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CORONAVIRUS

# A FRAMEWORK FOR SCENARIO PLANNING

*May 2020*

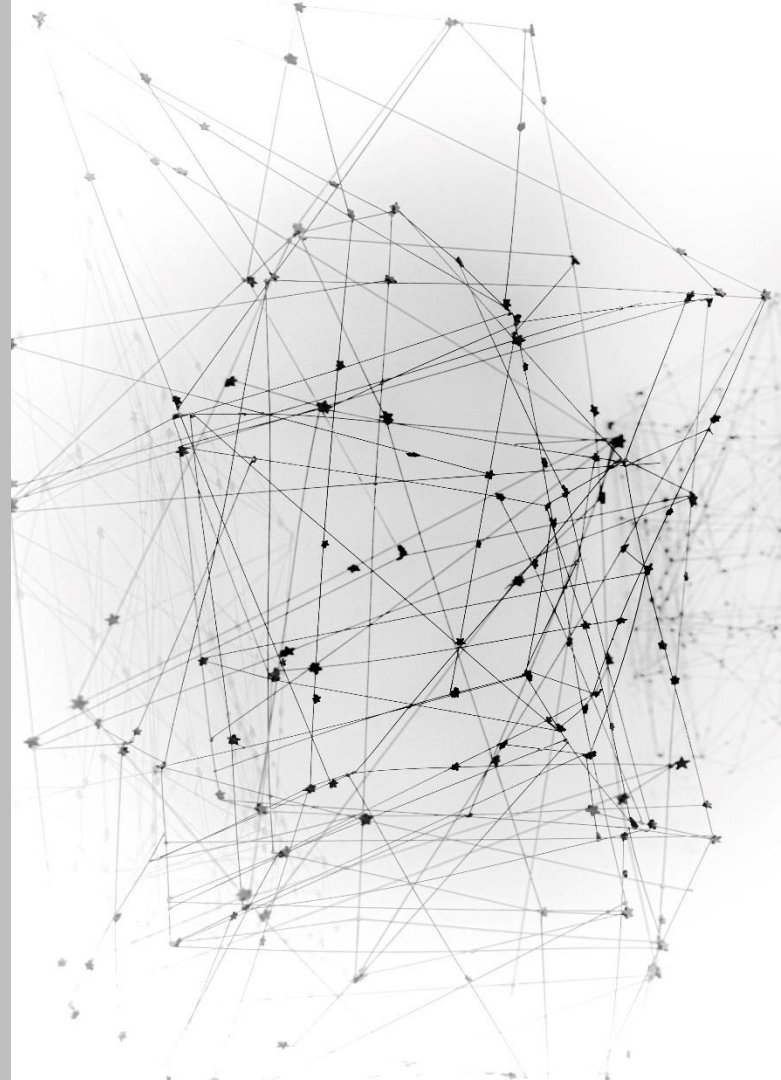
\*A note of caution, the narrative and data around this subject move at speed. Data points are outdated almost immediately. We will, therefore, do our best to update this material quickly, as events unfold.

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## CONTENTS

1. *Planning through uncertainty*
2. *Scenario inputs*
3. *Scenario planning*
4. *Guide & templates*



Almost every 2020 business plan was rendered irrelevant in the first quarter of the year.

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These same business plans are now being re-written against a backdrop of extensive commentary, while theories regarding recovery and relapse play out in the background.

But plans rely on a degree of certainty,  
On factors that should only vary by small degrees,  
On variations that have some perceived probability.

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**How then, do we possibly plan in the context of such uncertainty?**

“ If you think you can predict the consequences, then have a look at a few company annual reports from 2019. They all have a section on “risk”. They tend to talk about things such as Brexit or government regulation. None of them mentions a devastating global pandemic and the biggest drop in financial markets in history. It feels like they were written in a parallel universe.”

- *Craig Mawdsley, Joint Chief Strategy Officer,  
AMV BBDO [Link](#)*

## BUSINESSES ARE COMFORTABLE WITH RISK

*But less so with the extreme uncertainty that we are now facing*

With risk we have a sense of the potential outcomes and we know the odds of these outcomes.  
Crucially we can evaluate and manage risk.

“It will appear that a measurable uncertainty, or “risk” proper, as we shall use the term, is so far different from an unmeasurable one that it is not in effect an uncertainty at all. We shall accordingly restrict the term “uncertainty” to cases of the non-quantitative type.”

Risk, Uncertainty, and Profit. By Frank H. Knight

### RISK

**“Risk needs to be managed, but not eliminated** – because risk is also where competitive performance is created.” (How strategy turns uncertainty into risk, Faris Yakob on WARC)

### UNCERTAINTY

**“We don’t even know the possible outcomes in advance, let alone their probabilities.** Genuine uncertainty occurs in complex systems, where lots of actors interact over time – the economy, for example.” (Business Insider, [Link](#))



We can't manage and evaluate uncertainty but we can plan around it.

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Much of the current commentary is about the new normal. **Our belief is that we will exist in a state of no normal for some time to come.**



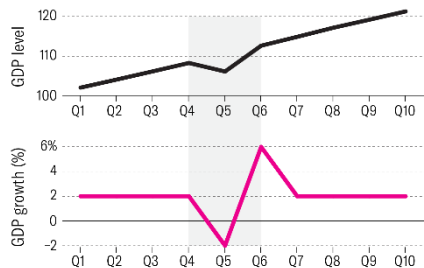
We all need to become more comfortable and adept at scenario planning. For business and for brand.

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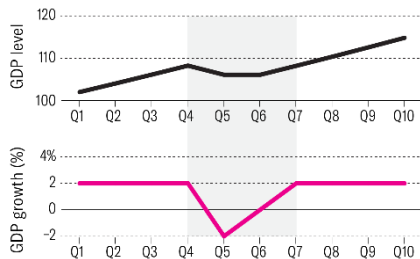
*But there are several scenarios*

We cannot avoid a recession. The path back to growth under Covid-19 will depend on a range of factors, which can be considered across potential scenarios:

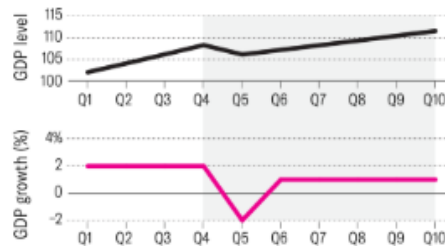
## V-SHAPE:



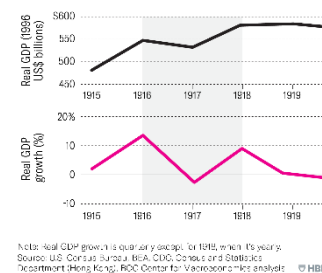
## U-SHAPE:



## L-SHAPE:



## W-SHAPE:



\*Model based on past event

*Trajectories vary worldwide*

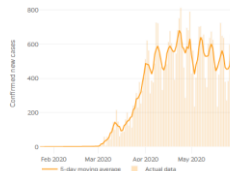
## FRANCE

New cases confirmed each day (3-day average) **DOWN**  
The first case of COVID-19 in France was reported 124 days ago on 24/01/2020. Since then, the country has reported 183,038 cases, and 28,599 deaths.



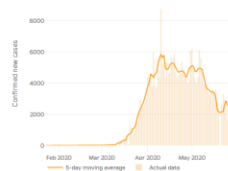
## SWEDEN

New cases confirmed each day (3-day average) **DOWN**  
The first case of COVID-19 in Sweden was reported 117 days ago on 31/01/2020. Since then, the country has reported 35,088 cases, and 4,220 deaths.



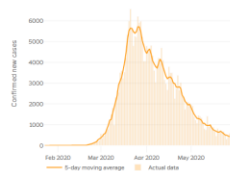
## UNITED KINGDOM

New cases confirmed each day (3-day average) **DOWN**  
The first case of COVID-19 in United Kingdom was reported 117 days ago on 31/01/2020. Since then, the country has reported 268,639 cases, and 37,542 deaths.



## ITALY

New cases confirmed each day (3-day average) **DOWN**  
The first case of COVID-19 in Italy was reported 117 days ago on 31/01/2020. Since then, the country has reported 231,139 cases, and 33,072 deaths.

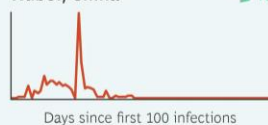


Max:  
14,840

## Hubei, China

Recovering

# of new cases

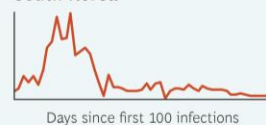


Max:  
851

## South Korea

Stable

# of new cases



Max:  
6,557

## Italy

Stable

# of new cases

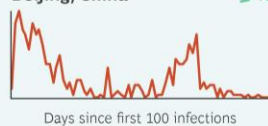


Max:  
29

## Beijing, China

Recovering

# of new cases

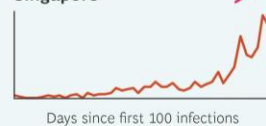


Max:  
386

## Singapore

Increasing

# of new cases



Max:  
6,933

## Germany

Recovering

# of new cases



Max:  
52

## Shanghai, China

Recovering

# of new cases



Max:  
863

## Japan

Stable

# of new cases



Max:  
35,098

## US

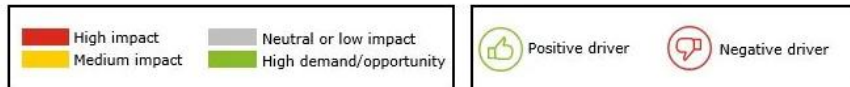
Stable













































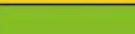

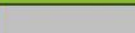



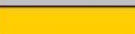












# of new cases



# PROPOSED SCENARIOS WILL DIFFER BY CATEGORY

*Impact varies enormously*



Sector	Extent of disruption		Influencing Factors				
	Next 4-6 weeks	Through 2020, assuming an effective response from the Government	Travel Restriction / Reduced Travel / Lockdown in NZ	Government support/ announced infrastructure plans	Supply Chain Interruption	Reduced Consumption/ Interruption to Retail Operation	Working Capital Pressure
Retail trade							
Construction							
Forestry							
Agriculture & Fishing							
Air Travel							
Wholesale Trade							
Tourism							
Manufacturing							
Telecommunications							
Electricity, Gas, Water & Waste							
Transport, Postal & Warehousing							
Consumer Goods (Luxury Goods)							
Rental and Real Estate Services							

*But most agree on a simplified model including three key scenarios*

## Scenarios summary

Central scenario	Downside scenario	Upside scenario
<p>The global economy and many major economies enter a deep recession in the first half of 2020. Global GDP will see a severe contraction of 5.0% in 2020.</p> <p>The impact on the wider economy is significant. Much trade contracts for only the second time since the mid-1980s. Employment falls significantly.</p> <p>Growth returns towards the end of 2020. Most economic activity is delayed rather than destroyed entirely – supported by policy stimulus that creates positive conditions for growth.</p>	<p>Sharper falls in GDP growth. The global economy contracts by up to 8% in 2020, and all major economies suffer from severe recessions.</p> <p>Downside risks include uncertainty about the outbreak's duration, policymakers' ability to protect employment and industries in the short term; extent to which the crisis has lasting effects on behaviour.</p> <p>Disruption lasts longer and cuts deeper, with no snapping back to growth towards the latter part of 2020.</p>	<p>The global economy still enters a recession, but GDP growth contracts by only 2.5% in 2020.</p> <p>Upside risks include medical advances allowing for a rapid easing of lockdowns, and businesses and individuals finding innovative ways to use technology to resume activities.</p> <p>With businesses restarting and manageable government debt levels allowing for continued fiscal support, consumer spending begins to increase in Q3 2020.</p>



**Mild economic case**

**Economy**

Economic activity rebounds in late 2020 as the virus dissipates. Recovery initially slow, but speeds up in second half of 2021 as consumers become more confident.

- Dramatic change in behavior and public policy
- Deep but quick recessions in European Union and United States, small and medium businesses disproportionately impacted
- Substantial fiscal programs in European Union and United States help to limit damage

**Real GDP growth in 2020**

United States	European Union	China	Japan
-5%	-5%	3%	0%

**Industry impact (supply side)**

Production loss in European Union and United States. Significant supply chain disruption.

**Industry impact (demand side)**

Weak demand in European Union and United States. Significant supply chain disruption.

**Duration from 1/1/20**

6 quarters

**Recovery**

Slow recovery begins in second half of 2021.

**Impact on 2021 global GDP**

-0.5%

**Harsh economic case**

**Economy**

The virus follows a wave pattern, ebbing and then peaking again in multiple global geographies. Economic recovery begins late 2021. Recovery slow in early 2022 and speeds up by second half of 2022.

- Chinese economy rebounds slowly
- Deep and prolonged recession in the West affects supply chains and consumer demand
- Fiscal stimulus limits business failures, but does not boost spending

**Real GDP growth in 2020**

United States	European Union	China	Japan
-8%	-8%	3%	-3%

**Industry impact (supply side)**

Deep drop in demand. Supply chains disrupted.

**Industry impact (demand side)**

Severe decline in global demand. Financial stress due to 2020.

**Duration from 1/1/20**

9 quarters

**Recovery**

Recovery starts in second half of 2021.

**Impact on 2021 global GDP**

-1.5%

**Severe economic case**

**Economy**

The epidemic continues with severe infection rates into 2021 until either crowd immunity and/or a vaccine reduces the virality. Economic recovery by mid-2022. Significant risk of cascading outbreaks with feedback loops, limiting recovery.

- Financial system breaks down. Credit crunch
- Fiscal stimulus is substantial, but fails to boost spending
- Many business failures and household disruptions occur
- Widespread and enduring nationalization of industries takes hold

**Real GDP growth in 2020**

United States	European Union	China	Japan
-10%	-10%	-3%	-6%

**Industry impact (supply side)**

Severe drop in demand. Supply chains break down.

**Industry impact (demand side)**

Severe decline in demand. Many business failures and household disruptions.

**Duration from 1/1/20**

13 quarters

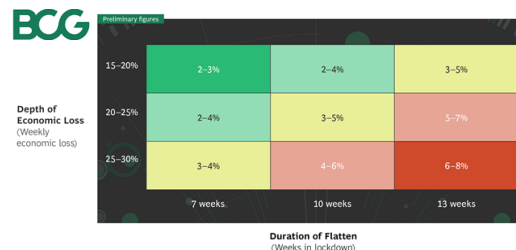
**Recovery**

Starts in 2022.

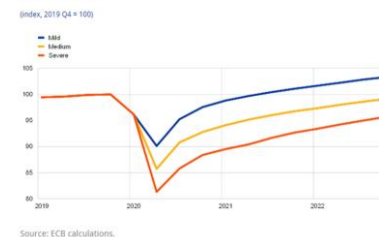
**Impact on 2021 global GDP**

-6.0%

Exhibit 4 | Estimates for Full-Year Economic Loss in the Flatten Phase



Euro area real GDP under the mild, medium and severe scenarios



## **There is no one size fits all approach.**

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But there is broad agreement that one of three scenarios will play out, allowing us to prepare for best case, worst case and something in the middle.

“ There is no playbook for this... You can't be 100 per cent focused on this crisis and you can't be 100 per cent focused on the future.”

- *Grant F. Reid, CEO Mars, [Link](#)*



We can no longer solely focus on the now, nor can we solely focus on the future. We have to balance both and plan accordingly.

In our original COVID-19 paper we talked about the need to plan 3 months ahead.\* Now we have to move from the three month framework to mid to long-term scenario planning.

\* Please request *BBDO Knows Coronavirus, What you need to know, now* from the team: [bbdo@bbdoknows.com](mailto:bbdo@bbdoknows.com)



The following scenarios are based on the evaluation of multiple approaches and analyst briefings, the most recent dated 28<sup>th</sup> May 2020.

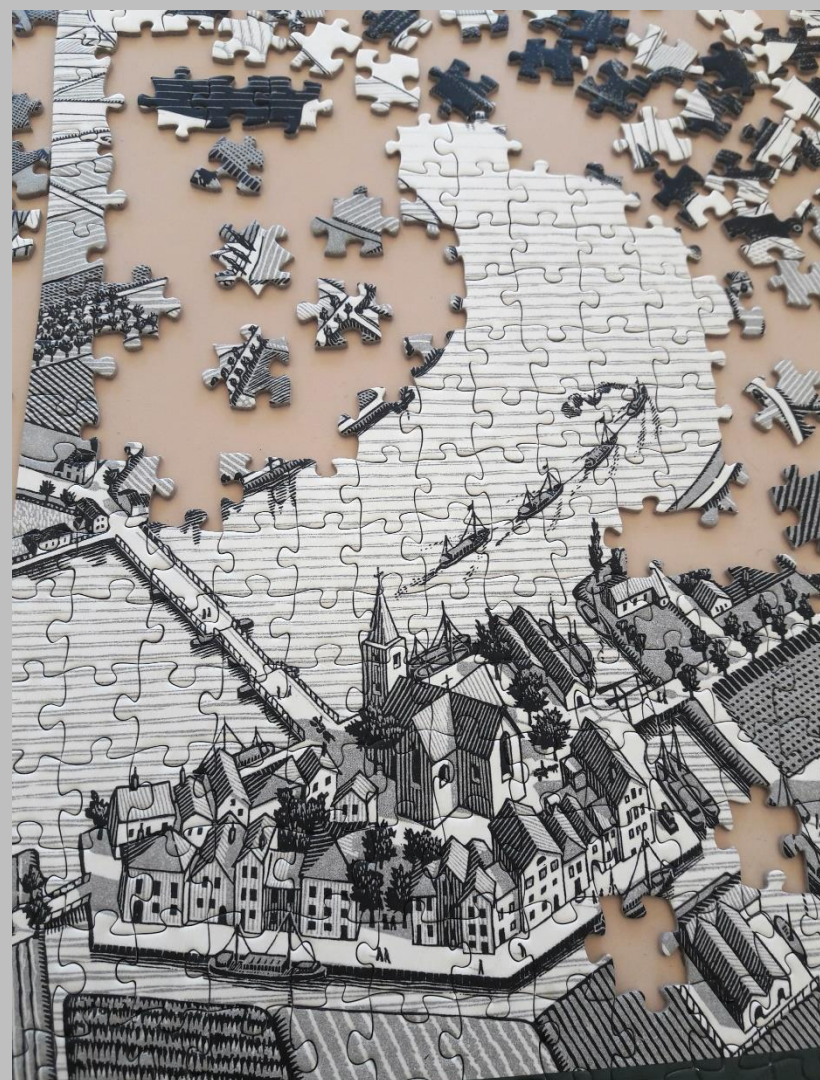
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We have chosen to outline the scenarios offered by Oxford Economics and our partners at the Foresight Factory. We believe their approach, which seeks to marry economic scenarios with consumer need and trend shifts, to be the most relevant and applicable.

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# SCENARIO INPUTS

*Contributions to scenarios*



In any scenario multiple inputs must be made and multiple external factors must be considered.

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These factors are inextricably linked.

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These factors vary across geography and category.

## SCENARIOS TAKE INTO ACCOUNT MULTIPLE INDICATORS

*All of which are inextricably linked*

### EPIDEMIOLOGY

- Success in treating the virus – effective treatment
- Success in preventing the virus – vaccine
- Length of time before either of the above is available

### POLICY

- The length of lockdowns
- The scale and effectiveness of policy responses (furlough schemes, loans to SMEs, industry bailouts, central banks and interest rates/QE)

- Restarting of economies
- The scale of financial distress (the ability of financial markets – and companies/consumers – to access credit)

### ECONOMY

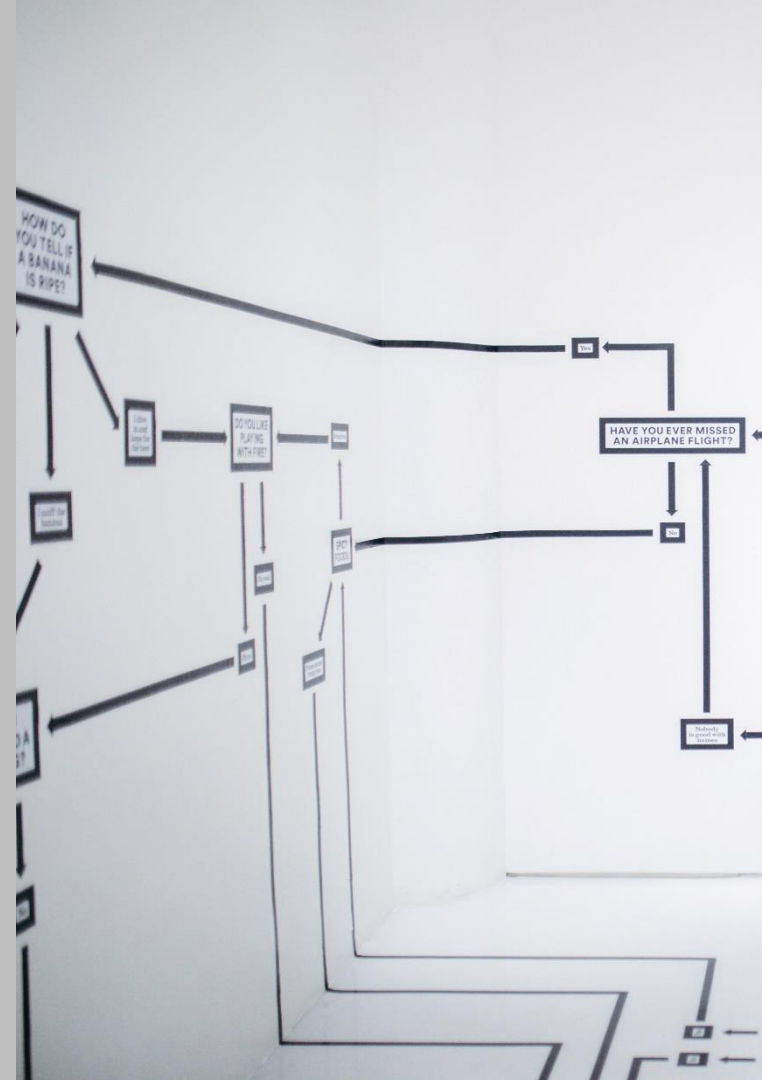
- Consumer spending and consumer confidence
- The private sector's precautionary saving response (consumers/companies choosing to save, not spend as much)

### CONSUMER

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# THE SCENARIOS

*And their variations*



While some consultancies offer up to fifteen scenarios, the vast majority offer three: **best case, worst case, and somewhere in the middle.**

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*From optimistic to pessimistic***UPSIDE SCENARIO****2020 recession:** global GDP contracts by 2.9%**Growth returns:** H2 2020**Outline:** Economic activity rebounds in late 2020 as the virus dissipates.**CENTRAL SCENARIO****2020 recession:** global GDP contracts by 4.8%**Growth returns:** End Q4 2020 due to declines in previous 2 quarters - H1 2021**Outline:** Crisis principally affecting the supply side of the economy, not consumer demand.

NOTE: Most analysts, consultancies, economists etc. currently agree that the Central Scenario is the most likely.\*

With some arguing the % of likelihood, up to 35-45% likely.

**DOWNSIDE SCENARIO****2020 recession:** global GDP contracts by up to 8%**Growth returns:** H2 2021 or 2022 in a more severe case**Outline:** Deep and prolonged recession in the West affects supply chains and consumer demand.



## UPSIDE SCENARIO

**2020 recession:** global GDP contracts by **2.9%**  
**Growth returns:** H2 2020



## CENTRAL SCENARIO

**2020 recession:** global GDP contracts by **4.8%**  
**Growth returns:** End 2020 (after previous q's being negative) - H1 2021



## DOWNSIDE SCENARIO

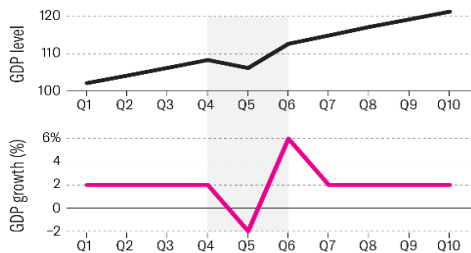
**2020 recession:** global GDP contracts by up to **8%**  
**Growth returns:** H2 2021 or 2022 in a more severe scenario (in case of multiple secondary peaks)



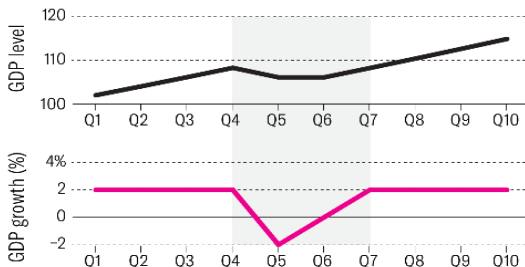
SHAPE OF THE  
COVID-19  
OUTBREAK



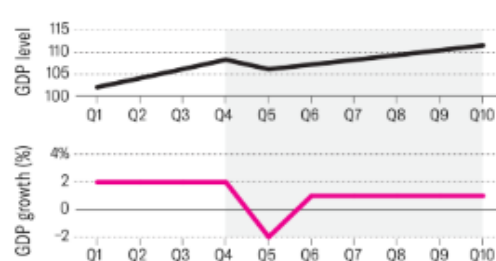
## V-SHAPE:



## U-SHAPE:



## L-SHAPE:



SHAPE OF THE  
RECESSIONARY  
CURVE

## UPSIDE SCENARIO



**2020 recession:** global GDP contracts by **2.9%**  
**Growth returns:** H2 2020

**This least likely scenario relies on one of these unexpected developments:**

- Faster than expected medical breakthroughs (effective treatments, unlikely that vaccination will be quicker than 12-18 months)
- Possible **technology effect** – people embrace online fully and fast and this drives the return to spending faster than expected, online
- **Government intervention** proves very effective and helps many firms survive this blow
- **Unemployment** figures are not as bad, as people move to newly created jobs

## CENTRAL SCENARIO



**2020 recession:** global GDP contracts by **4.8%**  
**Growth returns:** End 2020 (after previous q's being negative) - H1 2021

**This scenario expects that activity will be delayed until the end of the year rather than completely destroyed. However, this depends on the crisis effecting predominantly supply and not consumer demand and confidence:**

- A gradual and successful easing of the lockdowns introduced across the world
- A much deeper recession than the last, but a shorter one
- Expecting growth to return to pre-COVID baseline expected only in 2021, potentially starting to show by Q4, this year.
- A gradual restarting of economy supported by policy (furlough and government backed loans, etc).
- This central scenario doesn't let any economy escape – most will have a deep recession and shrink by 7%. In January, Oxford Economics were expecting 2% growth this year. It's now expected it will shrink by 8% in the UK.
- Growth is in decline.
- World Trade will contract for the second time since the mid 80s.
- Employment will take a hit as it does whenever there is a fall in demand.
- Oil prices will continue their decline. This benefits companies that import oil, which could improve consumer spending. Will also benefit companies which produce oil (US and Russia).
- CPI inflation (what we use to measure inflation in the shops) will fall.

## DOWNSIDE SCENARIO



**2020 recession:** global GDP contracts by up to **8%**  
**Growth returns:** H2 2021 or 2022 in a more severe scenario (in case of multiple secondary peaks)

**A deeper and longer lasting downturn affecting supply chains and consumer demand.**

More pessimistic and second most likely outcome. Assumes lockdowns need to be reinstated regularly on the grounds that the virus can't be controlled or suppressed in the ways that we would like.

Factors that skew central scenario into this downside:

- Policies are ineffective in spread, third and fourth waves of infections
- **Mobility** reduced due to localised lockdowns
- **Central banks** and governments unable to instil confidence in industries and employers
- **Unemployment** peaks at 10% globally
- **Limited ability of policy makers** to shield economy (government backed loans, etc)
- Start of a **financial crisis**
- **Sharper falls in GDP**, global economy contracts by 8%
- **The down period lasts longer** and takes longer to come out of the other end

**UPSIDE SCENARIO**


**2020 recession:** global GDP contracts by **2.9%**  
**Growth returns:** H2 2020

**Outline:** Economic activity rebounds in late 2020 as the virus dissipates.

- Increased social cohesion
- Digital acceleration
- Increased respect for public institutions and local governments

**CENTRAL SCENARIO**


**2020 recession:** global GDP contracts by **4.8%**  
**Growth returns:** End 2020 (after previous q's being negative) - H1 2021

**Outline:** Crisis principally affecting the supply side of the economy, not consumer demand.

- Increased social cohesion
- Digital acceleration with permanent behaviour shifts online (e.g. e-commerce)
- Hygiene and overall preparedness remain on people's agendas

**DOWNSIDE SCENARIO**


**2020 recession:** global GDP contracts by up to **8%**  
**Growth returns:** H2 2021 or 2022 in a more severe scenario (in case of multiple secondary peaks)

**Outline:** Deep and prolonged recession in the West affects supply chains and consumer demand.

- Digital further embedded – digital living becomes the norm
- More people become comfortable with online activities
- Centralised surveillance becomes more common

## UPSIDE SCENARIO



**2020 recession:** global GDP contracts by **2.9%**  
**Growth returns:** H2 2020

## CENTRAL SCENARIO



**2020 recession:** global GDP contracts by **4.8%**  
**Growth returns:** End 2020 (after previous q's being negative) - H1 2021

## DOWNSIDE SCENARIO



**2020 recession:** global GDP contracts by up to **8%**  
**Growth returns:** H2 2021 or 2022 in a more severe scenario (in case of multiple secondary peaks)

SCENARIO  
MINDSET

Having moved on from immediate worry, fear and panic, people retain **a focus on being prepared** "just in case" for the longer term

More people are more **comfortable online**

A **sense of uncertainty** about the future **remains heightened**

Increased sense of **self-reliance** amongst individuals, households, communities and nations – having survived through the crisis in isolation

**Creativity** on the rise as people seek to take control of the challenging circumstances

**Protective mindset** and so-called **siege mentality** persist or reappear for those who will be impacted further down the line

**Self-reliance** of individuals, households, communities and nations turns to prolonged **isolation**.

**Online living** becomes the norm



BEHAVIOUR  
SHIFTS

➤ Ensuring provisions

➤ Financial planning, savings

➤ Maintaining well-being, self-care

➤ Seeking hygiene-related features and reassurances in products and experiences

➤ "In person" no longer the default way of doing things

➤ Remote solutions for everything become an expectation

➤ Delaying and careful spend planning

➤ Demand for flexibility

➤ Treats and little luxuries are essential

➤ Local living on the rise due to increased sense of connectedness to local community

➤ Retained self-sufficiency (cooking, beauty, learning etc)

➤ Empowerment to stick to better habits, change ways of living etc.

➤ As distancing measures and economic challenges persist, creativity will explode (as it does under any constraints)

➤ People and businesses show resilience by coming up with creative solutions and new ways of living in crisis

➤ Focus on meeting basic needs and the immediate term

➤ Disengagement from longer term plans and big purchases

➤ Bargain hunting, trading down and off

➤ Demand for treats

➤ The home continues being the reduced physical universe people inhabit

➤ Local living because there is no other choice

➤ Demand for escapism

➤ Remote becomes the only way for many areas of life – and remote solutions become increasingly sophisticated to meet demand

Scenario inputs will vary enormously by market, by brand, and by individual category consumer, and should be tailored accordingly.

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# SCENARIO PLANNING

*For what's next*



“ We cannot predict the future. But we can seek to understand what the future might hold, and what that means for nations, industry sectors, and individual companies. We need scenarios to bound the uncertainty, to help us understand the underlying drivers of outcomes, and for some understanding of how we can shape those outcomes.”

- *COVID-19: Win the Fight, Win the Future*, BCG, [Link](#)

## **A FRAMEWORK FOR SCENARIO PLANNING:**

This is a framework that allows for key inputs with a view to helping us better forecast and scenario plan.

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Each scenario should be populated with local market data, key client data, and consumer shifts and mindsets.



## **A FRAMEWORK FOR SCENARIO PLANNING:**

It is designed to help brands prepare for both enduring and changing consumer motivations & needs, and to help calibrate their brand and marketing activities appropriately.

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Templates are provided for use and can be customised according to category and client.

*A guide*

1. This is a basic template designed to stimulate your client discussions – please adapt as you see fit.
2. The ‘plan’ should remain live and be updated as often as there are business developments, or as scenarios evolve.
3. You should identify the time period for the plan - are you addressing a particular quarter or are you starting to think longer term?
4. You should also identify what brand work is under review as a result of this exercise.
5. The template should be populated in collaboration with clients, ideally in the form of a workshop.
6. Prior to completion of the template, pre-work should be conducted. This pre-work should help provide adequate local market context, business specifics and local consumer behaviours. NOTE: You could use the business assessment guide from BBDO WORKS (please see Appendix) to help guide your pre-work.
7. Prior to any workshop we would recommend providing attendees with a pre-read, which summarises key macro and local trends, business specifics and consumer material.
8. Prior to any workshop you could consider part populating the template to prompt discussion.

*Guide questions to consider***GENERAL MACRO CONSIDERATIONS IN YOUR MARKET**

1. Which macro trends are most appropriate now?
2. How is sustainability currently playing out?
3. How is health and wellbeing currently playing out?
4. How are other big trends playing out?
5. Consider a STEP (social, technological, economic, political) analysis to better understand what each scenario looks like for your market.

**QUESTIONS SPECIFIC TO YOUR CLIENT - BUSINESS**

1. What external factors (market, category and competitor activity) do we need to consider in relation to our business and brand?
2. What internal factors (workforce, supply, distribution) do we need to consider?

*For what's next***UPSIDE SCENARIO**

**2020 recession:** global GDP contracts by **2.9%**  
**Growth returns:** H2 2020

PLEASE INPUT:

**CENTRAL SCENARIO**

**2020 recession:** global GDP contracts by **4.8%**  
**Growth returns:** End 2020 (after previous q's  
being negative) - H1 2021

PLEASE INPUT:

**DOWNSIDE SCENARIO**

**2020 recession:** global GDP contracts by up to **8%**  
**Growth returns:** H2 2021 or 2022 in a more severe  
scenario (in case of multiple secondary peaks)

PLEASE INPUT:

*Guide questions to consider***CONSUMER IN YOUR MARKET**

1. Evaluate consumer confidence and the direction it is taking.
2. How have savings ratios been impacted by the crisis?
3. Are people feeling in control or are they deep in siege mentality (likely depending on the length of lockdown and any repeated lockdowns as well as impact on personal finances)?
4. What has been the rate of digital acceleration? Which activities (if any) have permanently shifted online?
5. The evolution of people's purchasing behaviour and purchase intent
6. How have people's expectations of brands shifted?
7. How has people's perception of brand communication shifted?

**QUESTIONS SPECIFIC TO YOUR CLIENT**

1. Consider the evolution of purchase intent in your client's category
2. Has the role your client's product service performs evolved?

**COMMONALITIES**

1. Identified commonalities in mindset across possible Covid-19 scenarios enable us to be clear which propositions will remain relevant, regardless of situation.
2. What will likely change is the offer (what specific elements would we dial up or down) and the tone of our communications. This will need to evolve to reflect the depth of economic hardship facing consumers.

*For what's next***UPSIDE SCENARIO**

**2020 recession:** global GDP contracts by 2.9%  
**Growth returns:** H2 2020

PLEASE INPUT:

**CENTRAL SCENARIO**

**2020 recession:** global GDP contracts by 4.8%  
**Growth returns:** End 2020 (after previous q's being negative) - H1 2021

PLEASE INPUT:

**DOWNSIDE SCENARIO**

**2020 recession:** global GDP contracts by up to 8%  
**Growth returns:** H2 2021 or 2022 in a more severe scenario (in case of multiple secondary peaks)

PLEASE INPUT:

Any identified commonalities in mindset and behaviour across possible Covid-19 scenarios:

*Guide questions to consider***BRAND IN YOUR MARKET**

1. How can we continue to be mindful of the shift in mood and appropriateness of tone of the moment?
2. What new rituals are arising that have an impact on how we would normally go-to-market?

**QUESTIONS SPECIFIC TO YOUR CLIENT**

1. What fixed communications milestones do we have in the plan? E.g. Back to School, Thanksgiving for retail
2. What is being done to protect brand equity and salience?
3. What role are we playing right now?
4. What is the most effective balance of mass and targeted communications now and in 3, 6, 12 months?
5. How can we leverage social to amplify our brand acts?

*For what's next***UPSIDE SCENARIO**

**2020 recession:** global GDP contracts by **2.9%**  
**Growth returns:** H2 2020

PLEASE INPUT:

**CENTRAL SCENARIO**

**2020 recession:** global GDP contracts by **4.8%**  
**Growth returns:** End 2020 (after previous q's  
being negative) - H1 2021

PLEASE INPUT:

**DOWNSIDE SCENARIO**

**2020 recession:** global GDP contracts by up to **8%**  
**Growth returns:** H2 2021 or 2022 in a more severe  
scenario (in case of multiple secondary peaks)

PLEASE INPUT:



Whatever the scenario, a recession in 2020 cannot be avoided. It will impact confidence, personal finances, purchasing behavior, employment etc. And as a consequence, it will inevitably impact relationships with brands.

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Shifts will play out differently under more optimistic and more pessimistic scenarios.

Scenario planning is our new reality. The need to prepare for a never normal is critical for all businesses.

Uncertainty, coupled with an ever-increasing number of brand touchpoints, adds a new layer of complexity to planning.

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Hypothesising and strategising needs to be commonplace, regardless of which scenario plays out.

“ A lot of people invest a great deal of effort into reducing uncertainty. There are two problems with this approach. The first is that we often don't understand uncertainty very well, and the second is that profitably opportunities only exist where outcomes are genuinely uncertain...”

- *Few People Understand The Difference Between Risk And Genuine Uncertainty, Business Insider, [Link](#)*

**ABOUT BBDO KNOWS**

BBDO KNOWS is a planning resource for the BBDO network.

BBDO KNOWS offers thinking, strategy, insights and inspiration on key categories, key themes and consumer segments.

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# SCENARIO PLANNING

*Appendix*



## Scenarios summary

### Central scenario

The global economy and many major economies enter a deep recession in the first half of 2020. Global GDP will see a severe contraction of 5.0% in 2020.

The impact on the wider economy is significant. World trade contracts for only the second time since the mid-1980s. Employment falls significantly.

Growth returns towards the end of 2020. Most economic activity is delayed rather than destroyed entirely - supported by policy stimulus that creates positive conditions for growth.

### Downside scenario

Sharper falls in GDP growth. The global economy contracts by up to 8% in 2020, and all major economies suffer from severe recessions.

Downside risks include: uncertainty about the outbreak's duration; policymakers' ability to protect employment and industries in the short term; extent to which the crisis has lasting effects on behaviour.

Disruption lasts longer and cuts deeper, with no snapping back to growth towards the latter part of 2020.

### Upside scenario

The global economy still enters a recession, but GDP growth contracts by only 2.9% in 2020.

Upside risks include medical advances allowing for a rapid easing of lockdowns, and businesses and individuals finding innovative ways to use technology to resume activities.

With businesses restarting and manageable government debt levels allowing for continued fiscal support, consumer spending begins to accelerate in Q3 2020.

### Mild economic case

## Economy

Economic activity rebounds in late 2020 as the virus dissipates. Recovery initially slow, but speeds up in second half of 2021 as consumers become more confident

- Dramatic change in behavior and public policy
- Deep but quick recessions in European Union and United States; small and medium businesses disproportionately impaired
- Substantial fiscal programs in European Union and United States help to limit damage

## Real GDP growth in 2020



Industry impact (supply side)	Production cuts in European Union and United States, disruption of supply chains
Industry impact (demand side)	Weak demand in European Union and United States spreads globally, multiple industries hurt
Duration from 1/1/20	6 quarters
Recovery	Slow recovery begins in second half of 2020
Impact on 2021 global GDP	0.0%

### Harsh economic case

## Economy

The virus follows a wave pattern, abating and then peaking again in multiple global geographies. Economic recovery begins late 2021. Recovery slow in early 2022 and speeds up by second half of 2022

- Chinese economy rebounds slowly
- Deep and prolonged recession in the West affects supply chains and consumer demand
- Fiscal stimulus limits business failures, but does not boost spending

## Real GDP growth in 2020



Industry impact (supply side)	Deep drop in output; supply chains disrupted
Industry impact (demand side)	Severe decline in global demand; financial stress akin to 2008
Duration from 1/1/20	9 quarters
Recovery	Recovery starts in second half of 2021
Impact on 2021 global GDP	-3.0%

### Severe economic case

## Economy

The epidemic continues with severe infection rates into 2021 until either crowd immunity and/or a vaccine reduces the virality. Economic recovery by mid-2022. Significant risk of cascading outbreaks with feedback loops, limiting recovery

- Financial system breaks down despite central bank efforts
- Fiscal stimulus is substantial, but fails to boost spending
- Many business failures and household disruptions occur
- Widespread and enduring nationalization of industries takes hold

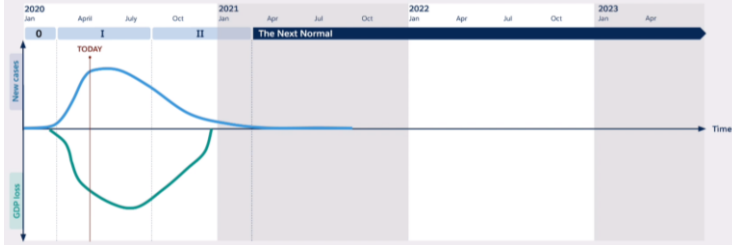
## Real GDP growth in 2020



Industry impact (supply side)	Severe drop in output, supply chains break down
Industry impact (demand side)	Severe decline in demand, many business failures, some nationalization
Duration from 1/1/20	12 quarters
Recovery	Starts in 2022
Impact on 2021 global GDP	-6.0%

salesforce

### Scenario 1



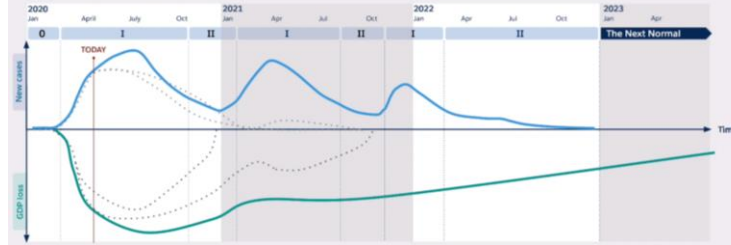
salesforce

### Scenario 2



salesforce

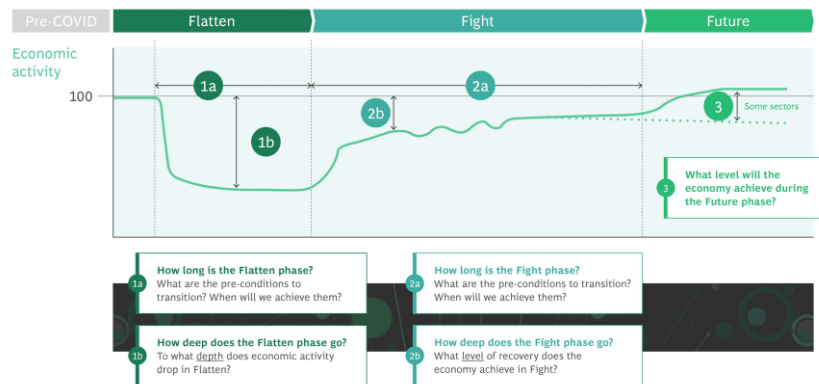
### Scenario 3



“There is no scenario for going backwards.”

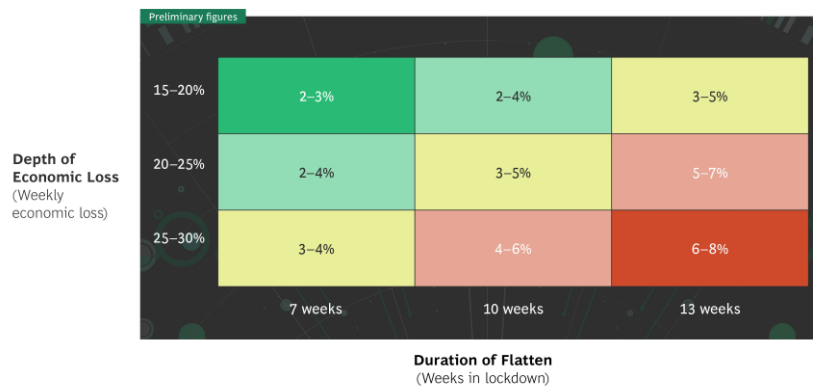
- *Peter Schwartz,  
Chief Futurist,  
Salesforce*



**Exhibit 3 | Five Questions Will Shape Economic Outcomes**


Source: BCG analysis.

Source: BCG, [Link](#)

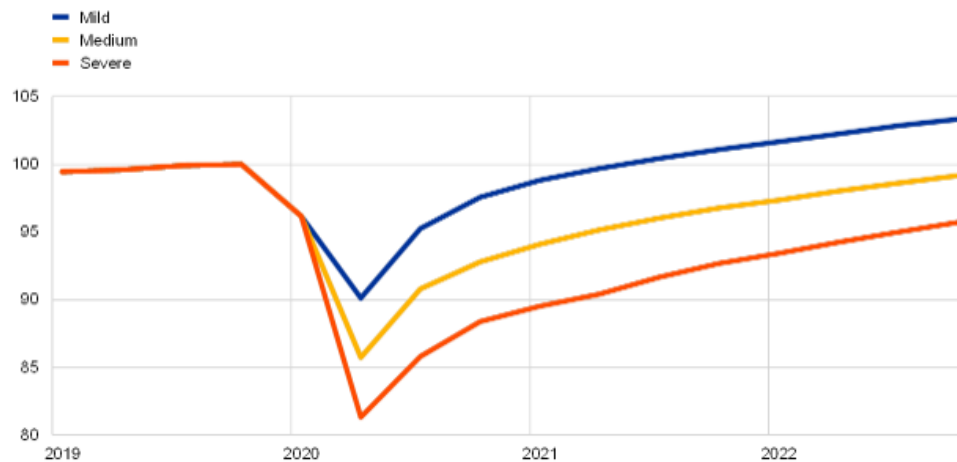
**Exhibit 4 | Estimates for Full-Year Economic Loss in the Flatten Phase**


Source: BCG analysis.

## Euro area real GDP under the mild, medium and severe scenarios

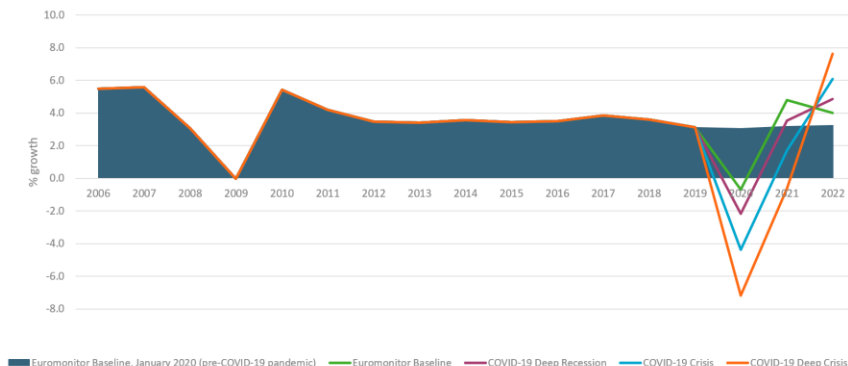
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(index, 2019 Q4 = 100)



Source: ECB calculations.

Source: European Central Bank, [Link](#)



Source: Euromonitor, [Link](#)

	Baseline/ Recession	COVID-19 Deep Recession	COVID-19 Crisis	COVID-19 Deep Crisis
2020 Global GDP growth	[-1.5%, 0.0%]	[-3.5%, -1.5%]	[-5.5%, -3.5%]	[-9.0%, -5.5%]
Probability	35-45%	25-35%	15-25%	5-10%
<b>Assumptions</b>				
Global infection rate	1-10%	5-25%	15-35%	20-50%
Mortality rate	0.3-1.3%	0.5-1.5%	1.0-3.0%	1.5-3.5%
COVID-19 strict social distancing restrictions	1-2 quarters	1-3 quarters	2-4 quarters	2-6 quarters
Business and consumer confidence indices fall to	30-50th percentile of historical values	20-40th percentile of historical values	10-20th percentile of historical values	1-10th percentile of historical values
Global stock prices	Rebound by 0-30% in H2 2020	Down by 10-30%	Down by 25-45%	Down by 30-70%
Private sector borrowing rates in advanced economies (relative to government bond interest rates)	Around current level with decline in spreads around 1% in H2 2020	Rise by 1-2 percentage points	Rise by 2-4 percentage points	Rise by 3-6 percentage points
Borrowing rates in key emerging markets (relative to advanced economies' government bond interest rates)	Around current level in H1 2020	Rise by 2-4 percentage points	Rise by 4-7 percentage points	Rise by 6-10 percentage points
Other assumptions	- Government and central bank fiscal stimulus and quantitative easing/lending programmes reduce most of the negative effects of wage cuts and job losses on disposable income and allow most businesses in heavily affected sectors to avoid liquidation	- Cashflow mismatches between business costs and revenues cause business liquidity problems and a rise in bankruptcies - Supply chain and labour supply disruptions worsen production slowdowns and cause shortages for some goods	- Cashflow mismatches between business costs and revenues cause severe business liquidity problems and a rise in bankruptcies - Severe supply chain and labour supply disruptions worsen production slowdowns and cause shortages for some goods	- Cashflow mismatches between business costs and revenues cause severe business liquidity problems and a rise in bankruptcies - Severe supply chain and labour supply disruptions worsen production slowdowns and cause shortages for some goods

*Business assessment guide*
**BUSINESS**

**PRODUCT**

What do they move vs make?

Do they mainly provide a product/service, or do they facilitate one? (Or both?)  
Is it a unique, customized commodity?  
What are their essential qualities? What do consumers remember about the product?  
What materials, equipment, tech, processes, people distribution is needed to make + sell their product  
What is the business model?


**OPERATIONS**

How does the business do what it does?

What are the most precious inputs to their business model?  
Where are their operations modern in delivering the product? Where are they behind competitors / consumer expectation?


**TRADE**

Where & how is the product sold?

Where are the most important points of purchase for their business?  
What stakeholders facilitate their POPs? Have those relationships been competitive in the past?


**SALES**

What is going on outside the window?

Sales trends: Up, Down, Static  
Sales strategy: grow category, steal share, increase purchase frequency, grow customer base, increase loyalty, upsell...  
Current purchasers are...  
Source of sales / Source of Revenue/Growth

**CUSTOMER**

**VALUE**

How affordable/valuable is the brand?

From the consumer's perspective, how well does their product deliver on expectations?  
How does their product exceed expectations?  
How does their product compare to their competitors?  
How is their product sold?


**EXPERIENCE**

What is the experience of the product?

Beyond the product, how does the brand provide value in line with its mission?  
What do consumers remember about the brand, outside of the product?  
How does the brand live in packaging & points of purchase?  
How far is the promise from the reality?


**LISTENING**

Customer views...

When do their consumers seek their brand? Are there unexpected contexts?  
How do consumers treat them differently than other products / brands? Do they expect more / less from them?  
Who are their advocates? Who would go far for the brand?

**CONTEXT**

**MACRO**

What is going on outside the window?

What has changed culturally, environmentally, economically, generationally, technologically, politically, government regulations, taste wise, health/wellbeing, competition  
Is technology changing the fundamental product /service they deliver?  
Is the regulatory landscape shifting?  
Which brands outside of the category are disrupting it?


**CATEGORY**

What is going on outside the window?

What drives sales in the category (taste, price, fame, ease of use, reviews, distribution, location)  
Growing, declining, static  
High/low innovation  
New product driven  
High/low interest


**COMPETITION**

Who's after their lunch?

Who has historically dominated the space? Who is best positioned for growth in the space's modern landscape?  
Where are their competitors dis/advantaged in delivering their products/services?  
How do consumers perceive competitors' businesses & brands differently than their own? Are there potential category disrupters?  
Who are consumers buying? Why?

**BRAND**

**POSITIONING**

What is the True North?

What is the brand's unique mission?  
What value does the mission provide? To consumers, to society, to stakeholders?  
Where do consumers need that value to be present in their lives?  
What would consumers do without access to their product? Are they a luxury, a necessity, or somewhere in between?


**BRAND FAME**

Why do they deserve to be famous?

Value brand, quality brand, necessity, luxury  
What does the brand stand for?  
How meaningful is that to current/prospective consumers?  
How is that expressed in the product/ experience?  
What does the brand bring to the party beyond product or service?  
Who are their advocates? Who would go far for the brand?  
Why are they here?  
What isn't happening? How can that be solved by saying something? (Business strategic lens: Can it be solved by doing something)  
Who are they buying? And why?  
What does the client say the problem is?


**MEDIA**

Where & how is the brand seen?

Where is media weight heaviest in the brand's current marketing?  
Where do consumers look for the brand?  
Where do consumers co-opt the brand (e.g. slang, using the logo)?