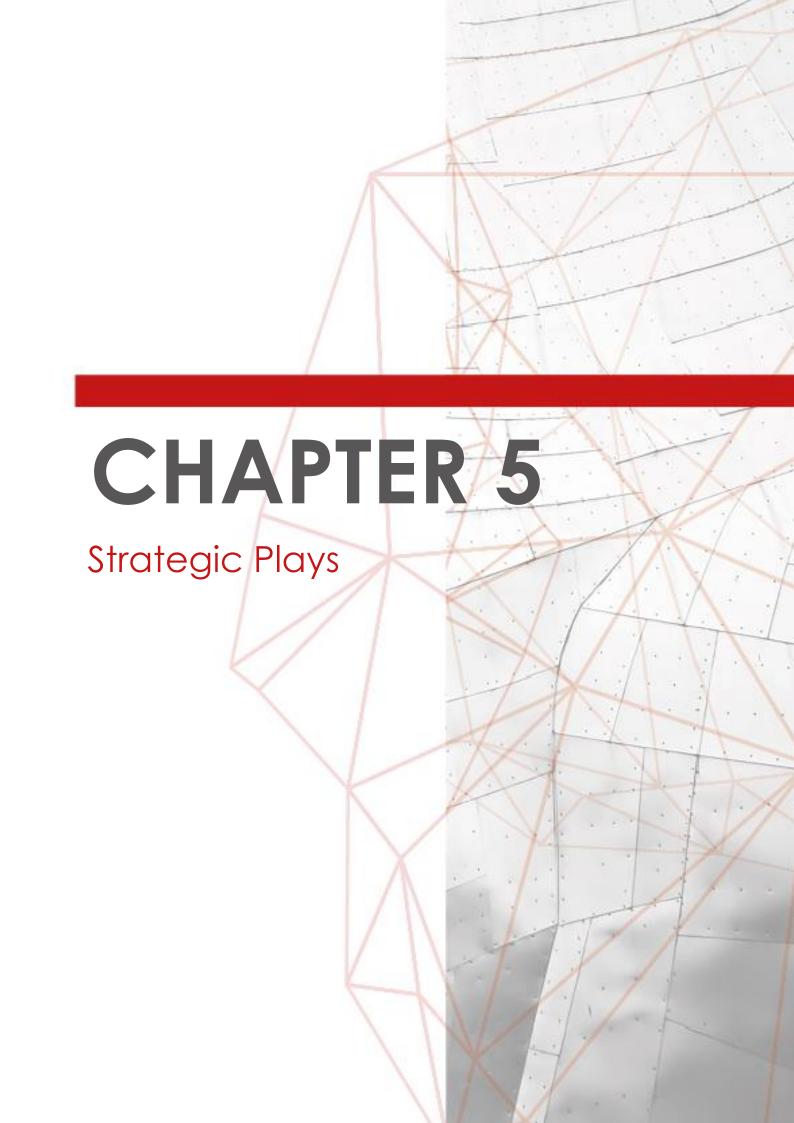
To better understand what is meant by the above, let's use a simple example to illustrate. Say you have chosen, based on a best-fit scenario of *Time to Grow*, that your organisation would like to pursue the *Socially Distant Client Offerings* strategic play, together with the *Product Diversification* and *Socially Distant Working* plays. If your organisation is a restaurant, and the product diversification is a simpler menu, the socially distant offering is outdoor dining, and the socially distant working approach is that clients place orders in advance of showing up at the restaurant, then you need to consider the combined impact on each area of your organisation. In this example you would need waiters that are computer-savvy enough to handle remote orders. Your seating arrangements will need to change. If space is limited fewer waiters may be required. The skills available in the kitchen may need to be upgraded, equipment may need to be repurposed. This consolidated picture of your business post application of your chosen Strategic Plays is what is referred to as the Solution Blueprint.

When most people apply changes to their organisation, they typically have a picture of the Solution Blueprint in mind. Usually, given that it exists only in the owner or manager's head, the picture is likely incomplete. When more than one person is involved in implementing the change, the pictures in the various heads will likely be different, with inconsistencies and contradictions.

It is therefore prudent to put the Solution Blueprint on paper. A picture is ideal, but a narrative description or a set of bullet points will also help. This is good practice whenever an organisation is going through change. In the midst of COVID-19, adopting such an approach is critical to ensure that changes are implementation successfully and comprehensively first time around.

Once the Solution Blueprint has been developed, a complete plan will require the compilation of a list of activities to be undertaken to implement the required changes, together with associated responsibilities and timelines.









As indicated in the previous chapter, based on the scenario your organisation finds itself in, certain strategic plays will become relevant. These strategic plays are detailed in this Chapter. To confirm which of these plays are relevant for your organisation in its current context, refer to the previous chapter.

5.1 Play 1: Costovation

5.1.1 Definition and Concept

What does Costovation mean in the COVID-19 context?

Costovation relates to client products and services that better meet client needs while reducing costs. In this vein, it may be considered a combination of product innovation and cost reduction. Improving the client experience while reducing costs is naturally of interest during COVID-19, given the changes in client needs and the increased focus on cost reduction it has brought about.

The intended outcome of the Costovation Strategic Play is products and services that focus on what the client really wants, produced more cheaply, with savings that could potentially be passed on to the client. Such a Strategic Play is particularly relevant during COVID-19 given that some client needs may be difficult to fulfil (e.g. attending large indoor events) and given the prevailing environment of reduced disposable income.

Often, costovation involves removing superfluous aspects of a client offering, to zone in on what most matters to the client; to create simpler products that better matches to clients' needs. Costovation encourages a focus on what the client needs as opposed to what the organisation is able to offer. It is a client-centric as opposed to a product-centric strategy.

To arrive at an improved client offering, the key question to ask is: what is the most pressing client need? In the midst, and in the aftermath, of COVID-19, changing client circumstances and buying behaviours require a review of the client value proposition. This provides the ideal opportunity to pursue a Costovation Strategic Play.

Case Study: Reuse, Recycle and Repackage

In the time of coronavirus vegetarian fast food chain Clover Food Lab⁶⁵ (based in US) was left with huge possible food waste from ingredients it normally uses to make hot sandwiches. Instead they turned into product of its own by repackaging the ingredients into boxes of fruits and vegetables. Everyone won, Clover turned its waste into a product and customers got healthy food options.

The low-cost hotel Yotel, located around the world at key airports has small rooms with basic facilities. In contrast to the typical hotel, Yotel focuses on a narrow set of needs: an inexpensive option to rest for a short period, with quick check-in and check-out⁶⁶.

The figure below uses the "Personal Trainer" client offering to illustrate the costovation concept. This is an example that most readers are anticipated to be familiar with.

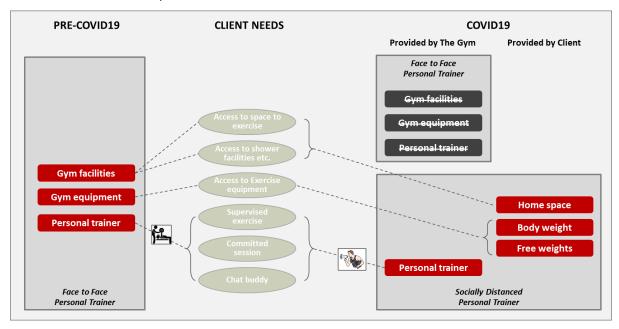
⁶⁶ Cheaper and better: how 'costovation' can transform businesses; Irish Times; 6 August 2020



⁶⁵ Six Forms of Business Innovation During the Coronavirus Crisis; Forbes; 7 April 2020



While the example may be a simple one, it illustrates the concept well; particularly in the COVID-19 context. It also happens to be a real-life scenario, based on the gym one of the authors is a member of. For ease of reference, the gym in question will be referred to as "The Gym".



It should be clear from the above figure that in the pre-COVID-19 situation, the client offering aligned well to the typical client's needs. In the COVID-19 environment though, travel restrictions, social-distancing and other transmission risk considerations have created a disconnect between the standard "Face to Face Personal Trainer" offering and the modified needs of existing clients.

In response to the changes introduced by COVID-19 the gym owner, resorted to a Costovation Play, albeit without attaching the label. He took his sessions online, transforming the face to face offering to a "Socially Distanced Personal Trainer" offering. To get around the issue of most of his clients not having equipment at home, he changed the exercise routines to ones accomplished with body weight or with free weights. He also sold some of his portable equipment to interested clients. This did result in him losing some clients, who chose to forego instructor-led exercise rather than deal with a virtual session. Many others decided to stay on, with lack of alternatives, a close personal relationship with the instructor, and the added benefit of saving time by not having to drive being the main reasons for doing so. For some this new client offering would have been the death knell for their membership at The Gym. For those that stayed, The Gym was able to continue operating, at lower cost, with a customer experience that clients were willing to accept as the best possible equivalent under the circumstances. Some clients (such as the author, who considers the opportunity cost of driving too high) actually consider the new offering an improvement on the old one. A benefit the new offering includes, which the old one did not, is the ability to scale exponentially within, and outside South Africa. Without the limitation of physical infrastructure, nothing prevents The Gym from going national and also expanding beyond our borders.

What do we learn from the above example? That by focusing intensely on the cornerstone need of your clients (in the case of The Gym, supervised, committed





exercise with a chat buddy), you will be able to better serve them during COVID-19. Critically this approach has the added, crucially important benefit of being able to do this at a potentially lower cost. The cost benefit typically stems from a simpler, more focused product or service, requiring less resources and less operational activity, thus resulting in lower costs.

5.1.2 When is this Strategic Play Relevant?

Costovation is possible whenever there is a potential mismatch between what the client wants and the product and service offered to the client. One trigger for seeking costovation opportunities is typically economic downturn. Sound familiar? Another trigger is a change in client expectations and behaviours. Again; sound familiar?

So, typically costovation is pursued when there is a change in client circumstances, during a review of client offerings or in times when the need for cost reduction gains prominence.

5.1.3 Key Benefits and Outcomes for this Strategic Play

By definition, costovation reduces costs while better fulfilling client's needs. It follows therefore that costovation has the following benefits:

- Better match between what an organisation offers and what the client wants, resulting in increased sales and higher client retention;
- Fewer required resources, and simplified operations, leading to lower operational costs and an increase in profitability and cashflow; and
- Improved client experience, leading to increased client satisfaction and retention.

5.1.4 What to Do (and how to do it) for this Strategic Play

As indicated above, the Costovation Strategic Play is all about redefining an organisation's product or service offering. What follows in this section focuses on what to and how to do it to achieve the intended outcomes.

By its nature, the Costovation Play requires a scientific approach, combined with a fair amount of lateral thinking and creativity. The science in the process of reshaping client offerings to deliver more (or similar) for less is the following of a structured process. The creativity relates to brainstorming client needs in a way that no ideas are bad ideas until they have been proven to be so – this approach is critical to avoid the baby being thrown out with the bathwater.

The following steps are proposed for the review, pruning and reshaping of an organisation's client offerings:

- Step 1: Deconstruct current client offerings;
- Step 2: Analyse client offerings to assess fit to client needs;
- Step 3: Identify the impact of COVID-19 on fulfilment of client needs;
- **Step 4**: Re-imagine fulfilment of client needs through reduced/ reshaped offerings;
- **Step 5**: Assess and shortlist re-imagined offerings; and





• **Step 6**: Test shortlisted offerings and select those to implement.

The above steps are geared towards understanding what client needs your current products and services fulfil, deciding how the fulfilment of these needs are impacted by COVID-19, brainstorming how to adjust your products and services to meet a more focused and important set of needs and testing and implementing these adjustments. The sections below expand on the data analysis to be undertaken for a scientific approach to this process. Should your organisational strengths not veer strongly in the scientific direction, you may just as well follow your gut taking the above into account, or ask for help.

5.1.4.1 Step 1: Deconstruct Current Client Offerings

This first step is focused on thinking through and breaking down the client needs fulfilled by your products and services. This step lays the groundwork for the analysis in the next step.

List all your current client offerings and select those that have either been impacted by COVID-19, or that you believe are good candidates for refinement. For each offering identify the specific client needs that the offering meets.

In the case of The Gym example above, the needs met by the personal training offering would be access to gym premises and facilities, supervised exercise, limited opportunity cost and the preference for pleasant company during the exercise session.

5.1.4.2 Step 2: Analyse Client Offerings for Fit to Client Needs

This step is focused on breaking down the product, service and need elements and determining to what extent the client offering meets client needs.

Client needs should be mapped to relevant client segments. They should also be mapped to relevant components of the client offering. This mapping will assist when looking at which elements of the value proposition to drop off or change, to understand which needs and which client segments will be impacted.

Assign an approximate cost to each element of the client offering, and a priority to each need. It is critical that needs are viewed from the client's perspective, and that each need is assessed for relevant client segments. Priorities and costs will help decide which elements to retain, and which to consider discarding.

In the case of The Gym above, for executive clients the need assigned to Limited Opportunity Cost will probably be high, but for pensioner clients, this is more likely to be low.

5.1.4.3 Step 3: Define the Impact of COVID-19 on Fulfilment of Client Needs

Decide which needs may have changed due to COVID-19, and which ones may thus be difficult to fulfil.

In the case of The Gym, the need for access to facilities and equipment would be less relevant now given social distancing requirements, while the need for supervised exercise would still apply to certain client segments.

5.1.4.4 Step 4: Re-imagine Fulfilment of Client Needs through Reduced/ Reshaped Offerings





Work through scenarios regarding which elements of the client offering could be removed or reshaped to better meet client needs under COVID-19. In the case of The Gym, the need for supervised exercise trumps that of access to facilities and equipment. This would then suggest virtual exercise sessions.

5.1.4.5 Step 5: Assess and Shortlist Re-imagined Offerings

Brainstorm, then retain or discard re-imagined client offerings, working through them one at a time. Key for this process is to understand how the re-imagined client offering will impact on the organisation's operations – will new systems be required, will more or less staff be needed, will new input materials have to be sourced? Ultimately, will the client experience be better or at least the same, and will costs decrease?

In the case of The Gym above, just one re-imagined client offering was discussed. However, others could also be considered. For instance, each client training in a self-contained pod with a socially-distanced personal trainer; booking of dedicated timeslots at the gym for socially-distanced exercise -with or without remote personal trainer support; socially-distanced field training with a socially-distanced personal trainer etc.

5.1.4.6 Step 6: Test Shortlisted Offerings and Select Those to Implement

It is prudent to test out re-imagined client offerings before full scale implementation. Testing could be as simple as discussing the ideas with some current clients for their views on how well the re-imagined offerings meet their needs and suit their circumstances. More sophisticated validation could involve rolling out the new client offerings to a subset of your target market, to contain impact and cost, while you test and refine the new value proposition.

In the case of The Gym, the owner tried out the re-shaped offering with a subset of clients to tweak the approach, and to bed down the use of software for remote communications before rolling it out to the broader client base.

Case Study: Telehealth

From doctors to all kind of therapists there has been a rapid adoption of virtual consultations and therapies being offered online. While Telehealth has been around for a while, there's been recent widespread adoption by both providers and patients due to the COVID-19 pandemic⁶⁷.

It also has financial benefits to both providers and patients with patients never leaving home, not passing infections on in waiting rooms, limiting exposure to virus and accessibility in remote areas⁶⁸. Providers find that telehealth calls tend to be shorter than in-person consults so they can see more patients, unused exam rooms can be converted to higher revenue generating procedure rooms and practitioners are not exposed to the ailments they are diagnosing⁶⁹.

^{69 5} Reasons Why Telehealth Is Here to Stay (COVID-19 And Beyond); Forbes; 4 May 20



⁶⁷ Challenges and opportunities for telemedicine in Africa; Mail and Guardian, 28 July 20

⁶⁸ The Coronavirus Pandemic Has Boosted Telehealth; Here's How Existing Spaces Can Support Virtual Visits; Forbes; 8 June 20



Based on to a report by Global Market Insights, the telemedicine market is expected to be valued at \$175.5B by 2026⁷⁰. Internationally it's been found that psychiatry is one the most amenable to online provision (except for people who are deeply delusional or paranoid). There's been several equivalency trials conducted and they've found no discernible difference across online and in-person therapy.

Locally traditional doctors to physio and speech therapists are adopting this method with great success. Local physiotherapist Nicole Duff of Nicole Duff Physiotherapist agrees: "Telehealth has forever changed the way health can reach individuals; with the HPSA's support there's no going back."

5.1.5 Considerations and Guidelines for this Strategic Play

The following considerations and guidelines should prove useful in applying the Costovation Strategic Play to your organisation:

- Look at all the elements of the client need; not just what the client wants, but also how he wants it. Understand that client needs will vary by client segment, so you will need to define client offerings per client segment
- 2. Costovation is first and foremost about pruning your client offering in favour of those elements that meet the client's more pressing needs; particularly relevant in these times of fulfilment limitations and cost consciousness. Discarding elements of your client offering will require thinking and acting with conviction.
- 3. For ideas on how to adjust your client offering, consult case studies (the ones in this document and others), look to advances in enabling technology and novel client offerings in other sectors that could work in yours
- 4. Offering clients the option to assume responsibility for some of the services you provide may create an opportunity for an improved client experience, at a lower cost to you and at a lower or higher price you charge the client depending on whether the client experience is improved or the same. A simple example in the public sector would be a Sector Education and Training Authority (SETA) to encourage learnership applicants to apply online, as opposed to filling in forms manually at their offices
- 5. When brainstorming how to prune and hone product features, continue to remove features, checking at each stage whether there is still enough for product viability. The challenge it so see how many features you can remove and still meet key client needs
- 6. Finding ways in which to delight the client by delivering less requires insight into your client's needs and a shift in mindset on how to best meet those needs. Truly innovative ideas will run contrary to conventional wisdom and will require flexibility and creativity to conceive and implement. Keep an open mind. Be prepared to think of your clients very differently.
- 7. Consider what typical needs a client fulfils when he or she buys a product or service. Look beyond the product the client appears to want, to the need that

 $^{^{70}\,\}text{The}$ Psychiatrist Will See You Online Now; New York Times; 28 Aug. 20





is being fulfilled. For example, for a diabetic a chocolate may fulfil the need for a sugar boost, while it may be a source of emotional comfort to someone else. In the case of a restaurant, it could be argued that the social experience of dining out is as important as the meal itself. It is important to ask yourself which of your client's needs you are fulfilling, and can this be more to the point, more focused?

- 8. Changes in your client offerings may impact multiple areas of your business: operations, staffing, infrastructure, systems etc. These impacts need to be carefully considered to ensure that all the moving parts work together seamlessly, and that the numbers make commercial sense. Whatever you put out through the front end of your business needs to be produced in the back end.
- 9. Novel products and services typically introduce brand new features. Think of the added features introduced with each new generation of smart phone. Costovation seeks to deliver the same impactful innovation, though through fewer, more focused product features. It will require a very different mindset and approach. It will need you and your team to think and act differently.





5.2 Play 2a: Socially Distant Client Offerings

5.2.1 Definition and Concept

What does Socially distant client offerings mean in the COVID-19 context?

The Merriam Webster dictionary defines Social distancing as "to distance (oneself) physically from other people or avoid any unnecessary contact with others during the outbreak of a contagious disease in order to minimize exposure and reduce the transmission of infection".

If we expand on the above definition, during COVID-19 organisations need to provide clients with offerings that allow for physical distancing from other clients and from the organisation's employees.

The goal of this play is to transform or replace pre-COVID client offerings that may now not appeal to clients, thus preserving your sales and your client base.

Successful social distancing measures include wearing of masks, avoiding physical contact, school and office closures, avoiding mass gatherings, travel restrictions and self-isolating/ quarantining oneself, to name but a few.

Socially distanced offerings can take many forms; from taking your business online, to restricting the number of customers in your store, to repackaging/ promoting existing offerings differently, to other off-the-wall, and truly innovative options – some of which are included in the case studies below.

Case Study: Engaging with your Customers Virtually

Budweiser, Carlsberg, Remi Martin and Pernod Ricard knew they were in trouble at the start of the pandemic in China. People were no longer going to bars and clubs, so their sales plummeted.

They decided to partner with JD.com and Chinese music label Taihe Music Group to create an online clubbing experience. Every week JD.com hosts a 3 hour performance by one of Taihe music groups signed artists. The liquor brands are promoted at the virtual event which people can then buy via the stream and have delivered to them⁷¹.

This venture has been so successful that JD.com plans on keeping the offering beyond COVID-19 and expanding to other non-alcohol products.

5.2.2 When is this Strategic Play Relevant?

The Socially Distant Client Offering applies in any situation where the viability and takeup of client offerings may be impacted by the risk of clients being exposed to infection. In these instances, social distancing practiced by clients, or mandated by law, impact the attractiveness of the client offering.

⁷¹ Six businesses innovating their product offering in response to the coronavirus pandemic; www.econconsultancy.com; 16 Apr. 20





Social distancing measures were applicable through all major pandemics in historyto varying degrees; including the 1916 Polio epidemic of New York, 1918 Influenza pandemic, 1957 Asian flu outbreak, 2009 Swine flu outbreak and SARS in 2003.

5.2.3 Key Benefits and Outcomes for this Strategic Play

The key benefit is the ability to preserve or potentially even increase sales for pre-COVID offerings that you transform into a client-acceptable replacement offering. This may involve an improved client experience, leading to increased client satisfaction and retention.

5.2.4 What to Do (and how to do it) for this Strategic Play

Demand tends to be impacted during a pandemic due to changes in client circumstances that disturb the prior balance between the client's needs and the offering made available by the selling organisation. The ideal would be either that the impact to the client from the pandemic does not affect the client's needs to the extent that there is a disconnect between these needs and the products on offer; or that the products can be easily adjusted to the satisfaction of the buyer of the seller. Should your organisation be in the former situation, then this Strategic Play is naturally not relevant to you. In the latter instance, the Strategic Play would focus on resetting the equilibrium.

Following on from the above, this section therefore focuses on how the balance between new client needs and existing client offering may be achieved. This process requires an analysis of the elements of the client offering and a deconstructed view of the new client needs.

Case Study: Socially Distanced through reduced Human Involvement

In a time when cleaning is a central priority for everybody, automated cleaning devices are seeing a rise in popularity in commercial real estate.⁷² What's most comforting is they do exactly what they are programmed to do and some even provide data on tasks completed. They don't cost more if you use them more frequently and are less likely to spread infections because humans are not involved.

Let's take a simple example. A trip to the hairdresser in the midst of COVID-19 is likely to require careful consideration of the various risks at play. Central to the risks that a client may be exposed to relate to the close contact between the client and the hairdresser. The closer the client is to the supplier of the product of the service on offer to the client (in this case a haircut), and the longer the engagement, the greater the risk of transmission, and infection. The key then to maintaining the equilibrium referred to above is to maintain a degree of separation between the client (receiving the offering) and the supplying organisation (providing the offering).

This separation can be achieved in the following ways:

• Through physical separation, e.g. the two metre separation distance recommended for physical social distancing

 $^{^{72}}$ For Robots, It's a Time to Shine (and Maybe Disinfect); New York Times; 4 Aug. 20





- Through delivering the offering without the client being exposed to other people, e.g. a robot (see case study above)
- Through not occupying the same space at the same time; a request to the courier to leave the delivery at the door and ring the doorbell being a common current example. Another example is included in the case study below.

Case Study: Separation over Time

Pick 'n Pay showed their concern for the elderly by opening stores an hour earlier on Wednesdays. They started opening 7am from 18 March for customers over 65 years of age to avoid this highly vulnerable group having to interact with other shoppers⁷³. This is an example (see below) of separation over time.

The proposed process for developing socially distant client offerings builds on the above. It involves the review, pruning and reshaping of an organisation's pre-COVID offerings to develop socially distanced equivalents; or to completely turn the offering on its head to derive a new offering that is completely different to the old one:

- <u>Step 1:</u> Deconstruct current client offerings into constituent components
 This allows for the identification of the offensive components of the offering,
 e.g. a client may be quite happen to eat his or her meal at a restaurant if he
 did not have to risk exposure to other patrons in this case the food component
 of the offering may be fine, but the seating arrangements may not this had
 led the drive by restaurants to accommodate more outside seating with tables
 further apart;
- <u>Step 2:</u> Determine which client needs the offensive offering components cover Outdoor concerts as an example were flagged early on in the pandemic as being high risk. However, if you isolate the components of the concert experience that are offensive to the safety-conscious client, it is primarily the exposure to strangers, people who you don't know the infection status of, that is the problem. The outdoor experience, being with close family and friends itself is not the issue.
- **Step 3**: Brainstorm other ways of meeting the client needs difficult to meet under COVID-19
- **Step 4**: Assess and shortlist re-imagined offerings; and
- **Step 5**: Test shortlisted offerings and select those to implement.

Steps 1 and 2 above require an analytic approach and an open mind. It sets the foundation for what options are considered in Step 3. Steps 4 and 5 above simply take the earlier steps through to its logical conclusion. At the end of the process, hopefully you have an adjusted, or perhaps a brand new client offering, that allows you to claw back sales that would otherwise not have been possible.

⁷³ Pick n Pay has launched a special pensioners shopping hour every Wednesday for shoppers over 65; Cape Talk; 17 Mar. 20





Case Study: Concert going in the time of COVID-19

When the pandemic hit, concerts and live events were cancelled through various lockdowns. With some restrictions easing in the UK, it was time to re-imagine what socially-distanced concerts would look like.

A new outdoor UK pop-up venue, the Virgin Money Unity Arena, is trialling the above concept with roughly 500 individual, raised, metal platforms for groups of fans up to five. When fans arrive, they have to park their cars two metres apart. They are then led to their private viewing platforms where they can order food or drink via an app for collection or delivery.

The concert was considered a success, with more planned by various comedians and musicians. 74

5.2.4.1 Considerations and Guidelines for this Strategic Play

The following considerations and guidelines should prove useful in applying the Socially distanced client offerings Strategic Play to your organisation:

- Look at all the elements of the client needs around socially distancing, would they prefer avoiding all contact, would they be more comfortable with visible cleaning, do they want hygiene samples to try, etc.
- Consider what others are doing in your industry, their concept could be applied as a minimum but add your company's distinctive element to it
- For ideas on how to adjust your client offering, consult case studies (the ones in this document and others)
- Consider using technology to enable previously face-to-face engagements with clients to now be undertaken virtually. For example, Loreal SA uses an augmented reality app that allows customers to try on shades of makeup virtually, on their phone, which they can then buy. Technology enhancements don't need to be expensive, it could just be expanding your existing online offering or directing people to call or send an email, like Redshift did with its Spaza shop connector
- Re-imagining a socially distanced client offering that replaces its pre-COVID counterpart is a creative, lateral-thinking exercise that involves breaking old paradigms, in a space where everything needs to be considered possible; subject of course to rigorous vetting and validation prior to full implementation
- As much as we'd like to find a socially distanced equivalent for a pre-COVID
 offering; there are some instances where this is simply not going to be possible,
 or where only a small segment of your client base will buy-in. Haircuts may be
 one of these examples.

⁷⁴ UK's first socially distanced concert shows what the future of live music might look like; www.cnn.com; 13 Aug. 20





Case Study: Reducing the Perceived Risk

Dot It Restaurant Fulfilment, a label maker and restaurant supply company in Texas was struggling to launch a new line of tamper proof products (SecureIT) that detects tampering of food deliveries for the last two years⁷⁵. This offering allows clients to order food without having to worry about contamination in transit.

 $^{^{75}}$ COVID-19 Shuttered More Than 1 Million Small Businesses. Here Is How Five Survived; WSJ; 1 Aug. 20





5.3 Play 2b: Product Diversification

5.3.1 Definition and Concept

What does Product Diversification mean in the COVID-19 context?

The standard definition of "the act of developing a wider range of products" [Oxford Learners Dictionary] applies equally within the COVID-19 context.

There are different types of product diversification strategies that a company can undertake, depending on what works best for the product, market and resources in play.

Essentially, there are four types of product diversification strategies. These are described below:

- 1. Horizontal Diversification: refers to the development of new products that complement the core product line of the business and appeal to the current pool of customers. This strategy may involve the need for new technologies, skills or marketing approaches for successful product diversification.
- 2. Concentric Diversification: involves the addition of new products that have technological or marketing synergies with an already existing product line but is appealing to new customers. This might need the company to take advantage of technology, equipment and marketing that is already available.
- **3.** Conglomerate Diversification: relates to the addition of new products that are completely different from and unrelated to the core product line. This strategy runs a higher risk than the other two because of the company entering a new market and selling to a new consumer base⁷⁶.
- **4. Vertical Diversification:** refers to when the company goes back to previous stages of its production cycle or moves forward to subsequent stages of the same cycle production of raw materials or distribution of the final product. For example, if you have a company that does reconstruction of houses and offices and you start selling paints and other construction materials for use in this business.⁷⁷

⁷⁷ Types of Diversification, Strategy Train, 01 September 2020



⁷⁶ Business growth through diversification, NI Business, 01 September 2020



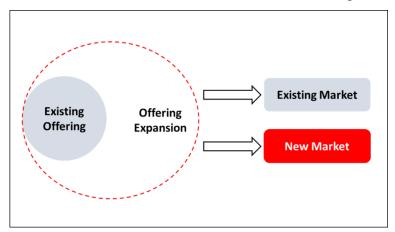
Case Study: Interesting ploys by Mall Owner Simon

The dominant owner of malls in the US, Simon, is employing two strategies in the midst of the pandemic to ensure occupancy in its real estate.

Simon has been in talks with Amazon.com Inc. to convert department stores into warehouse distribution hubs with a returns depot for example (for foot traffic), an innovation that could plug large holes filled by bankrupt anchor tenants.

Simon is also in discussions to buy JC Penny, and prior anchor tenant that is now on the market. An example of vertical diversification; in this case to protect and income stream.

The concept of concentric diversification is illustrated in the diagram below.



Cape Town-based luxury swimwear brand, Gabrielle, employed a concentric product diversification strategy in establishing its Granadilla Eats offering, as outlined in the case study below.

A Swimwear Brand Reinvented as an Online Grocery

⁷⁸Gabrielle pivoted to sell and deliver fresh produce from local farmers and small businesses via fresh food boxes under the name Granadilla Eats.

They were able to go-live in just 48 hours after launching the idea on 14 March, as they had previous kombucha businesses experience they could rely on, a strong digital platform and they quickly solved the distribution woes they had by partnering with a small business for logistics and delivery.

By the time lockdown began, they had delivered over 500 boxes and were classified as an essential service that was able to operate during lockdown.

The swimwear business is on ice and struggling to survive while Granadilla Eats is booming. By reinventing themselves their staff jobs are safe and they open by selling fruits and vegetables door to door for another day⁷⁹.

⁷⁹ Food delivery: how local brands have reinvented themselves; Financial Mail, 30 Apr 20



⁷⁸ Lockdown business: A popular swimwear maker switched to selling fresh food - within 48 hours; Business Insider South Africa; 13 Apr 20



What can we take away from the above example? That by understanding your business (capabilities, resources and technologies) and its current and potential markets, you may be able to seize opportunities to diversify product and services offerings which meet the needs of the market. This assessment, be it proactive or reactive, is imperative for keeping businesses operational and profitable during the current COVID-19 pandemic.

5.3.2 When is this Strategic Play Relevant?

In times of change. When change happens, be it in consumer behaviour (What are they buying? How much can they spend?), the economy (economic downturn), technology or just in overall business aspirations (growth or expansion) the need for product diversification arises. For most people, the COVID-19 pandemic has created a shift in the way things are done – from both the consumer perspective and the business perspective.

The following circumstances may indicate opportunities for product diversification:

- Developments in science and technology create an avenue for new products and improvements on existing products. Companies might feel the urge to keep up with these developments through diversification should they have the resources to do so;
- A company that values innovation and improvements might also believe that product diversification will help counter the risk of overspecialization;
- The national industrial and economic policies put in place by Government and other legal institutions, which if encouraging enough, can prompt investments in research and development and, thus, product diversification;
- A company's technology, research and development could produce results that lead to products that are continuously improving. Social circumstances and consumer behavior, demand and trends play the role of a motivator to companies to continuously make developments and changes to their products to suit consumers; and
- External circumstances may favour a view that the economy and market is too small or confined to encourage growth, which might encourage a company to invest in product diversification.⁸⁰

5.3.3 Key Benefits and Outcomes for this Strategic Play

Product diversification has the following benefits:

- Helps an organisation increase its sales and revenues;
- Encourages growth in an organisation's market share over time;
- Ensures a better match between what an organisation offers and what the client wants;
- May help achieve higher margins for new products compared to existing/older products; and

⁸⁰ Product Diversification: Objectives and Forms, Business Management Ideas, 31 August 2020





• Decreases the impact of external market changes on an organisation.

Case Study: How long is 30 seconds, anyway?

So, the WHO says we need to wash our hands frequently, for at least 30 seconds to protect ourselves against COVID-19. Given that most of us are uncertain if we are washing for the right amount of time, Lush, the British cosmetics company has developed a tiny soap that dissolves after 30 seconds of rigorous handwashing.

The 30 second soap was developed with Deliveroo UAE, who plan to distribute samples with each delivery. This is also a clever way of getting samples to customers who are not going to stores anymore.

The key outcomes of product diversification can be linked to the benefits and reasons why companies would undertake the strategy. These are as follows:⁸¹

- Company stability;
- Efficient use of resources;
- Increased sales;
- Increased profits; and
- Satisfying demands and convenience of consumers.

5.3.4 What to Do (and how to do it) for this Strategic Play

The steps to follow for product diversification are outlined below:

- **Step 1:** Consider the core skills and experience you have gained⁸²;
- Step 2: Conduct an assessment of resources, capability and capacity;
- Step 3: Gather diversification ideas 83;
- Step 4: Think about the needs of your clients;
- Step 5: Identify suitable markets;
- Step 6: Undertake a simple risk analysis⁸⁴;
- **Step 7:** Identify the physical, financial and human resources that will be needed⁸⁵; and
- **Step 8:** Shortlist and test your new or improved offering(s).

These steps will allow you to understanding what resources, capabilities and capacities your business has, how these elements can be leveraged or adjusted and what is it that the client needs that your business may be able to offer now or in the future. In exercising these steps, it is important to consider how COVID-19 has and will continue to impact your business and its clients.

⁸⁵ As above.



⁸¹ Product Diversification: Objectives and Forms, Business Management Ideas, 31 August 2020

⁸² Diversifying your business in response to COVID-19, GrowSmart, 31 August 2020

⁸³ As above.

⁸⁴ As above.



5.3.4.1 Step 1: Consider the Core Skills and Experience you have Gained

This first step is for you to identify what you know about yourself, your organisation and the industry you are competing in. You need to consider the skills you have gained through starting and running your organisation or managing your division. In the Gabriella case study above, the owner(s) had previous experience in the food and beverage retail industry which positioned them well to open up their alternative stream of revenue – Granadilla Eats – which was a complete turnaround from selling their luxury swimwear brand.

5.3.4.2 Step 2: Conduct an Assessment of Resources, Capability and Capacity

This step allows for you to fully comprehend what resources, capabilities and capacities are at your disposal. This will most likely inform the way you formulate your diversification ideas and allow for you to identify potential obstacles to delivery. This could be as simple a task as enquiring about your employees' skills or experience which are not being utilised in their current role. Gathering this kind of information will allow for you to understand your limits and opportunities.

5.3.4.3 Step 3: Gather Diversification Ideas

Set aside some time to brainstorm, you can take an initial stab at it yourself or go directly to the floor and get ideas from employees, clients, friends and family. Obtaining a wider range of diversification ideas allows for a better chance at finding the right one. It also provides you with multiple perspectives which may trigger additional thoughts and ideas. You may even find that similar ideas are coming in from different people and this could start you in the right direction for your product diversification journey.

Case Study: The new normal for gyms

Ideas Cartel has a suite of offerings including Cartel House Hotels, workspace, coffee bars, restaurants and Cartel Fit Online (their online workout offering).

Since the pandemic hit, they saw an opportunity to convert some of their real estate into housing Fit Pods – 20 meter squared glass pods fitted with equipment for running, spinning, rowing, boxing etc.

Currently the pods are operational at their branch in Loop Street and planned for the other three locations they own in the Cape.

5.3.4.4 Step 4: Think about the Needs of your Clients

COVID-19 has caused many households to experience a decrease in household income and much uncertainty regarding future income as well. This means that consumers have been more cautious with their spending and many have had to pull back on purchasing non-essential items that they would have otherwise purchased without much pause for thought previously, e.g. fast food or fashion clothing.

Companies have had to respond to this by rebranding, renaming, resizing and even repricing their products to attract their existing customers, let alone new ones.

This step is focused on breaking down the product, service and need elements and determining to what extent your business' offerings meets your client's needs in light





of the changes brought about by COVID-19. Think about what your client would like to buy from you and how they will get it.

Client needs should be mapped to relevant client segments. They should also be mapped to relevant components of the client offering. This mapping will assist when looking at which elements of the value proposition to change; either through improving current offerings or creating new ones. It is critical that needs are viewed from the client's perspective.

Case Study: Walking down the street...

Streetify is an e-commerce platform that simulates walking down the street with virtual storefronts and users can click on a storefront and enter stores on the Streetify website to shop. Stores can post messages in their storefronts and users are greeted by a list of promotions and discounts on clicking on a store. While the platform was launched in March (UK, US, Canada, India and Australia), it was in the works pre-pandemic and was in time to assist retailers respond to the COVID-19 pandemic.

5.3.4.5 Step 5: Identify Suitable Markets

This step requires and research into markets which may become viable for your business should you engage in product diversification. You will need to assess exactly where your product will fit in. Looking at current competitors in those markets, the products they offer, the prices they offer their products at and the market share they occupy will provide a view of how much room there is in the market for your organisation and your product. It is also key to look at the type of client segment you are aiming to acquire with your product – this will inform elements such as your packaging, marketing and pricing.

5.3.4.6 Step 6: Undertake a Simple Risk Analysis

Assess the potential risks your new or improved product may introduce. Also consider the markets you will be operating in. There may be safety or legal implications for new products/markets which will need to be acknowledged and mitigated. Especially now, during the COVID-19 pandemic, health and safety risks cannot be ignored. It is good practice to involve others in this risk analysis such as key personnel or industry thought leaders you may have access to. Undertaking this exercise will allow you to determine if the risks you may encounter on your product diversification journey are avoidable or worth the effort to mitigate. You will also be able to compare various diversification ideas and assess the risks for each one.

5.3.4.7 Step 7: Identify the Physical, Financial and Human Resources that will be Needed

This step is important in assessing whether your diversification ideas will be viable, taking into consideration the current resources at your disposal. If not viable, it will allow you to identify the gaps and resources required to successfully implement product diversification. You will then be able to assess if these requirements are attainable – if they are, you will need to brainstorm avenues for access to these resources.

5.3.4.8 Step 8: Shortlist and Test your New or Improved Offerings





You will then need to sit with the picture painted for each of these ideas and decide whether you want to retain or discard the new or improved client offerings. Work through them carefully and allow for others to provide their perspective should you need it. Key for this process is to understand how the re-imagined client offering will impact on the organisation's operations and how the client will react to this offering.

As mentioned in the Costovation Strategic Play, it is prudent to test out re-imagined client offerings before full scale implementation. Testing could be as simple as discussing the ideas with some current clients for their views on how well the re-imagined offerings meet their needs and suit their circumstances. Product diversification can be expensive, especially when launching it broadly in a new market. It may therefore make sense to launch in several test markets to determine customer acceptance before rolling out a new concept more broadly ⁸⁶. This will help contain impact and cost, while you test and refine the new value proposition.

Case Study: Recognizing the bicycle boom may not last

Bicycle sales are booming around the world. This has resulted in a global shortage and the world's largest supplier, Giant, expects supply to remain tight in months to come. Despite Giant's factories in China and Taiwan working at full steam to make up for lost time during the shutdowns, they are not planning on investing in additional capacity. Bonnie Tu, Giants Chairwoman is not convinced that the worlds infatuation with bicycles will last post pandemic.

In her words, "Every boom ends someday," "It's just a question of whether it ends quickly or slowly." Wise words indeed.

Case Study: It's worth paying closer attention to sure bets

At the start of the pandemic, there was global shortage of hand sanitiser and PPE. South Africa was no different, with demand radically outstripping supply. A local businessman assessed the situation and placed an order for millions of Rands of sanitiser and PPE hoping to capitalize on the opportunity. Unfortunately, by the time the order arrived, so did everyone else's supply. Now he is sitting with cash tied up in stock that will be difficult to sell in a flooded market.

⁸⁶ Product Diversification, Accounting Tools, 06 May 2020





5.4 Play 2c: Market Expansion

5.4.1 Definition and Concept

What does Market Expansion mean in the COVID-19 context?

A market expansion is a business growth strategy of offering a product or service to a new market. Businesses expand their markets when an existing market has reached growth capacity and no additional customers or profit may be reaped from that market. Thus, based on a prior determination of the market size and observation of plateauing-or even declining-returns when the market is saturated, businesses may want to expand.

In the COVID-19 context, the equivalent of market saturation may occur when an organisation's pre-COVID offerings are no longer appropriate for its existing market; or should the organisation's current market for a particular offering have shrunk, for example due to clients' unemployed status or reduced disposable income during the pandemic.

Market expansion is but one way in which businesses could survive the pandemic by capitalising on new opportunities. This could mean rechannelling strategic focus and resources towards growth in current markets or towards less volatile ones. As a result of the COVID-19 pandemic, the Information and Communication Technology (ICT) sector is one example of a market that may experience growth due to the rise in online shopping, e-learning, virtual work and technologies such as cloud computing, cybersecurity and 5G. The Wholesale and Retail and Film sectors may also see gains in the online retail market and Video-On-Demand/streaming market, respectively⁸⁷ 88.

5.4.2 When is this Strategic Play Relevant?

The trigger for this Strategic Play is stagnant or declining sales in an organisation's current target markets. This would typically be due to a saturated market, or due to changing market dynamics. In the case of COVID-19, this could be due to a lack of fit between the market and the organisation's offering, due to social distancing and other considerations, or to a change in client's circumstances, e.g. affordability.

⁸⁸ Anne Somanas, "10 business sectors boosted by coronavirus concerns", (2020), Available at: https://www.fm-magazine.com/news/2020/apr/business-sectors-boosted-by-coronavirus-concerns.html



⁸⁷ Naveen Donthu & Anders Gustafsson, "Effects of COVID-19 on business and research", (2020), Available at: https://www.sciencedirect.com/science/article/pii/S0148296320303830



Case Study: Working from home, in another country

Countries heavily dependent on tourism and some others are recognizing remote working temporary (up to 12 months in some countries) relocation opportunities. This include countries like Barbados, Bermuda, Estonia and Georgia. The programs use Special Visas or expand existing ones to entice workers to relocate.

These countries tend to have low virus infection rates, lower cost of living and excellent Wi-Fi. Hence the appeal. And of course, targeting a new market segment (the office worker) as opposed to the usual holiday-maker allows countries dependent on tourism to alleviate some of the impact of COVID-19.

5.4.3 Key Benefits and Outcomes for this Strategic Play

The cornerstone benefit from market expansion is increased sales, accomplished through expansion of client offerings into new markets.

Case Study: Acquisition opportunities

SIXT Rent-A-Car was looking for ways to accelerate its expansion into the US market. In the past it has been relegated to less than ideal off-airport rental locations. The pandemic has provided it with the opportunity to purchase airport terminal concessions at New York's 3 major airports, as well as Boston, Houston, Orlando and Denver from rival Advantage Rent a Car which entered bankruptcy protection in July.

SIXT is in a unique position compared to its US competitors with considerably less debt and better suited to surviving a pandemic. Adversity sometimes creates opportunities worth pursuing.

5.4.4 What to Do (and how to do it) for this Strategic Play

To carry out a successful market expansion the following steps are key:

- Defining the market to understand demand for the product being expanded and the feasibility of expansion;
- 2. **Rethinking the business model** to accommodate this new market;
- 3. Financing the expansion; and
- 4. Going to market and staying there.

Following these four key steps, the Playbook provides guidance on how businesses may leverage opportunities for expansion, especially as created by the COVID-19 pandemic.

5.4.4.1 Defining the Market

The first step in attempting to expand into another market is to reflect on the current state of your current market (whether it has reached its capacity) and then establishing whether a new market exists - this is often an adjacent market. To define the market, one needs to understand it in terms of its size, future market share, the segmentation of the new market and who the competitors are.





5.4.4.1.1 Market Sizing

"Market size" refers to the number of potential buyers of a product or service, i.e. the demand for the product or service. When planning to offer a product or service, it is imperative that the market is appropriately sized beforehand so that the supply can match this. In order to determine the feasibility of an expansion, the business must first establish the current market size in which it operates, so as to determine whether that market has been fulfilled, i.e. all the potential customers, as per the market size, have been reached and there is no more room for expansion in that market. Even in, and more to the point, especially during a pandemic such as COVID-19 (given all that is at stake) such considerations are critically important.

Market size can be determined directly through data on the number of customers who purchased a particular product/service. However, it is often not practically feasible for sellers to record the number of customers they sell to without carrying out a survey, for instance, especially if one considers products bought wholesale, which may go on to be sold to an unknown number of customers in the retail sector, or repeat customers. Thus, this information is generally not readily available. Instead, a more practical way to determine market would be to estimate it based on the quantity of product/service sold. This suggests that if a product/service is sold, then there is demand for it (i.e. customers exist) and by knowing demand one can match supply to it, thus establishing the market size in terms of sales in rand value.

There are two basic methods to estimate market size from sales, top-down and bottom-up estimation:

- 1. A **top-down analysis** starts with the largest possible size estimate and reduces it using information and assumptions about the business and market⁸⁹. Given the current COVID-19 pandemic, an appropriate example of a product to be sized-and a market to explore-would be hand sanitiser. To determine the market size for hand sanitiser in Gauteng, one needs to know how many hand sanitisers are sold nationally (South African Market) and then divide that by Gauteng's share. Using Gross Domestic Product (GDP), market size can be estimated by determining the national sales for hand sanitiser and dividing them by Gauteng's contribution to GDP.
- 2. A **bottom-up analysis** starts with the basic units of business (product, price, customers) and estimates how large they can be scaled up. For example, to determine the market size for hand sanitiser in Gauteng, ones needs to know the average price of hand sanitiser (so as to determine how much you will price it at), multiply that by how many hand sanitisers consumers generally buy and, finally, multiply that by how much hand sanitiser customers in Gauteng are known to buy.

The following table provides an example of how to carry out these two estimation methods. Market share is the percent of total sales in the industry generated by a business, i.e. the company's sales over all the sales in the industry for that product/service.

⁸⁹ Towards Data Science, "Sizing Up: Market Sizing for Your Business", (2017), Available at: https://towardsdatascience.com/sizing-up-market-sizing-for-your-business-c569e45730ef





Table 15: Top-Down and Bottom-Up Analysis Examples 90

Illustration: Market Size for Hand Sanitizers in Gauteng					
	Top-Down Analysis		Bottom-Up Analysis		
1	National Hand Sanitiser Sales	R1 000 000	Average Price of Hand Sanitiser	R50	
2	% GDP Contribution of Gauteng to national GDP	25%	# Hand Sanitiser Bought by Average Customer	2	
3	Market Size (potential sales)	R250 000	# Customers in Gauteng	2 600	
4	Warker size (perermar sales)		Market Size (potential sales)	R260 000	
5	Current Sales	R50 000	Current Sales	R50 000	
6	Current Market Share	25%	Current Market Share	20%	
7	Required Sales to Break Even	R80 000	Required Sales to Break Even	R80 000	
8	Required Market Share to Break Even	32%	Required Market Share to Break Even	30%	

Key Questions to Ask Yourself Before Expanding:

1. What is my market share in the existing market?

a. It is unlikely that a business may achieve 100% market share (monopoly), so what is the market share you desire? If the example above is understood to be the existing market, market share sits at 20%-25%, which indicates that there may still be room to grow in the market. In fact, the market share needs to be more than 32% for the company to make a profit. Thus, in this instance a business would have two options: stay in the market and try to get more market share or expand into a new market where the business will hopefully make a profit.

2. What do I need my current market share to be to break even?

a. Current sales may not be sufficient to cover costs, resulting in a net loss. In the example above, the required market share to break even is higher than the current market share, indicating that the company is running at a loss and needs to increase its market share.

3. What is the size of the new market if I expand?

- a. If the example above is understood conversely to the above, i.e. represents a new market for expansion, then the market is worth between R250 000 and R260 000.
- b. Projections for sales in the new market need to be at least R80 000, indicating that any expansion needs to be modelled against 30-32% share of the new market and the business needs to generate at least R80 000 in sales to break even.

 $^{^{90}}$ The numbers cited are fictitious and only serve to illustrate the estimation and analysis approach





5.4.4.1.2 Market Segmentation

Once the market has been sized, it would need to be further defined by way of identifying customers in the market and understanding their needs. Market segmentation refers to identifying customers by some distinguishing future that segments them. This could be geographic location, age, income group, gender or other key factors.

Market segmentation seeks to determine the following:

- Where a business and its partners should be geographically located to maximise access to suppliers, distributors, and customers in the most efficient ways;
- 2. How a business should be marketed to better speak to its customer segments; and
- 3. How products should be priced to respond to income disparities.

To determine market segments market research needs to be undertaken to identify economic hubs (that may promote economies of agglomeration⁹¹ and help reach the target customer base), the number and nature of potential suppliers, distributors and customers in an area, and key segment attributes such as demographics.

5.4.4.1.3 Competitors

Key industry stakeholders to identify when seeking to expand are competitors. Competitors are businesses that sell the same or similar product/service as another business and target the same market.

The first step in understanding competitors is to determine their market share. In Table 15 it was determined that the current market share for the fictional company manufacturing hand sanitisers was 20%-25%. This means there is at least 75% market share for the taking. However, this share is not lying unclaimed. Instead, competitors hold it and the market needs to either grow (i.e. greater demand) for market share to potentially increase or the competitors need to be displaced (i.e. gain their customers). It is important to understand who holds the rest of the market share and what makes them successful. The next section looks at rethinking your business model. Part of a good business model is an articulation of a superior value proposition to your competitors.

5.4.4.2 Rethink Your Business Model

Once the market has been defined, it is prudent to take a step back and consider the implications for the current busines model. Entering a new market will inadvertently affect how a business operates. The new market may bring new challenges that need to be anticipated and the business model needs to adequately respond to those.

The business model will need to be redrafted with consideration given to the new market. An exemplary business studies 8 factors and imbeds them into its planning:

⁹¹ According to Merriam-Webster, an economy of agglomeration is a localised economy in which a large number of companies, services, and industries exist in close proximity to one another and benefit from the cost reductions and gains in efficiency that result from this proximity. For instance, supplier charges may be less if a supplier is delivering goods to more than one store in the same area.





- **1. Enabling Environment**: Includes supporting organisations, such as funders, training providers etc.
- 2. Competitive Environment: Includes your competitors;
- **3. Service and Product Providers:** The businesses that will provide the products and services that your business needs;
- 4. Value Proposition: A combination of your product, service and price offering;
- **5. Operating Model:** How the business will operate from a governance and operational point of view. This includes the day-to-day business functions, processes, organisational structure, and infrastructure (physical, IT and otherwise).
- **6. Distribution Channels:** How the product will reach the market and what the value chain that will eventually deliver it to the customer looks like.
- **7. Marketing Channels:** How the product will be communicated to the target customer base in a way that entices them to purchase it.
- 8. Market: Who you are selling to 92.

5.4.4.3 Financing the Expansion

The second last step in the Market Expansion Strategic Play is to secure financing for the expansion. Funders often require a business plan that articulates the prospects for the business before committing funds. Well known public funders include the Industrial Development Corporation (IDC), Department of Trade, Industry and Competition (DTIC), Small Enterprise Finance Agency (SEFA), National Treasury and Landbank, amongst others.

The financing available needs to be enough to meet the costs associated with meeting the required sales to break even, as presented below in the example on hand sanitiser sales.

Table 16: Required Funding⁹³

Illustration: Required Funding to Break Even in New Market				
1	Current Sales	R50 000		
2	Current Cost of Sales	R50 000		
3	Required Sales to Break Even	R80 000		
4	Required Cost of Sales	R80 000		
5	Difference in Cost of Sales (Required Funding)	R30 000		

In the above example the company was breaking even in its current market, however, it would not be able to maintain that stability in the new market as it requires R30 000 more to service the increased sales they would need to make to increase their market share. This is an active approach at increasing market share and expanding. The alternative would be to hope that competitors lose customers and

⁹³ The numbers cited are fictitious and only serve to illustrate the principle



⁹² See section on defining the market.



that those customers are captured by your business-an undesirable approach with too many variables that cannot be controlled.

5.4.4.4 Going to Market

The last step in executing a market expansion is the Go-To-Market (GTM) strategy. The GTM strategy is a plan to deliver the promised value proposition and achieve competitive advantage. Note that a Go-to-Market Strategy should essentially already be articulated in the Business Plan, as indicated in the section above, and is essentially the planning for the launching of product and the launch itself.

5.4.5 Considerations and Guidelines for this Strategic Play

The key consideration for this Strategic Play is that a market expansion opportunity should be carefully considered before committing time and resources to it; particularly in the turbulent times introduced by COVID-19.





5.5 Play 2d: Channel Diversification

5.5.1 Definition and Concept⁹⁴

What does Channel Diversification mean in the COVID-19 context?

Diversification is defined as a risk-reduction and growth strategy that involves adding products, services, locations, customers, and markets to a company's portfolio.

A **Sales Channel** is a means of selling products and services to customers.

Sales Channel Diversification can then be defined as a risk-reduction, or risk-mitigation or growth strategy by means of adding new means of selling goods and services to customers.

This Strategic Play focusses on sales channels, as such, references to Channel Distribution is limited to "Sales Channels".

5.5.2 When is this Strategic Play Relevant?

A business should move towards a new channel when it becomes less effective or cost efficient to continue using the existing channel.

Adopting a new channel is also relevant, and can be necessary, to keep up with shifting consumer buying patterns and preferences.

Both these factors have relevance in the current COVID-19 context. Consumers will be less willing to engage face-to-face with suppliers. Furthermore, the costs imposed by necessary regulatory health and safety requirements can be onerous for the traditional brick-and-mortar sales outlet.

Case Study: Online Fitness, Anyone?

Our local neighbourhood private gym had to close its doors with tightening lockdown restrictions and customers being more wary about going out. So, the gym is now offering private sessions virtually. And so far, it's working.

⁹⁴ Diversification; Entrepreneur Media, Inc; 2020.





5.5.3 Types of Sales Channels

The table below outlines the common types of channels that businesses use to make their services and products accessible to customers.

Table 17: Types of Sales Channels⁹⁵

Туре	Definition			
Direct Channels				
Tied Sales Agents	Selling through sales agents who are contractually obliged to only sell your product			
Internal Sales Force	Selling through a permanently employed sales force			
Company outlets	Selling through traditional brick-and-mortar stores			
Call Centres	Selling services through call centres, e.g. insurance call centres			
E-Commerce	Selling through digital platforms such as websites and mobile apps			
Self Service Kiosks	Selling on self-service platforms such as self-service kiosks and vending machines			
Hybrid Model	The hybrid model, as conceptualised in this Strategic Play, utilises the brick-and-mortar concept and e-commerce. An example is placing an order and paying online, and then collecting your goods from a predefined collection point.			
Indirect Channels				
3rd Party Sales Agents	Using a third party for selling purposes			
Retailers	Selling through physical locations such as brick and mortar stores owned by 3 rd parties			
Wholesalers	Selling bulk supplies through wholesalers, often brick and mortar stores owned by 3 rd parties			
Network Marketing	Leveraging own network to sell and distribute through			

5.5.4 Key Benefits and Outcomes for this Strategic Play

Expanding your distribution channels can be an effective tool to increase your business. These are some advantages to broader distribution channels⁹⁶:

 Increased sales: Where new distribution channels provide access to new markets;

⁹⁶ Expanding Distribution Channels; Business.com; 12 May 2020



⁹⁵ Adapted from - Sales Channels; Simplicable; 24 May 2017



- Increased profits: Selling to more customers can raise revenues, cut per-unit costs and boost the bottom line;
- Less risk: If you are selling through one channel, you run the risk of sales through that channel deteriorating with no alternative plan in place. Selling through multiple channels distributes the risk; and
- Brand building: Making products available in more locations will raise consumer awareness of your offerings.

Case Study: Changing things up

When lockdown started in South Africa, retailers quickly found their existing eCommerce delivery capabilities were stretched to the hilt. They needed to ensure they were able to distribute more of their product ordered online. This is where partnerships between retailers and distributors have come in handy. Take the partnership between Pick n Pay and Bottles, one that allows purchases to be delivered the same day.

Similarly, Deliveroo in the UK teamed up with Marks and Spencer's to deliver grocery essentials within 30 minutes, with delivery being free. Deliveroo has also launched a new offering, Essentials by Deliveroo, that provides for clients to order food basics and some household items.

5.5.5 What to Do (and how to do it) for this Strategic Play

In an effort to contain the pandemic, governments have implemented lockdowns and issued varying levels of restricted movement orders in several countries. This has consequently meant closures of many businesses deemed non-essential and others have had to shift to new methods of doing business to combat and reduce the risk of complete closure.

The health risk that the outbreak poses has resulted in reduced movement of consumers as people are opting to stay indoors to reduce the risk of infection. Other businesses are also working from home, influencing the way in which business-to-business sales are made. Social distancing measures have also deterred consumers from going to locations that have high volumes of people such as big malls or trade markets. More than 60% of global consumers have changed their shopping behaviour, with many prioritizing convenience and value⁹⁷. Many businesses and consumers are refraining from using some sales channels that have a high risk of infection. Channels that make use of cash transactions are not favourable as people fear exchange of notes may increase chances of viral infection.

The following steps are proposed for reviewing and diversifying your channels:

- Step 1: Define and understand your target market;
- Step 2: Define new channels to be adopted;

⁹⁷ Consumer sentiment and behaviour continue to reflect the uncertainty of the COVID-19 crisis; McKinsey & Company; 8 July 2020





- Step 3: Define internal processes and structures to implement new distribution strategy;
- Step 4: Define type of (re)training required;
- Step 5: Apply business strategy and conduct cost/benefit analysis; and
- **Step 6**: Balance the number and type of distribution channels.

5.5.5.1 Step 1: Define and Understand your Target Market

The first step in diversifying your channels is to understand your target market(s). If you are considering shifting from a brick-and-mortar store to strictly e-commerce, you need to be sure that your client base has access to and is comfortable using e-commerce. Ultimately, you need to keep your clients close to you and need to avoid alienating them.

5.5.5.2 Step 2: Define New Channels to be Adopted

Retailers have had to explore other sales avenues to ensure continuity. With the majority of people opting to stay home, consumers are mostly turning to the internet for consumption. This has seen an increase in online sales during the outbreak as many companies are turning to digital and online channels for selling their products and services. 56% Of the micro-retailers in the PAYED program reported to have diversified their sales channels, with many introducing cashless platforms. The following sections look at some of the channels that businesses are introducing and how they are going about diversifying.

This Strategic Play considers those channels that promote social distancing, namely; e-commerce and hybrid models.

5.5.5.2.1 E-Commerce

E-commerce is a business model that facilitates the selling of products and services by businesses over the internet. The pandemic has caused an increase in demand for online selling because many consumers are staying home, reducing influx of people in brick and mortar stores or other person-to-person sales channels. E-commerce accounted for only 1.6% of South African retail sales in 2019 whilst it accounted for about 15% in USA⁹⁸. In South Africa, FNB reported that e-commerce grew by 30% in the first half of 2020, while CM.com reports a predicted annual increase⁹⁹ of 10%. Many companies are diversifying into online shopping to ensure business continuity and reducing possible losses due to the COVID-19 outbreak.

For higher chances of success, there are important things to consider when establishing an online sales channel. Many businesses utilise a brick and mortar business model, thus, setting up an eCommerce channel would require diverting business funds to infrastructure development. In addition to infrastructure, businesses need to develop an effective delivery service that ensures client satisfaction with order fulfilment. The boom in demand for online shopping is straining the capacity of even the largest retailers, leaving some customers complaining of long wait times and poor service¹⁰⁰. Other factors to consider when setting up ecommerce channels

¹⁰⁰ Online shopping surges as consumers stay home during lockdown; IOL; 15 July 2020.



⁹⁸ Online shopping surges as consumers stay home during lockdown; IOL; 15 July 2020.

⁹⁹ Lockdown has awakened South Africa's appetite for ecommerce; Hypertext; 28 July 2020.



include maintenance costs, personal data protection, other related costs such as digital marketing, subscriptions, and payment gateways. Consumers' online shopping experience is also crucial to the success of an ecommerce platform. Many B2C companies already encounter customers on remote (via mail or phone), and digital (via online sales and support) channels. It is important that companies strive for a high quality client engagement over these channels, given the limitations introduced through virtual contact.¹⁰¹

Moving some or all stock online may be the key to strengthening and securing sales for many businesses at this stage. However, as more brands flood the market, saturation is a threat. Finding the right channel becomes imperative – there is little room for error since there are many eCommerce platforms for businesses to choose from 102.

It is important to remember that moving to an eCommerce platform can help during COVID-19, but it will require an investment, and may work for some products and some clients, but not for all. Successful eCommerce requires a robust logistics backend, to ensure that orders are fulfilled timeously. And simply posting your products online does not mean that existing or new clients will flock to now purchase them online.

The above are the cautions you need to be bear in mind as you venture into the eCommerce world. They do not mean that eCommerce is not appropriate for your business, or that you will not be successful, but they do indicate that eCommerce is not simply a solution for every COVID-19 distribution problem.

5.5.5.2.2 Hybrid Model

The hybrid model, in this context refers to the "click-and-collect" model seen in South Africa. The model requires the required IT infrastructure but may be easier to manage from a logistics point of view and door-to-door deliveries do not need to be made. This may be attractive for businesses who do not want to transition to a complete eCommerce channel. The model may also be easier to manage from a logistics perspective.

5.5.5.3 Step 3: Define Internal Processes and Structures to Implement New Strategy

New channels may require different structures and infrastructure. For example, moving from a brick-and-mortar channel to eCommerce will require less physical infrastructure (in the form of square metres under roof) to a more robust and secure IT presence. This will also require new processes and skills to manage. It may be possible to partner with other companies to ensure you have the technology you require at your disposal.

 $^{^{\}rm 102}$ Diversifying Sales Channels to Overcome COVID-19; Omnilytics; 27 March 2020.



¹⁰¹Redefining customer experience: Connecting in the time of COVID-19; Startegy + Business; 20 April 2020.



Case Study: A Swimwear brand reinvented as an online grocery

Cape Town based luxury swimwear brand Gabrielle pivoted to sell and deliver fresh produce from local farmers and small businesses via fresh food boxes under the name Granadilla Eats¹⁰³.

They were able to go live in just 48 hours after launching the idea on 14 March, as they had a previous kombucha businesses experience they could rely on, a strong digital platform and they quickly solved the distribution woes they had by partnering with small business Ehire for logistics and delivery¹⁰⁴.

By the time lockdown began, they had delivered over 500 boxes and were classified as an essential service that was able to operate during lockdown.

The swimwear business is on ice and struggling to survive while Granadilla Eats is booming. By reinventing themselves they have managed to stay open and preserve jobs for their staff.

5.5.5.4 Step 4: Define Type of Training Required

Staff will need new and/or additional skills to manage the new channels. This type of training will need to be identified, together with existing training providers. By way of an example, new skills required may involve a shift from managing customers in a face-to-face environment to managing customers remotely.

5.5.5.5 Step 5: Apply Business Strategy and Conduct Cost/Benefit Analysis

Choosing a distribution channel means evaluating costs and profit margins, especially when intermediaries and third parties are involved. You should ensure that distribution is viable and can be carried out according to the terms agreed, with the possibility of scaling according to demand. The aims of, and benefits for, your organisation, distributors and customers should all be in alignment.

5.5.5.6 Step 6: Balance the Number and Type of Distribution Channels

Achieving a balance between distribution channels is important to avoid differences between prices, positioning, launching and promotional campaigns.

If your customers discover that they can find products at different prices in different channels, it will be a source of conflict for your intermediaries and partners, as well as detrimental to profits.

5.5.6 Considerations and Guidelines for this Strategic Play

The right sales channels for expanding a business should 105:

- Reach the right target market—both geographically and demographically;
- Fit your budget. Do not stretch your finances unnecessarily by entering an expensive and difficult sales channel;

¹⁰⁵ How to Choose the Right Sales Channels for Expansion.; American Express; 15 April 2020



¹⁰³ Lockdown business: A popular swimwear maker switched to selling fresh food - within 48 hours; Business Insider South Africa; 13 Apr 20

¹⁰⁴ Food delivery: how local brands have reinvented themselves; Financial Mail, 30 Apr 20



- Generate high sales volume and profits. Create financial projections to estimate the volume of sales you can expect and profits from the new channel;
- Fit your experience. Selecting new sales channels in which you or your key employees have experience can ease the process of getting up to speed; and
- Be simple to enter. Some sales channels require a long process of developing contacts, earning a reputation, and becoming established before they pay off. Do not choose a channel that takes too long to show results.

The best way to define your distribution strategy is to answer a series of questions about your products and business¹⁰⁶:

- What are your customers' needs?
- Does your customer need a training or learning phase for your product/service?
- Is it a stand-alone product or service, or does it need supplementary ones?
- Is it for direct consumption, or will it need customization or installation?
- Is it for direct purchase, in person, or does it need to be shipped to their home?
- How is the shopping experience now and in what way can it be improved?
- What channels do the competition use and on which do they receive the most complaints?
- What new products or services can meet customer demand?
- What is the fastest positioning to satisfy customers?
- What costs and resources will a new distribution channel require?
- Is your product information ready to be distributed to your intermediaries?

¹⁰⁶ Distribution channels: how to ensure the success of your products; Sales Layer; 4 November 2019





5.6 Play 2e: Improved Customer Experience

5.6.1 Definition and Concept

What does Improved Customer Experience mean in the COVID-19 context?

Achieving an improved customer experience may be viewed as the art of tailor making business solutions to customer needs and making the customer happy. This means speaking to the desires, expectations, and aspirations of your market base. A good customer experience meets the customer's expectations in terms of the product, brand promoting the product, people selling the product, and the environment in which the product is sold.

Customer experience is a sensory and emotive experience that endears a business to a customer. To this effect, a customer interacts with a business along the following four spheres that conspire to create the overall memorable experience:

- 1. Customer interaction with the product: Is the product any good?
- 2. Customer interaction with the brand promoting the product: Is the brand reliable? Do its values and brand identity align with mine?
- 3. **Customer interaction with the people selling the product**: Are the people selling the product good story tellers and generally helpful and pleasant people?
- 4. Customer interaction with the environment in which the product is sold: Is the setting (location, design, cleanliness, visual merchandising, etc.) inviting?

A superior customer experience answers "yes" to all of these questions.

A good customer experience takes a customer along the buyer's journey¹⁰⁷, from how you make them aware of your product (how you make them feel), to how you demonstrate your product (the consideration-what you make them see, hear, touch, smell and feel), to how you convince them to make the decision to buy (what experience you gave them). All along the buyer's journey, the customer experience shapes how the customer thinks about your brand, until their thoughts are distilled into one singular thought: "I have to buy this product [because of what I felt, saw, heard, touched, smelled and experienced]".

A good customer experience turns a customer into a brand loyalist and, eventually, a brand champion - someone who will promote your business to others and defend its reputation. With the rise in online shopping and the closure of brick and mortar stores during the COVID-19 lockdown period, the Wholesale and Retail sector is especially competitive and a key differentiator between stores is customer experience - turning otherwise undecided buyers into regular customers. This is true for any business transaction. The pandemic has brought financial strain to both buyers and sellers: businesses are desperate to attract buying customers after months of dwindling revenue and customers have had to tighten their belts as retrenchments hit. The BeyondCOVID Business Survey revealed that 76% of businesses have

¹⁰⁷ A buyer's journey describes the mental process a buyer goes through in deciding to buy a product and consist of awareness, consideration and decision. See the section on market expansion.





experienced a decline in revenue. In this tough climate, then, superior customer experience is key to having a competitive edge.

5.6.2 When is this Strategic Play Relevant?

The Improved Customer Experience Strategic Play becomes relevant, in the COVID-19 context, when the impacts of the pandemic include a deterioration in your client's customer experience. The client of a restaurant is a simple example of this, who, given social distancing requirements and infection transmission concerns, may not be able to enjoy a dining out experience under COVID-19 as he/ she may have been able to previously.

5.6.3 Key Benefits and Outcomes for this Strategic Play

Customer experience can make or break a brand. Social media has facilitated online activism and brands that offer a poor customer experience, especially by expressing controversial views, are often boycotted or "cancelled"-suffering reputational damage and declining revenues in the process. Poor customer experiences may be questionable social stances, staff indifference, a poor post-purchase experience (e.g. failure to accept responsibility for defects and fix them or accept returns) or not going the "extra mile" (providing an experience that is basic and similar to-or worse thanyour competitors).

By securing brand loyalty and creating advocates who will promote your business, a good customer experience attracts repeat purchases and new customers, thus growing the market base, and subsequently, business.

5.6.4 What to do (and how to do it) for this Strategic Play

Improving the customer experience for your clients involves two key steps. The first is measuring the customer experience; followed by intervening to improve the experience. These steps are described below.

5.6.4.1 How to Measure Customer Experience

Customer Experience may be measured by surveying customers' perceptions and satisfaction levels. A Customer Satisfaction Survey (CSS) reflecting on the performance of the business in the customers' minds is a good way of measuring customer experience. The CSS measures satisfaction through quantitative means (e.g. through scores compiled from scales or rankings) and qualitative means (understanding the reasons behind the scores). An important metric of any CSS is the Net Promoter Score (NPS). The NPS measures how likely your customers are to promote you to their friends, family, and colleagues based on their experiences with your business.

The figure below demonstrates the Net Promoter Score scale (0-10, where 0 is most negative, i.e. most unlikely to recommend the business, and 10 is most positive, i.e. most likely to recommend the business).





Figure 17: Net Promoter Score 108



The customers that present themselves in the NPS are 109:

- 1. **Promoters** Users who gave a 9 or a 10 (likely to be actively telling others about their positive experience)
- 2. **Passive** Users who gave a 7 or 8 (likely to be pretty lukewarm about their experience)
- 3. **Detractor** Users who gave a score between 0 and 6 (likely to be either actively telling others about their poor experience or else just not likely to recommend your organisation to others, nor are they likely to return).

To calculate the NPS, one subtracts the percentage of respondents who are detractors (gave a score of 0-6) from those who are promoters (gave a score of 9 or 10). The NPS score ranges from -100 to 100, where -100 to 0 is generally regarded as a poor showing and 1-100 as good, as it indicates there are more promoters than detractors. However, a business needs to determine what it deems an acceptable score and aspire to that.

It is important for a business to know the "mood" of the customer-that includes knowing current trends in industry and society to respond appropriately to the "moment". To this effect, it is important that businesses regularly survey their customers and track the customer experience over time. A CSS provides a business with important feedback and suggestions on how to improve their customer experience.

5.6.4.2 Improving Customer Experience

There are seven key essentials to a superior customer experience. The figure below presents these.

¹⁰⁹ Eric Hadden, "Net Promoter Score – What is it? Why is it important?", (2018), Available at: https://www.blueprnt.com/2018/09/17/net-promoter-score/



¹⁰⁸ Nikhil Dawer, "What is a Net Promoter Score? Definition and Examples", (2020), Available at: https://www.zonkafeedback.com/blog/what-is-a-net-promoter-score-definition-and-examples





Figure 18: Improving Customer Experience

The seven essentials can be summarised as follows¹¹⁰:

1. Every Customer Wants At Least Three Things Done

The customer wants to be heard, understood and feel cared for.

2. SEC - Smile, Eye Contact and Comment

A good customer experience is served with a smile, eye contact and a courteous comment.

3. Listen to the Customer

Customers want to be listened to. It is thus important to listen to the customer, understand what they are saying and respond appropriately through words, actions and the service/product being offered.

4. Empathise with the Customer

Beyond just being heard, customers want to feel that they are understood on an emotional level.

5. Create Solutions for the Customers' Issues

¹¹⁰ Antlere, "What is Customer Service and the Seven Essentials to Excellent Customer Services", (2018), Available at: <a href="https://antlere.com/what-is-customer-service-and-the-seven-essentials-to-excellent-customer-services/#:~:text=S%2DE%2DC%2C%20sec%20stands%20for%20Smile%2C%20Eye%20contact%20and%20Commen t.&text=Eye%20contact%20shows%20that%20you,you%20are%20listening%20to%20them.





Whether offering advice on a product/service or creating a product/service, the response to a customer query or need should demonstrate how it solves the original problem.

6. Clarify the Situation with the Customer

When listening to the customer, clarity needs to be sought where necessary and the customer should be pleased with the solution to their problem, otherwise it is necessary to further clarify how the product/service/solution could be improved.

7. Follow Up with Customer

Once a customer is pleased and has made a purchase, it is important to nurture and grow that relationship into one where the customer becomes a promoter. A thank you note or communication on special offers are some of the ways to remind the customer that you still remember them-and care about them.

This Strategic Play sought to demonstrate how the difference between survival and certain death by pandemic can boil down to offering an improved customer experience. A good customer experience meets the customer's expectations in terms of the product, brand promoting the product, people selling the product, and the environment in which the product is sold - these being important in maintaining brand reputation and increasing the customer base and revenue. Customer Satisfaction Surveys and, in particular, the Net Promoter Score are important barometers in measuring the customer experience and ensuring a business is in tune with the market and society at large. There are seven key essentials to improved customer experience, including listening to the customer, empathising with them and following up, amongst others. A learning culture is important in practicing these essentials.

At the very basic level, though, the golden rule of customer experience is to treat your customers the same way you would want to be treated if you were their customer. The customer is King.





5.7 Play 3: Cost Reduction

5.7.1 Definition and Concept

What does cost reduction strategies mean in the COVID-19 context?

Strategic cost reduction helps lower the cost structure of a business, but it is not about becoming cheaper. Instead, strategic cost cutting helps ensure a business is ready for growth. It focuses on the aspects of the business that are controllable while freeing up resources to fund transformation and future growth.

The growth and survival of any business depends not only on how much revenue it generates with its products or services, but also how much it spends. A business can sell a lot and serve its customers, but if its costs exceed (or are too close) to the revenue collected, it will not grow or survive. So, in times of economic crisis as is the case during the COVID-19 pandemic, when it comes to reducing costs, that seems to be one of the main considerations of every business. But it is not enough to just start making cuts without adequate planning. While there may be pressing need to reduce costs, it is important to do this in a sustainable fashion with your longer term goals in mind.

One of the first steps to smarter, more strategic cost cutting is identifying and understanding the differences between bad costs, good costs and the best costs:111

- Bad costs These are costs that do not align with the overall growth strategy of the company. Good companies cut waste and funnel the resources to better areas, and bad costs are the first to get cut.
- Good costs These costs drive initiatives and strategies that support the company's overall growth goals. They are based on an understanding of customer preferences and match them with the organization's operations.
- Best costs Some of the best costs build and expand a company's truly differentiated capabilities. These are the handful of capabilities that make a company truly unique and drive its value. These capabilities stand out as true differentiators that are hard to mimic and difficult to replicate.

5.7.2 When is this Strategic Play Relevant?

In times of economic crisis, reduction of business costs becomes even more necessary than usual – which does run the risk of resorting to desperate, ineffective measures. The issue is perhaps more significant after the effects of a National Lockdown when businesses' revenue may not be sufficient to cover costs. Employing cost reduction strategies like those below have the potential to increase your profits; thus improving your prospects of surviving and succeeding going forward.

¹¹¹ https://www.forbes.com/sites/strategyand/2016/08/11/how-to-turn-your-cost-cutting-strategy-into-a-growth-strategy/#536f80ff7fc6





5.7.3 Key Benefits and Outcomes for this Strategic Play

There are many advantages of a Cost Reduction Play. Cost reduction will improve margins. The savings may also be passed to consumers in the form of lower prices or improved quality. This will create more demand for your products, economies of large-scale production and increased employment¹¹².

5.7.4 What to Do (and how to do it) for this Strategic Play

There are various ways in which a business can apply cost reduction strategies. At the foundation of applying these cost reduction strategies is asking the following key questions:¹¹³

- Do I really know the costs of my business?
- What impact would the reduction of each of them have on our activities?
- Could it have negative consequences? Or positive?
- Which sectors will be affected and how?

In order to answer these questions, you should conduct an analysis of your business processes which will allow you to detect delays, bottlenecks and waste and, thus, reduce associated costs in your organisation. The following are some of the cost saving strategies that can be employed by businesses to weather the COVID-19 storm:

Encourage remote working

 Allow employees to work from home. Many businesses hire remote employees because it helps reduce the cost of additional office space, new office equipment, and utilities. Recent studies show that it also results in happier, more productive workers.

Negotiate with suppliers

 Develop a mutually beneficial relationship. Negotiate the cost of your raw materials by convincing your suppliers that your business is a long-term benefit for them. Improved payment terms can also help improve your cash flow and profitability.

Manage travel expenses

• Don't travel if you can use technology to engage instead. Consider having virtual meetings via Skype, Zoom and other digital resources. This can help save both your time and money and is an effective way to reduce your costs.

Invest in technology solutions

Technology can be a very effective cost reduction enabler. You will incur a
high cost in the beginning, but the use of modern technological solutions can
increase the efficiency of your operations. In the long run, this will lower your
operating costs and increase your productivity.

¹¹⁴ https://www.kevinanye.com/4-cost-reduction-strategies-that-will-grow-your-profits-exponentially/



¹¹² http://ncpc.co.za/files/CaseStudies/Consol_Glass_Wadeville_FSO_2014.pdf

¹¹³ https://www.siteware.co/en/productivity/cost-reduction-strategy-example/



Hold down pay increases.

• Though this idea seems obvious, it is usually overlooked. That's because nearly every manager (inaccurately, in many cases) believes the members of his or her department are underpaid. Check with HR to see where your employees stand relative to the marketplace. If they are not below market, consider holding the average pay increase in your department to 1% or 2% less than last year's company average.

Case Study: Doing their bit

Hard hit retailers have had a small ray of sunshine with execs at Woolworths, embattled Edcon, and Mr Price Group forgoing parts of their salary to aid employees.

In order to save costs retailer Truworths, Woolworths, Mr Price and Pepkor have agreed substantial rent reductions during this period.

5.7.5 Considerations and Guidelines for this Strategic Play

There are several strategies you can use to reduce your costs.

In order to effectively implement a cost reduction strategy, the top management must establish cost-cutting as an organizational objective. They must also provide a plan for cost reduction. A lot of managers only tell their employees about how much they need to cut. They do not work out a plan for how this is going to happen. As a result, cost reduction gets limited to being an objective that was established at the beginning of the month. There is no strategy communicated, and thus, there is no implementation as well.¹¹⁵

Case Study: Setting targets

Massmart has increased its cost saving target to R 1.9 bn over the next three years as it seeks to reign in expenses, exit loss-making stores and improve margins. This is after it announced a R1.1 bn headline loss for the six months up to June 28. The company expects its half-year loss to worsen due to the pandemic.

The company has already identified R400 million in additional cost savings through consolidation of support functions, office locations, recruitment freezes, rental reductions, utility cost containment and reduced marketing spend.

Also forget about finding a single idea that would radically change the cost structure of your organization or department, thereby solving your problem in one go. (If such an idea existed, it would most likely entail so much risk that the organization would never be willing to implement it). Instead, you should plan to reach your goal with a combination of 10 or more actions. The degree of organizational disruption caused by your reductions will usually be proportional to the degree of cutting you do. Therefore, you should tailor the reductions you pursue to your savings goal. Incremental ideas with minimal impact on other departments can allow you to trim up to 10% of costs. Redesign or reorganization ideas often eliminate the lowest-value

¹¹⁵ https://www.kevinanye.com/4-cost-reduction-strategies-that-will-grow-your-profits-exponentially/





activities, with moderate impact on other departments, and can help cut expenses by up to 20%. Cross-department and program-elimination ideas are usually necessary when you're aiming for 30% or more, but they have the greatest potential to be organizationally disruptive.¹¹⁶

There are few ground rules in Cost Reduction which are:117

- Cost reduction typically involves reducing and not completely removing a specific cost
- The reduction should not affect the process effectiveness and product quality
- The process of manufacturing may be improvised without affecting the product quality or nature
- Features of the product or service may be modified without affecting the quality of the product.
- Cost reduction should never be applied as a short-term process and it should rather be implemented as a long-term solution

¹¹⁷ https://www.marketing91.com/cost-reduction/



¹¹⁶ https://hbr.org/2010/05/when-youve-got-to-cut-costs-now



5.8 Play 4a: Socially Distant Working

5.8.1 Definition and Concept

What does Socially Distant Working mean in the COVID-19 context?

Socially Distant Working (a.k.a. remote working) is the practice of allowing all or some of an organisation's employees to operate from home. Allowing employees to work from home is critical during the COVID-19 pandemic to reduce the risk of employees contracting and spreading the disease.

To help curb the spread of COVID-19, governments across the world have encouraged individuals and companies to practice socially distant working (i.e. remote working/working from home), wherever possible. Gartner conducted a global survey which found that, as a result of COVID-19, 88% of businesses across the globe implemented work from home policies¹¹⁸. Working from home has become a key component of business survival during the COVID-19 pandemic. The BeyondCOVID Business Survey has revealed that 52% of organisations in South Africa have at least 20% of their employees working from home.

Whilst working from home is not a new concept for many businesses and professions, many organisations are still navigating their way through this new method of operating. A well-managed work from home setup has the potential to positively enable business outcomes. It is therefore important for both employers and employees to understand the issues and risks involved in working from home and how to mitigate these. Risks include a lack of direct interaction and supervision, various distractions, a lack of necessary tools, a lack of personal discipline and motivation amongst employees, poor time management, an increased level of social isolation and the lines between personal and professional lives blurring. The biggest risk that companies face, however, is decreased employee productivity.

A key element of the Socially Distant Working Strategic Play is understanding the steps that your organisation and your employees need to take to overcome the risks and challenges associated with socially distant working to ensure individuals are able to operate effectively from their homes.

5.8.2 When is this Strategic Play Relevant?

The Socially Distant Working Play is relevant to any organisation whose employees are currently operating from home either on a full time or part time basis or any organisation that is looking to implement socially distant working.

5.8.3 Key Benefits and Outcomes for this Strategic Play

As mentioned earlier, if managed properly, working from home can positively impact business outcomes and has the potential to be a win-win situation for all parties involved (i.e. both employers and employees).

For employees, the key benefits of working from home are as follows:

¹¹⁸ Iva Marinova, "28 Need-To-Know Remote Work Statistics of 2020", (2020), Available at: https://review42.com/remote-work-statistics/





- Employees no longer need to commute to and from the office, which may help reduce stress and allows employees to use the time that would have been spent commuting in other ways;
- Working from home provides employees with increased flexibility to operate in a way that is most suited to them, this may result in increased productivity; and
- This increased flexibility may also allow employees to achieve a better work-life balance.

For employers, the key benefits of working from home are as follows:

- Employers are able to save on overhead costs (e.g. rent, air conditioning, electricity) and reduce other organisational costs;
- As mentioned above, working from home provides employees with increased flexibility and may enhance employee's work-life balance; these factors may lead to happier employees which should therefore result in increased employee retention for organisations;
- Not operating from an office removes the limitations of geography when recruiting new employees; and
- In the current climate, practising socially distant working will be beneficial to employers as it reduces the risk of COVID-19 spreading through the company.

5.8.4 What to Do (and how to do it) for this Strategic Play

Whilst there is unfortunately no 'one-size fits all' solution for socially distant working, implementing the following key practices as part of the Socially Distant Working Play should help your company ensure employees are as productive as they can be whilst working from home.

Ensuring high levels of productivity is not only in the hands of the employer but is also in the hands of the employee.

5.8.4.1 What Can Employers Do?

The following points outline key practices that employers can implement to ensure high levels of productivity whilst employees are based at home:

- Providing the Necessary Tools;
- Conducting Frequent Check-Ins;
- Making Use of Technology;
- Setting Goals and Managing Expectations; and
- Being Flexible

The points above are described further below.

5.8.4.1.1 Providing the Necessary Tools

For many employees, taking them out of the office means taking them away from the infrastructure required to operate successfully. Ensuring your employees have the tools to allow them to operate effectively from home can therefore be considered a vital first step when turning to socially distant working practices. Hardware (e.g. laptops,





desks, printers, routers) and software (e.g. financial systems, project management tracking applications such as KanbanFlow, chat/ messaging applications such as Zoom/Microsoft Teams) requirements need to be determined and fulfilled where necessary. Data requirements need to be determined especially for staff that need to be connected to the company network, have regular (virtual) meetings etc.

Providing employees with the necessary hardware, such as laptops, desks, printers, will help ensure employees have a dedicated and enabling working space. To further assist with the creation of a dedicated workspace, some companies are providing their employees with stipends to purchase the tools required to operate from home 119.

Case Study: Shopify¹²⁰

As COVID-19 cases started to rise, Shopify, a company which provides the tools for companies to sell products online, announced that as of the 16th of March 2020, all employees would be required to work from home.

In order to make the transition to working from home easier, Shopify provided its employees with a \$1000 stipend to be used to purchase equipment for their home office. This included items such as desks, office chairs, lamps, etc. In addition to the stipend, employees were required to take their monitors, keyboards and laptops home with them.

5.8.4.1.2 Conducting Frequent Check-Ins

One of the key challenges of socially distant working is the lack of direct interaction and supervision. To overcome this challenge and ensure productivity is maintained, an increased level of communication is required. While you and your employees are still getting used to socially distant working, it may be a good idea to encourage your employees to over-communicate. Luckily, there are many options available to facilitate remote communication. Common applications used to facilitate remote communication include Zoom, Microsoft Teams and Slack.

To help establish a sense of normality and facilitate communication, managers are encouraged to conduct a daily check-in with their teams. This check-in can be held via video conference, phone calls or instant messaging¹²¹. These daily check-ins will ensure all parties are in sync on tasks and deadlines. To alleviate potential problems with contacting staff, communication guidelines should be outlined and clearly understood. These guidelines should include aspects such as which communication channels are the most appropriate, meeting timing, meeting attendance etc.

5.8.4.1.3 Making Use of Technology

Technologies that enable remote working are advancing at a pace that has made it possible for many jobs to be done just as effectively from home. Companies should

¹²¹ Sean Ludwig, "6 Ways to Keep Your Team Productive While Working From Home", (2020), Available At: https://www.uschamber.com/co/run/human-resources/encouraging-productivity-for-remote-workers



 ¹¹⁹ Sean Ludwig, "6 Ways to Keep Your Team Productive While Working From Home", (2020), Available At: https://www.uschamber.com/co/run/human-resources/encouraging-productivity-for-remote-workers
 120 CNBC, Tech, 12 March 2020



not be afraid to take full advantage of the tools and technologies that will allow employees to operate effectively from home.

Project management applications, such as KanbanFlow, Airtable and Asana allows teams to manage their projects and tasks. Team members should be encouraged to update tasks on the applications as they complete them, this will allow managers to easily assess the status of their responsibilities. To ensure a measure of accountability, employers should consider implementing time tracking systems (if not already in place). Having your employees track their time should help provide you with a level of comfort regarding the employee's productivity. Tools such as Microsoft Excel, SageOne or Toggl can be used to track employees' work times. Time tracking systems will also help employees better manage their time.

5.8.4.1.4 Setting Goals and Managing Expectations

Setting long-term and short-term goals will help you to ensure that your employees have a clear understanding of what is expected from them and gives them something to work towards. These can be daily goals, weekly goals, monthly goals etc. To help keep employees on track and hold them accountable, employees can provide an update on their progress against these goals at the daily check-ins; alternatively, an update on their progress can be sent through via email at the end of each day. These updates should outline what they managed to complete that day, what they are planning on working on the following day and how far they are from achieving their overall goals¹²².

In line with managing expectations, employees should be encouraged to highlight any issues they may have encountered which prevented them from reaching their goals. Additionally, organisations should make sure that performance reviews continue to be conducted so that employees stay focussed and productive.

5.8.4.1.5 Being Flexible

The nature of some organisations and the inevitable dependencies require them to set and stick to standard working hours, e.g. from 9h00 to 17h00. Where this is not the case, businesses should consider being more flexible in their business hours, for example, by having 'core' working hours, during which all employees must be working, but then allowing for flexible start/finish times. Additionally, employers should consider placing increased focus on the outcomes being produced and whether targets are being achieved, rather than the amount of time an employee spends working per day¹²³.

5.8.4.2 What Can Employees Do?

To help employees increase their own productivity, companies should communicate the following guidelines to help employees work effectively from home:

- Setting Goals and Managing Expectations;
- Dressing for Success;

¹²³ Amanda Turner, "8 Tips to Ensure Productivity When Employees Work from Home", (2019), Available At: https://talkingtalent.prosky.co/articles/8-tips-to-ensure-productivity-when-employees-work-from-home



¹²² Adam Davisdson, "Tips to Boost up Employee Productivity during Work from Home", (n.d.), Available At: https://codersera.com/blog/tips-to-keep-your-employees-productive-during-work-from-home/



- Reducing Distractions;
- Setting up a Dedicated Workstation; and
- Setting Aside Time for Extra-Curricular Activities.

The points above are described further below.

5.8.4.2.1 Dressing for Success

Employees should be encouraged to get up and dress each day as if they were going into the office. Changing out of their pyjamas/sweatpants should help employees get into the "working mindset". To help promote this practice, staff should be encouraged to switch "videos on" during video calls with team members or clients.

5.8.4.2.2 Setting up a Dedicated Workstation

Where feasible, employees should set up a dedicated workspace in the home environment. The workspace should be away from disruptions, comfortable and set up with the necessary equipment, i.e. a desk, a chair, printer etc.

5.8.4.2.3 Setting Aside Time for Extra-Curricular Activities

Working from home should not detract from the things that normally maximise an employee's well-being. It is important to maintain or introduce enjoyable activities like hobbies, meditation, yoga, journaling etc. Scheduling activities to maintain physical health can be done through a multitude of free apps. Making time for social activities, like meals with family, spending time with children and pets and video chats with family and friends is important. Employees can use the normal commute time for additional self-care that working from home requires.

5.8.4.2.4 Reducing Distractions

The home environment has many distractions, internally and externally and with more people working from home, it's highly unlikely that staff will have the house to themselves. Distractions can be alleviated by establishing arrangements with family members during critical periods, setting up schedules with clear boundaries on work and leisure times, using noise reducing technology like noise cancelling headphones, investing in some of the numerous applications to keep children entertained or even arranging with management to work outside normal working hours.

5.8.5 Considerations and Guidelines for this Strategic Play

The following considerations and guidelines should prove useful in applying the Socially Distant Working Strategic Play to your organisation:

1. Develop a formal "Work from home" policy. This policy should outline all the key aspects surrounding working from home that are important for employees to know, e.g. what are the working hours, communication guidelines, performance frameworks for the working from home situation. Additionally, this policy should outline the actions that will be taken should an employee not follow the practices outlined in the policy.





- 2. Ask yourself the following questions¹²⁴:
 - a. Can we trust our employees to effectively complete their work without supervision?
 - b. Are our employees willing to operate remotely? Do they want to operate remotely?
 - c. Do our employees have access to the necessary infrastructure/technology to be able to operate remotely? Do we have the technology infrastructure to support remote work?
 - d. Is our business able to operate remotely? Can our work be done remotely?

¹²⁴ Carol Rozwell, "How to Cultivate Effective "Remote Work" Programmes", (2019), Available At: https://emtemp.gcom.cloud/ngw/globalassets/en/insights/coronavirus/how-to-cultivate-effective-remote-work-programs.pdf



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5.9 Play 4b: Employee Welfare

5.9.1 Definition and Concept

What does Employee Welfare mean in the COVID-19 context?

Employee welfare relates to extra steps companies take (above and beyond the payment of employee salaries) to ensure their employees are comfortable and satisfied with the company. Employee welfare contributes to the emotional wellbeing of employees, helps ensure high employee morale and ultimately helps to improve employee loyalty and retention. Placing a focus on employee welfare is naturally of interest during COVID-19, given the impact of the pandemic on individuals stress levels and mental health.

The COVID-19 pandemic has not only affected employers but has also had a severe effect on employees. The uncertainty around the pandemic, coupled with the increased risk of getting sick and having to adapt to remote working has increased employees stress and impacted many individuals' mental health. During a survey conducted by Ginger (a mental health provider), it was highlighted by almost 7 in 10 employees that the most stressful time of their career has been working during the COVID-19 pandemic, with 88% of employees indicating that their stress levels had been moderate to severe 125.

The increased stress levels of employees begs the question; how can employers take care of the emotional wellbeing of their employees and why is this important?

Employees are the most important resource of any organisation, as it is their hard work that will ensure your organisation achieves its goals. The survey conducted by Ginger, found that the increased stress levels not only affected the employees but also had an impact on the organisation. This was as a result of 62% employees losing one hour of productivity, and 32% of employees losing at least two hours of productivity due to stress¹²⁶.

Therefore, taking care of the emotional wellbeing of your employees will help increase your employees' productivity. In addition to improving productivity, ensuring the emotional wellbeing of your employees will help increase employee morale and will help improve employee loyalty and retention. The key for the Employee Welfare Strategic Play is to therefore help you understand the steps you can take to look after your employees and increase employee loyalty during the COVID-19 pandemic.

¹²⁶ As above



¹²⁵ Matthew Gavidia, "How has COVID-19 Affected Mental Health, Severity of Stress Among Employees", (2020), Available At: https://www.ajmc.com/view/how-has-covid19-affected-mental-health-severity-of-stress-among-employees



Case Study: Don't lose sight of your employees' welfare

For cruise liners, when the pandemic hit the priority was to get paying customers off the boats and home. Thousands of cruise workers were stranded in places like Indonesia, India and Philippines, thousands of kilometres from home. With flights from some of these locations banned, cruise companies decided to organize staff by geography and have vessels take them home. It seemed like a reasonable approach except it didn't turn out that way.

What resulted was a disorganized shuffling of employees from vessel to vessel, increasing their risk of exposure. Mask usage wasn't mandated; bars, restaurants and buffets and parties were the norm; in some cases with no social distancing. Crew members were also kept in the dark about positive infections on board.

Sadly, some crew member are still trapped on board due to travel restrictions. Employees are entitled to have their health and safety protected. It's not a huge ask.

5.9.2 When is this Strategic Play Relevant?

The Employee Welfare Play is relevant to any organisation that is interested in increasing employee loyalty and retention during and beyond the COVID-19 pandemic.

5.9.3 Key Benefits and Outcomes for this Strategic Play

Prioritising employee welfare results in key benefits for both the employee and the employer. These key benefits are as follows:

- Helps to increase employee morale. Increased employee morale motivates employees and encourages them to perform better, ultimately increasing their efficiency and productivity;
- Prioritising employee welfare may provide your company with a competitive edge over other companies. Should companies offer similar salaries, the benefits offered will most likely be the factor that sets them apart;
- Encourages employees to spread positive messages about your company, relaying it to other people as a company that looks after its people. This positive word of mouth should help attract potential new hires;
- Contributes to the improved morale and mental health of your employees.
 Implementing employee welfare programmes to help improve employees' morale and mental health is especially important during times like this when the morale and mental health of your employees is most likely taking strain; and
- In general, happy employees are less likely to leave an organisation. Therefore, prioritising your employee's welfare and ensuring employees are appreciated will contribute directly to employee retention. Higher retention rates mean the company saves on the cost (i.e. recruiting, training) of having to replace the employee.





Case Study: The new gig in town, CMO's

Traditionally organisations with Chief Medical Officers (CMO's) tended to be health-care companies, pharmaceutical companies or large hospitals. With the pandemic underway there's a need for medical advice and expertise on how to keep employees and customers safe.

The pandemic has increased the range of organisations needing a CMO to meat packing plants and cruise liners and also broadened the scope of existing CMO's.

Other non-health-care firms can utilise the services of independent healthcare firms like One Medical (US firm) to help manage workplace health, instead of hiring a CMO.

5.9.4 What to Do (and how to do it) for this Strategic Play

Employee wellbeing should be a shared responsibility between the employee and the employer. While it is important for employees to ensure they are taking care of themselves during this trying time (e.g. by adopting healthy coping strategies, making use of the support available and practicing self-care), there are also a number of activities that organisations can undertake to assist with enhancing employee wellbeing during the COVID-19 pandemic. Taking care of your employees now will help increase employee retention and will therefore help your business in the long run. The following sub-sections outline the activities which may be undertaken.

5.9.4.1 Support Employees Emotionally

The uncertainty surrounding the future, the increased risk of getting sick and having to adapt to the new way of working can all contribute to employees' stress and impact their mental health. Socially distant working can often lead to people feeling isolated and alone, thus contributing to negative emotions. To overcome this, managers should be encouraged to engage with their team members more regularly – on both a professional and slightly more personal basis.

Employees should be encouraged to communicate with their employers regarding any concerns or issues they may be encountering and employers should be open to listening to these issues and taking steps to help address them. To make themselves more available, managers should consider setting up virtual office hours, during which employees can approach them with issues.

5.9.4.2 Encourage Self-Care

While practicing self-care is ultimately the responsibility of the employee, organisations should make an active effort to encourage employees to look after themselves. Employees should be reminded of the importance of their mental health, as well as their physical health. Managers should encourage employees to try and live their lives as normally as they can, by advocating for them to make time for exercise, get a good night's rest and encouraging them not to work outside key working hours.

If organisations want to take that extra step in encouraging self-care, organisations could consider sponsoring activities that employees could take part in, e.g. virtual yoga classes, or providing access to applications that offer services such as guided meditations.





5.9.4.3 Use Team Building

While the idea of team building activities may seem like a foreign concept during times where people are encouraged to social distance and stay at home, conducting virtual team events is a key way to lift employee morale and overcome issues such as loneliness during the pandemic. With the implementation of remote working, employees are no longer able to socialise as they would have in the office, which may cause them to feel disconnected from their team members. Conducting virtual team events, such as a weekly virtual happy hours or a virtual game days once a month, will provide employees with the platform to engage with each other on a more social level, thus allowing them to reduce stress and feel connected.

5.9.4.4 Encourage Employees to Take Time Off

As a result of the previous lockdown measures, travel being limited and people being encouraged to stay at home, employees may feel discouraged to take time off (i.e. annual leave). However, operating with increased stress will take a toll on your employees. It is therefore important that employers encourage employees to continue to take leave as they would normally, to provide them with time to rest and rejuvenate. A key aspect of this is ensuring that if someone wants to take leave, they are not shamed for doing so. This will promote an environment in which employees feel comfortable asking for what they need to take care of themselves.

5.9.4.5 Provide Employees with "Bigger Picture" Updates

As mentioned previously, the uncertainty surrounding COVID-19 and the future may be causing stress amongst your employees. To help overcome some of this uncertainty, and thus reduce stress, employers should consider providing employees with updates regarding how the business is coping under lockdown. Providing these updates may assist with employees feeling informed and more comfortable.

5.9.4.6 Adjust Employee Benefits to Account For COVID-19

Lastly, and probably most importantly, companies should take the time to re-evaluate and adjust the benefits they offer to employees to account for changes which have occurred as a result of COVID-19, for example, companies shifting to socially distant working.

5.9.5 Considerations and Guidelines for this Strategic Play

The following considerations and guidelines should prove useful in applying the Employee Welfare Play to your organisation:

- Keep in mind what you are trying to achieve with your employee welfare policy (i.e. increased employee wellbeing, morale and improved mental health) and use these objectives to guide you in decisions made. Another important thing to keep in mind is budget. Many companies are struggling as a result of COVID-19 and thus may not have the cash flow to drastically change employee benefits – your company should look to do what it can with the budget that it has
- Talk to your employees about what issues they are currently facing and what they would like the company to offer – aligning the benefits offered to the needs of your employees is key





5.10 Play 5: Increased Access to Inputs

5.10.1 Definition and Concept

Supply chains and manufacturers across the world have been affected by the various restrictions imposed by governments in an attempt to curb the spread of COVID-19. Initial restrictions implemented resulted in the shutdown of entire sectors in the economy. Other restrictions imposed have resulted in the closing of borders, thus limiting the movement of goods. These restrictions have reduced the availability of raw materials and products, thus generating the need for businesses to assess what other means are available to access the required inputs.

What does increased access to inputs mean in the COVID-19 context?

Increased access to inputs means finding alternative ways of accessing the raw materials, products or other inputs your company needs to continue operating effectively during the COVID-19 pandemic. The need for increased access to inputs stems from the reduced availability of products, as a result of restrictions imposed by government and the changes in business environment.

Key obstructions limiting business' access to inputs include shortages of raw materials, delays in the production of raw materials, limitations imposed on the movement of goods (shipping disruptions, the ban on interprovincial and international travel) and uncertainty about future volumes¹²⁷.

Although supply chain disruptions and challenges related to accessing raw materials is not new, very few organisations have experienced disruptions as severe as the disruptions that have been caused by the COVID-19 pandemic. Locally, we can see these impacts daily, from the wine you can no longer find at your grocer, or that brand of wet wipes/tissues you want. The latest casualty is smartphones.

Case Study: Smartphone Shortage

Not even Apple or Samsung are safe from global supply chain disruptions, despite having parallel supply chains. Global supply chains have shown their cracks and vulnerabilities after being exposed to lockdowns causing reduced capacity of suppliers, suspension of air and ship freight and lengthy chains to avoid tariffs.

Both Vodacom and Cell C have admitted to Apple supply shortages, with MTN denying shortages¹²⁸. Cell C seems the worst affected with products from the Samsung, Huawei and LG lines also being impacted.

The key question that needs to be answered is, what can your business do to ensure it has access to the inputs that it requires to continue operating effectively and what can you do to overcome this lack of access?

¹²⁸ Some iPhones are now hard to get in SA as a global smartphone shortage hits; Business Insider SA; 31 Jul. 20



¹²⁷ https://www.sdcexec.com/risk-compliance/article/21129428/covid19-and-the-global-supply-chain



A key element of the Increased Access to Inputs Play is providing further detail regarding the strategies that businesses can adopt to overcome these disruptions in the supply of goods and ensure they are able to gain access to the inputs they require.

5.10.2 When is this Strategic Play Relevant?

The Increased Access to Inputs Play is relevant to any organisation whose access to raw materials or supply of products has been disrupted as a result of the disruptions in supply chains due to regulations implemented to curb the spread of COVID-19. This Play is especially relevant to those companies who rely on a single supplier that may have been hit hard by COVID-19 and forced to shut down, or those companies who rely on the supply of goods from a single location that was also hit hard by COVID-19.

5.10.3 Key Benefits and Outcomes for this Strategic Play

Implementing the strategies proposed in this Play will help your firm to realise the following benefits:

- Assist your organisation overcome any barriers it may be facing in terms of accessing inputs;
- Help your organisation find cheaper or more efficient sources of supply, which may allow your business to benefit from cost savings; and
- Help your organisation to navigate the supply chain disruptions caused by COVID-19 and be prepared for any other future disruptions that may occur.

5.10.4 What to Do (and how to do it) for this Strategic Play

The disruptions in supply chains across the world have limited organisations' access to the inputs they require to continue operating effectively. The following sub-sections outline key strategies that businesses can consider implementing to either increase their access to inputs or to help them overcome the lack of access.

5.10.4.1 Strategies to Increase Access

The following sub-sections outline key strategies that may assist with increasing access to inputs.

Case Study: Artificial Intelligence (AI) predictive benefits

Canadian Tire Retail, which, despite its name, is one of Canada's largest retail chain stores, selling everything from clothes to garden equipment. Its AI platform from ThoughtSpot Inc. was able to help the company to navigate the economic disruption caused by the pandemic by managing inventory and spotting demand and supply trends.

Installing the platform was difficult; with disparate data sources and large volumes of sales data, margins and stock/inventory information. But now the data and technical specialists are gone and employees can source info as needed via text or voice.

The AI picked up recent positive trends in the boom of bicycle sales and exercise equipment. This allowed the company to quickly redeploy inventory as needed. Throughout the pandemic the company has been able to respond to trends and shift inventory accordingly.





Al can assist retailers with demand planning, inventory management, supply-chain optimization and marketing. In the current turbulent pandemic environment Al provides insights all supply-challenged organisations can use.

5.10.4.1.1 Supply Chain Diversification

Supply chain diversification refers to the practice of expanding your supply chain to source inputs from more than one geographic location or from more than one supplier. Supply chain diversification allows companies to overcome the risks associated with 'putting all their eggs in one basket', i.e. relying solely on one supplier or one geographic location. It is anticipated that, as a result of COVID-19 and the impact it has had on global supply chains, many companies will look to diversify their supply chains.

When diversifying your supply chain, the following five steps should be followed¹²⁹:

- Step 1: Assess the Situation: To assess the situation you need to assess two key things, the product and the market. When assessing the product it is important to understand what specifications the product needs to meet and how the product is made. When assessing the market you should focus on potential supply chain bottlenecks, price fluctuations, capacity constraints. The information gathered will be used to determine your diversification strategy
- Step 2: Develop Goals and Strategy: These goals and strategies will outline what you are hoping to achieve with your supply chain diversification. When developing a strategy it is important to ask questions such as: what supply chain disruptions are most likely to occur? Who are the critical suppliers to this product? Which items have the longest lead times? Which parts of the products are the most unique? Asking these questions should help decide which parts of the supply chain are the most important to diversify.
- Step 3: Identify Suppliers: Once you have a clear idea of what you are hoping to achieve through your supply chain diversification strategy, the next step will be to identify the suppliers that will help you achieve the goals outlined in step 2. A roster of local suppliers should be developed. This will allow you to refer to it easily should you need to identify further suppliers in the future
- Step 4: Select Suppliers: Once you have a list of potential suppliers that meet your needs, the next step will involve narrowing it down and selecting the ideal candidates. The ideal candidates will be those which are the best fit for the product you require and that meet all the requirements of your diversification strategy
- Step 5: Adjust Operations: Lastly, you will need to adjust your operations to account for your new diversification strategy.

While supply chain diversification may assist organisations increase their access to inputs, it is important that organisations don't over-diversify (i.e. don't rely on too many suppliers or geographic locations).

¹²⁹ Industry Star, "How to Execute Supplier Diversification in 5 Easy Steps" (2020), Available At: https://www.industrystar.com/blog/2020/06/supplier-diversification-5-easy-steps/





5.10.4.1.2 Inventory Management Strategies

To help reduce your organisation's dependence on suppliers and decrease the impact of supply chain disruptions moving forward, you should consider stockpiling inventory or increasing quantities per order. Maintaining a higher than usual level of inventory will mean that you should not need to order inventory as frequently, which means you should not be as affected by supply chain disruptions. Before implementing this strategy, it will be important to assess whether the input you are ordering is something that can be stored for longer periods of time and whether you have the ability to store the inventory correctly.

Additionally, your organisation should consider relooking its strategy for ordering inventory, focussing specifically on what triggers an order. To help overcome potential delays, your organisation should consider placing an order sooner than would usually be the case.

5.10.4.1.3 Bulk Purchase Collaboration

As suggested above, organisations could consider increasing the quantity of product per order. However, organisations struggling with cash flow may struggle to place larger orders. To overcome this, organisations may consider collaboration. Collaborating with other organisations will allow all organisations to place orders larger than they would be able to on their own, allowing them to benefit from the cost savings associated with bulk purchasing.

5.10.4.1.4 Communicate

Communicating regularly with your suppliers will allow you to understand key matters such as: how you and your company will be treated in terms of product allocation, should the supplier encounter capacity issues. It will also allow you to understand at what capacity the supplier is currently operating and what issues they may be encountering. Understanding this will allow your organisation to adjust its purchasing strategy accordingly, to account for any issues and delays the supplier may indicate they are experiencing.

5.10.4.2 Strategies to Overcome Lack of Access

In the event of that organisations are unable to implement the above strategies to help increase access to inputs, organisations can consider implementing strategies that will help them overcome the supply shortages. A key strategy here is product prioritisation, explained in further detail below.

5.10.4.2.1 Product Prioritisation

Product prioritisation entails placing a focus on those products which you currently still have inventory for or are able to easily access inventory for and are therefore able to continue producing. To help with this strategy, companies can consider implementing a switching strategy, whereby they encourage customers to purchase those products where supply is not currently limited. This encouragement can be in the form of incentive strategies such as temporary discounts¹³⁰.

¹³⁰ Industry Star, "5 Strategies to Protect Against Supply Chain Disruption", (2020), Available At: https://www.industrystar.com/blog/2017/08/5-strategies-protect-against-supply-chain-disruption/





5.10.5 Considerations and Guidelines for this Strategic Play

The following considerations and guidelines should prove useful in applying the Increased Access to Inputs Strategic Play to your organisation:

- Alongside the benefits it offers, supplier diversification also carries a few risks. It
 is critical that you consider both the benefits and the risks before deciding
 whether to pursue this strategy
- For further ideas on how to increase your access to inputs, consult case studies (the ones in this document and others), look to advances in enabling technology and strategies implemented in other sectors that could work in yours
- When implementing these strategies it is important to remember that supply chain disruptions will not go away with COVID-19, establishing sustainable supply chain risk management programmes should also be a focus of your organisation





5.11 Play 6a: Sacrificing Profits for Increased Sales

5.11.1 Definition and Concept

What does Sacrificing Profits for Increased Sales mean in the COVID-19 context?

When certain driving factors have a negative impact on the sales volumes of a business, pricing is one of the strategic levers that can be employed to mitigate the risk of decreasing sales and ensure cashflow.

The COVID-19 pandemic has caused a massive shock on the national and global economy, resulting in sharp drops in demand and major disruptions in global and local supply chains. With most businesses currently in survival mode, price adjustments, particularly reductions, are a necessary step to increase chances of stable sales which provide the needed cashflow for survival.

The aim of this play is to illustrate how a business can navigate a harsh market and survive through leveraging strategic pricing that is focused on increasing sales. A business' survival often depends on cashflow, which mostly comes from sales. Therefore, it is necessary for businesses to adopt and adapt strategies that can cause an upturn in the volume of sales and thus, improve cashflow. While price reductions may mean reduced, or in some instances, no profits, it may be better to have sales and cashflow, thus enabling the business to survive for the short term until the market stabilises and prices can be readjusted.

5.11.2 When is this Strategic Play Relevant?

Not all businesses need to reduce their product prices or adjust their pricing strategy as COVID-19 has had a varying impact on businesses. Beyond the pandemic however, temporary price reduction, and ultimately sacrificing profits for increasing sales, is relevant for:

- 1. Businesses experiencing a drop in sales due to declining demand;
- 2. Businesses struggling to gain market share or looking to grow market share; and
- 3. Businesses whose production costs have dropped¹³¹.

5.11.3 Key Benefits and Outcomes for this Strategic Play

Reducing prices has the following benefits:

- More People Will Buy You will attract more buyers. There are people who will buy at a lower price point that would not buy at a higher price point.
- Helps Launch New Product Lines -Lowering prices of new products or even existing products can help launch new product lines. For example, when Samsung launches a new smartphone, they almost always lower the price of the old phones. This helps purge old inventory, while promoting new products as better and more innovative.
- It can create a quick burst of sales during slow times Looking at the current market, many consumers are tightening their purse strings and avoiding

¹³¹ When and How to Adjust the Price of Your Product or Service; FrogDog; 8 October 2019





purchases that are not considered urgent, necessary, and essential. Cutting prices can cause a rush of purchases as people look to take advantage of the discounted prices before things go back to 'normal'.

- It can temporarily improve cash flow Lower prices can help businesses stay afloat in this difficult period by improving the cashflow. As mentioned above, it is better to have cashflow than to shut down.
- It is a simple way to get rid of excess inventory or discontinued items Inventory
 is money that is stuck in a product that a business cannot use. Reducing prices
 of excess inventory or discontinued products can provide an extra amount of
 needed cashflow.

Case Study: Go simpler and smaller

Georgetown Insurance Service Inc., an insurance agency in the US used to focus on selling large, complex policies to building contractors, manufacturers, and wholesalers. Their business faced huge challenges from the social distancing introduced by COVID-19. In-person meetings were banned and some insurers were not sending out assessors. So, they changed focus to smaller, commoditized policies which they had authority/ mandates on.¹³²

The approach seems to be working, with both sales and profitability increasing.

5.11.4 What to do (and how to do it) for this Strategic Play

This section provides steps on what and how to do it for this play to meet the intended outcome; increasing sales to improve cashflow:

- Step 1: Determine your business goals;
- Step 2: Conduct a pricing analysis;
- Step 3: Analyse your target market;
- Step 4: Know your competitive landscape; and
- Step 5: Create execution plan.

5.11.4.1 Step 1: Determining your Business Goals

It is important to ensure that there is clarity on business goals. In this case, the goal would be to improve cashflow, thus ensuring the survival of the business beyond COVID19. This can be done by increasing sales (the focus of this Strategic Play), discounts applied to early settlement of client accounts, or external funding (the focus of a different Strategic Play).

5.11.4.2 Step 2: Conducting a Pricing Analysis

It is important to not get caught in the cashflow trap. This is where you decrease your prices too much, and even though sales may increase, your mark-ups are simply too low to cover necessary expenses. A business needs to understand what price point

¹³² COVID-19 Shuttered More Than 1 Million Small Businesses. Here Is How Five Survived.; Wall Street Journal; 1 Aug. 20





they would be comfortable going to, and not go lower than that. This is not a "race to the bottom" but rather a carefully crafted strategy to ensure short-term survival.

5.11.4.3 Step 3: Analyse your Target Market

This step enables you to answer why, what, and how customers will use your product or service based on their specific and urgent needs. Customers have a subjective measure of value when deciding to buy a product or not. When determining the price-value balance, questions to consider include the following: 133

- What perceived and real value does my product or service bring to the customer?
- What is the task they are facing?
- How does my product or service ease the pain associated with this task?
- What does my customer have to gain by using my product or service?

A company's pricing model and promotional campaigns must align with why your customer would buy your product.

5.11.4.4 Step 4: Know your Competitive Landscape

The pricing model and price point of your competitors are significant pricing strategy influencers. Competitive analysis is an important aspect to consider when deciding what pricing strategy to implement. A thorough analysis of competitors can show you unexplored markets, or better approaches to segmentation and unserved niches and needs that your business and products can serve.

This step ensures that your pricing strategy considers the context of the market in which your product or service will compete. You need to understand what your competitors are doing, and what price the market will find attractive.

5.11.4.5 Step 5: Creating an Execution Plan

The final step is to implement and follow up the decision to adjust pricing. Once the new prices are set, you need to leverage the newly discovered value of the company's products and/or services.

The decision to change price is not enough – effective implementation is key. ¹³⁴ A few guidelines can ensure that the price orientation matches the price realisation:

- Communicate value. The company will gain a better understanding of its own
 value proposition when it analyses the key attributes of its consumers. What
 emerges from that stage should be constantly communicated to the
 consumer. This is particularly significant when the clients are corporates whose
 purchasing departments must justify expenditures: they must be able to explain
 the value they are getting.
- Company effort. Having the support of all stakeholders in the organisation helps make better decisions. Also, technical developers and sales managers can provide useful, if not critical, insights on value since they are the ones dealing directly with the product and the customers.

¹³⁴ How to get your pricing strategy right and increase business profitability; ICAEW; 2020



^{133 5} Easy Steps to Creating the Right Pricing Strategy; Inc.; 25 September 2015



- **Pricing rules**. Those responsible for the change must make sure there will not be deviations from list prices, unless specified and for given order sizes.
- **Negotiation and value communication**. Companies that champion price reduction tend to have a sales team that fully know why the price reflects the value the company is delivering, and is able to communicate this fact, escaping the downward spiral of negotiating any further price reductions.

5.11.5 Considerations and Guidelines for this Strategic Play

The considerations and guidelines listed below will assist businesses looking to implement the Sacrificing Profits for Increased Sales Strategic Play.

- Do extensive market research. It is crucial to continuously look at what clients want, what other businesses are charging for similar products, how much production costs have changed and in what ways can production costs be reduced
- 2. Stay competitive. COVID19 has had a gross negative impact on the economy locally and globally but many companies are finding ways of leveraging resources at their disposal to remain relevant in a crippled market. Reducing pricing does not excuse businesses from offering high quality products and services.
- 3. Consider the possibility of increasing the volume of goods to improve your probability of staying profitable. Price reductions can result in higher demand for products, offering companies an opportunity to continue making profits or at least negate the possibility of lower profits brought about by price reduction.
- 4. Collaborating with other companies can improve sales in this period. As many companies are facing declining demand for products, there is an opportunity for businesses to form temporary partnerships that leverage the organisation's capabilities to produce products and service that can guarantee sales for all parties involved.
- 5. Bear in mind that you will need to increase prices once the market stabilises. Therefore, it may be wise to position price decreases as promotions or temporary discounts. This will ensure clients to not expect prices to remain low in perpetuity. It may also convince clients to make purchases while the promotion applies.
- 6. You may consider allowing discounts for clients who settle their accounts early, if this applies.





5.12 Play 6b: Accessing Funding

This section provides an outline of relief funding that may be appropriate for your organisation. It is not an exhaustive list – more a reasonable starting point for the business owner or manager wanting to better understand the basics of the relief funding landscape.

5.12.1 When Should Businesses Start Thinking of Applying for COVID-19 Relief Funds?

COVID-19 has impacted businesses of all sizes, across all sectors. There are various responses that may be implemented by different companies (which are documented in this Playbook). However, one of the key responses that government, civil society and big corporates globally have availed is relief funding. Relief funding covers an array of areas, such as:

- Providing funds for operational and fixed costs;
- Providing funds for paying salaries;
- Buying stock/material or paying suppliers; and
- Tax relief.

When companies struggle with the abovementioned areas and do not have any other additional finances, they should consider applying for relief funds. Nadine Chetty, a co-founder at E-comm Accounting Solutions and Intuit QuickBooks trainer, advises business owners to consider two important actions when accessing relief funds. "Firstly, small businesses need to be tax compliant. If they are compliant, business owners need to register on www.smmesa.gov.za to take advantage of these opportunities,". "If you don't have these, you will need to get them up to date as soon as possible." 135

It is also important for businesses to carefully select what kind of relief would be best for the business itself in the long run. The table below provides an overview of some of the relief funding options available.

5.12.2 Relief Funds

#	Fund	Description	Eligibility Criteria
1	Sanlam Investors Legacy Fund	Provides minimum funding of R20 million, strictly aimed at commercially viable businesses which have struggled to access relief funding during lockdown, without which they would struggle to recover after the pandemic. These are businesses which have a strong likelihood of producing sustainable	 Have ownership of the business Have been trading for at least 3 years Proof of profitability pre-COVID-19

¹³⁵ COVID-19 Impact: How SMEs can access relief packages, BR Correspondent [Accessed: 01 September 2020]





#	Fund	Description	Eligibility Criteria
		cashflows post-pandemic, should they secure the required funding.	
2	Small, Medium and Micro- business South African (SMMESA) Fund	Up to R 500 000 soft loan at an interest rate of prime less 5%	 Business must be classified as either a small, micro or medium enterprise 100% owned by South African citizens 70% of employees must be South African SARS registered and tax compliant UIF compliant Registered on the National SMME database (www.smmesa.gov.za)
3	Business growth strategy	A long-term relief option for entities that produce/supply health care and related products that will be utilised to combat the spread of COVID-19, as well as the local production/supply of essential goods that will be required by the country stemming from a shortage due to the COVID-19 pandemic	 Businesses geared to take advantage of supply opportunities resulting from the Coronavirus pandemic or shortage of essential goods in the local market 100% owned by South African citizens 70% of employees must be South African SARS registered and tax compliant UIF compliant; and Registered on the National SMME database (www.smmesa.gov.za).
4	SMME relief finance	This funding option is to assist small and medium businesses continue with their operations and retain jobs by providing working capital and other assistance. Businesses may apply for financial or non-financial assistance in order to meet employee, supplier and overhead obligations. This is a soft loan package over a 6-month term from April 2020	 The business must be classified as either a small, micro or medium enterprise (as per schedule 1 of The National Small Enterprise Act) The business must have been affected by the COVID-19 pandemic The business must have been registered with CIPC by at least 28 February 2020 100% owned by South African citizens 70% of employees must be South African SARS registered and tax compliant UIF compliant





#	Fund	Description	Eligibility Criteria
			Registered on the National SMME database (www.smmesa.gov.za)
5	Restructuring of SEFA-funded SMMEs	A payment moratorium/holiday is being granted to SEFA funded SMMEs that are negatively impacted by COVID-19 pandemic. This payment moratorium is limited to the following industries:	Please contact your PKF representative or PKF member firm for more information.
		Retail, wholesale and tourism industry	
		Production industryAgriculture industry	
		Construction industry	
		Mining industry	
6	Unemployment Insurance Fund (UIF) Temporary Employer Relief Scheme (TERS) Relief	A benefit to employees whose income has been impacted due to the COVID-19 pandemic.	 Employers are to make an application on behalf of their employees through the dedicated UIF TERS portal (https://uifecc.labour.gov.za/covid19/) All you require is your Department of Labour UIF reference number to register on the portal.
7	National Empowerment Fund (NEF) Support	R200m in loans available for black entrepreneurs to manufacture and supply a range of medical products, including medical masks, sanitisers, dispensers and related healthcare products to support the healthcare sector during the COVID-19 crisis.	 The requirements to qualify are, inter alia, that the business: is a registered legal entity in South Africa in terms of the Companies Act, 2008 (as amended); the Close Corporations Act, 1984 or the Cooperatives Act, 2005; is a taxpayer in good standing with a valid tax clearance certificate at assessment as well as before the loan is disbursed; is a current and registered supplier with retailers and other institutions in good standing or have a purchase order/contract/letter of intent; has greater than 50% Black shareholding and management control;





#	Fund	Description	Eligibility Criteria
			 has a project with a minimum requirement of R500,000 in working capital, machinery and equipment;
			 must be directly involved in the day-to- day running of the operation and must have requisite expertise in the sector; and
			is owned by black South Africans as defined by the Broad-Based Black Economic Empowerment (B-BBEE) Act.
8	COVID-19 Small Industrial Finance Distress Fund	The IDC established a R300m fund to assist qualifying clients and new clients, that have been negatively affected by COVID-19. The fund offers concessionary finance to cover their short-term operating costs in the following sectors:	 It is an existing small business with a trading history of more than 12 months
			Its annual turnover/revenue does not exceed R50-million
			It is a registered business operating within the borders of South Africa
			 It has a business plan showing a clear turnaround strategy within the next 12 to 24 months
		 Agro-processing and agriculture 	Apply online at www.idc.co.za or contact your nearest regional office.
		 Chemicals, plastics and medical products 	-
		 Industrial mineral products 	
		 Clothing and textiles 	
		 Wood and furniture products 	
		 Automotive and transportation 	
		 Machinery and equipment 	
		• Electronics	
		 Energy and infrastructure 	
		• Tourism	
		Basic metal producers	
9	Oppenheimer Fund	The South African Future Trust (SAFT) has pledged a billion rand to fight COVID- 19 and help employers	For SMEs: • Annual turnover below R25m





#	Fund	Description	Eligibility Criteria
		and employees in SMME's. It will transfer funds to employers through interest free loans and plans to stimulate economic growth after the crisis. Business owners can apply to access the fund via the country's four main banks, the trust will disburse interest-free loans to employers, repayable over a five-year term.	 Must have been trading for at least 24 months It must have been a sustainable business at 29 February 2020 It must have been adversely affected by the COVID-19 outbreak
10	Spaza Support Scheme: Nedbank & Department of Small Business Development	Enterprise Finance Agency's (SEFA) Khula Credit Guarantee Scheme. The scheme allows qualifying spaza shops and general dealers to enjoy discounted prices when they purchase a basket of pre-approved goods from selected wholesalers, using the card. The card has been pre-funded up to an amount of R3 500. These bulk-buying deals have been negotiated by the Department of Small Business Development.	 Valid SA ID Registered with CIPC, SARS & UIF Proof of banking Registered with www.smmesa.gov.za Have a valid trade permit / Apply at local municipality Commit to stock products manufactured by SMMEs Commit to submit monthly management accounts post-investments
11	MCEP COVID- 19 Programme	MCEP funding can be standalone or blended with IDC. Limited to R30m per applicant in total. Priced at a fixed rate of 2.5% per annum. Maximum term is 48 months, including moratorium. First drawdown must occur within one month from approval date. Raising and commitment fees are excluded.	 Companies that manufacture and provide essential supplies and have been existence for more than 1 year. Valid contract/purchase order or letter of intent. Companies with BBBEE Level 4 will be encouraged.





5.13 Play 7: Longer Term Brand Building

5.13.1 Definition and Concept

What does Longer Term Brand Building mean in the COVID-19 context?

The Merriam Webster dictionary defines brand building as "the activities associated with establishing and promoting a brand".

The definition applies equally well during COVID-19 as outside of the pandemic. In the COVID-19 context though, it is even more important to understand the negative impact that hastily taken decisions can have on an organisations brand. Similarly, the importance of doing the right thing to preserve and strengthen the positives aspects of your brand.

Interestingly, COVID-19 has provided various opportunities for brand protection and brand building. As indicated in the definition above the converse, with regard to brand degradation, also applies.

While this section focusses on external brand building, the Employee Welfare Strategic Play brings in the perspective on how to protect and build your brand within your organisation.

Case Study: A Cup of Rooibos, to keep you going

In an act of altruism, the Rooibos Industry has donated thousands of teabags to the hardworking, selfless frontline workers in Gauteng at designated COVID treatment hospitals. Hospitals in KZN and Cape Town were also gifted with teabags to raise their spirits¹³⁶.

5.13.2 When is this Strategic Play Relevant?

You probably want to strengthen your brand whenever the opportunity presents itself, and in any time of crisis, COVID-19 included, instances will arise where you can build or erode your brand. During COVID-19 the opportunities to strengthen your brand will be numerous, linking either to the opportunity to show a kindness to people or organisations in need, or in applying this philosophy within your company.

5.13.3 Key Benefits and Outcomes for this Strategic Play

Doing the right thing to sustain and strengthen your brand, as opposed to eroding it, has the following benefits:

- Brand loyalty people will remember your generosity, or lack thereof
- Increased brand recognition
- Reduction in cost to acquire new customers
- Increase in perceived value

^{136 #}Frontline Workers: Rooibos industry donates over 20 000 cups of tea; www.boksburgadvetiser.co.za; 29 Aug. 20





5.13.4 What to Do (and how to do it) for this Strategic Play

Whether through donations of resources, or helping your community or launching a new brand (in line with a 2009 study that found more than half of the companies on the 2009 Fortune 500 list were launched during a recession or bear market¹³⁷); COVID-19 presents unique opportunities to build your brand.

Case Study: Help in ways unique to you

Redshift, the Johannesburg based start-up and website developer has launched its Local Store Connector platform to help shoppers connect with Spaza shops. Spaza shops can list themselves on the site and accept orders from shoppers. The start-up was founded in April 2020 and launched with seed funding from the FinMark Trust. By March 80+ stores had registered with thousands more expected¹³⁸.

The site is located at https://redshift.site/connector/welcome/

It goes without saying that sincere, genuine efforts in providing assistance are the ones that will provide the best opportunities to strengthen your brand. To provide assistance you will need resources that you can leverage. While those that have the funds to spare will have quite a lot of flexibility with regard to which causes to support, and how, those organisations with more limited resources will need to be more creative. Should you have nothing else to share, your time and that of your employees will certainly be appreciated, possibly more than a donation itself would.

Case Study: Be a good corporate citizen - customers notice!

Alibaba subsidiary Freshippo (Hema in Chinese) partnered with restaurants to leverage under-utilised employees to assist with grocery delivery. This strategy worked so well that it was also adopted by competitors¹³⁹.

In addition to its donation to Wuhan relief efforts in China and other countries around the globe Alibaba is also helping retailers move into eCommerce by waiving merchant fees - despite the cost to the company.

In stark contrast to Alibaba, Amazon's image has taken a beating; with employees protesting over pay, sick leave and working conditions; supply chain challenges and Prime delivery delays on non-essential items.

Despite Amazons attempts to improve its image by donating to coronavirus relief efforts (though not as much as Alibaba), hiring more workers and a possible pay hike; people remain distrustful of the behemoth that is perceived as having a profits-first focus.

Your best bet in building your brand during these difficult times will be to be aware of opportunities to provide assistance. You will naturally need to keep an eye on the associated costs and avoid falling foul of trying to save other organisations at the

¹³⁹ The Big Pivot ... How are companies shifting what they do, how they work, who they serve? ... 100s of inspirations to survive and thrive in crisis and downturn; www.geniusworks.com; April 21, 2020



¹³⁷ Top Companies Started During A Recession; Huffington Post; 11 Aug, 20

¹³⁸ COVID-19 and African tech startups roundup; www.ventureburn.co.za; 21 Apr 20



expense of your own. Should an opportunity to assist present itself you will know what to do. Also, very importantly, be careful of the impacts rash and opportunistic decisions may have on others – this will likely have a negative impact on your brand in the long term.

5.13.5 Considerations and Guidelines for this Strategic Play

The following considerations and guidelines should prove useful in applying the Long Term Brand Building Strategic Play to your organisation:

- In times of crisis, what your organisation does and does not do will leaving lasting impressions on your clients, suppliers and other stakeholders. It is therefore critically important that you avoid rash and short-sighted decisions that harm your employees or other stakeholders; and damage your brand.
- Conversely acts of kindness and support that your organisation's resources allow for, will certainly be well received if it is rendered with sincerity and good intentions. Such acts will sustain and enhance positive aspects of your brand.
- Benefits from the above-mentioned acts of benevolence and philanthropy will likely be hard to measure; bearing fruit in the longer term.

Case Study: Support where it's needed

Old Mutual in KZN knew they wanted to help the province in its fight against COVID-19, so they approached the Premier's Office to see where they could help¹⁴⁰.

Together with the Office of the Premier and Disaster Management Office they supplied PPE to the SAPS and the SA Local Government Association. To help with food security they donated food parcels to vulnerable woman/ children and food vouchers to the Thandanani Children's Foundation and Food Forward SA. They also contributed to SAPS Education Trust's "Widows and Orphans Fund" initiative.

 $^{^{140}}$ Spirit of collaboration will lift South Africa up, says Old Mutual; IOL;31 Aug. 20





5.14 Play 8: Fast-tracking Catalytic Change

5.14.1 Definition and Concept

It is said that necessity is the mother of all invention. Like the authors, you may also have heard someone remark on how remote working has forced them to be more au fait with technology. Baby boomers in particular; becoming handy with the WIFI router, Zoom and online recordings.

The necessity of having to deal with the impacts of COVID-19 could provide the impetus to introduce strategic change that has been waiting on the back-burner. eCommerce is a good example. Brick and mortar retailers have long anticipated the move towards online shopping. Lockdown restrictions and the risks associated with instore purchases have increased the take-up of online shopping; providing retailers with the motivation to speed up the introduction of these strategic changes.

What does Fast-tracking catalytic change mean?

According to www.vocabulary.com: "A catalyst is an event or person causing a change. The noun catalyst is something or someone that causes a change and is derived from the Greek word katalúein, meaning "to dissolve."

So, this play really relates to introducing a product or offering or strategy sooner than originally planned, to take advantage of favourable prevailing conditions.

Case Study: Loreal SA and augmented reality (Augmented Reality)

Loreal SA, has hastened the development of an augmented reality tool (AR), so customers can visualise makeup colours using their phone cameras instead of trying it on. Customers visiting Heathrow airport are able scan bar codes on products and try them on via AR¹⁴¹.

5.14.2 When is this Strategic Play Relevant?

When your business needs to pivot to changing circumstances - not just the current pandemic; this play will apply. It is applicable to a host of changes whether they are strategic or product related. The typical applicable scenario will be where changing circumstances introduce conditions that favour early implementation of a forward looking change that your organisation had planned for down the line.

5.14.3 Key Benefits and Outcomes for this Strategic Play

Change benefits realised earlier than planned; and greater support for the change given the more immediate need.

¹⁴¹ Airport Shopping Has Been on a Tear for Years. Now What?; Wall Street Journal; 29 Aug. 20





Case Study: Launching early, mid pandemic

The plan was to launch a grocery delivery service to office parks in May, with the idea of delivering to homes later. The lockdown forced a change to an earlier launch date for residential customers instead.

They started deliveries in Linden and surrounds (an area in Joburg) and now partner with Uber Eats for more extensive coverage.

This started as a small initiative thought up by a sports broadcaster and a husband (a wholesaler) who happens to supply Spar and Pick 'n Pay with fresh fruit and veg. It started with the wife doing deliveries herself and now it's grown into a successful business¹⁴².

5.14.4 What to Do (and how to do it) for this Strategic Play

There is no structured approach for this Strategic Play. As a business owner or manager you simply need to keep your ear to the ground and your eyes open, so should COVID-19 circumstances favour a change you have planned for the future, that you then identify the opportunity for early implementation.

Case Study: Bringing it forward (Product Shift)

Eden Park Illumination, which pre-COVID used to produce one product to determine if diamonds were fake, changed focus to a new product they were only going to develop two years down the line. This product disinfects crowded spaces, a hit given the current pandemic. The company is now profitable and 10 times bigger in terms of sales¹⁴³.

¹⁴³ COVID-19 Shuttered More Than 1 Million Small Businesses. Here Is How Five Survive; Wall Street Journal, 1 Aug. 20



¹⁴² Tree Sweets app fills gap of online grocery delivery services; The Citizen, 14 Apr. 20



5.15 Play 9: Collaboration

5.15.1 Definition and Concept

What does Collaboration mean in the COVID-19 context?

The Wikipedia defines Collaboration as the "process of two or more people or organizations working together to complete a task or achieve a goal."

In light of the shortage of resources experienced by organisations dealing with the challenges introduced by COVID-19, it makes sense for organisations to enter into collaborative arrangements to leverage combined capabilities, thus accessing opportunities that may have been out of reach of the organisation on its own.

Interestingly, the pandemic has provided some interesting opportunities for collaboration between companies, as outlined below. Fate has even made long-time rivals collaborate as mentioned in the Roche Regeneron example below.

Case Study: Exchange employees, anyone?

During the pandemic large retailers such Amazon have required thousands of additional employees to keep up with demand, while hotels and airlines were letting tens of thousands of employees go. To combat this, 40 companies in China came together to create an employee exchange.

A group of hotels, restaurants, and cinema chains that had all taken a significant economic hit shared a large proportion of their staff with Hema, a supermarket chain owned by Alibaba that desperately needed help meeting demand for deliveries. While the ratio of employees needed to employees lost is not even, innovative strategies like this could help slow the bleeding 144"

With Roche also manufacturing, supplies will be 3.5 time greater than what Regeneron can produce. How many doses they can make will depend on dosage strength, and whether it's used for prevention or treatment¹⁴⁵.

5.15.2 When is this Strategic Play Relevant?

Collaboration makes sense when both parties gain from it. Typically the collaboration would involve each party contributing something to a business or offering that the other party is not able to provide on its own.

It also requires a level of maturity to realize that your company doesn't need to be the best at everything or the most cost effective at every step. Apple realized this when it set up an arrangement with Samsung (their rival) as a critical supplier of their phone screens.

¹⁴⁵ Regeneron Enlists Swiss Rival Roche to Help Make COVID-19 Drug; Wall Street Journal; 19 Aug. 20



¹⁴⁴ Six Forms of Business Innovation During the Coronavirus Crisis; Forbes, 7 April 20



5.15.3 Key Benefits and Outcomes for this Strategic Play

- Potential access to new markets
- Potential access to new revenue streams or growth of existing revenue streams
- Potential access to new technology/ strategies
- Potential increased knowledge
- Reduced costs, especially around R&D

Case Study: Completely unexpected-pharma rivals collaborate

We are living in very interesting times. Regeneron Pharmaceuticals Inc. is working on a promising COVID-19 vaccine. It's in clinical trials with initial results expected at the end of September. The drug combines two monoclonal antibodies that simulate the body's natural antibodies that fight viruses.

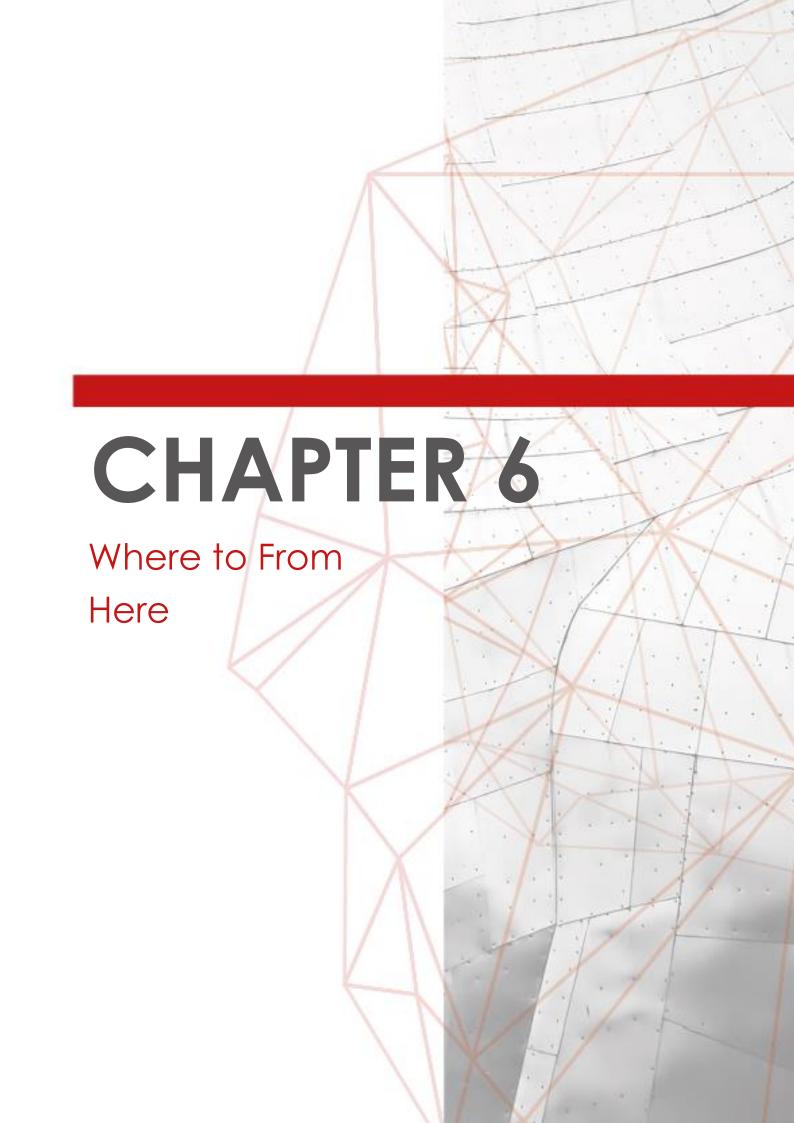
Regeneron has collaborated with rival Roche to help manufacture and provide distribution capacity pending approvals. Roche is one of the world's largest and most experienced makers of antibody drugs. Regeneron needed Roches expansive manufacturing capacity and global distribution capability. Under their agreement, Regeneron is responsible for pricing, distribution and regulatory approvals in the US; with Roche is responsible internationally. Each company will cover its own manufacturing and distribution cost; split profit with 50% to 60% going to Regeneron and jointly funding all future trials.

5.15.4 What to Do (and how to do it) for this Strategic Play

The following steps are proposed for the creation, review, pruning and reshaping of an organisation's potential collaborations:

- Step 1: Understand where you are lacking a capability or want
- Step 2: Brainstorm who could provide this capability;
- Step 3: Assess and shortlist potential partners;
- Step 4: Execute; and
- **Step 5**: Analyse effectiveness of collaboration and decide to continue or insource.







So where to from here? To determine your next steps, the question that you need to ask is, do I need assistance to help my organisation overcome the impact of COVID-19? If not, is there anything I can do to help those organisations that do need assistance?

If you have read this book and realised that you and your organisation are in need of some assistance to deal with the impact of COVID-19 on your organisation, you can contact the BeyondCOVID initiative via our website and select the option "How can I get involved?".

For those of you who do not need assistance, but are still interested in getting involved in the BeyondCOVID initiative, there are a number of ways in which you can do so. The BeyondCOVID initiative is looking for Industry Specialists, Partner Associations, Sponsors and Volunteers.

If you are an **Industry Specialist**, we encourage you to get involved in the Think Tanks and Panels that the BeyondCOVID initiative will be hosting. These platforms will provide business owners and managers with the opportunity to pose key questions that will help them effectively respond to COVID-19.

If you are an Industry Association, with large membership bases, we encourage you to become a **Partner Association**. By partnering with the BeyondCOVID initiative, you will receive access to data that will provide you with a better understanding of the impact of COVID-19 on your industry. With your assistance, the BeyondCOVID initiative will be able to distribute the survey to your members, allowing us to produce a more detailed view of the data set and an improved response to COVID-19. Please note, you will not be required to share your member database with us.

If you are part of an organisation that has developed a strong brand, we encourage you to become a **Sponsor** by lending your brand and providing funding to the initiative.

If you do not believe you fit into any of the above categories but are still looking to get involved, we encourage you to become a **Volunteer**. In terms of volunteers, we are looking for anyone who is willing to provide their time. We welcome any assistance you are able to provide, whether you are a graphic designer who can help us with our marketing initiatives, a project manager who can help us manage turnaround projects for organisations in distress, or a programmer who can help us develop applications to assist organisations, we will find a spot for you in our initiative.

To get involved, visit the BeyondCOVID website.

www.beyondcovid.co.za

We look forward to working with you to help organisations deal with the impact of COVID-19.

