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Preparing for a Pandemic: A multi-industry perspective

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Pandemic flu has the potential to inflict widespread devastation on public health and the U.S. economy. It also presents particular challenges to various industry sectors. The Deloitte Center for Health Solutions (the “Center”), part of Deloitte & Touche USA LLP, recently queried its foremost industry specialists to ask them:

From your industry’s perspective, how great of a threat is an influenza pandemic?

What are the major challenges and impacts that stakeholders in your industry could experience as a result of a flu pandemic?

What are stakeholders in your industry doing, if anything, to prepare for a flu pandemic? What should they be doing, and when?

Consumer Business



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An influenza pandemic would have a great impact on consumer business companies. Similar to other crisis situations, it is imperative that preparedness plans be developed to address the unique factors a pandemic situation would present due to the potential longevity and breadth of an outbreak. These include prolonged distribution and supply chain issues, employee absenteeism and, perhaps most importantly, changes in consumer behavior.

Because a pandemic would be in effect on a worldwide scale, supply chains could be disrupted and raw materials may be difficult to procure depending on their point of origin. Combined with the expectation that one-third of the workforce will be sick or unwilling to report to work, production and distribution cycles will be interrupted. Operations at partner companies and alliances also will be affected and could have a detrimental impact on consumer product companies.

Consumers would play no small role in changing the normal landscape in which consumer companies operate. During a pandemic, consumers may be wary of leaving their homes, thus impacting regular sales cycles. Companies in the travel, hotel and tourism sector would be especially hard hit by this trend. At the onset of a pandemic, some retailers may experience an initial boon as consumers stock up on recommended items, but sales would decline sharply once a pandemic was in full effect. Opportunities could arise in e-commerce as it is likely online activity would increase. Therefore, exploring new strategies in this arena could help offset a decline in traditional sales and present a competitive advantage. Ensuring e-commerce capabilities are robust and capable to handle an up-tick in traffic are key for preparedness plans.

There are a multitude of other issues to consider and it is imperative for consumer business companies to have a plan in place to address a pandemic disaster. Normal crisis and business continuity plans should be reviewed and augmented as necessary to ensure they cover the special circumstances a pandemic would present. The best offense is a good defense: Companies with plans in place will be better prepared to respond quickly, implement emergency procedures and endure.

Energy (Power & Utilities)



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If an influenza pandemic impacts the workforce of an electric utility or power generator so that they can't manufacture and deliver safe, reliable power, portions of this country could come to a standstill.

Certain aspects of the power generation and delivery system – particularly the people who operate power plants, manage the electric grid and maintain the transmission and distribution networks – are critical to the delivery of safe, reliable electricity. If the flu hits skilled operators at a nuclear power station, companies can't simply substitute other workers; shutting down the station may be the only alternative. The same may be true for people operating other electric power plants or repairing power lines. If the flu incapacitates that part of the work force, energy production and essential repairs could potentially cease for an extended period of time. Combine a flu pandemic with a natural disaster, such as a hurricane, and you have the perfect storm.

Because of the essential nature of the services it provides, the energy industry has long conducted extensive emergency preparedness. Much of this is mandated by federal and/or state regulations and includes cooperation among utility companies from around the country regarding loaned employees and materials and supplies. There also is a well-organized, cooperative effort around repairs resulting from operational emergencies. A flu pandemic, however, is quite different than physical damage to electric supply infrastructure.

In all of the preparedness planning and drills that utilities have conducted over the years, have they developed contingency plans to maintain operations if 30% of their critical workforce is unable to perform for an extended period of time? Have they identified which employees are "critical" in such an event and if they should be the first to receive a flu vaccine? Have they considered that protection for energy facilities may not be available if most of the local law enforcement is sick? Energy companies should address these and other influenza-related questions in their preparedness planning.

Energy (Oil & Gas)



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The potential impact of a flu pandemic on the oil and gas industry could be very significant. Energy is the lifeblood of the U.S. and global economy. Currently, there is a substantial tightness in the industry and these conditions are unlikely to change in the near future. Prices for gasoline, natural gas, heating oil and crude oil are very high and all of the industry's segments – producing, refining, distributing – are operating at or near capacity.

Layering a flu pandemic on top of these conditions will likely create shortages at different points along the oil and gas value chain. Consumers will likely see the price of gasoline go up quickly – in part, because pandemic-related employee absentee rates will result in interruptions in the oil and gas being produced, refined and distributed. It will be a classic case of supply falling abruptly, with no change in demand. A workforce shortage in any of the industry's interrelated and interdependent segments would likely result in unplanned outages and shutdowns across the entire oil and gas supply chain. In turn, any industry that relies on gas or oil as an input to its own production processes could experience service interruptions. For example, if refining facilities producing jet fuel have unplanned outages, the resulting fuel shortages may interrupt the flow of air traffic.

The oil and gas industry would probably also see speculators and hedge funds shorting the market, which will further drive up the price of gasoline, heating oil and crude oil. Significant price increases from the current high levels would create an enormous shock to the economy and likely trigger a global recession.

Fortunately, oil and gas companies are highly sophisticated organizations that are used to managing risks. Most of them have business contingency plans for unexpected outages. Have they included a spreading flu pandemic as a specific risk? Some have and some haven't. It is critical, therefore, that companies develop their own pandemic preparedness plan as well as discuss how to implement cross-industry contingency plans – because of the industry's interdependencies, what happens to one organization in one segment will likely affect others in dependent segments.

Financial Services



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Preparing for an influenza pandemic is both a matter of protecting an organization and of planning to take advantage of a disruptive marketplace. Certainly, there are sectors of the financial services industry that will be negatively impacted by a pandemic. For example, there is going to be greatly reduced demand for any activity that requires people to go to the bank, such as closing mortgages. It may also have an effect on trading if traders can't (or won't) come to work.

At same time, a flu pandemic presents a huge opportunity for the financial services industry. Customers will be using remote services much more. Online banking, online buying – the use of electronic transactions will skyrocket. Organizations that are geared up for this and can shift resources from depressed areas to opportunity areas will be able to acquire market share.

What executives have to do when markets become dislocated is to evaluate where their company's real revenue sources are, identify which products or services could be eliminated or deferred and decide which customers should be given more or less attention. Also, they need to keep a ready reserve of employees at all levels to service their "hot" businesses, especially in the face of a pandemic's projected 30% absentee rate. However, this will require increased cross-training and tele-working capacity.

Financial services companies need to take pandemic preparedness seriously, assign someone to lead their planning efforts, and start addressing this threat now. To gain executive buy-in for the considerable financial and personnel resources that may be required, pandemic planning should be positioned as an investment that offers immediate, positive returns (such as better-trained staff and decentralized operations) as well as future business continuity.

Life Sciences & Health Care



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For the Life Sciences & Health Care (LS & HC) industry, a flu pandemic poses a double peril. First, LS & HC will face the same threats as other industries – a projected 30% workforce reduction for a significant period of time, plus supply chain and infrastructure challenges. Second, LS & HC will be the industry on the front lines caring for ill individuals. Providers and pharmaceutical companies will experience a dramatic – almost explosive – demand for their services while facing the same capacity issues as the rest of the world.

For the most part, a flu pandemic is not yet a top-tier issue within the LS & HC industry – organizations are focused on strategies for competing in today's tough business environment. However, everyone should be conducting pandemic scenario planning now. Hospital emergency rooms will be inundated, so providers need to think about identifying triage and staging areas for flu patients, managing respiratory isolation issues, safeguarding their employees' health, and communicating with the government and other hospitals about surge capacity and dealing with a massive influx of patients. Pharmaceutical companies, in turn, will see a huge demand for new technologies, vaccines and antiviral medications to deal with the pandemic – plus increased, crossover demand for the products they already produce. They'll have to increase production and research while dealing with personnel, facility and supply chain constraints. Health plans will see a massive influx in claims while facing a reduced workforce.

Ethical issues will also need to be addressed. When a hospital has two ventilators and three patients, who will get the equipment? If a pharmaceutical company has a limited supply of flu vaccine or medication, will it be given out on a first-come, first-served basis, or on governmental orders? Which government takes precedence? These questions should be addressed now, while we have the luxury of time, rather than in the heat of the moment.

Manufacturing



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It is easy to underestimate the impact of a major disruption on the production of the goods and services society consumes on a daily basis. These goods rely on capital equipment, parts and service, infrastructure and capacity, all of which are manufacturing related. Certainly, any type of major disruption to the industry – whether it is a terrorist attack, a natural disaster, a labor strike, or an influenza pandemic – is of great concern. Manufacturers today are challenged to be prepared and ready to react to these ever-changing environments. Supply chains have never been more fragile.

Due to recent historical events, manufacturers have been addressing and preparing for continuation of operations during times of catastrophic events. Manufacturers continue to innovate within their facilities to automate and build flexibility allowing for the production of multiple products. In understanding how to capitalize on asset utilization and addressing issues like global capacity, flexible and adaptive manufacturing principals are allowing for rapid product change, letting manufacturers react quickly to changing market, geographic, or economic conditions.

Additionally, manufacturers continue to build dynamic global supply chains and logistics support in the event of closed borders or disaster recovery efforts that may impact their operations. Again, this builds variability into the “real time” definition.

Manufacturers need to build upon their operational plans to include processes dealing with a potential pandemic. Although automation can streamline many manufacturing processes, there is still a high degree of labor required to operate facilities. Executives, understanding the skills required in these facilities, need to invest in cross-training and building a new skills inventory to continue operations. They also need to assess the skills and capabilities of the supply chain, building a scaled ability to react to a shrinking labor force.

Forewarned is forearmed: By investing in pandemic preparedness and accounting for it in catastrophic planning activities today, manufacturers will be better able to insure business continuity tomorrow.

Public Sector



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The threat of an influenza pandemic to the public sector as an industry is great, because government performs so many roles and is relied upon heavily by both citizens and businesses. The public sector has primary responsibility for disease surveillance as well as emergency management. Many first responders are government employees, and government is the largest single provider and payor of health care services. In addition, the public sector is comprised of many large employers, who will face the same workforce shortages and operational challenges as other industry sectors. Are human services departments prepared to deliver family and child services in the midst of a flu pandemic? Are water utilities prepared to deliver a safe product with 30% absentee rates? Can law enforcement agencies be effective with greatly reduced staff while assuming new tasks such as quarantine and containment activities? Plans need to be put in place now to deal with a pandemic’s potential impacts.

Recent natural disasters such as last year’s hurricanes have highlighted the difficulties that governments have working together to plan for and manage catastrophic situations. However, officials are trying to learn from the past to be more effective in the future. Public health agencies, which are most familiar with the pandemic threat, are being the most responsive. The federal government, through the Department of Health and Human Services, has dedicated a large amount of resources to help states and localities prepare for an outbreak, focusing largely on vaccine and anti-viral drug distribution, medical system surge capacity, and public awareness. The governor of California is even calling for a new Department of Public Health in order to better prepare for this and other threats. These are steps in the right direction – as long as the focus and planning are soon broadened to include non-health and emergency management agencies.

Real Estate



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As goes the economy, so goes real estate. If an influenza pandemic hits the United States, it would send the economy into a tailspin and the commercial and residential real estate industry would follow.

Real estate has been an attractive investment option for many years. The industry has been booming of late so investors expect a continuation of big returns. However, the real estate market is very dependent on economic activity. If people are suffering through a flu pandemic, they won't be looking for real estate. Companies that are focused on maintaining basic operations will postpone renting new or expanded office space. Consumers fearful of infection will avoid visiting retail stores and buying or selling a home. Travelers will halt leisure and business trips, dealing a huge blow to hospitality properties. Such fallout from a flu pandemic could lead to a major re-correction of real estate values.

Dealing with a pandemic is much the same as dealing with catastrophic events such as energy blackouts, hurricanes, hostage situations and terrorism – companies must have a plan. Real estate owners have to develop customized pandemic preparedness plans because each building is different in form and function. They must work with health authorities and their buildings' tenants to ensure a coordinated response to a flu outbreak.

The good news is that real estate has been around forever. The industry will be seriously damaged by a pandemic in the short term, but it will survive. Eventually people will still need to buy a house and shop and work somewhere. Recovery will happen.

Technology, Media & Telecommunications



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An influenza pandemic would have a detrimental effect on technology, media and telecommunications (TMT) companies and the general public given the importance of the communications infrastructure to everyday life. People and collaboration drive the TMT industry and therefore it is crucial to develop plans that address the disruption a pandemic would cause.

The anticipated labor shortage caused by a pandemic would impact TMT companies on two fronts. In addition to high employee absenteeism, the capacity of telephone and cable companies, ISPs and the Internet could be strained due to a dramatic spike in network traffic caused by increased teleworking. Also, if consumers are afraid to leave their homes, traditional retailers will see a decline in business as online storefronts become the outlet of choice. E-commerce companies could stand to gain, so it is imperative that systems be robust enough to handle a greater traffic volume.

In a climate of widespread fear and uncertainty, TMT companies must focus on what's meaningful to their customers and employees. For example, a flu pandemic offers technology organizations the opportunity to design systems that can detect, track and share information about the crisis using software that links databases around the globe. The media sector – print, online and broadcast – will be the primary source of public information and education about a flu pandemic, so communications processes should be established with the government, health experts and public. Wireless and wireline telecommunications companies, should review existing crisis plans to ensure a pandemic-like situation is included and that critical functions will be covered when specialized employees can't (or won't) come to work.

Planning for crisis situations like a pandemic is key and pays off in the end. With a plan in place, TMT companies can mitigate the impact, remain successful and help the broader community.

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