



Adjusting the business model for a new norm post COVID-19

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In my last newsletter of April, I provided a month-by-month forecast to December 2020 with my key assumptions and the potential progress I hope to materialize over the next nine months of 2020 with COVID-19. I said if my forecast proved correct, I would earn some points, and if not, I would ask my clients and newsletter readers for forgiveness for being too optimistic.

Well, so far so good. The last three weeks brought some good news: stable and even declining fatalities in many countries, testing of more people, lower numbers for virus transmission, improved capacity at healthcare facilities, increased availability of ventilators, and even promising news on new-drug treatment. The result of these positive developments is that many governments are gearing up to reduce restrictions and open up the economy as early as this month.

While the comeback will likely be progressive and gradual, many questions will be asked about the how to's. The media is already speculating if the comeback will be V, U or L-shaped. While this information is interesting intellectually, it does not help in a practical way. Entrepreneurs and business owners of small and medium-size businesses are wondering if we are going back to business as usual or to a new norm post COVID-19. Keeping with my practical approach, here is a short list of my takeaways on what we can expect to change and, most importantly, how to **uncover potential opportunities in the midst of the changes.**

EMPLOYEES and OPERATIONS

The ability to work from home has proven helpful during these weeks of lockdowns and has provided benefits for both employees, and employers. **Employees** have greater flexibility to balance work-and-home responsibilities, saving time and expenses from long commutes battling traffic. And they get to spend more time with family, hopefully, for a better "life-work balance." **Employers** too can benefit. How? From smaller office space and tying compensation to output and/or results. Of course, working from home will not apply to all types of work, but improved efficiency and better employee engagement are obvious benefits for all organizations.

As well, higher awareness of safety measures and healthier working conditions are certainly welcomed by all stakeholders. Improved communication with customers and employees is also a clear benefit for better business performance. Stronger teamwork with specific objectives, and the pursuit of a common vision should also result in better efficiency, improved job satisfaction, and higher employee engagement.

One of the key changes with the Millennium generation is that HR management has moved from a style of **employee obedience to employee empowerment**. The unprecedented changes brought by COVID-19 have accelerated that trend and reinforced the importance of teamwork, creative thinking, and the need for innovative solutions, as opposed to consulting an absent workbook or manual. Simply put, there is no instruction manual about offering solutions or mitigating risks. Leaders have had to rely on wisdom, gut instinct, and advice from those around them. Weak leaders failed and real leaders succeeded.

The increased use of robotics, AI (artificial intelligence), and automated processes has clearly helped manufacturers retool in record time so they can produce medical equipment and accessories to meet the sudden rise in demand. The intelligent use

of technology, including cloud computing, can provide SME's with improved quality, higher productivity, and faster service. Technology allows small companies to leapfrog large corporations that suffer from complex organizations burdened by internal politics, turf protection, and slow decision-making. SME's can be more flexible and resourceful. **Entrepreneurs and owners have exceptional opportunities to re-tool, re-engineer, and re-invent their business model by investing in technology.**

CUSTOMERS:

The trend of consumers ordering online and having shipping right to their doorsteps has gained more acceptance during the "stay home" of COVID-19. More people have embraced the convenience of shopping from home which avoids the hustle of driving in traffic and searching for parking. The ability to easily compare prices and product features, and check reviews from the comfort of your own home are additional benefits of online shopping.

While that is true for many, successful retailers will be the ones who offer an **exceptional in-store shopping experience AND an equally exceptional online experience.** Treating customers as guests takes the retail experience to a new level. Actually, bricks-and-mortar retailers who provide a clean, attractive store with knowledgeable and friendly staff allow shoppers to see, touch, and experience what the product can offer. **Online retailers cannot do this. Touching and trying can be a key competitive advantage.** Hopefully, after COVID-19 is behind us, we will no longer witness merchandise being displayed behind locked cabinets, retail clerks who hide from customers, changing rooms that look like children's war zones, not to mention cluttered aisles and out-of-stock items.

For low-hanging opportunities, consider condominium owners in high-density urban areas who want to shop in their local neighbourhood and have goods delivered same day. What an opportunity for small retailers! They can demonstrate honest pricing every day and appreciation for customer loyalty, instead of out-of-date 50% sales that are an insult to today's smart shoppers. Retailers must review their pricing strategy to reward loyal customers, and **aim to make customers for life, rather than pushing for a one-time sale.**

CRM (Customer Relationship Management) tools can help SME's get intimate with their customers and reap the benefits while big corporations send no-reply emails. Do we want to be greeted by name and a genuine smile, or hear another recording of "your call is very important to us?"

Restaurants, which have been hit hard during the lockdown rules, may have to reinvent their business model to cope with reduced capacity and the restrictions of social distancing. Reviewing restaurant hours, introducing, and managing reservations differently, encouraging take-out, and offering free delivery may represent new opportunities. Rewarding the loyalty of local customers and advertising exclusive, weekly specials may bring excellent online reviews and contribute to building a strong brand. **Gyms** may need to extend their working hours and change their internal routines to accommodate the new social-distancing rules, while also working on a more intimate relationship with their patrons. **If doctors do not make house calls, maybe spas and salons can.**

The real key for future success is to go on the offensive and uncover profitable opportunities in the midst of changes. Going back to business as usual is never a winning strategy.

PROCUREMENT and PURCHASING

Good purchasing is not just shopping for the lowest price. Nothing is riskier than making decisions on price alone. The need to partner with suppliers and aim for a WIN-WIN relationship has been highlighted during COVID-19. Seeking the best VALUE rather than the cheapest option. Value comes from evaluating a number of criteria like reliability, quality, reputation, service, choice, durability, and flexibility.

Canada and Mexico have an incredible opportunity to successfully market their proximity and lower currency to US customers post COVID-19. Why purchase from a supplier 8,000 miles away who asks you to wait 30 to 60 days for delivery

when you can buy from a supplier located in your own backyard and receive delivery within 48 hours? The Canadian dollar has lost +/- 8% vs, the US dollar since the beginning of the year. The Mexican Peso has lost even more.

FINANCING, COST OF MONEY, and the ECONOMY

Both the Canadian and US governments have deployed relatively quickly a large number of emergency programs to assist businesses and employees during COVID-19. Interest rates are at historic low levels, and with most governments in deficits positions and loaded with debt, no central bank will be increasing rates for the foreseeable future. **This is an opportunity to make business investments.** Capital projects that can make a positive contribution to the bottom line, but were risky to finance, should be revisited. Canada prime rate is 2.4% and the US 3.2%.

Even the **cost of energy** - an important cost of operations for many businesses - is at historic lows. Price of oil was negative in April! In early May WTI (West Texas Intermediate) was around the \$25 mark. It was over \$100 in 2014 and over \$70 just two years ago. Considering that the energy sector contributes +/- 10% in US and Canada's GDP, one can easily project an important impact on the two economies. Oil is a major Canadian export but is also a cost for business.

Prior to COVID-19, both Canada and the US were **close to full employment**. Economists define full employment to be around 4%. Expect the media to zero in on the phenomenal increase in the unemployment rate thanks to governments applying the brakes on the economy and forcing the shutdown. But once the economy is opened, the unemployment rate will progressively decline again. Labour cost is expected to moderate, giving another break to businesses that are hurting.

The following table summarizes key **strategic objectives** for the short, medium, and long term followed by more **tactical objectives** and **potential opportunities** within five key areas of business: Customers, employees and operations, credit and financials, competitors and vendors, and Government.

	Main OBJECTIVE	1. Customers	2. Employees and Operations	3. Credit and Financials	4. Competitors and Vendors	5. Government and Professional Services
ST (0 to 6 Months) SURVIVE	Achieve Stability by stopping any losses and bringing costs in line with revenues. Getting back to Break-Even or Profit . Preserving Cash and restoring some reserve with good liquidity.	Focus heavily on Customers actions and Employees. Diagnose well and attack the real weaknesses NOT the symptoms. Strengthen existing relationships and solidify goodwill + reputation. Identify customers needs + protect employees from jumping ship. Tie compensation to results as best you can.		Make sure you protect your credit rating and reputation. Approach your Bank and negotiate with landlord to reduce your break-even point	Partner with Vendors and identify new ones that are willing to help. Try to predict competitors actions/plans	Get all available assistance from Government's programs. Strengthen your team and seek professional advice (CA – HR – IT – Strategy etc.)
MT (6 to 18 Months) FIX	Consolidate whatever gains were made and make investments to re-engineer, re-structure, and re-position the business. Adjust the "old business model" for the future. Benefit from the low interest environment to make key investments in Sales & Marketing, Operations, Support functions. Invest in new technology tools . Differentiate from competitors' offerings.	Consolidate, refine, organize, fine-tune, document, implement and update your SWOT analysis (Strengths-Weaknesses – Opportunities – Threats) to make sure you are on the right track. Usage of Technology and good Marketing are Key to future success		Advertise your success and learn from mistakes. Partner with banks and shareholders and aim for WIN-WIN	Do more "homework" on competitors and benefit from their areas of weaknesses	Not much with government. Team should be in place helping and bringing real Value.
LT (1 to 3 Years) GROW	Continue to consolidate and make larger investments to drive a higher rate of healthy growth and better position the business for the future. Build stronger moats around the business and consider acquiring weak competitors .	Stay focused on executing with excellence on your plan and make adjustment where needed. No more strategy formulation it is strategy execution. Work on LIVING your CULTURE and VALUES and make sure the organisation is well aligned			Identify weak competitors that may be acquired at attractive conditions.	Consider an Advisory Board and update your HR TALENT needs

CONCLUSION

As per my last report, predicting the future is never easy. But every indicator I looked at confirms my previous forecast that while the short term (0 to 6 months) is negative, the medium term (6 to 12 months) is promising, and the long-term (1 to 3 years) is almost intact if not even better for many.