

These BAF II Covid-19 briefing notes are intended to help companies in Laos do three things:

- **Pivot** your existing business model to survive the current Covid-19 crisis;
- **Prepare** to withstand the challenges of a global economic downturn; and
- **Position** yourself for the economic recovery.

This first briefing note in the series provides a strategic overview of what companies in Laos can do to prepare. Later briefing notes will look at more specific issues, including: looking after employees, caring for customers, and financial planning, amongst other topics.

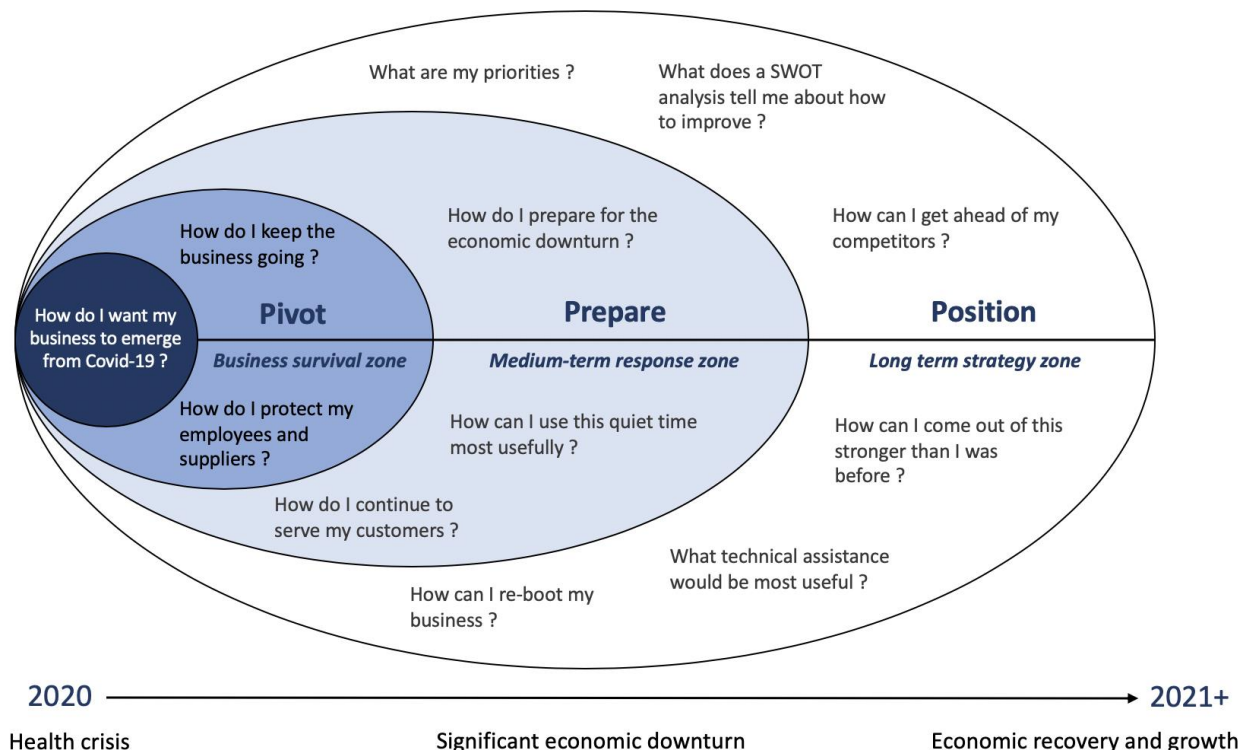
Briefing note 1: Having a plan

This is an anxious time for everyone, including businesses. Our world has changed dramatically in 2020, and it can be hard to imagine what the future will look like. But it is possible to make some strategic business decisions based on a few basic assumptions.

The first assumption is that the current health crisis will gradually stabilize and improve in 2020, even if it will not go entirely away any time soon. And current restrictions aimed at limiting the impact of Covid-19 will also gradually ease in the coming months.

The second assumption is that, even once the worst of the health crisis has passed, we will find ourselves in a global economic downturn. This economic downturn will be the worst the globe has experienced in many decades, and almost certainly last longer than the actual health crisis that triggered it. Regrettably, not all businesses will survive this period.

The third assumption is that the economic downturn will be followed by a period of economic recovery. Economies move in cycles, and demand for products and services will return. For companies, it is important to not only survive the economic downturn, but also be well positioned for the recovery that follows.



If you disagree with any (or all) of these three assumptions, then feel free to come up with your own, and write them down. The core point is to have a considered view of the likely future, and develop a business plan that will help your company chart the best way to navigate through this anticipated future.

Your view and plan will probably change over time, as the situation develops and more information is available, and that is OK. Never stick to a plan that you know has become out-dated or based on information that has subsequently changed. Change is inevitable and never-ending. Change brings challenges, like the unwelcome impact of Covid-19, but it also brings opportunities.

Identifying and addressing the immediate challenges: *pivoting*

The first thing to do is not panic. The second thing to do is take a deep breath, and try to think in a calm and cool manner. You may feel that your business is suddenly facing too many problems, and it is impossible to know what to do or where to start. The trick is to list them down, group and prioritise them in order of their potential impact, and start to work on them, one by one, day by day. By breaking them down into separate elements, it is easier to identify the right solutions, and also not to feel so overwhelmed. Each problem that is overcome is one less to worry about, and the list will gradually get shorter.

Beyond this, there are a number of things that can be very helpful during a period of crisis like Covid-19. They include (but not limited to) the following:

- Owners and managers need to show leadership to their employees and suppliers, and communicate with them clearly and honestly. Listen to your employees, suppliers and customers. Understand their needs and concerns, and then think creatively about ways of addressing those concerns.
- Use social media not only to engage customers, but also as a tool to keep in touch with, coordinate and motivate employees.
- Stay up to date with government policy guidelines, regulatory changes and other protocols instituted to combat the virus, and make sure that your business stays fully compliant with them.
- Rather than dismissing employees, try reallocating them to other productive activities, where this is possible. And if existing distribution networks no longer function, look at alternatives. For example, one cosmetics company in China found that its sales staff could no longer work when it closed down its shops. So it encouraged them to use digital and on-line tools to engage customers virtually. The result: its sales actually increased in those locations impacted by the crisis.
- It is critical to keep looking ahead, and continually adjust your business planning and priorities, as the situation develops and more information becomes available. For example, a leading instant noodle and beverage producer in China reviewed the situation on a daily basis and reprioritized its efforts regularly. As a result, it anticipated panic buying and hoarding, and it tilted its focus away from large retail channels to O2O (online-to-offline), e-commerce and smaller stores. By continuously tracking retail outlets' reopening plans it was also able to adapt its supply chain in a flexible manner. As a result, its supply chain recovered by more than 50% just a few weeks after the outbreak, and it was able to supply 60% of the stores that were reopened during this period — three times as many as some of its competitors.

BAF II's Covid-19 briefing notes 2 to 5 provide specific suggestions and recommendations on how businesses in Laos can seek to pivot their business models and practices to withstand the current crisis.

Navigating a route through the economic downturn: *preparing*

The immediate health crisis will gradually ease, and the various policy responses instituted by governments (such as restrictions on travel) will gradually be lifted. This could well result in a fairly sharp recovery in some parts of the economy, but certainly not all parts. Some business sectors might bounce back quite quickly, but other business sectors may take years to fully recover. And Covid-19 will probably change the way some sectors and markets function, which will necessitate changes in companies' business models.

A second wave of Covid-19 infections later in 2020 is also quite possible, and some restrictions may need to be re-introduced later in the year. Even if many businesses return to normal working quite soon, it is not automatic that demand for their products and services will resume so easily. The current crisis has been a big punch to the Lao economy, as well as the global economy, and it will take time to recover from that blow. While the upward trajectory of the recovery will be broadly positive, it is unlikely to be a straight line.

Businesses should therefore expect the economic environment to remain challenging in 2020, and into 2021. For example, consumers are unlikely to spend as much as before on non-essential items, either because some have

lost their sources of income, or they are deciding to save more. As a whole, business clients are also likely to look at cutting costs where they can, including on outside spending. And even government agencies may look to reduce their normal procurement budgets, as revenues decline and emergency expenditures increase.

BAF II's Covid-19 briefing notes 3 to 5 provide specific suggestions and recommendations on how businesses in Laos can best prepare for this more difficult economic environment.

Preparing for the economic recovery: *positioning*

Few companies welcome a crisis, but it does provide an opportunity for businesses to evaluate honestly their internal strengths and weaknesses, as well as their external threats and opportunities. (Strengths and weaknesses are things in the past; threats and opportunities are things in the future.) It also provides an opportunity to re-orientate the business and make major improvements.

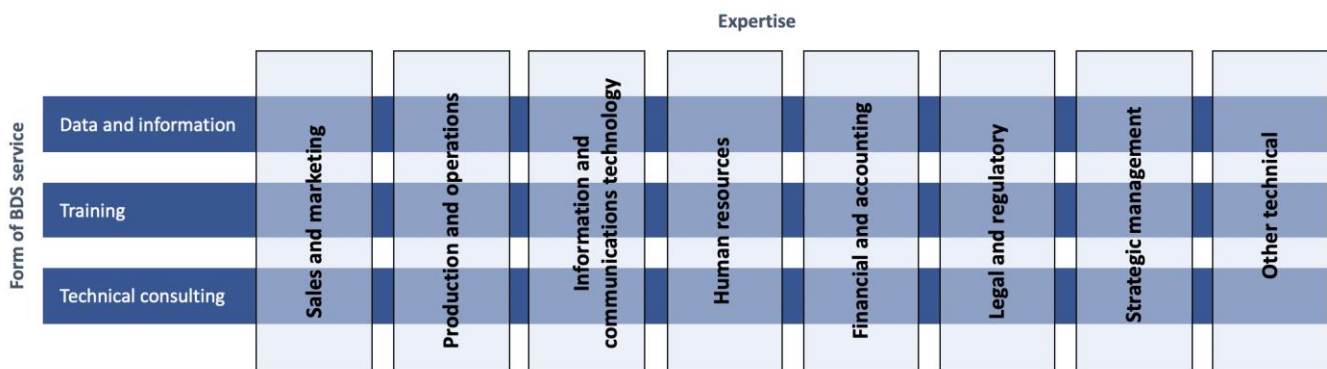
Periods of crises typically cause businesses to focus exclusively on responding to the immediate crisis, and waiting for things to return to normality. That seems logical, but can often be a mistake. Now is the time to start making strategic decisions about the future. It provides an opportunity to differentiate your business, and not only come out of the crisis stronger, but also ahead of your rivals. While your competitors are distracted and thinking defensively, you should be thinking about going on the offensive. So do not be reluctant to take calculated risks, and to be innovative.

We are already seeing demand for B2C (business to consumer) e-commerce increasing, as well as shifts in the delivery of services, such as education, to online platforms. (Some children are now inhabiting classrooms in the cloud.) Companies that help other businesses use the internet to work virtually are in high demand right now. While many businesses will probably go back to the old way of working after the crisis is over, some may decide to stick with new modes of working. The same is true for customers, as new consumption habits are formed.

BAF II's Covid-19 briefing note 5 provides specific suggestions and recommendations on how businesses in Laos can think about positioning themselves for the future.

Need help ? Some BDS resources to consider

For many businesses, it is not always possible to rely on internal resources alone to implement successfully the changes they want to make. This is where 'business development service' (BDS) providers come in. BDS providers provide their technical knowledge, for a fee, to help their clients to plan for and execute the desired changes. Perhaps the most obvious ones provide legal, human resource, financial and/or accounting services. But there are also a wide range of BDS providers that provide more specific and technical expertise, whether it relates to a particular business field or activity, involves IT, or guides businesses to attain various standards and certification.



BAF II is here to help your business pivot, prepare and position.

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Or visit us website at: www.baf Laos.com

