

Some industries will thrive during pandemic

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Responses to contain the spread of the new coronavirus have brought economic loss and uncertainty, but some businesses and industries can survive and thrive.

Dr. Erik Johnson, assistant professor of economics, finance and legal studies at The University of Alabama Culverhouse College of Business, offers a perspective on the outlook for large and [small businesses](#) along with some insight on what small businesses can do during this time to bring in customers.

What businesses or industries will not only survive the pandemic relatively stable, but perhaps come out stronger?

The most recent economic model predicts a roughly 11% decrease in [gross domestic product](#) (the economy's total output of goods and services) from March 2020 to March 2021. Half of this decrease is attributable to the direct effects of businesses closing, reduced trade, etc. The second half of this decrease is due to increased uncertainty for businesses and households as they think about long term investments.

This uncertainty also makes it difficult for economists to predict which industries will survive

and thrive in the long run. However, there is a real possibility of structural changes in the global economy that will affect domestic industries.

The most likely effect will be a reweighing on the relative efficiency/resiliency trade-off in supply chain changes. For example, rather than depending on masks and gloves from a single Chinese supplier, there will be a push to diversify the supply origins with additional domestic production being the most likely outcome. Other industries that should see an increase in domestic production would be base resource suppliers such as mining or steel production and a reduction in the dependence on China for its increasing share of high-tech manufacturing.

Are there businesses thriving during this, or is this just too widespread on supply chains and customers?

In the short run, any business focused on facilitating the exchange of goods and ideas between people without actual in-person interaction is positioned well. For example, companies such as Cisco, which provide physical infrastructure for networking, are doing well. Software companies such as Zoom that promote remote group work are becoming increasingly popular. One interesting technological transformation has been an increase in the usage of platform-based delivery apps such as GrubHub, UberEats and Instacart. The largest platform supplier of retail goods, Amazon, has seen a 44% increase in stock price since a low on March 12, and it is currently hiring an additional 175,000 employees to work in distribution centers.

What can businesses do to minimize the effects of what appears to be the long haul?

Businesses, especially small [business](#), should stay current with information on how to obtain federal resources. The Alabama Small Business Development Center at the University has been amazing in providing excellent information and giving webinars. The local media has also been a

great resource for disseminating information.

The key to this crisis, though, is getting in front of the pandemic through mass testing. The sooner we can do that the better. Getting testing going for our big manufacturers such as Mercedes, BF Goodrich, etc., will be huge. If we can get the labor force in these exporting industries safely back to work, it will be a huge leg up for Alabama.

Finally, [local businesses](#) can benefit from communicating directly with customers, and they should closely monitor communication channels such as local groups on social media. For example, a local burger franchise realized through a local Facebook group that the national corporate-based pickup phone number was overwhelmed, so it posted a local phone number for customers to order directly. One basic thing to do is to make sure the phone number listed on websites is currently manned and the listed email address is monitored. Local businesses should also stay away from automated responses referring to delays due to the pandemic.

Provided by University of Alabama in Tuscaloosa

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