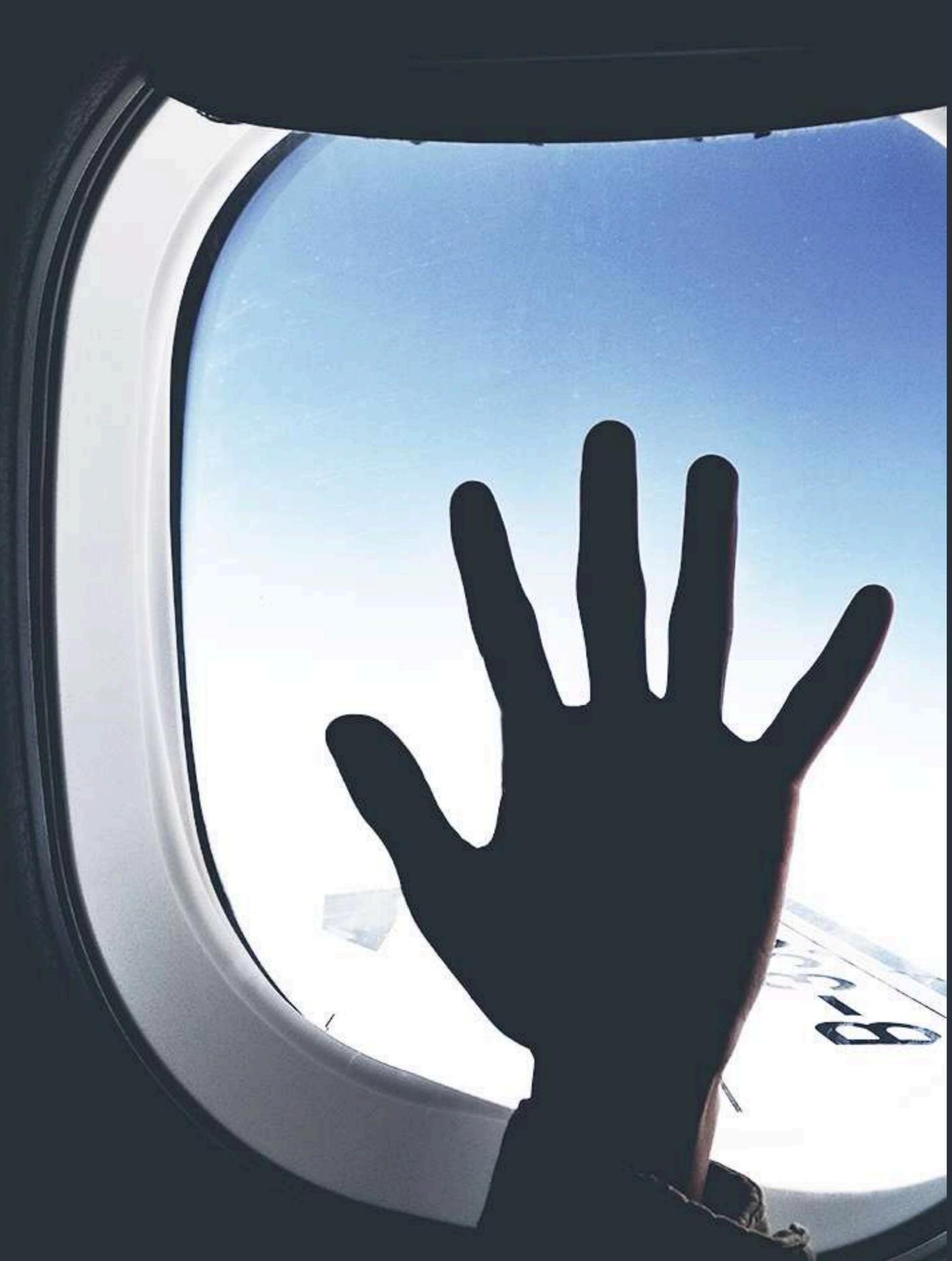


Shifts in the
**Low Touch
Economy**

board of
innovation

updated reports and insights on
boardofinnovation.com/low-touch-economy



The Low Touch Economy is here to stay.

The post-Covid19 era will have an economy shaped by new habits & regulations based on reduced close-contact interaction and tighter travel & hygiene restrictions.

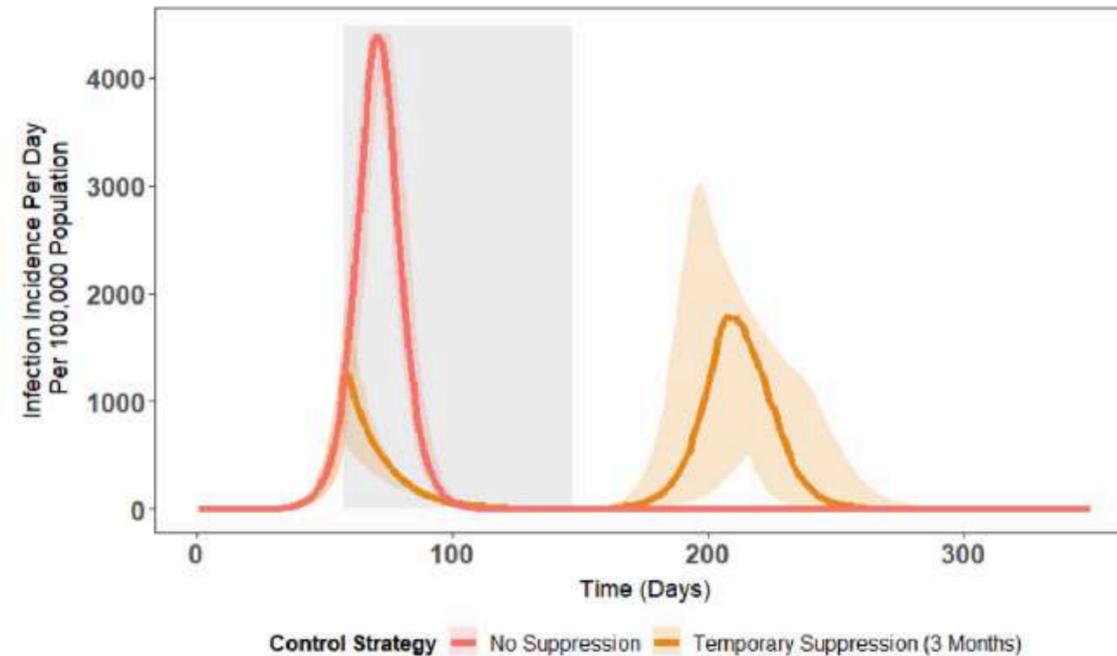
The current disruption will change how we eat, work, shop, exercise, manage our health, socialize, and spend our free time - at an unprecedented rate of change.

In this report we look at:

1. Why our world will be very different
2. 10 Examples of expected shifts in consumer behavior, and opportunities for businesses
3. How different Industries are impacted
4. What to do now

Disclaimer

While managing the current health crisis is the first priority, this report focusses on preparing for the mid and long term ripple effects.



Until there is a vaccine or herd immunity, the base case scenario is a continuous up and down of disruptions in how we work and live for the coming 2 years, resulting in new habits long after.

Imperial College estimate: period impacted **12-18 months ([Summary report @ ft.com](#))*

Adapt your strategic response

Covid-19 Strategy Matrix

boardofinnovation.com

Note: strategic response also depends on cash position, competitive position and industry attractiveness.

SEVERITY AND DURATION OF ECONOMIC IMPACT
 GDP forecast / Pandemic evolution / Economic policy

IMPACT ON YOUR ORGANISATION

Direct impact of Covid-19 / Indirect impact of economic recession / Ability to adapt fast

	Positive Revenue growth through demand surge <i>e.g. E-commerce</i>	Mildly negative Sustained revenue loss of 0-15% in Q2-4 2020 <i>e.g. Consumer Goods</i>	Severe Sustained revenue loss of 15-50% in Q2-4 2020 <i>e.g. Oil and gas</i>	Catastrophic Sustained revenue loss of +50% in Q2-4 2020 <i>e.g. Tourism</i>
0.5 year impact V-curve rebound; Effective pandemic control and economic stimulus	Ride the wave: boost supply to keep up with demand surge	Push through and prepare for fast back-to-normal upswing	Survive and prepare for relatively slow back-to-normal recovery	Mothball large part of the business and prepare for re-start
1.5 year impact U-curve recovery; Social distance measurements prolonged, economic stimulus eases damage	Push for growth and market share	Defend, improve competitive position, and find new growth	Pivot through organic innovation and inorganic growth, or divest	Pivot through organic innovation and inorganic growth, or divest
3 year impact L-curve recovery; Failed pandemic control, and wide-spread bankruptcies and credit defaults	Aggressive push for growth and market share	Defend, improve competitive position, and find new growth	Prepare for aggressive new entrants. Reinvent and create totally new position, or abandon	Abandon market

A microscopic image of a cell, likely a plant cell, showing a large nucleus with a nucleolus and a network of cytoplasmic membranes. The cell is stained, highlighting its internal structure.

Part 1:

Why our world will be very different.

In search of positive change.

Rules/policies will swing up & down.

- Limited gatherings
- Travel restrictions
- Hygiene requirements
- Protecting vulnerable groups
- ...

Top Down Enforced

Hundreds of ongoing A/B experiments globally. Best practices will be copied to other regions and industries.

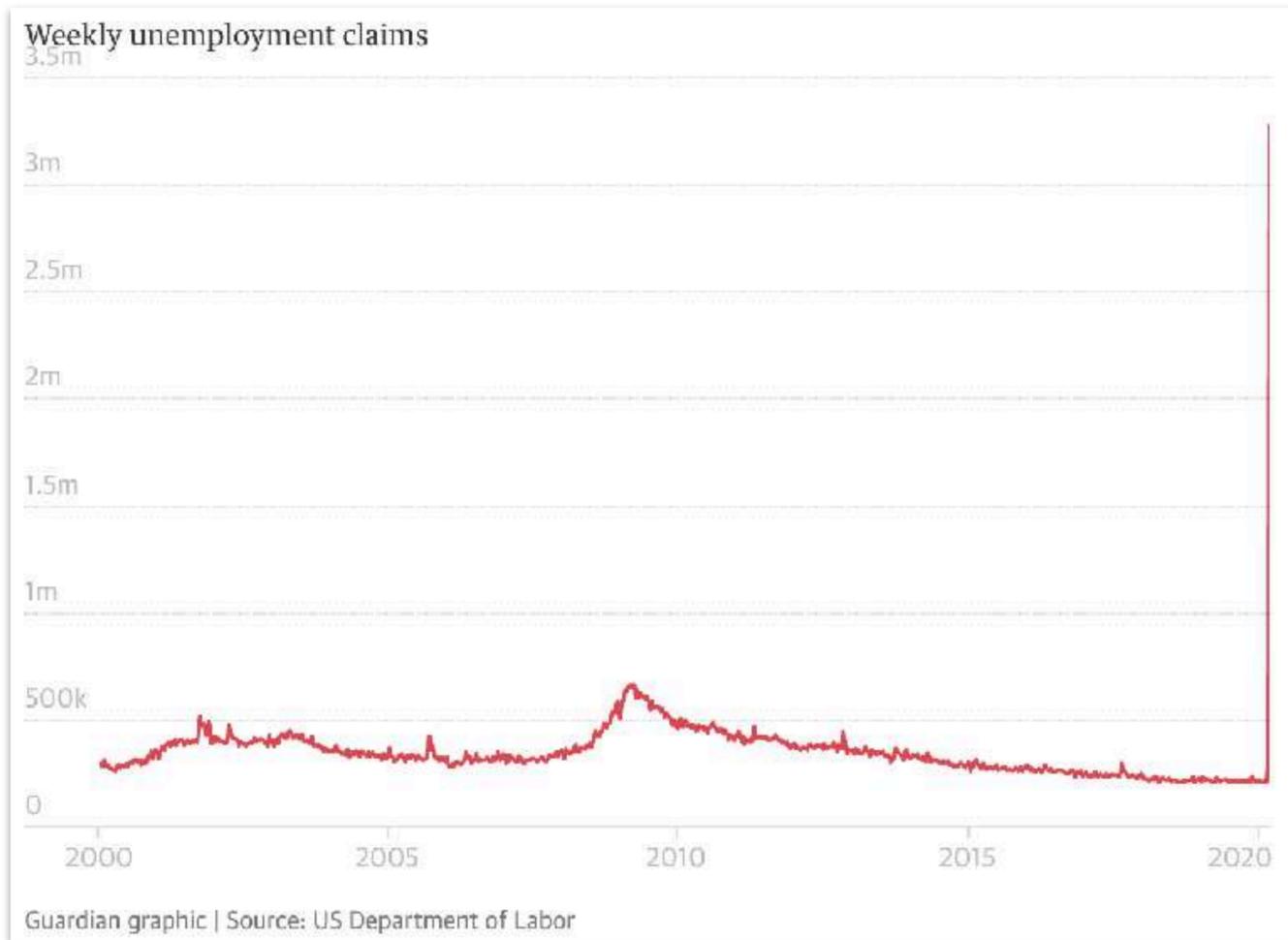
New habits & behaviors will stick.

- Remote working
- Mixed work/life balance
- Access to e-commerce & logistics
- E-health
- ...

Bottom Up Embraced

Both people and organizations will discover the benefits of a new way of living and working, challenging traditional business and lifestyle norms.

Expect many after-shocks.



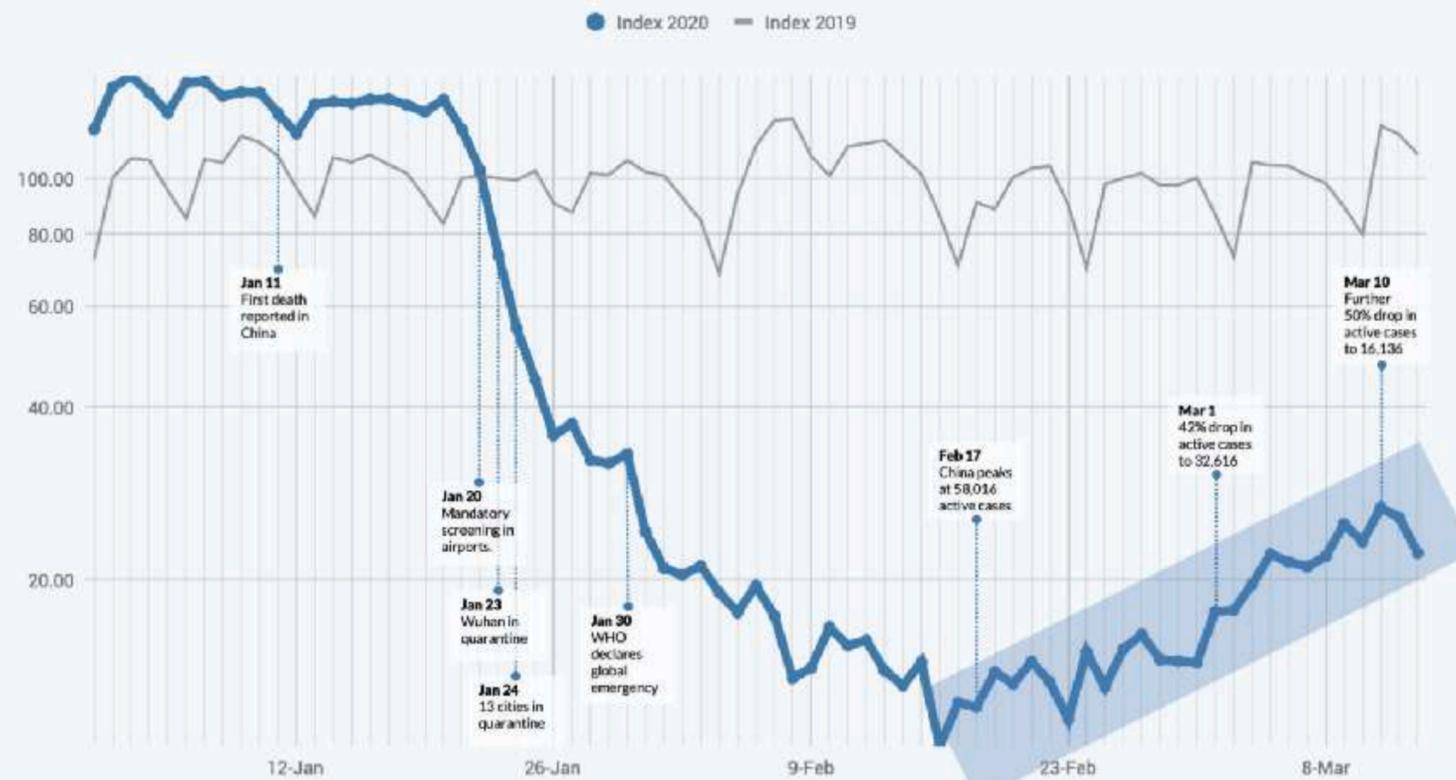
The second order effects of many unprecedented shocks are still unfolding.

- 1/3rd of the global population in some form of (temporary) lockdown.
- Mass unemployment rates will be followed by mass bankruptcies, bail-outs,...
- Geopolitics: Closed borders and new laws fuelled by existing xenophobia & populism.
- ...

Going back to a (new) normal will not be easy.

China Room Nights Booked Index

Volume of Room Nights booked across Shiji Distribution Solutions customers in China during COVID-19 epidemic



source: Shiji Distribution Solutions

Shiji DISTRIBUTION SOLUTIONS

China / Society

Coronavirus: Chinese cinemas told to close just a week after reopening

- China Film Administration issues notice on Thursday as government seeks to prevent a new wave of Covid-19 cases, after locally transmitted infection is reported in Zhejiang
- Cinemas in some parts of the country did reopen on March 20, but film-goers' joy was short-lived



Jun Mai

Published: 7:00pm, 28 Mar, 2020

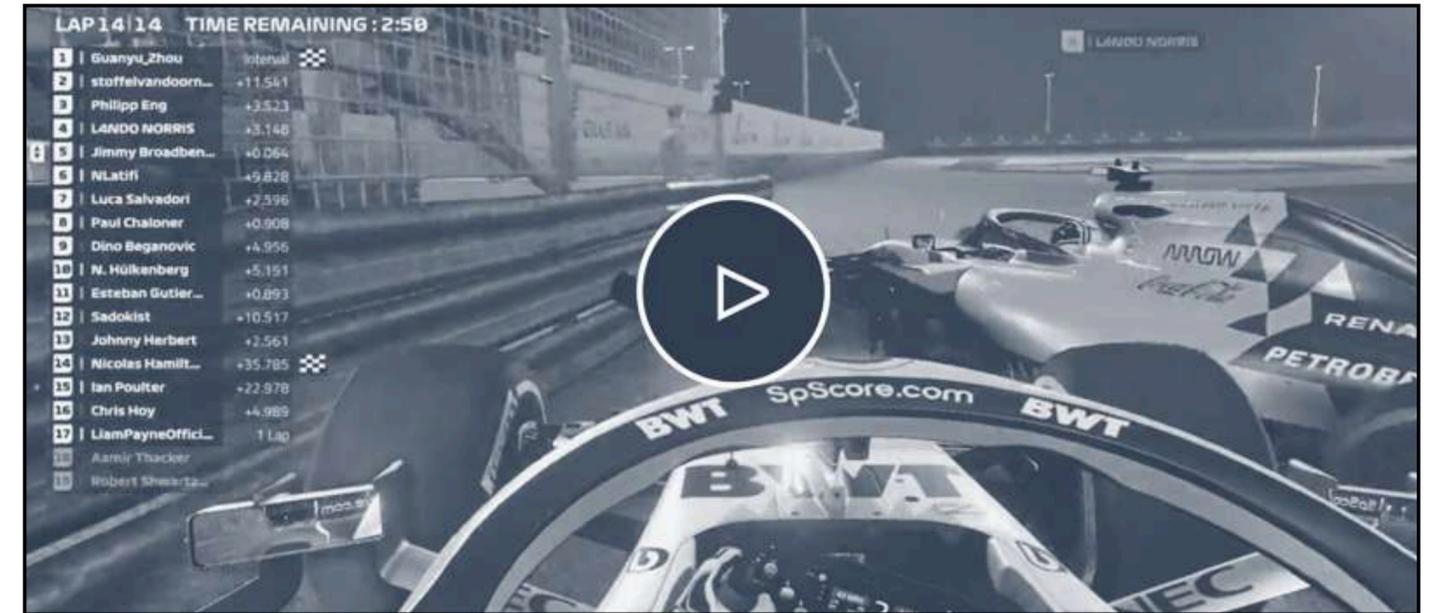
A microscopic view of a cell, showing a nucleus with a nucleolus and a network of cytoplasmic membranes. The cell is stained with a blue dye, highlighting its internal structure.

Part 2:

Expected shifts in consumer behavior

early signs and open questions

Gradual shifts that were happening over time will now accelerate to become more immediate behavior change.



F1 switched to esports, with real drivers.



Police helmets with Infrared vision (China)



Indoor delivery robots (Aloft hotel Detroit)

This report zooms in on 10 shifts driven by changes in human behavior



Macro-economics
e.g. Limited access to capital

Regulation
e.g. New privacy laws

Geopolitics
e.g. Protectionism

Shifts will happen on many fronts

Technology
e.g. Contactless everything

Human behavior
e.g. Immune certification

Industry dynamics
e.g. Supply chain disruptions

10 shifts in this report

Even more anxiousness/loneliness
and depression

Damaged trust in hygiene of
people and products

Extended travel restrictions, even
within a country

Optimized work from home
setups, beyond typical office jobs

Rising tension & conflicts at all
levels

Unprecedented levels of global
unemployment

Take out/home delivery
everything

Limited contact with older
generations

Our identity is more than our job

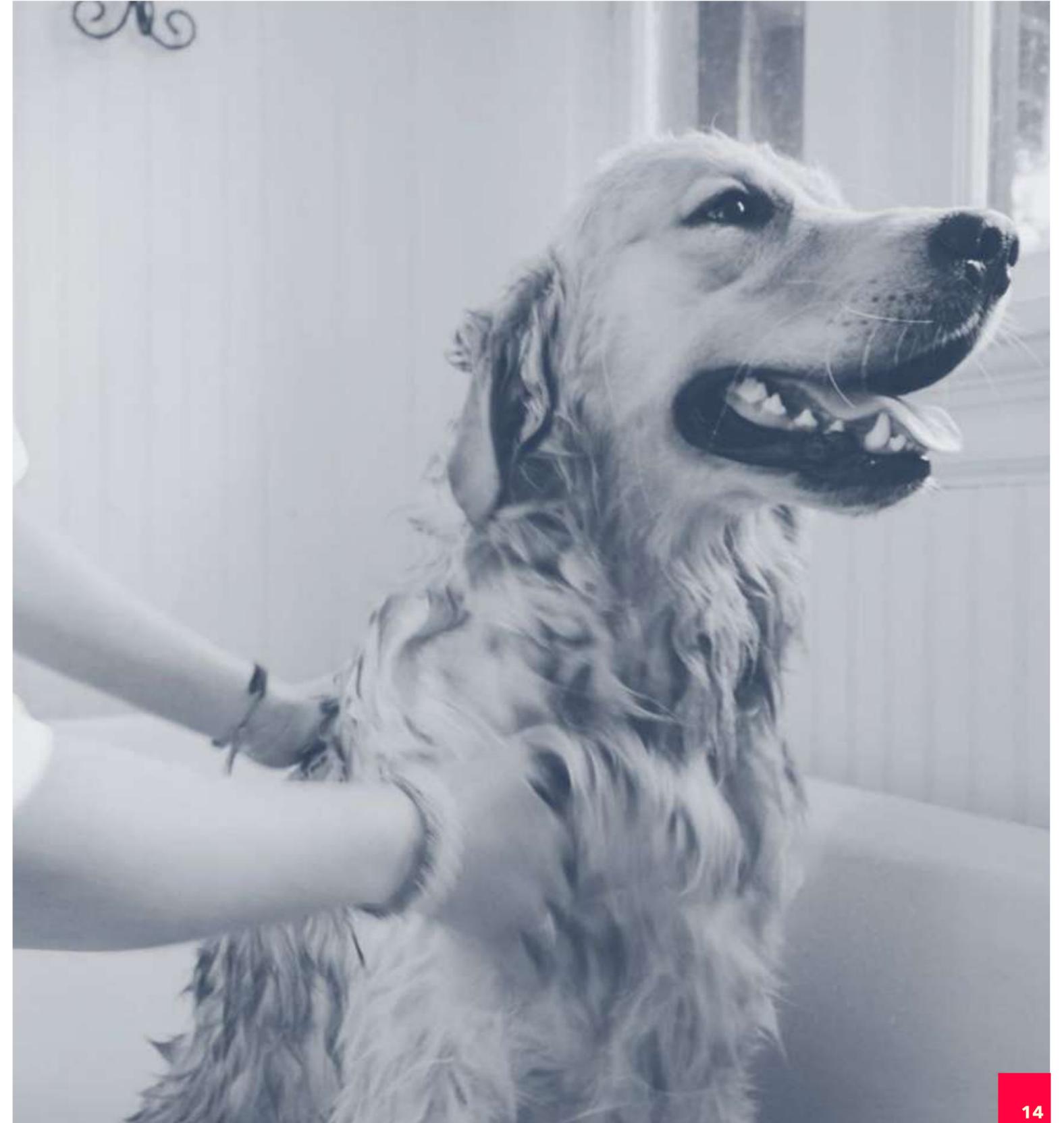
The value of certified immune
consumers

Even more anxiousness/loneliness and depression

Unfortunately, many people will feel more isolated, will lose their job, get confronted with sickness, face relationship issues,... if not all at once.

WHAT TO EXPECT:

There will be a tremendous need for **(remote) therapy and coaching**. Certain regions already see a rise in demand for **pets** and animal companions. Also, online **social games**/tools are booming. (e.g. Houseparty, Discord,...). Do note that many tools were not designed for new use cases. e.g. Online Dating via Zoom anyone?



Damaged trust in hygiene of people and products

With the viral nature of Covid-19, consumers and organizations are becoming much more careful about the people and products they interact with. Both people and organizations will expect formal proof of hygiene and current health status.

WHAT TO EXPECT:

This can result in **packaging** redesigns, sharing of **personal health records** and temperature, retail/hospitality formats with free service add-ons focused on **cleanliness**, Preference of science-forward products over 'natural', Contact-free deliveries and drop-offs.

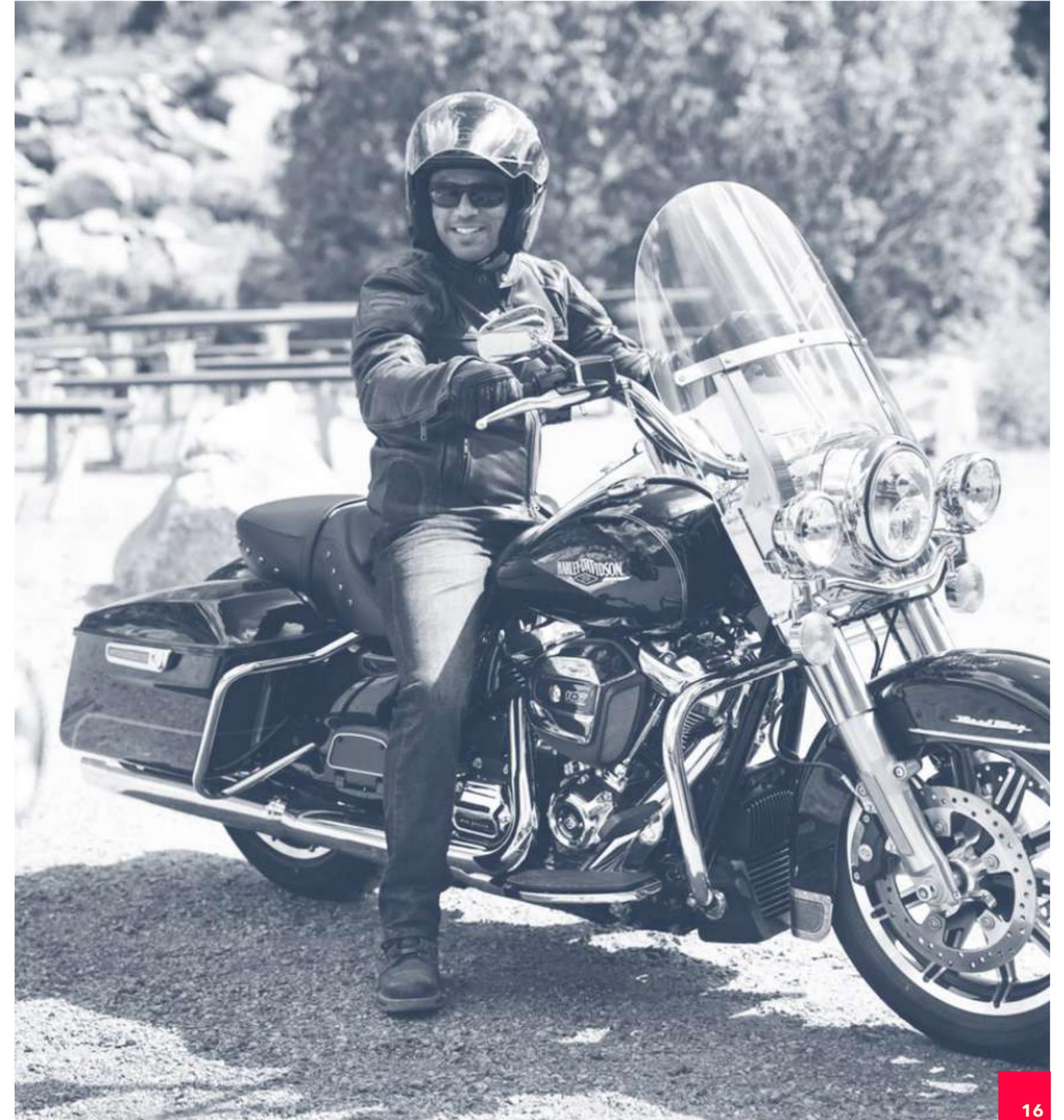


Extended travel restrictions, even within a country

Travel and tourism may have seen the biggest impact as an industry. Travel feels like a risk for consumers who may not be able to get back to their home, or are unsure if they'll be covered in a foreign land should another outbreak occur.

WHAT TO EXPECT:

Local tourism will flourish of course. Traveling abroad might be only worth the effort for **longer extensive holidays**, taking a period of **quarantine** into account. Potentially combining travel with remote work. The **rural and remote** will become **luxury** escapes.



Optimized work from home setups, beyond typical office jobs

Home takes on a whole new meaning as individuals and families figure out new ways to balance their work-life needs within the confines of their space.

WHAT TO EXPECT:

Companies tight on cash will **reduce office space** and infrastructure. Expect setups at home that go far beyond a second screen. People will bring in **special equipment, machines, and advanced video/audio setups** to accommodate this change in lifestyle. Policies and **new insurances** will need to follow.



Rising tension & conflicts at all levels

Many organizations and people are operating in survival mode. While doing so, many might breach contracts or regulations along the way.

WHAT TO EXPECT:

Google search trends already showed a spike for “*Force Majeure*” (superior force). Legal battles will pop-up everywhere. At the same time, **lawyers** are shifting to a **digital** way of working. This will trigger more tools to **automate legal work** to operate at scale.



Unprecedented levels of global unemployment

Many will be forced to rethink their career, as switching to another struggling competitor in the same industry is not even an option.

WHAT TO EXPECT:

Remote **reskilling and training** will see a peak. At the same, many might switch to an entrepreneurial **side business** to boost their family budget. Both options will bring valuable experience once the economy catches on at a later moment in time.

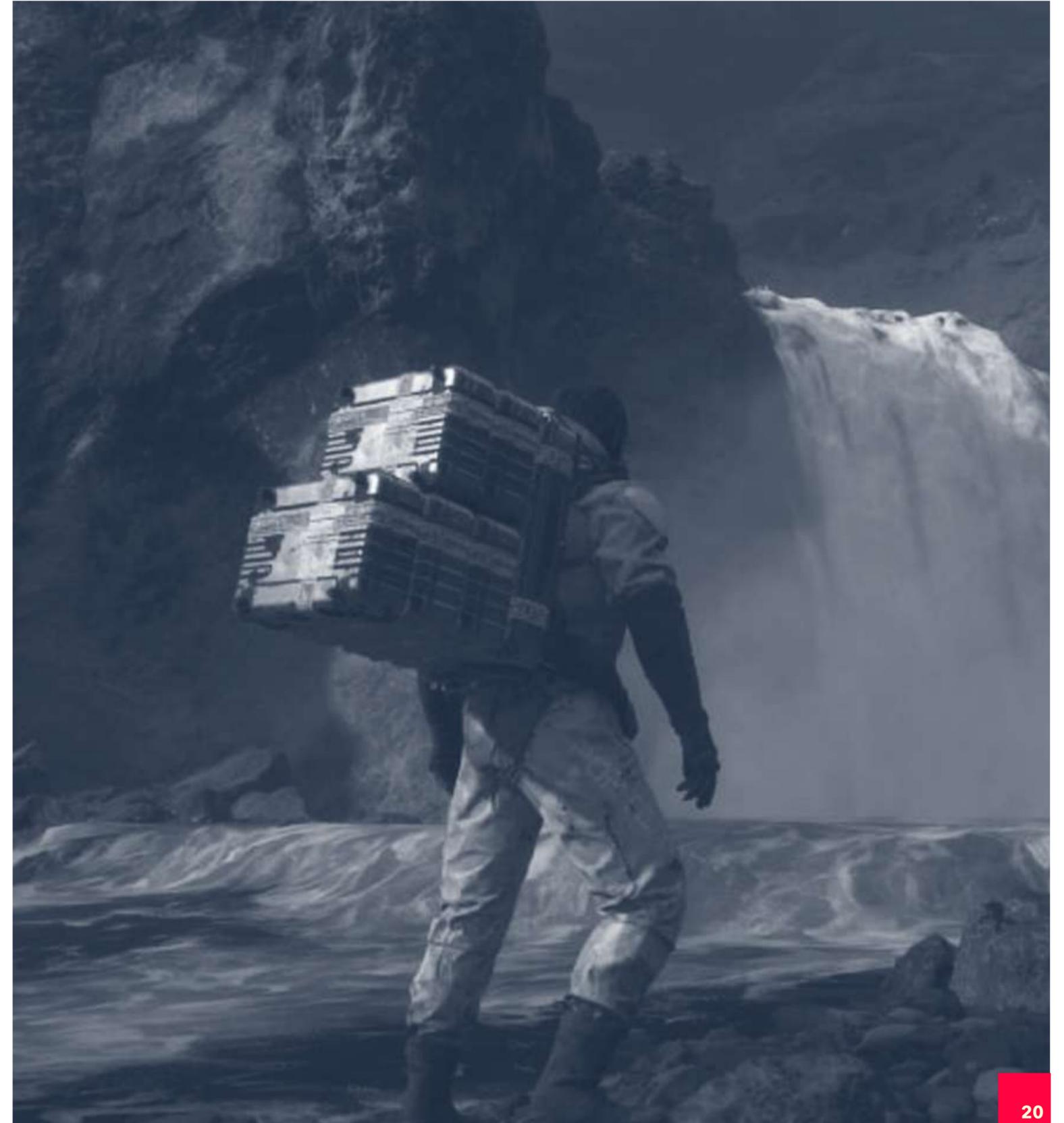


Take out/home delivery everything

Many retail businesses and product distributors will need to switch to delivery and/or remote-first. Regular retail will not vaporise, but evolve.

WHAT TO EXPECT:

Expect more **specialized delivery solutions** (e.g., drop off points for frozen/cooled food). More advanced **supply chain optimizations**. (e.g. multiple shops bundling deliveries to the same household or street). VR shopping and mass drone deliveries will not be a thing yet, sorry. :)

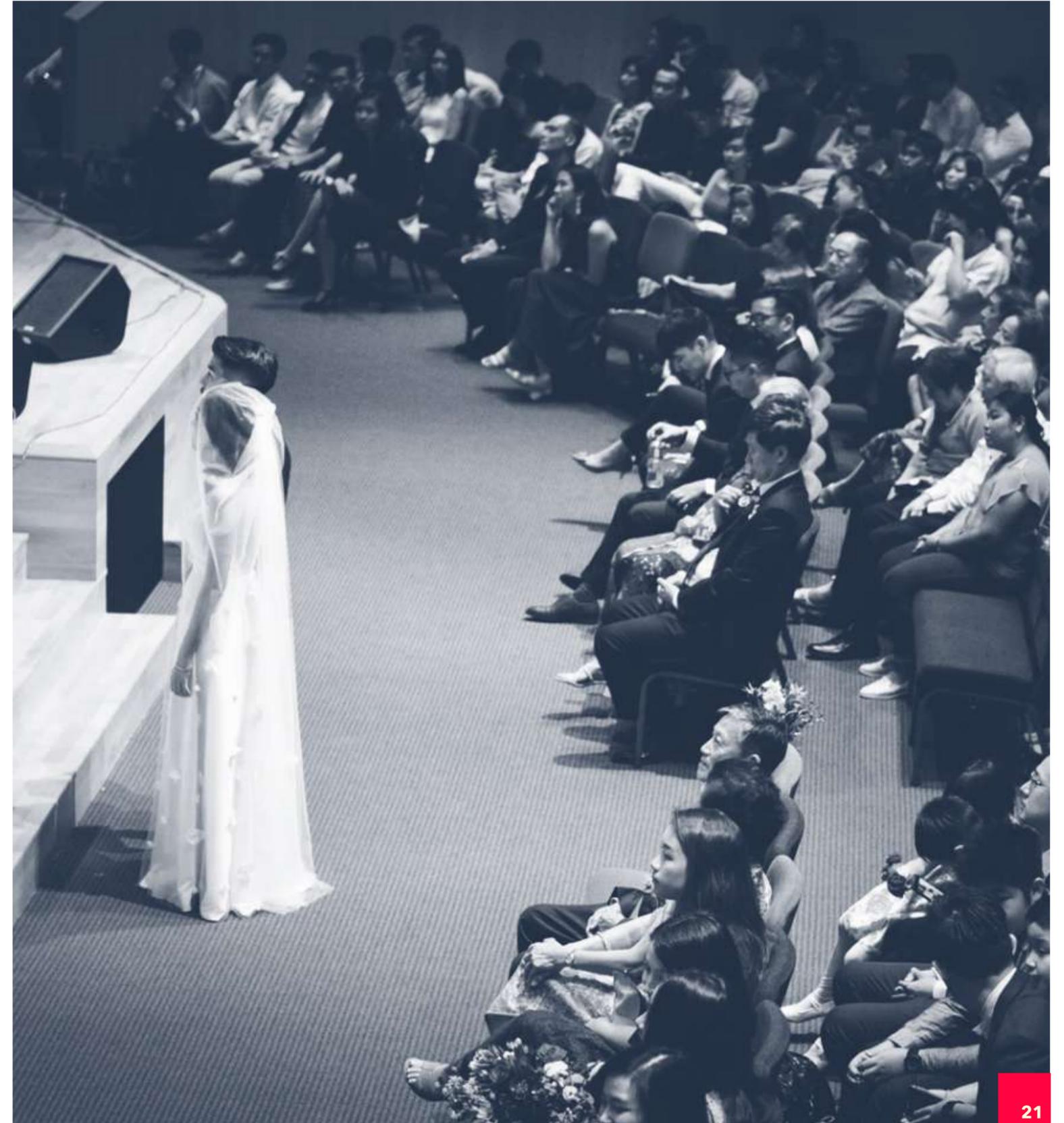


Limited contact with older generations

Until a vaccine is available, interaction with +65-year-old people will be severely restricted. People will need to rethink social gatherings.

WHAT TO EXPECT:

While **digital adoption** will be accelerated quite soon, it will be the normal day-to-day activities that will need to be redesigned. Special **retail options**? Tweaked **ceremonies/rituals** (e.g. large weddings). Rise of **communities** for those with **special needs** or of a certain age.

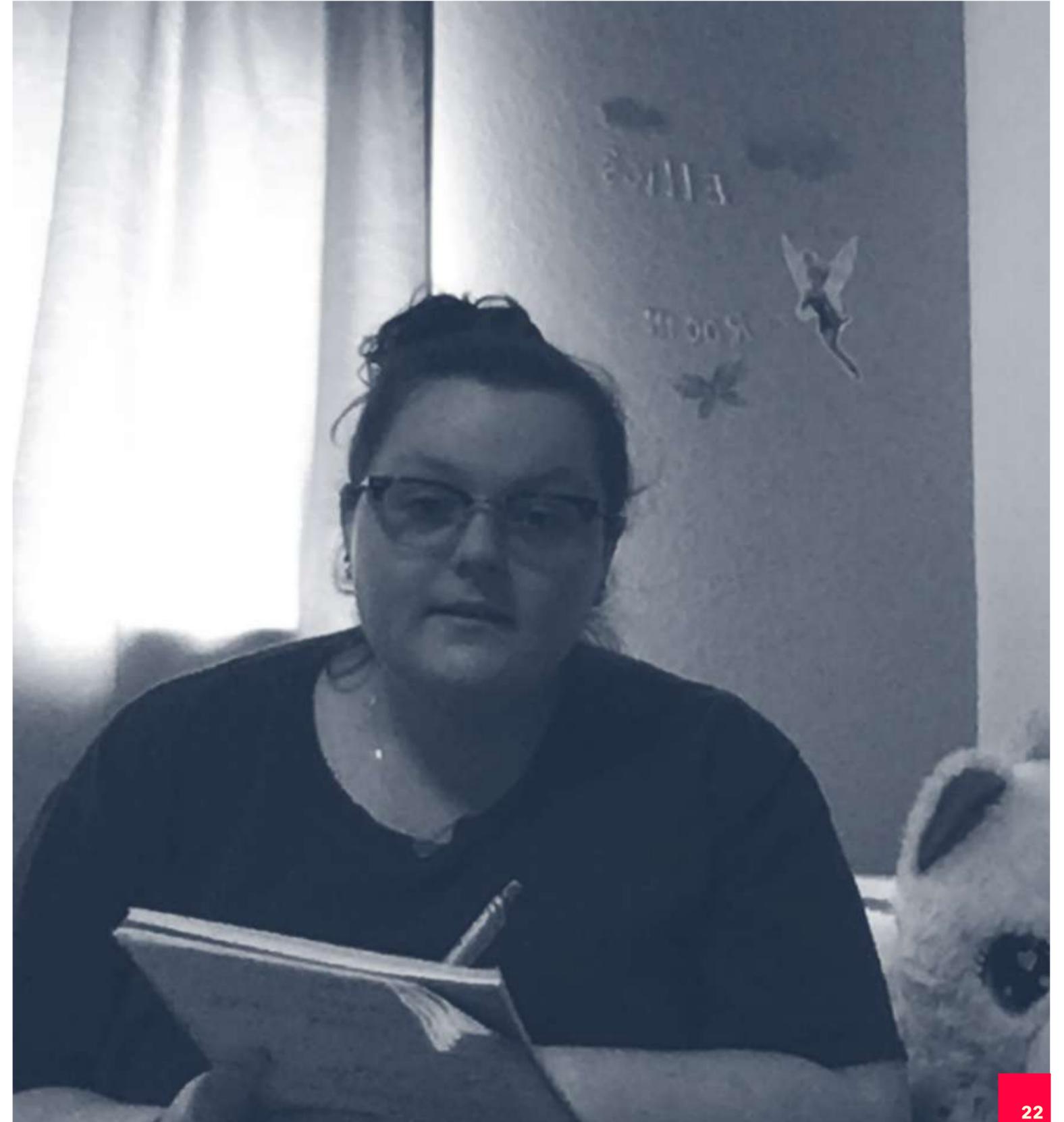


Our identity is more than our job

For many, your profession and role is a significant part of who they are. Mixing work and private life **debunks this superficial layer**. Only now many are getting to know their colleagues at a deeper level, 1 live stream from their bedroom at a time.

WHAT TO EXPECT:

In normal times, **fashion** is one element to shape and communicate your preferred identity. When there is less physical interaction, digital altering of your video interaction can partially replace this. (Notice how Twitch streamers are customizing their 'live stream room'). More experiments with **digital alter egos** will pop up.



The value of certified immune consumers

If your business model relies on packing many **people in tight spaces**, there is no light at the end of the tunnel (cruises, theaters, events/festivals,...)

WHAT TO EXPECT:

Rise of solo dining booths or human-free interactions (e.g. robot waiters). One way out could be the rise of a new consumer segment with an official health record to prove an immune status. Would you market only to these people? This would be **uncharted territory** for most industries; although it might be a good alibi to keep your eye on the **adult entertainment** industry. For decades they have managed the spread of HIV & STDs in their industry.





Part 3:

How different Industries are impacted

A sharp and unprecedented drop in demand will have ripple effects deep in the value chain.



**some of these companies might even go bankrupt, leading to more unemployment, leading to even less demand in the market. That is the vicious circle of a recession, and could be broken by a massive fiscal and/or monetary stimulus.*

Industry impact analysis

Covid-19 Industry Impact
boardofinnovation.com

Industry characteristics

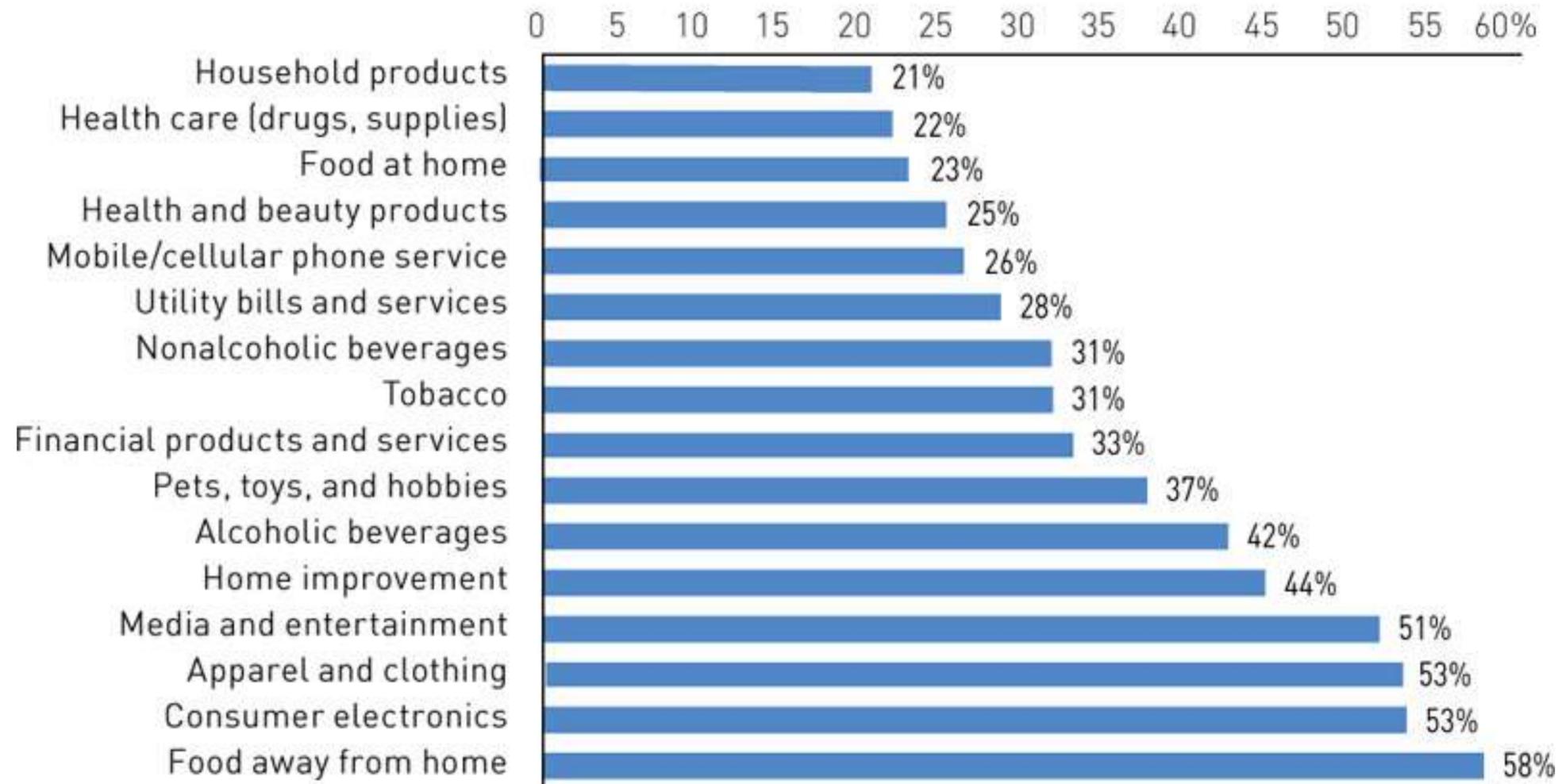
If characteristic is present in your or your clients' business, impact is negative (unless you successfully pivot).

Note: Detailed impact analysis per industry in dedicated reports.

	Large gatherings are essential	Close human interaction is essential	Hygiene, or perception thereof, is critical	Dependant on travel (business and leisure)	Service or product is postponable or expendable	Impact analysis
Tourism and hospitality	Very high	Very high	High	Very high	High	Very high
Sports	Very high	Very high	Medium	Low	Medium	High
Music	High	High	Low	Medium	Medium	High
Automotive	Low	Low	Medium	Low	Very high	High
Beverages (Alcohol)	High	High	Medium	Medium	Low	Medium
Retail (non-food)	High	Medium	Medium	Medium	Medium	Medium
Pharmaceuticals	Low	Low	High	Low	Low	Low

Impact on industries:

Over the past 12 months, I reduced my expenditure in this category
(Percentage of respondents who agreed or strongly agreed)

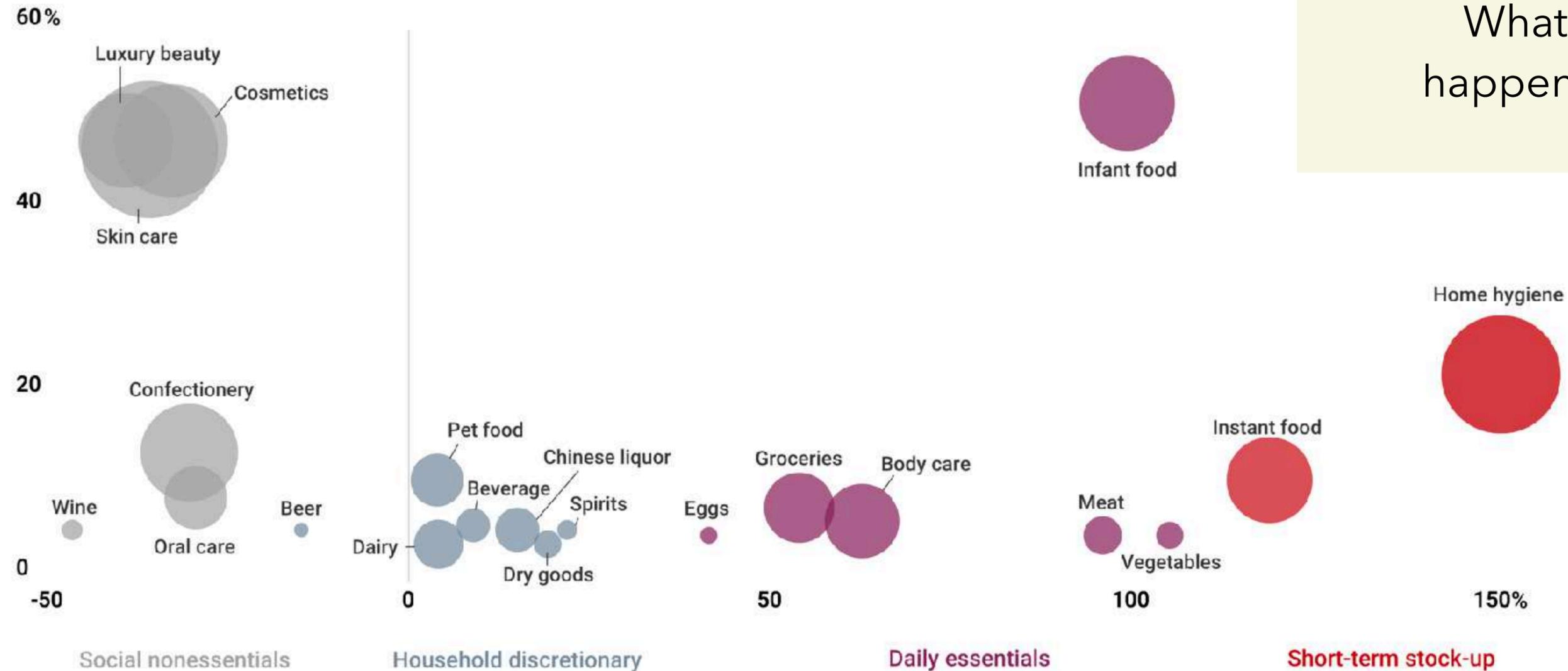


Source: Booz & Company Fall 2009 Survey of Consumer Spending. Sample size n = 2,010

How did consumer spending drop after the 2008 crisis?

Impact on industries:

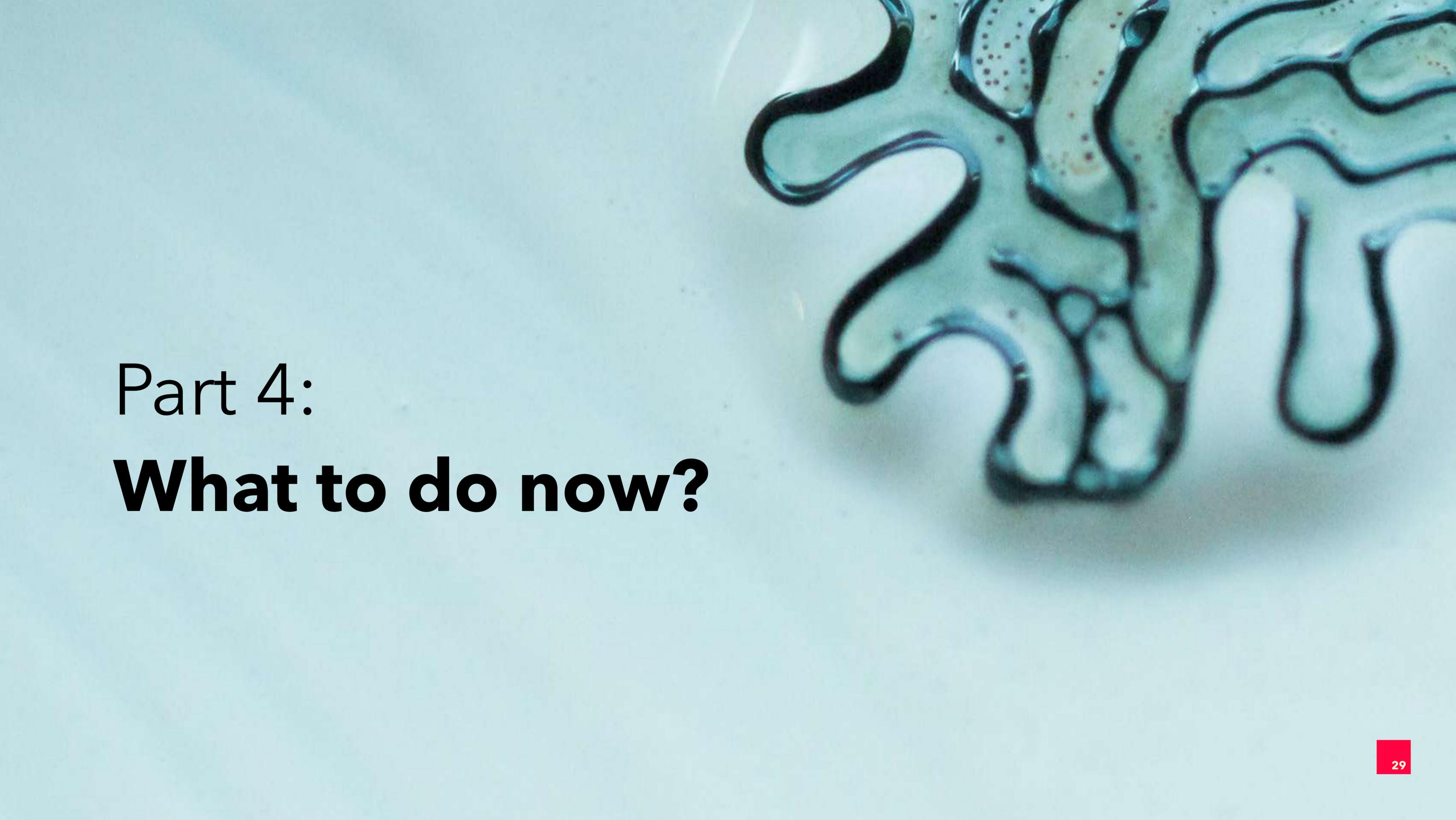
Normal online penetration (including O2O)



What is currently happening in China?

Year-over-year sales growth during first 13 days of 2020 Lunar New Year

Notes: Size of circles represents GMV for first 13 days of 2020 Lunar New Year. Luxury beauty includes cosmetics and skin care products (this definition is based on price segmentation instead of product type). Tmall ecosystem includes Tmall, Tmall Int'l and 淘鲜达 (1-hour O2O delivery). Sources: Alibaba Tmall; Bain analysis; Bain and Kantar Shopper Report



Part 4:
What to do now?

Define your strategy

Covid-19 Strategy Matrix

boardofinnovation.com

Note: strategic response also depends on cash position, competitive position and industry attractiveness.

Severity and duration of economic impact
GDP forecast / Pandemic evolution / Economic policy

Impact on your organisation

Direct impact of Covid-19 / Indirect impact of economic recession / Ability to adapt fast

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Switching from defense

Mitigating the biggest risks is crucial, from a health & safety, operational as well as a P/L point of view. This is an ongoing effort.

to offense

But it's time to prepare for the next phase. Industries that were stable for a decade are now wide open to turn around.

Fast and decisive movers will win.



During the recession, **Sanofi**, the French pharmaceutical company, increased its absolute R&D expenditure from €950 million in 2000 to €1.3 billion in 2003, to keep its product pipeline robust. The company gained market share and **outperformed peers** in the stock market. Afterwards the company was well positioned to acquire Aventis, a much larger Franco-German pharmaceutical company, after a takeover battle, in the economic upswing of 2004. ([HBR](#))

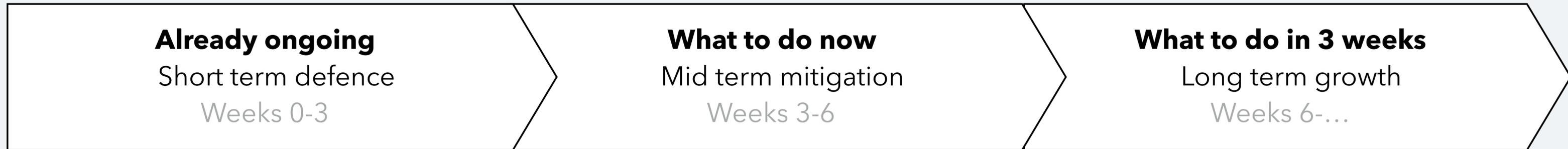


The outbreak of SARS was a pivotal moment that put **Alibaba** on its path to becoming a \$470 billion e-commerce behemoth. ([CNBC](#))



Cosmetics company **Lin Qingxuan** was forced to close 40% of its stores due to Covid-19. The company redeployed its 100+ beauty advisors from the stores to become online influencers who leveraged digital tools, such as WeChat, to engage customers virtually & drive online sales. As a result, its sales in Wuhan **achieved 200% growth** compared to the prior year's sales. ([HBR](#))

What to do now?



DEFENSE

- Align senior leadership & set up PMO
- Protect health & safety of your employees and customers
- Run macro-economic and micro-economic scenarios on your P/L
- Keep your operations afloat

- Understand mid to long term impact
- Protect your revenues
- Define re-budgetting, and implement cash preservation measurements
- Stabilize your operations (e.g. supply chain, manufacturing)

- Monitor actuals vs. scenarios, and adjust accordingly
- Roll-out re-budgetting and divestments
- Bring your operations to a new normal for the coming 18 months

OFFENSE

- Understand the new economy, and the growth opportunities it brings
- Develop a strategy on how to outperform competitors
- Plan to pivot or develop products/services/markets/business models

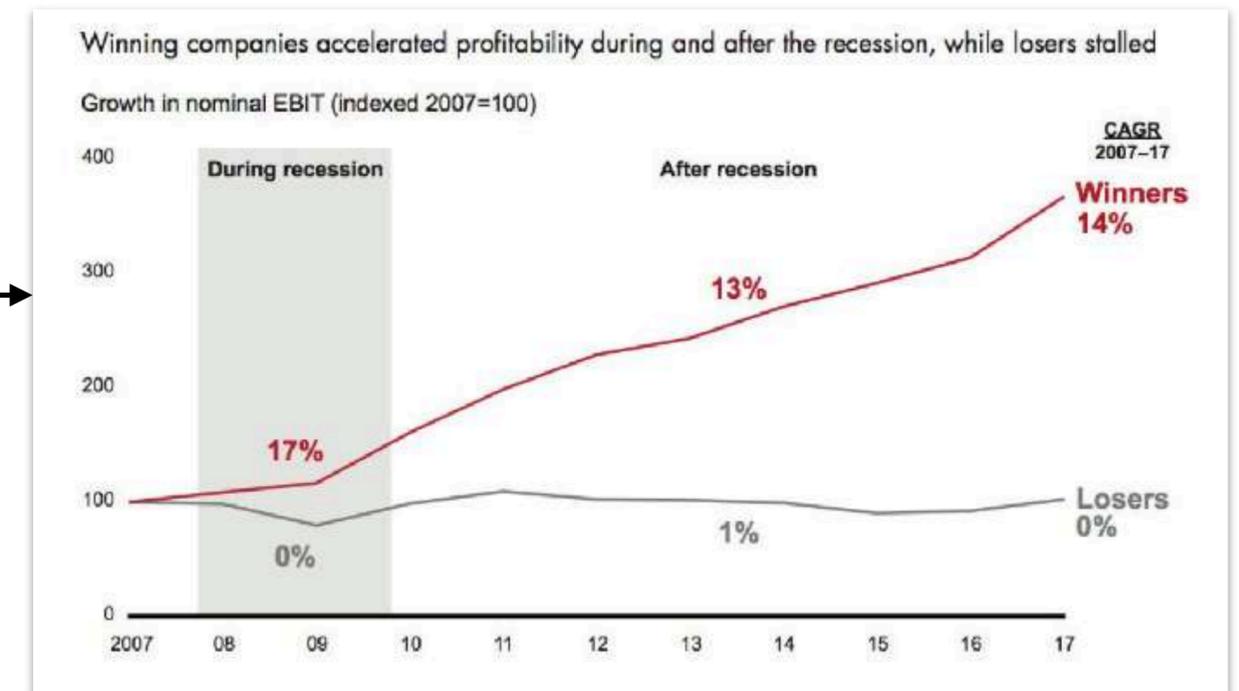
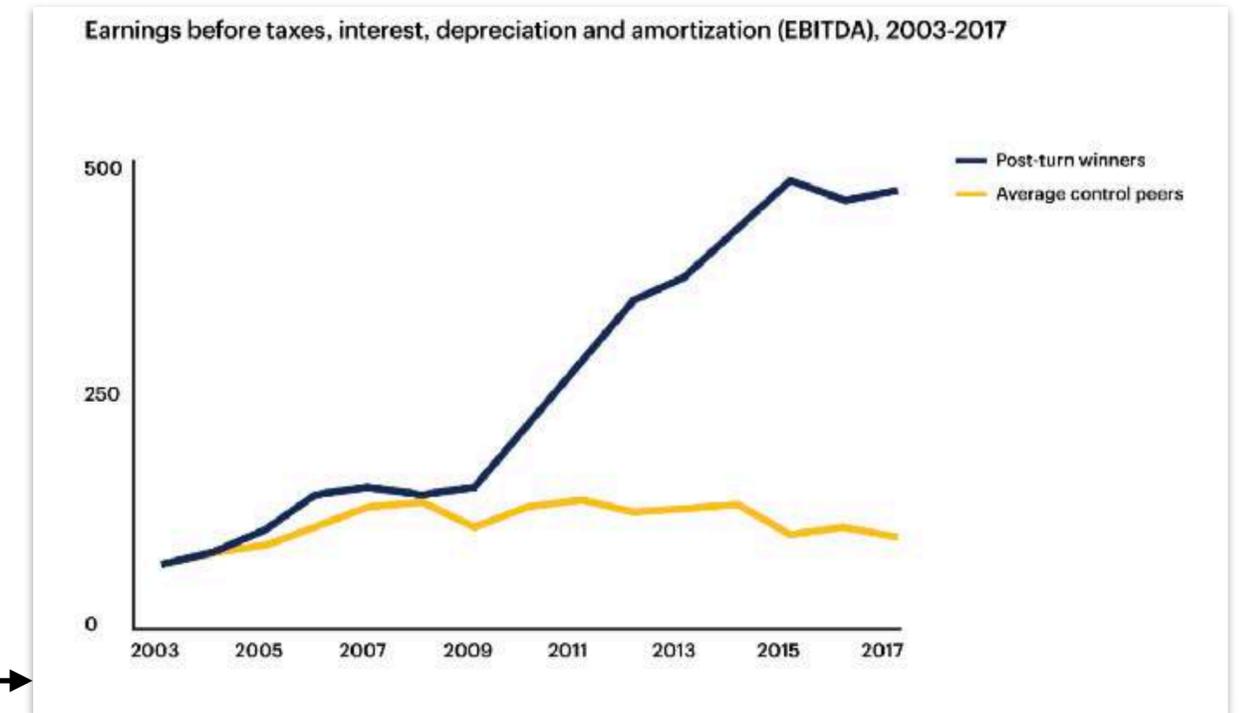
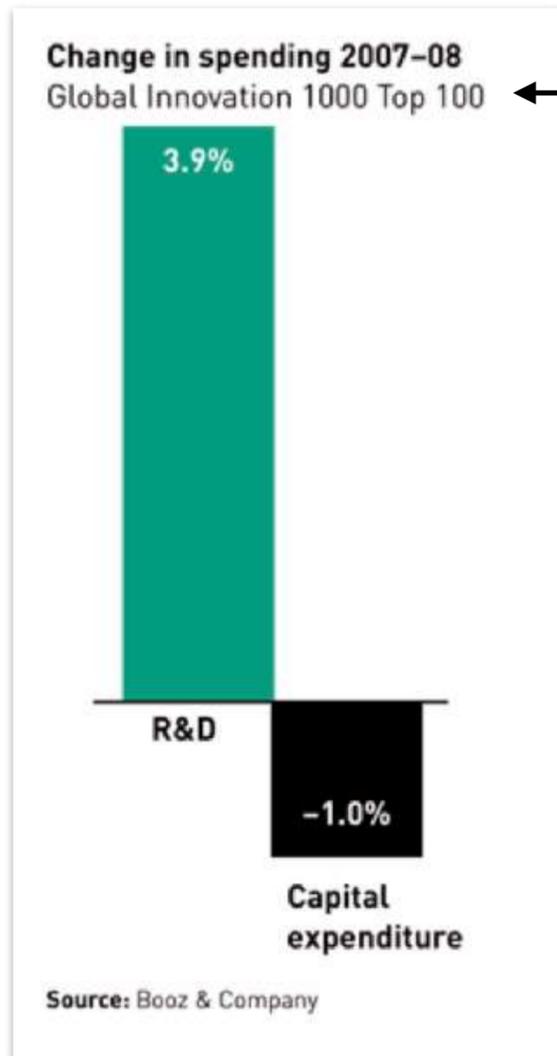
- Invest in growth areas
- Develop M&A plan
- Pivot your existing portfolio
- Develop new products/services/markets/business models

Now is the time invest in innovation & R&D

The 100 most innovative companies **spend even more on R&D** during a recession, while others were stalling. In the long run, these investments are **paying off in profitability & growth**.

Gartner looked at 30 F1000 companies that accelerated during the crisis of 2008. All of them **invested in new growth options instead of just cutting costs**.

Also, Bain & Company came to a similar conclusion after analyzing 5000 companies over 10 years. Growing outside of the core business was named as one of the strategies to win.



Set up your new economy growth initiative

Asses the impact	Develop the strategy	Go on offense	Make it happen
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2-hour Impact session

What is the Low Touch economy, and how will it impact industries?

Impact monitoring

How will my customers, market, categories, and business overall be impacted in the mid to long term?

Growth strategy

How can I grow in the Low Touch economy, and outperform competitors?

Pivot your portfolio

How should I repurpose my investments to the right growth initiatives?

Develop opportunity pipeline

Develop a short-term pipeline of new business opportunities, driven by new customer behaviors

Develop M&A roadmap

Scan for inorganic growth opportunities

Run new business sprints

Run weekly sprints

Launch new proposition or business model

Design, develop, and launch a new proposition to market

Hire a growth team

Hire on-demand reinforcements for your teams

All feedback is welcome!

Authors: Nick De Mey, Philippe De Ridder

Get in touch via

philippe@boardofinnovation.com

All downloads via

boardofinnovation.com/low-touch-economy

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