



COVID 19 - Challenges and opportunities for Nigerian leaders

Presentation at the American Business Council (ABC) membership meeting

MARCH 31, 2020



**AMERICAN
BUSINESS COUNCIL**
Promoting Nigeria-America Economic
Partnership

Your Presenters



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Five objectives for the discussion

- 1 | Discuss the **infection trends** and likely **Nigeria path**
- 2 | Share emerging **BCG perspectives** on likely economic implication of ongoing pandemic
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- 4 | Discuss the required **private sector response**
- 5 | Discuss **business leaders preparedness** for post pandemic



The COVID-19 pandemic has spread across the world with severe human impact

As of 30 March 2020

198

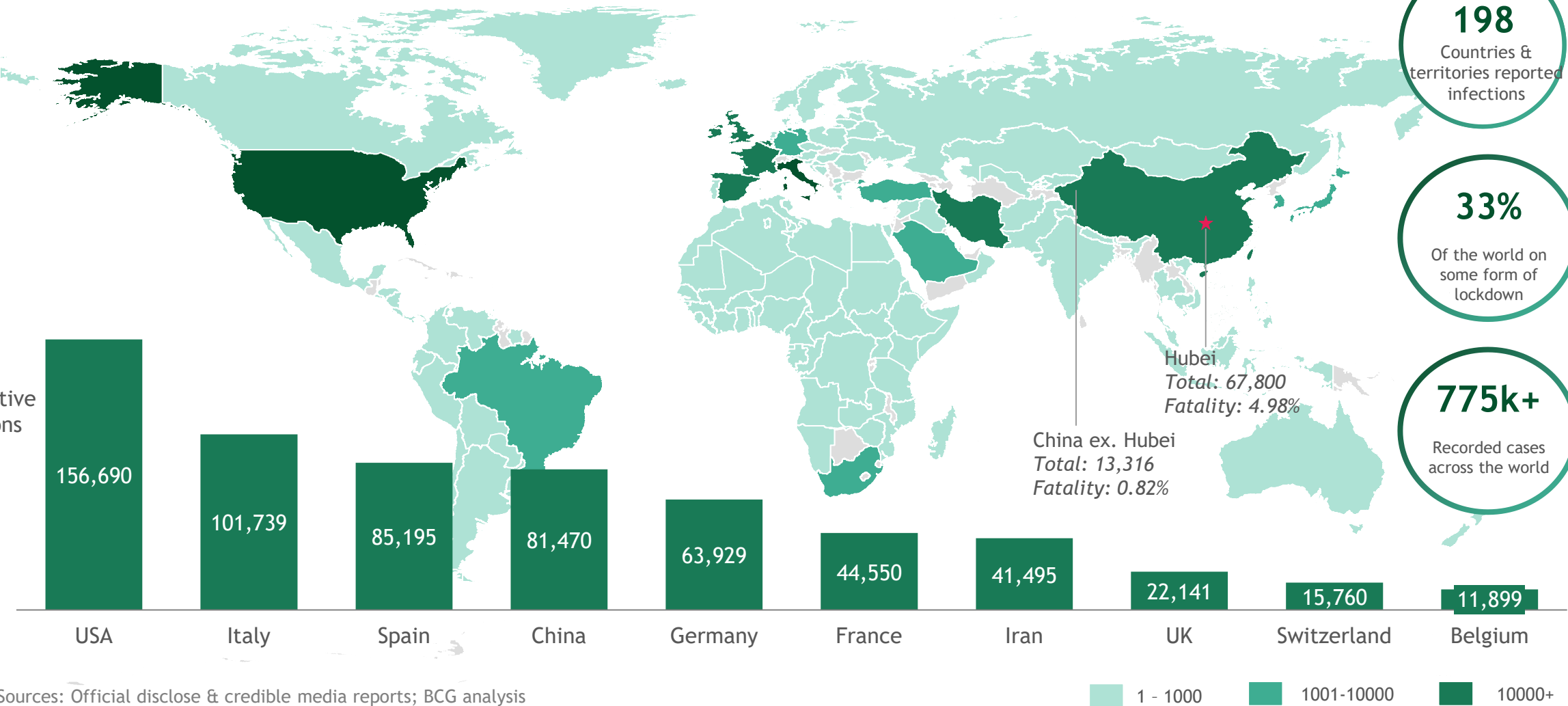
Countries & territories reported infections

33%

Of the world on some form of lockdown

775k+

Recorded cases across the world

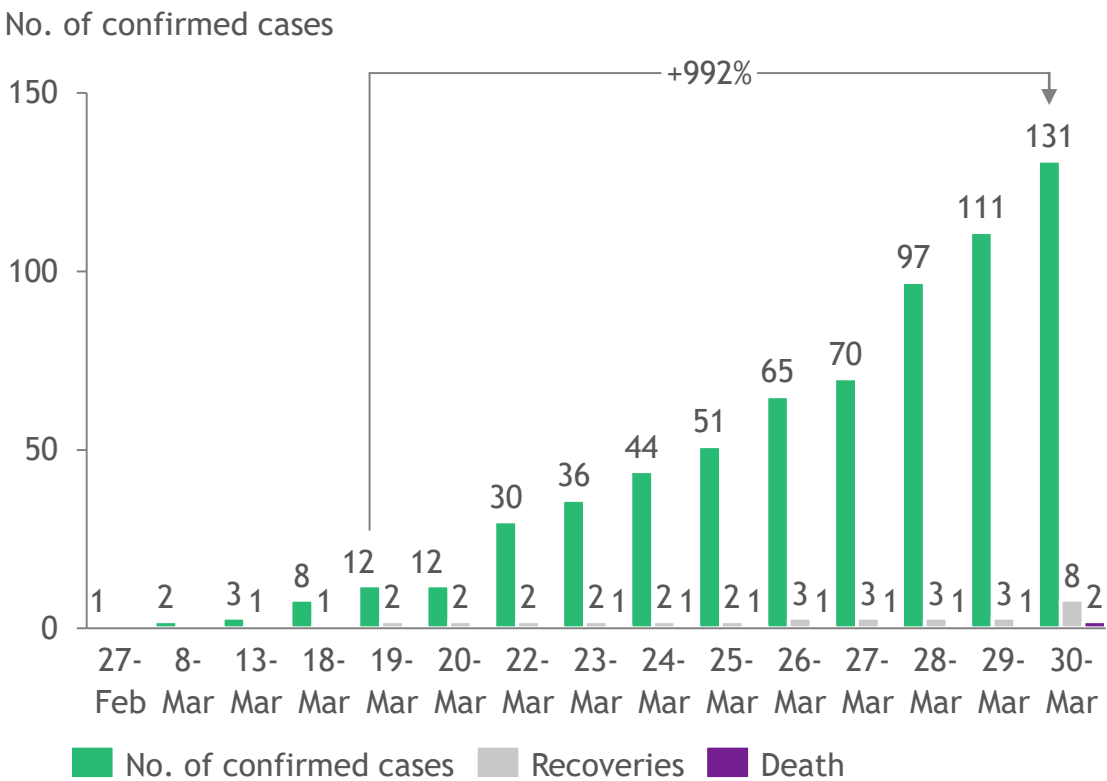


Sources: Official disclose & credible media reports; BCG analysis

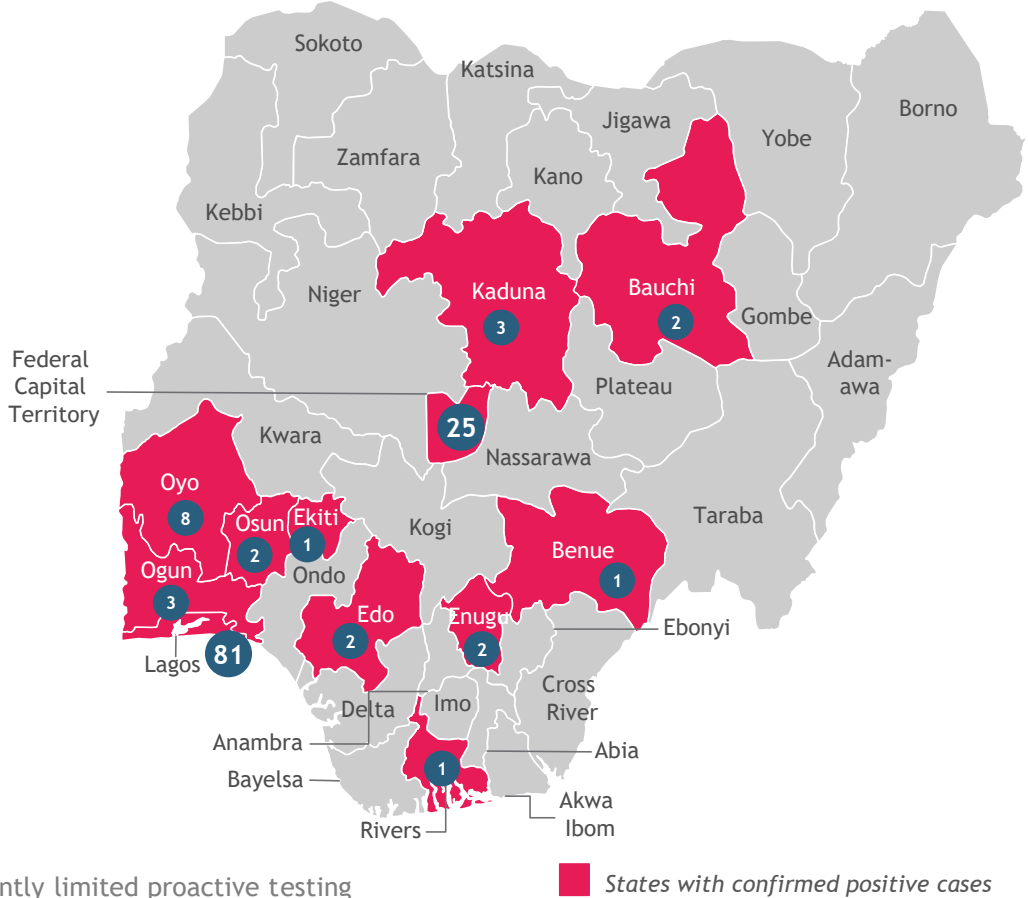
With 131 cases, Nigeria has experienced a rapid rise in number of cases over the past two weeks

As of 30 March 2020

131 confirmed cases since index case identification...



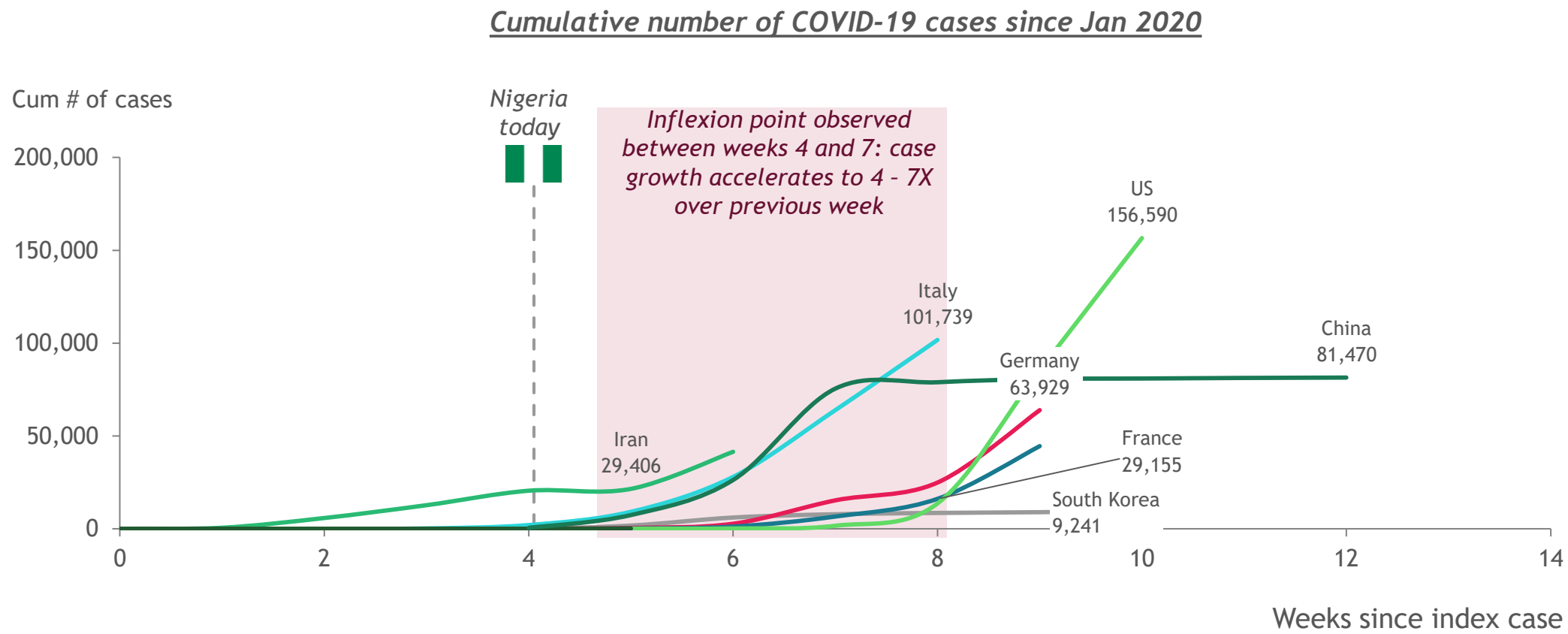
... spread across ~12 states



Note: Case numbers based on confirmed positive tests to date; numbers may be higher as there is currently limited proactive testing
Source: NCDC; Credible national news websites; Natural Earth States and Provinces boundaries without large lakes

Based on what we've seen around the world, there is a risk that this is only the beginning for Nigeria

As of 30 March 2020



Note: Earliest available data for total number of confirmed cases for all shown countries except China is 15-Feb-2020; for China, earliest data date is 22-Jan 2020
Approximate no. of cases at at 23 March based on rounded daily number of new cases from JHU CSSE Corona Virus Map
Source: WHO; JHS CSSE Corona Virus Map; Worldometer; BCG analysis

There are several factors that could put strains on Nigeria's healthcare system

Not exhaustive



Capacity of health-care systems could limit response- limited inpatient care capacity, constrained tertiary care capabilities and limited medical supplies



Uneven resource and preparedness levels across states could challenge recovery even in more prepared states



Many adults have compromised immune systems due to prevalence of Malaria, HIV, tuberculosis¹ etc, making them susceptible to COVID-19



Children may be susceptible to the virus given high levels of malnutrition-32% of children under 5 are malnourished



Social distancing may be difficult to establish, particularly in poor populations that need daily income to survive, hence it may be tough to curtail spread in this segment

1. Malaria, HIV and Tuberculosis are amongst the top causes of death in Nigeria
Source: Healthdata.org, UNICEF

However some inherent factors could limit severity of the spread

Not exhaustive



Knowledge and experience from dealing with Ebola and Polio could be re-applied in dealing with COVID-19 pandemic



Data and learnings from countries that are further along in the pandemic, could inform measures to limit spread



Relatively young population may limit fatality rate: ~70% youth population vs 39%, 28% in US and Italy respectively



Smaller and less complex mass public transport system could limit speed of spread



Inherent hot and humid weather may play a major role in limiting spread (to be confirmed)

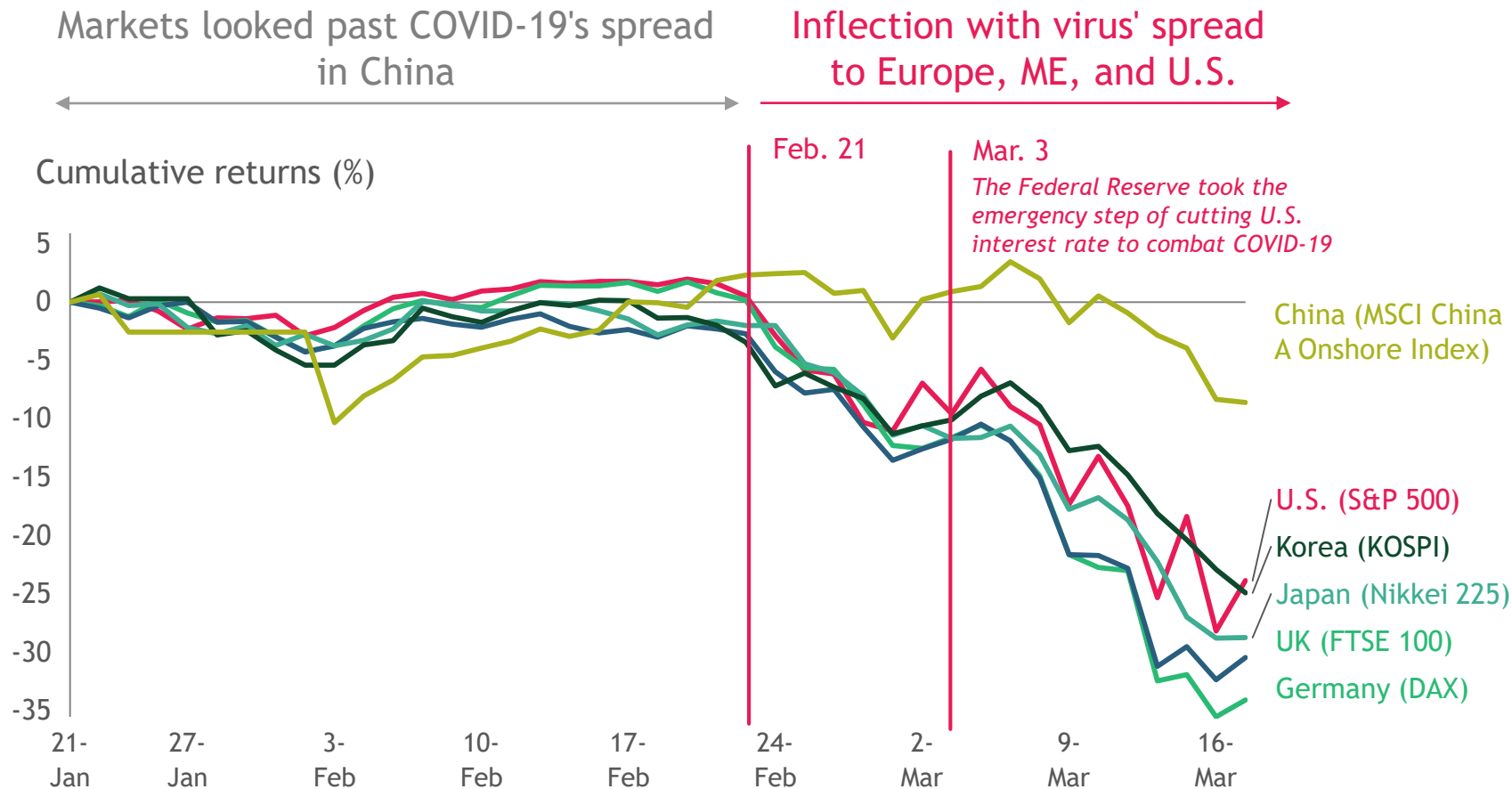
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Global markets fell drastically still China was more resilient

Data as of Mar. 18, 2020



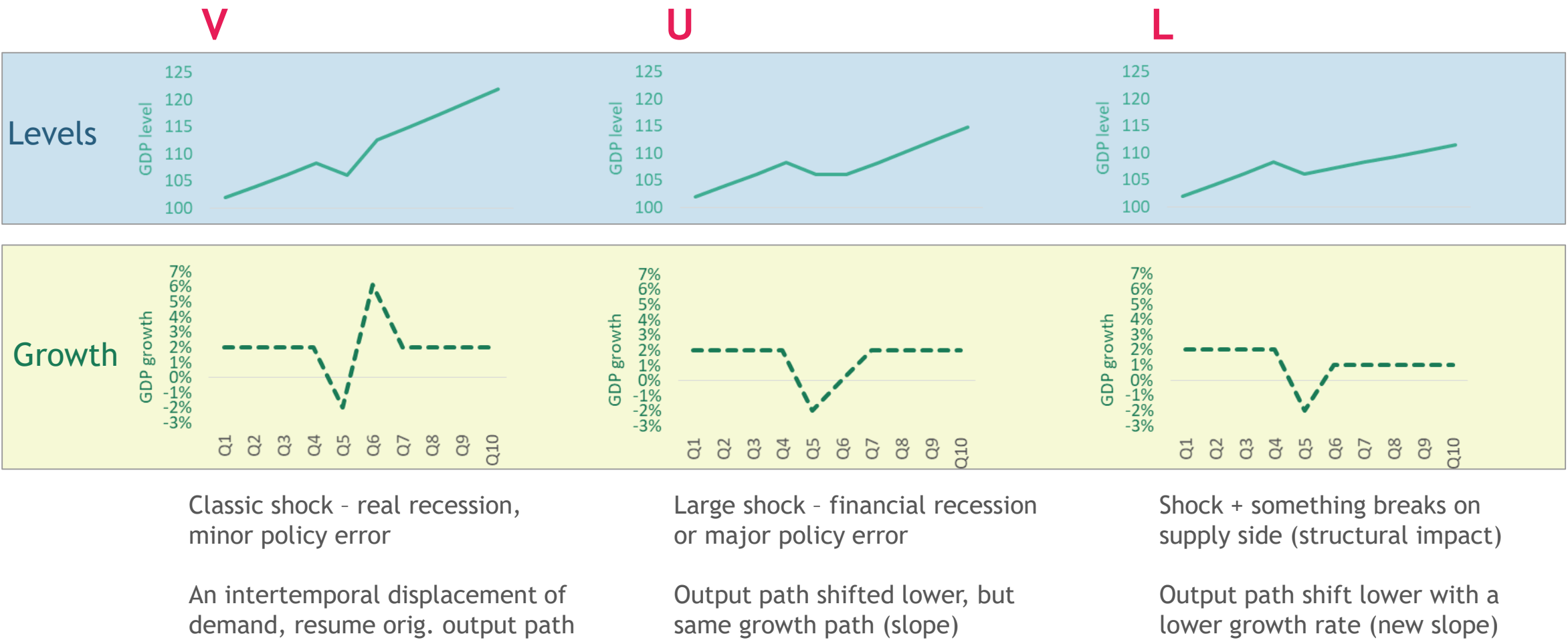
US stock market plummets despite Federal Reserve's emergent interest rate cuts

Prices of gold, crude oil, dollars, stock decline

Chinese market may become a safe haven for global investment as share prices rebound

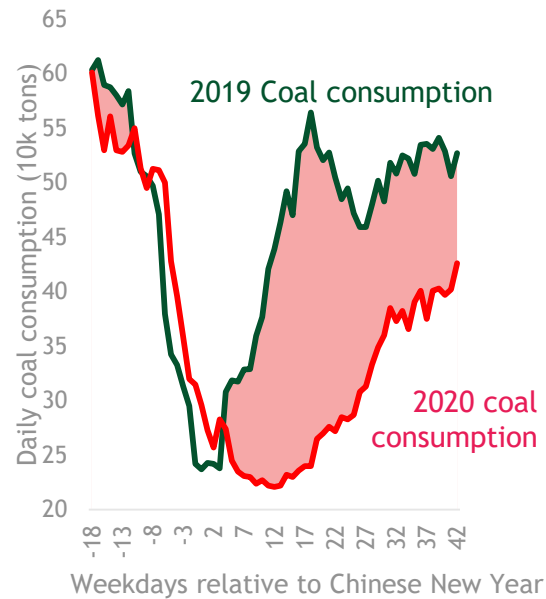
We could expect three types of recoveries from the COVID 19 shock

Illustrative

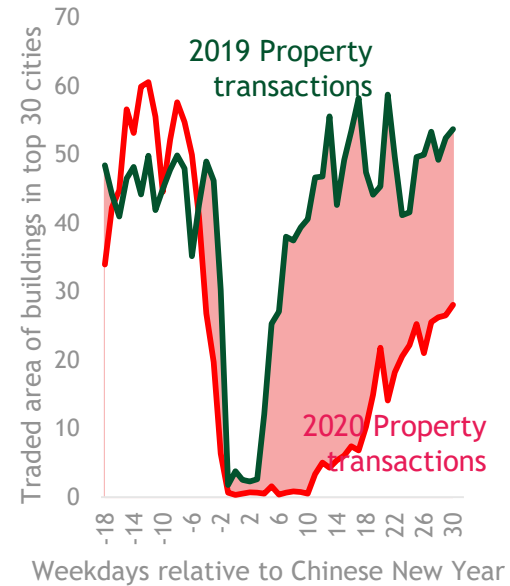


China activity is recovering however it is still materially below 2019

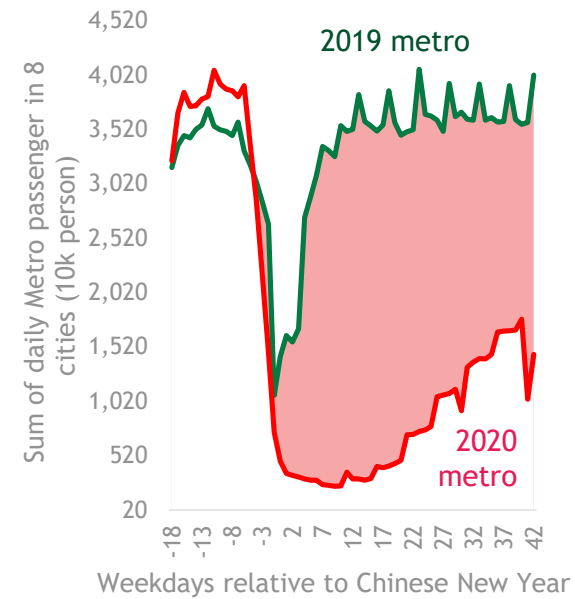
Daily coal consumption¹
(by Mar 24)



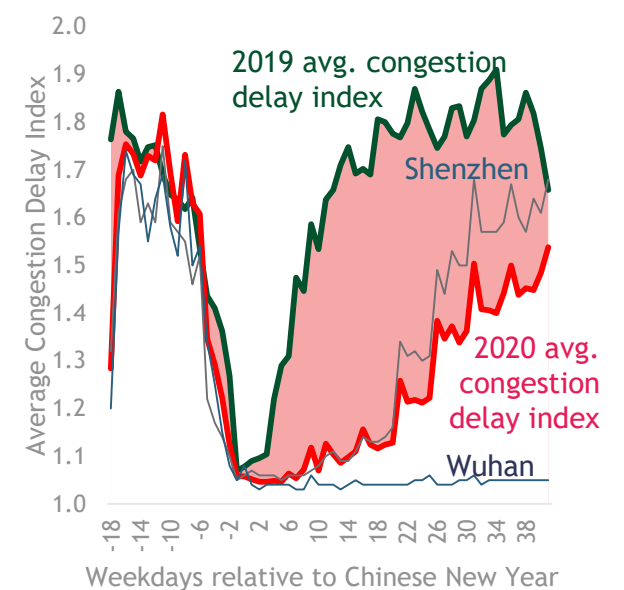
Property transaction
(by Mar 24)



Metro passenger volume²
(by Mar 24)



Average congestion delay index³ (by Mar 24)



1. Sum of Jerdin Electric, Guangdong Yudean Group, Datang International Power Generation, and Huaneng Power International, Inc.
2. Sum of Shanghai, Guangzhou, Chengdu, Nanjing, Xi'an, Suzhou, Zhengzhou, Chongqing
3. Average of Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan
Source: WIND

Nigeria will likely face tougher times than developed nations



Lock down could be challenging for informal economy players many of whom survive on day-to-day income



Budget constraints could limit Government's ability to distribute bail out



On average, Nigerians have limited savings to fall back on- 19%¹ of income saved-~\$400 per annum²



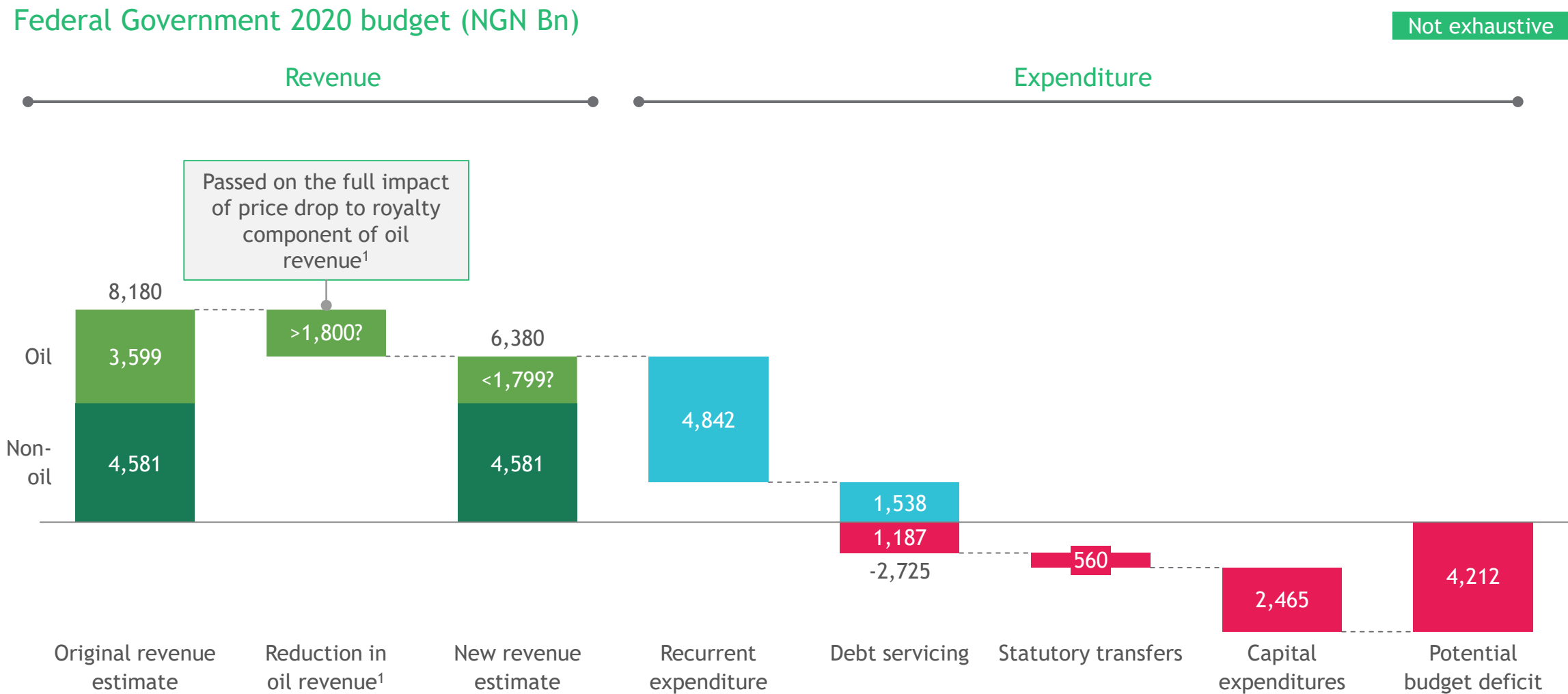
Limited health insurance coverage suggests many Nigerians may not be able to afford medical care



Economic downturn likely will lead to businesses downsizing/closing

1. Represents Nigeria's Gross savings rate as a percentage of GDP, 2. 19% of ~\$2000 GDP per capita in Nigeria
Source: World Bank, IMF

Government's role in the Nigerian economy expected to be constrained



1. This is best case scenario based on the following: a. Royalties will reduce in direct proportion with oil price, b. Tax is profit driven hence dependent on dependent on individual IOC performance, c. Assumes constant production levels-2.18M bpd
Note: Ministry of Finance currently in discussions with Ministries, parastatals and the National assembly to revise expenditure by at least NGN1,500Bn
Source: Federal Government Budget office

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We observe 4 key elements of resilient government response



Health

- Early warning detection
- Fast and resilient emergency care & planning
- Public health system with proactive prevention



Society

- Employment security
- Support for daily essentials
- Education continuity
- Transportation



Economy

- Address immediate viability of businesses
- Stabilize core business
- Identify innovative opportunities in recovery



Governance

- Crisis communication to maintain confidence & Digital platforms to mobilize and deliver services
- Resilient mechanism & organization of government



China quickly locked down center of outbreak and deployed support from across the country to contain spread

Lockdown outbreak center to slow the spread

- 3 days after confirming human-to-human transmission, Wuhan and 15 others cities in Hubei were quarantined, with highway and public transportations closed
- 10 days after the lockdown, daily new cases slowed down outside Hubei

Support outbreak centers with enhanced medical and living supply + 3 level treatment

- Starting from 2nd day of lockdown, 42,000+ medical staff from rest China flew or trained into Hubei to support
- For critical cases: built 2 new hospitals in Wuhan in 10 days, with 2600 beds
- Mild cases: convert makeshift hospital to increase beds capacity
 - First 3 makeshift hospitals with 4k beds were built in 36 hours
 - Total 14 makeshift hospitals in Wuhan over a period of 34 days; treating 1/4 of Wuhan's patients (>12K cases), with 0 death, 0 medical staff infected
- For all residents: Home visit ALL residents in Wuhan to screen potential cases
- All diagnosis and treatment are free
- Released strategic reserve; 9 other provinces paired up with each cities in Hubei to guarantee medical/living supply





Daily essentials: China ensured supply of essential products and services with price control and enabled digital delivery of essential services

Ensure life and work continue

- Medical, utilities, logistics, food supply were all required to operate at full capacity with price control
- Essential services boomed digitally:
 - Medical consultation: HaoDaiFu (好大夫)served **1.68M ppl in 17days¹** , daily registration went up **350%**
 - Grocery delivery: JD fresh delivery went up **226%²**



Online medical consultation



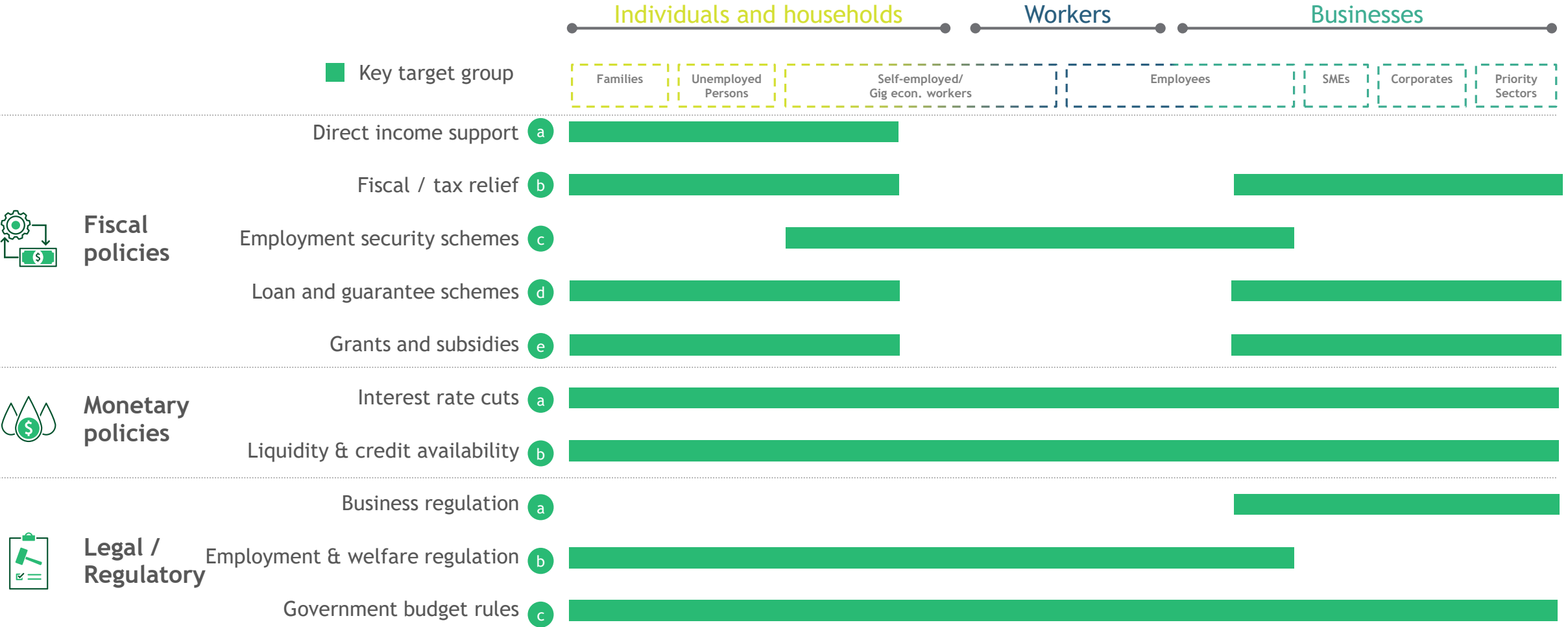
Deliverymen buy vegetables in the supermarket and use contactless delivery, e.g. pickup shelves or delivery robots



1. From 2/2 to 2/19; 2. from 1/20 to 2/18
Source: online news, BCG analysis



Governments leverage a range of emergency economic measures targeting different groups to stimulate the economy





Crisis communication strategy: China leveraged social platforms to provide daily report and guidelines

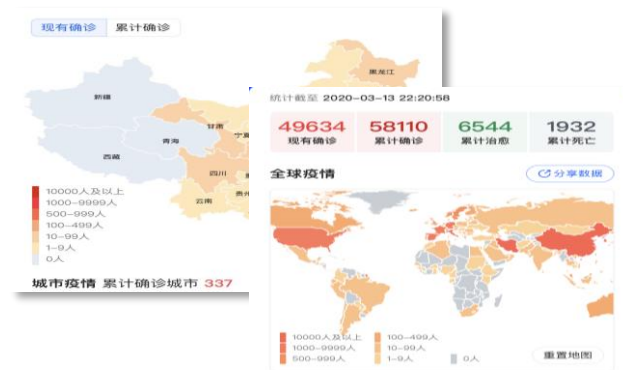
Effective communication

- Daily report on detailed info (**exact location, case trajectory, etc.**) of infected cases
- Utilize social platforms for timely delivery and wide outreach
- **Evidence-based cases analysis** to increase public awareness of self-protection



Public sector - clear guidelines & timely updates

- Clear guidelines by central govt.
- WHO and intl. media informed by Ministry of Foreign Affairs and National Health Commission
- Rolling epidemic data by local govt.



Private sector - effective delivery & large outreach

- App to provide visualization of pandemic info such as domestic and intl. cases, trajectories of nearby cases, etc.
- Personal hygiene & protocols delivered to public by experts via social media platforms



Community - "Veins of information blood flow"

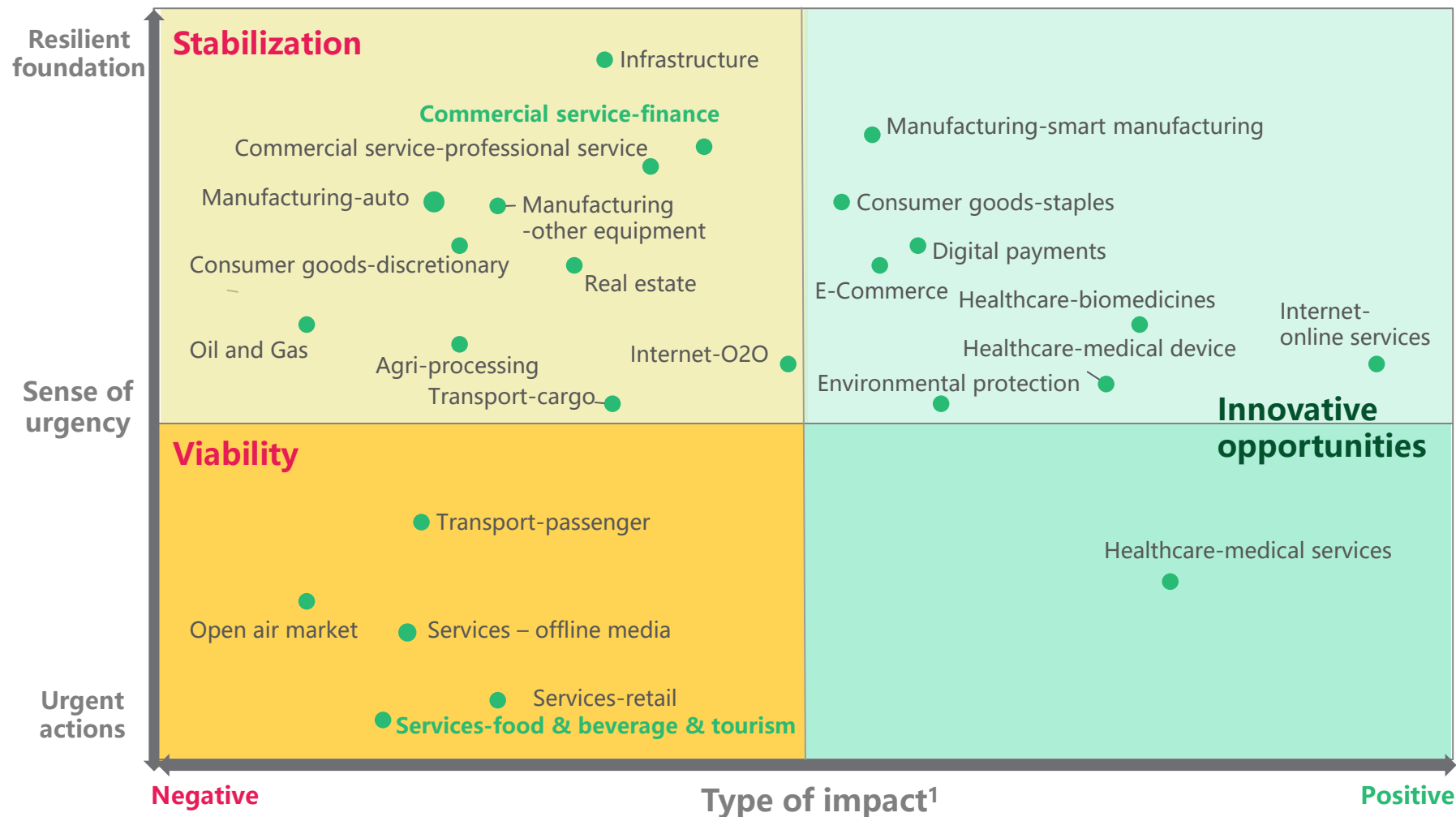
- Communal mgmt. companies and local committees jointly formed epidemic prevention teams for door-by-door registration, education and inspection

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We observed firms segment into three categories based on type of impact expected and the resiliency of the sector (emerging perspective)



1. Positions in the matrix is only illustrative, not quantitative indicators Source: report analysis, expert interview, BCG analysis

Example (Stabilization): Re-instated disrupted channel through digital



Context and situation

- Agent-based underwriting had taken significant hit due to the crisis
- Company expecting substantial drop in new policies in Q1; e.g. premiums dropped >15% YoY in January
- Expected impact on credit yields and investment assets



Immediate response to manage risk: digitized underwriting capabilities

- Company enacted online-based agent underwriting to allow its agents to resume functions
- Heavily promoted its digital service offerings, particularly the consultation service “Good Doctor”, to recoup some of its premium-based losses
- Also uses “Good doctor” online visits as a secondary source for linking clients to its health and life policies

Early recorded outcomes and impact: minimized losses; grew digital biz

- Demand for its “Good doctor” platform increased drastically, with the number of visits increasing 10 folds since the start of the year (reached 1.1M visits in Jan)
- The company is expecting to recoup some of its first quarter losses and sign new customers on life and healthcare policies



Company Name & Description

Ping An Insurance is an insurance groups in Asia



Industry

Financial Institutions (Insurance)



Location

China & Malaysia

Example (Viability): Pivoted into a new business



Context and situation

- Company has about 6,000 hotels in 400 cities
- Leisure and tourism demand declined drastically leading to occupancy below forecasts



Company Name & Description

Huazhu is a hotel management company



Industry

Consumer goods (other)



Location

Shanghai, China



Immediate response to manage risk: became quarantine service provider

- Offered rooms for quarantine purposes with over 4,200 of the hotels providing the isolation service
- Reduced human-to-human contact through self check-in
- Created a crisis task force that met daily to review procedures and issued top-down guidance for entire chain including leveraging technology to ensure timely and correct information delivery to employees

Early recorded outcomes and impact: dramatically improved occupancy

- 90% of Hotels remained open amid crisis with a peak of more than 50,000 stays in one day
- Franchisees better prepared to adapt central guidelines to their own local situations in regards to disease status and local public health measures

Independent of each firm's inherent resiliency, important to have a crisis response plan

	Team health & safety	Business strength	Financial resilience
Execution clarity	Reduce risk of transmission	Preserve top line and build trust with customers	Manage cash and liquidity
Coordinate and scale response and planning adaptively	Support those who are/may be infected	Reinforce ability to supply	Ensure cost discipline
Engage the organization	Reduce stress and boost morale	Adapt resources to meet business needs	Revise financial plan and perform scenario-based stress tests
Empower the team	Ensure compliance with regulatory requirements	Monitor & respond to market and competitive dynamics	
Lead with purpose & integrity		Prepare for bounce back scenarios	

Sample details of checklist: Team Health and Safety

Illustrative

A Reduce risk of transmission

Hygiene and cleaning

- ☐ Adjust workplace cleaning protocol (e.g., increase in-office cleaning, reinforce station changeover SOPs)
- ☐ Conduct health/temperature check for employees/visitors at workplace where warranted
- ☐ Communicate personal hygiene good practices; educate on social distancing measures
- ☐ Provide masks, wipes etc. for onsite employees

Separate teams to ensure they work in different, satellite locations and/or non-overlapping time slots (e.g., every other week)

- ☐ Implement A-team/B-team splits for onsite operations
- ☐ Restrict use of office for certain groups (e.g., visitors, non-critical personnel) and reduce in-person meetings (e.g., trainings, daily operations stand-ups), face-to-face interaction, and social gatherings
- ☐ Establish work-from-home (WfH) policies where possible and ensure appropriate technological infrastructure support (e.g., IT solutions, VPNs, virtual meetings including video-conferences)
- ☐ Adjust travel policies (e.g., reduce non-essential travel especially to highly impacted areas, reduce cross-facility travel and third-party presence) and modify sick leave policies to align incentives and encourage precaution

B Support those who are/may be infected

- ☐ Introduce employee self-quarantine policy based on travel history/health status
- ☐ Create a safe channel for employees to notify company about an infection
- ☐ Provide contact information for tele-docs for remote counseling (and expand availability if needed)
- ☐ Establish policies around forced time off in case of infection/quarantine and refine paid time off policies—and return guarantees—to prevent sick employees from coming to work
- ☐ Identify, monitor, and protect critical personnel, roles, and activities

C Manage stress and boost morale

- ☐ Communicate proactively about all aspects of the business and efforts undertaken
- ☐ Organize information sessions and calls to address employees' questions
- ☐ Prepare for changes in environment (e.g., policy changes in the case of a reduction in government services such as school closures)
- ☐ Start thinking about target-setting and implications for compensation in a time of uncertainty

D Ensure compliance with regulatory requirements

- ☐ Ensure compliance with regulatory requirements (e.g., OSHA, FMLA, ADA in the US)
- ☐ Engage with work councils and unions as appropriate for respective region(s) of operation
- ☐ Review "Essential Services Laws" and implications

Note: Latest as of 03/25/2020

For more information, visit <https://www.bcg.com/featured-insights/coronavirus.aspx>

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This crisis will present new opportunities for businesses

Shift in consumer attitudes will increase awareness and usage of many products and services, with likely higher demand for:



- Health care insurance
- O2O (Online to Offline) delivery
- Remote working solutions
- Home office equipment, etc.

New Unmet Needs will be revealed, which can become targets for innovation, such as in:

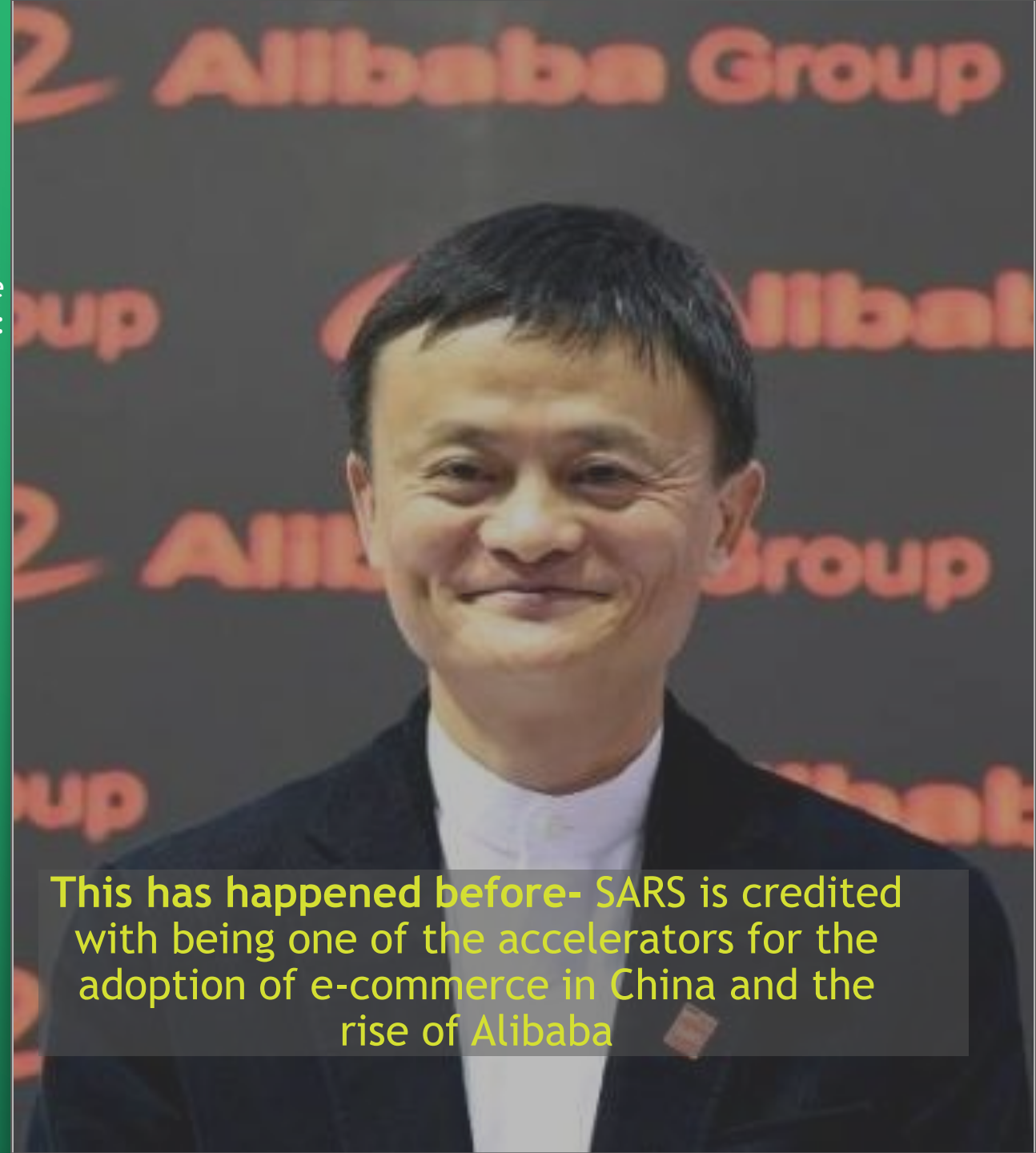


- Home shopping
- Distance learning
- Digital payments
- Health and hygiene products, etc.

New learnings will reveal opportunities to improve organizational effectiveness, for example:



- Improved crisis preparedness
- Improved IT solutions/accelerated digital transfor.
- Multiple service channels, etc



This has happened before- SARS is credited with being one of the accelerators for the adoption of e-commerce in China and the rise of Alibaba

A close-up photograph of a single, vibrant yellow daisy flower with a bright orange center. The flower is growing out of a deep crack in dry, cracked, light-brown soil. The surrounding ground is parched and fissured, with some dark, leafless twigs scattered around. The lighting is soft, highlighting the texture of the petals and the parched earth.

Don't waste a good crisis...
There is opportunity in adversity

Appendix



1. Team Health and Safety

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2. Business Strength (1 of 2)

A Preserve top line and build trust with customers

Establish demand-side rapid response team to monitor marketing, sales and pricing implications

- ❑ Model top line revenue implications and adapt go-to-market strategies (e.g., implications for salesforce effectiveness)
- ❑ Monitor key metrics to prevent capitalizing on the crisis for short-term gains (e.g., price gouging)

Understand changing customer needs

- ❑ Reach out to customers to understand their situation and needs; communicate clear plan to mitigate risks and ensure business continuity
- ❑ Observe and respond to shifts in customer behaviors; use '01 and '08 shocks to predict likely shifts
- ❑ Define actions/messages to show confidence and ensure ability to deliver to customers (e.g., multichannel, people-light approaches)
- ❑ Support customer resilience in small (e.g., sanitizer at POS) and big ways (e.g., mass outreach, adjust return policy)

Refocus product and service offering

- ❑ Evaluate opportunities to ensure stronger linkages with key customers (e.g., via contracts, discounts, financial support)
- ❑ Resource less affected channels, products and services appropriately (e.g., focus on online vs. offline retail)

B Reinforce ability to supply

Establish supply chain rapid response team to monitor and update assessments and actions

- ❑ Prioritize public health and safety-critical products and services and ensure alignment and awareness upstream and downstream
- ❑ Mobilize central “war room” to evaluate and address supply vulnerabilities and monitor risk daily
- ❑ Actively communicate to minimize business disruption from supply constraints (review impact on manufacturing, suppliers-tier 1/2/3, logistics)
- ❑ Implement product/service allocation processes for constrained assets and/or supplies
- ❑ Plan for reductions in range of offerings to reduce complexity while maximizing stakeholder/customer benefit

Understand liquidity and business position of key suppliers and associated risks

- ❑ Create “COVID-19 Supplier Audit”, assess critical vendors (also consider vendor risk given location, size, operational processes, etc.), and provide action oriented feedback
- ❑ Provide financial/non-financial support to value chain partners (if feasible)

Identify and mitigate risks with both immediate and mid-term view

- ❑ Activate alternatives and contingencies for critical components, operations, and logistics routes
- ❑ Plan for near- & long-term impact in conjunction with lead times & value chain (critical S&OP focused on 3-12 mos., not just immediate term)
- ❑ Evaluate alternative demand/supply scenarios and their impact on capacity, and determine mitigation strategies (new local sourcing, etc.)
- ❑ Shift inventory position to manage impact of near- & long-term market/health scenarios (e.g., safety stock/forward buying, space constraints)
- ❑ Ensure proper safety precautions inbound from suppliers and outbound from facilities with consideration to lead times

Note: Latest as of 03/25/2020

For more information, visit <https://www.bcg.com/featured-insights/coronavirus.aspx>



2. Business Strength (2 of 2)

C Adapt resources to meet business needs

- ❑ Identify and prioritize critical products/services needed for rapid response
- ❑ Focus on critical constraints in internal as well as external value chain elements
- ❑ Assess and manage Shared Service Center risks to ensure business continuity, in particular when offshored/outsourced
- ❑ Where possible, explore opportunities to partner with other companies to optimize resources (e.g., delivery companies borrowed staff from physical restaurant chains in China)
- ❑ Mobilize idle resources that could be repurposed to help society meet response needs

D Monitor & respond to market and competitive dynamics

- ❑ Leverage lessons learned from other countries where the crisis has progressed further (e.g., China)
- ❑ Track competitors' situations and actions to inform strategic, operational, and financial decision making
- ❑ Examine sector viability: Identify collaboration opportunities to accelerate resolution (e.g., collaboration to develop COVID-19-vaccine)
- ❑ Redefine budgets and targets as frequently as possible and necessarily (e.g., daily, weekly, monthly) by geography/market/ segment
- ❑ Leverage intelligence (e.g., activate your salesforce for customer/distributor outreach surveys) to identify "inflection point" (when the situation gets stabilized and consumption confidence returns) & ramp up/redirect sales activities, inventory, trade support, and marketing

E Prepare for bounce back scenarios

- ❑ Identify company-specific scenarios informed by potential macroeconomic scenarios (e.g., "W", "U", "L", "V")



Click here to read more on scenarios

- ❑ Ensure appropriate capacity (internal or external) to respond to potential shifts in demand
- ❑ Actively assess acquisition opportunities (e.g., distressed assets, countercyclical investments)
- ❑ Explore opportunities to configure "comeback marketing campaign" in advance, quickly pick up ad spending post- epidemic (craft new product and service story and create new selling points)
- ❑ Prepare for bold moves and implement learnings with regards to business model modifications

Note: Latest as of 03/25/2020

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3. Financial Resilience

A Manage cash and liquidity

Establish liquidity office to forecast cash flows and manage/mitigate risks

- ❑ Ensure rigorous, prudent cash management and governance and reduce non-critical uses of cash
- ❑ Prepare for significant changes to cash conversion cycle (e.g., cash terms with key suppliers and customers)
- ❑ Adjust working capital (inventory management and payment terms) to ensure ongoing delivery of high-priority products/services
- ❑ Review debt retirement schedule and covenants

Stress-test cash-flow from financing/investing based on market scenarios

- ❑ Secure and/or access financing options (e.g., credit lines, revolvers); engage with debt holders/banks to discuss potential for extended financing
- ❑ Assess credit risks to current accounts receivable
- ❑ Review of commitments, MAC clauses and Force Majeure options

Assess viability of current investment roadmaps and dividend policy and share repurchase plans

- ❑ Postpone non-critical capital expenditure
- ❑ Rationalize short/medium-term capital spending unless it offers a clear longer-term competitive advantage
- ❑ However: Identify opportunities to bring forward asset enhancements if cash/liquidity is not an issue and asset not/only-marginally utilized due to outbreak (e.g., store/hotel renovations, servicing of equipment)

B Ensure cost discipline

- ❑ Ensure procurement control tower in place (e.g., PO authorization processes, active management of open POs and delivery schedules)
- ❑ Variabilize cost to as great an extent as possible (e.g., enabling voluntary LOAs, slowing or pausing discretionary hiring)
- ❑ Understand employee base (e.g., best attendance records, longest history with company) to prepare for uncertain future
- ❑ Avoid conducting business-as-usual under pre-crisis assumptions (e.g., signing lease agreements or renewals)
- ❑ Mitigate or redirect discretionary spend to build financial flexibility (such as marketing; however, avoid removing all ads and cautiously select marketing channels during epidemic)

C Revise financial plan and perform scenario-based stress tests

- ❑ Conduct scenario planning and develop action plan accordingly
- ❑ Perform financial and liquidity stress test and conduct rolling forecasts
- ❑ Engage with shareholders and assess activism vulnerability
- ❑ Revise target-setting and objectives (e.g., sales targets, production plans, related KPIs)
- ❑ Communicate financial resilience to key stakeholders
- ❑ Reset investor expectations around guidance (e.g., top-line, EPS) with a focus on the medium-term
- ❑ Explore alternative and deferred compensation models for high-earning colleagues

Note: Latest as of 03/25/2020

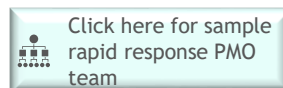
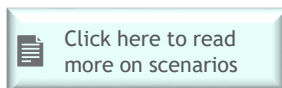
For more information, visit <https://www.bcg.com/featured-insights/coronavirus.aspx>

4. Execution Clarity

A Coordinate and scale response and planning

Set up a central, cross-functional, rapid-response team (PMO) to make clear decisions, and monitor/take control of the situation (enabled with necessary decision authority and sufficient staffing to take a day-to-day agile approach to navigate changing environment)

- ❑ Identify critical processes and key resources (HR, Finance, Procurement, IT, Legal, Real Estate etc.)
- ❑ Set up daily rapid response meetings to provide fact-based analysis to enable fast, high quality decision making



Develop concrete action plans based on 3-5 medium-term macro-economic scenarios (i.e., “W”, “U”, “L”, “V”) and clearly communicate action plans to key stakeholders

- ❑ Macro: Vary scenarios by shape and severity of broad economic impact
- ❑ Internal/company-specific: Build view on potential impacts to team, P&L, cash flow, and balance sheet
- ❑ Identify, track, and mitigate existing and new risks

Protect leadership continuity

See section on Team Health & Safety



B Empower the team

- ❑ Tell your employees what they should be doing in order to prevent organizational paralysis, confusion and misinformation—communicate, communicate, communicate!
- ❑ Provide clear direction on operational boundaries and principles (e.g., owned and shared accountabilities, decisiveness, entrepreneurial mindset, act rapidly & flexibly be engaged) to enable frontline leaders to execute
- ❑ Establish a two-way communication/Q&A channel
- ❑ Preserve employment to ensure continued operations

C Engage the organization

- ❑ Gauge current sentiment within organization (e.g., via short online survey, dedicated communication channels, cascading team calls)
- ❑ Provide honest and frequent 360-communication through multiple channels
- ❑ Set up a digital information hub for all the latest policies and information
- ❑ Unlock discretionary effort beyond regular roles and responsibilities by suggesting “if you want to be involved in X, then contact Y”

D Lead with purpose and integrity

- ❑ Consider total societal impact your company can have across the communities you serve
- ❑ Reinforce your vision, mission & purpose and/or highlight critical elements of your company’s value to customers
- ❑ Leverage your resources/network to make a difference by providing products and services (beyond monetary donations) to affected people at your company and in your communities

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