

# Guidance on protecting customers during COVID-19

**The impact of COVID-19 on businesses is acute, forcing them to deal with unprecedented financial and operational stress. For CDC investees, this will have immediate implications for consumers in some of the most underdeveloped economies and financially vulnerable populations.**

Learning from crises in the past, global bodies have initiated attempts to [respond](#) to the changing markets and mitigate risks to the economy, with the objective to soften the burden on businesses and eventually consumers.<sup>1</sup> Effects in emerging markets are expected to be wider and more severe.<sup>2</sup> While regulators and governments continue to respond on a daily basis to support their economies (see [YPFS' 2020 Intervention Tracker](#)), companies will need to play their part to ensure that micro-economies, value-chains and customers are protected in the longer-term. Lessons learned show proactive, and sometimes unconventional, responses to crises allow firms to minimise financial stress and retain customers in the longer-term.<sup>3</sup>

There are clear benefits to proactively ensuring customers remain a priority through times of crises, not least among them, loyalty. As companies focus on protecting business and shareholder value it will be important to consider how customers and their resilience feature in medium and longer-term projections.

Each business will face [different challenges](#), under different contexts, and will have to prioritise efforts and resources accordingly. Here are some key things to consider in order to manage risk to customers as well. See [CDC Guidance for Employers](#) for more detail on how to support staff and contractors during COVID-19 and CDC's guidelines on [customer protection for financial services](#).



*Big Basket, India's largest delivery company for fresh vegetables has seen a spike in revenue as people increased ordering from home. To protect customers, they have equipped all their delivery fleet with protective equipment and stopped accepting cardboard boxes back from customers due to the risk of transmission.*

- 1 <https://www.iif.com/Publications/ID/3812/5-Step-Policy-Response-Plan-for-COVID-19>; <https://www.worldbank.org/en/news/speech/2020/03/23/remarks-by-world-bank-group-president-david-malpass-on-g20-finance-ministers-conference-call-on-covid-19>
- 2 <https://www.ft.com/content/1056a4da-6acd-11ea-800d-da70cfff6e4d3>
- 3 <https://www.findevgateway.org/case-study/2017/07/financial-inclusion-and-resilience-how-bracs-microfinance-program-recovered-west>

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## Important note

CDC Group is the UK's development finance institution (DFI) and not the US Center for Disease Control and Prevention. This guidance does not constitute medical advice and is not a substitute for professional advice from international public health organisations such as the World Health Organization (WHO), national public health authorities, and national governments, which should be consulted for qualified and more detailed information. We strongly encourage our investees to seek daily updates from these sources as COVID-19 spreads/evolves.

## Disclaimer

This guidance is for general information only and is not intended to be used and must not be used as legal, commercial or business continuity advice, whether generally or in relation to any specific company, risk or other COVID-19 related issue. The contents of this guidance are based upon conditions as they existed and could be evaluated as of 7 April 2020 and CDC does not undertake any obligation to update any of the information or the conclusions contained herein or to correct any inaccuracies which may become apparent.

## Types of risks to customers in the short-term

### Affordability and cash-flow constraints

Due to economic stress customers may have less ability to pay for products and services, and/or may be unable to continue paying for something they have already agreed to. Lower-income customers will especially feel this over time. For financial institutions or PAYGo companies, for example, this means customers may not be able to service their repayment instalments as planned.

### Information asymmetries

Customers may not have the latest information on the current environment or may not be informed of government support on offer. This directly affects customers' ability to make informed decisions that suit their needs, and therefore results in less confident consumers. In retail, e-commerce or similar sectors, this could mean customers may have concerns around quality or reliability of service.

### Vulnerabilities are accentuated

Businesses serve a broad variety of customer groups, some of which are more vulnerable than others. In emerging market contexts, the proportion of these groups within the general population is high. In a crisis environment vulnerable groups will experience shocks more profoundly. Customers could be vulnerable individuals that are limited in their ability to access or pay for a product/service, or customers could have dependents that rely on them more than before. For example, for health or education providers, older or younger customers may be more vulnerable than usual and would require additional support.

### Health and safety

Risks to health and safety are particularly relevant in the current environment, but it is important to remember that customers' interaction with businesses must also be responsibly managed. Whether this involves managing sales staff, delivery teams, farmers, suppliers, or field agents, contact with customers should prioritise the customer's health and safety. In the food and agricultural industry, extra precaution would be necessary to ensure customers are not inadvertently at risk.

## Types of risks to customers in the medium to long-term

### Affordability and income

Many people are experiencing waves of lay-offs, increased leave without pay or longer-term uncertainty of informal income sources. For households where breadwinners have fallen ill or are deceased, prioritisation of household expenses comes under severe stress. Over the longer-term this could affect customers' ability to keep buying products and services at the original price. Government support and cash-transfer programmes may offset some of the negative effects, but these may not fully address longer-term affordability.

### Limitations on preferences and choices

As supply chains and logistics are disrupted and adjusted globally, many businesses will have to face changing product offerings. Customers will be limited in their options and may feel disempowered by the lack of choice relative to price. Customers with low literacy, numeracy or education levels may feel especially vulnerable or unacknowledged.

### Information security and data management

As customers feel less empowered, over time they may also experience less ability to invoke bargaining power around privacy and security. How companies manage personal information security and data over time will ensure they are prepared for the eventuality of regulatory intervention.<sup>4</sup>

<sup>4</sup> <https://www.fca.org.uk/firms/information-firms-coronavirus-covid-19-response>

## Priority action items to consider

### **Be vigilant of the effects of your business continuity plans on your customers**

- As you adapt your supply chains, logistics, collections, delivery and distribution ensure that your customers are aware and that your decisions factor in the costs to them. When you create central units or teams that are responsible for business continuity action plans, include a customer and gender lens.
- How can you adjust your product offerings (e.g. ramping up non-perishable food lines) or service models (e.g. tweaking customer call centres, ramping up delivery options) under evolving circumstances?

### **Take the responsibility on yourself, more than usual, to ensure transparency. Communicate with your customers.**

- Share information with your customers and inform them of their options before making any big changes to your business or product offering.
- It is critical to ensure your pricing and adjustments to pricing are clear and simple.

### **Proactively consider altering or adjusting your contractual relationships with your customers to accommodate them.**

- By doing this proactively, you can manage the risk of changes in expected revenues and incoming cashflows, and you can mitigate the stress on customers early. Be sure to give them clear options on suggested changes and get consent.
- Specifically, for borrowers that may be facing pressures, this could mean restructuring loans or providing relief that allows you to manage your credit risk and liquidity in the short and long-term.

### **Take some time to re-assess your customer segments – i.e. the different types of customers you serve. Include a gender lens and consider any risks that are specific to female customers.**

- Which of them may be vulnerable under the current environment (e.g. low-income, marginalised, demographic group at risk)? What can you do proactively to adjust to their needs? Can you provide concessions for vulnerable groups in the short-term?
- Do not discriminate.

### **Maximise your digital footprint and channels as much as possible.**

- Not only does this allow you to implement global advice on social distancing, but it immediately introduces opportunities to improve efficiency and speed of service, including for already remote functions. Importantly it enforces hygienic practice around cash handling and customer interaction. Customers will reap the benefits as you save on costs.
- Consider the consequences of remote working or operational changes on your customers, while factoring in the cost to keep serving them smoothly.

### **Be aware of your country's guidance, policies and support being offered to businesses and to the public.**

- Maximise the opportunities to manage your risk and protect customers. **Pass on the benefits you receive in a proactive and financially sustainable way.**
- Seek out partnerships with relevant stakeholders that allow you to support your customers in the short-term without incurring too much cost or impact on your bottom line.

## Resources and additional reading

CDC Group COVID-19 Resources

[www.cdcgroup.com/covid-19](http://www.cdcgroup.com/covid-19)

International Institute for Finance – COVID-19 Response

<https://www.iif.com/Publications/ID/3812/5-Step-Policy-Response-Plan-for-COVID-19>

Addressing the needs of your customers in delinquency

<https://www.mckinsey.com/industries/financial-services/our-insights/addressing-the-needs-of-customers-in-delinquency-impacted-by-the-coronavirus?cid=other-eml-alt-mip-mck&hlkid=4788820f64e545c182b9de642ac9b1ee&hctky=11197008&hdpid=e4bdf81e-4399-46b9-be5b-bd6bc6e51a7c>

COVID-19: How Is the Pandemic Affecting Your Work and the Clients You Serve?

<https://www.findevgateway.org/blog/2020/03/covid-19-how-pandemic-affecting-your-work-and-clients-you-serve#>

FCA information for firms on Coronavirus (Covid-19) response

<https://www.fca.org.uk/firms/information-firms-coronavirus-covid-19-response>

How Will COVID-19 Affect Women and Girls in Low- and Middle-Income Countries?

<https://www.cgdev.org/blog/how-will-covid-19-affect-women-and-girls-low-and-middle-income-countries>

Financial Inclusion and Resilience: How BRAC's Microfinance Program Recovered from the West Africa Ebola Crisis

<https://www.findevgateway.org/case-study/2017/07/financial-inclusion-and-resilience-how-bracs-microfinance-program-recovered-west>

Adapting customer experience in the time of coronavirus

<https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/adapting-customer-experience-in-the-time-of-coronavirus?cid=other-eml-alt-mip-mck&hlkid=d50bef124faa476c88600211ac015d3e&hctky=11197008&hdpid=19289b5b-5d9f-4245-a701-2aef6fe6388e>