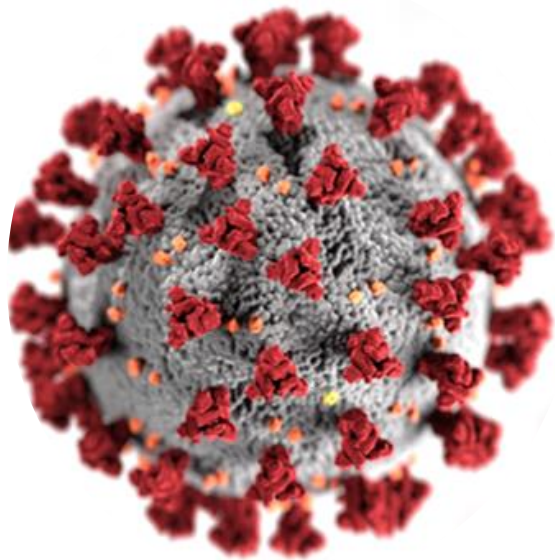


BRIGHT WOLVES[®]

Impacting Transformation



5 Learnings from previous crises

Empowered by  Quanteus Group

April 2020

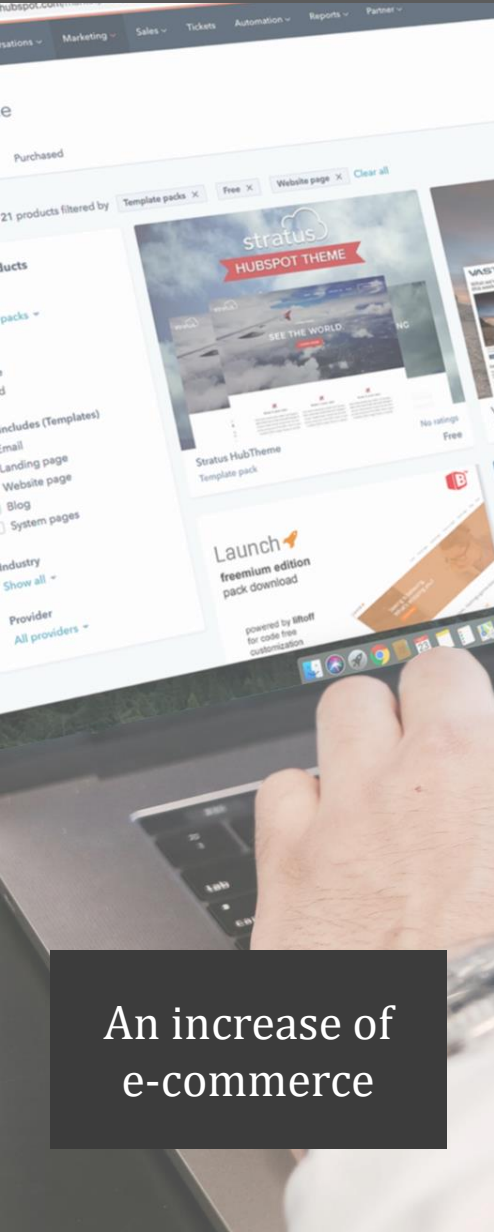
Why should you read this document?

As a business leader, it is essential that you have a notion of what happened in previous recessions and pandemics and their key learnings for your company. To this effect, we have prepared a brief summary of the 5 lessons learned from past recessions. By understanding the past, you will be able to look at the current crisis from different perspectives and be better prepared for the future.

DISCLAIMER

Most numbers in this document are sourced from external articles. It is possible that these numbers have changed at the time of reading.

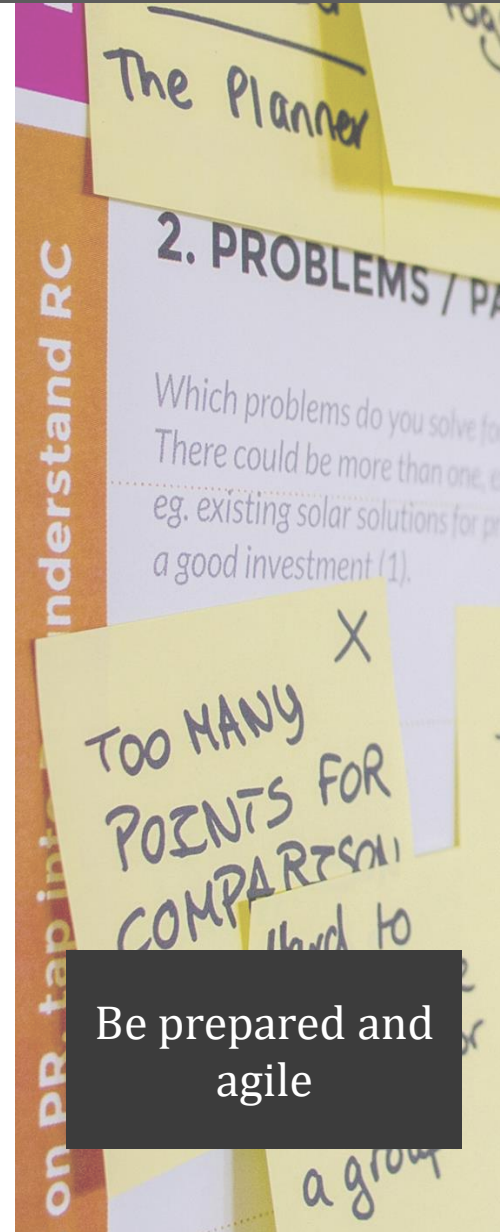
5 Learnings from previous crises



An increase of e-commerce



Innovate or die



Be prepared and agile



Remember Cash is King



Don't undershoot, don't overshoot

Increasing e-commerce

“SARS has contributed to the birth of Chinese e-commerce”

Key Learning

- As digitalization has been rapidly accelerating in the past decade, we cannot ignore the increasing magnitude of e-commerce
- E-commerce is already well established; however, there still are so many opportunities to pursue such as the use of AI, innovative new business models and leveraging growth marketing
- As a large part of consumers is sitting at home, many are experiencing e-commerce for the first time or are exploring a broader range of products online

Conclusion

- Changing consumer behavior and advancement of novel technologies are likely to continue driving the growth of e-commerce in the years to come

The online interest for “Online purchases” in Belgium (Google trends)



A use case from the Sars epidemic



- Alibaba saw a boost in its B2B business after SARS complexed foreign travel
- Additionally, Alibaba launched its Taobao app, a Chinese C2C online marketplace, in 2003
- After only 2 years, Taobao surpassed eBay as the number one C2C marketplace in China and later on globally

Innovate or die

Crises reward creativity and innovation

Key learnings

- Try to:
 - Look for new or alternative customers and modify your services/products to the current needs in the market
 - Look for synergies, everyone is having a hard time but sometimes your competitors may be your best partners
 - Take advantage of innovations that have emerged or positioned themselves during the crisis
- Creativity and innovation are also useful on a company-wide level. Questions to keep in mind:
 - Is our company still working as efficiently as possible?
 - With changing trends and technologies, could we change the way we work for the better?
- Employees and customers are great sources of innovative thinking
 - e.g. Starbucks' My Starbucks Idea, designed to collect suggestions and feedback from consumers while creating a sense of community

Conclusion

Although recessions create risky situations, it is important to keep innovating as the market will eventually recover and innovative services/products will drive future demand

The use case of Blockbuster and Nokia:

- Blockbuster, one of the biggest DVD rental companies in history, failed to innovate and lost out to Netflix, who in turn did believe in the future of streaming
- Nokia, once the world leader in cell phones, lost its leadership role in the era of smartphones, because it failed to bring any innovative products to the market



NOKIA

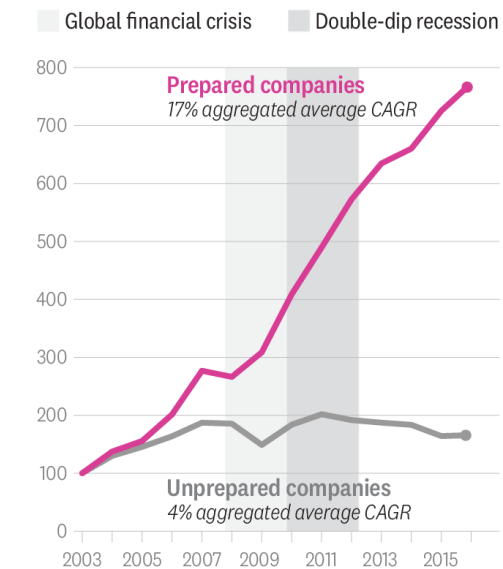
Be prepared and agile

Prepared companies outperform their unprepared competitors by double digit EBIT growth

Key Learnings

- Be prepared by planning:
 - Have business continuity plans ready for different scenarios – Good/Base/Bad/Worst
 - Plan your financials – *see part, Cash is King*
 - Reach out to advisors in time
- Be agile in difficult times!
- Try to implement an agile way of working. Start with one business unit at a time and use its success to make the methodology welcome in other business units
- Agile has to be supported by the whole team. It needs the support and commitment from the leadership team to work
- Reassess your level of agility and preparedness on fixed moments in time

Aggregated average EBIT indexed to 2003 (Bain)



Note: A double-dip recession is when GDP becomes negative after at least a quarter of positive growth. EBIT and CAGR are not adjusted for inflation.
Source: Bain analysis of Capital IQ data. Includes 388 prepared companies and 3,113 unprepared companies worldwide. HBR

Conclusion

- Be prepared by planning for different scenarios.
- Keep in mind, in modern fast-paced society it is often very hard to predict what will come next. Therefore, building a certain degree of agility into your organisation, will make it more future proof

A use case of Microsoft

- E.g. Microsoft has undergone a company-wide organizational shift after the Financial Crisis, fully embracing the agile methodology



Remember Cash is King

Make sure to have enough cash at hand to be able to take action when others have to endure

Key Learnings

- Economic downturns come with many opportunities
 - Pressuring a company to rethink its strategy
 - Creating investment opportunities to prepare for the future
 - Creating interesting M&A opportunities
- In order to react to these opportunities, companies will have to be healthy and have to dispose of adequate means of financing –e.g. Cash
- Some ways of strengthening your cash position:
 - Revise dividend policy and share buy-back plans
 - Sell underused assets
 - Look for credit facilities or issue bonds
 - Look for cost-cutting opportunities in working capital
 - Optimize your financial structure
 - Keep close track of your cashflows

Conclusion

Cash acts a buffer, ensuring liquidity to finance outstanding debt, to act as a cushion in emergencies and to create the valuable option to invest when prices are low

A use case of Cisco and GM

- An example of a good student is the tech conglomerate Cisco, who proactively invested during downturns
 - [John Chambers, CEO]: *“the best time to make acquisitions is in downturns”*



- On the other hand and as the 2008 Financial Crisis took a big hit at the US automotive industry, GM had to file for bankruptcy due to declining sales and a pile of liabilities; in short, a cash problem



Don't undershoot, don't overshoot

A well-balanced approach

Key Learnings

- Different companies react to crises in different ways. You always have extremes. Some may be too defensive, others might be overly aggressive
- During a downturn, it is easy to freeze and enter a very defensive mindset, waiting for the storm to pass. Although this might be helpful in the short run, this will make it harder to regain momentum when the economy recovers
- On the other hand and as mentioned in 'Cash is King', recessions create opportunities. Be aware of being blinded by positivism for the future and over-aggressively increase expenditures without thoughtful consideration

Conclusion

- A perfect balance, as with all things, is the way go. Be aggressive enough to seize opportunities, but still prudent enough to be able to spot any warning signs and red flags

A use case of Hewlett-Packard (HP) and Sony

- During the Financial Crisis, Sony cut jobs, decreased R&D expenditures and delayed investments. As a result, Sony had a hard time catching up to competitors such as Microsoft and Samsung, after the crisis



SONY

- During the dotcom crisis, HP did the exact opposite, investing in an enormous restructuring and boosting R&D and branding. As a consequence, HP stretched itself too thin and experienced difficulties matching IBM and Dell post-recession

