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Sector Intelligence: Impact of Covid-19

Information & Communications Technology (ICT)

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ICT: The What?

Global Activity and Critical Updates at a Glance

North America

- 53.8% of workers in US-based big tech companies fear job loss as a result of the COVID-19 outbreak (according to a survey by market research firm Blind).¹
- Hardware and infrastructure segments, including consumer, enterprise, and telecommunications, continue to face supply chain and demand uncertainty. Some tech companies in these segments have lowered their Q1 outlook, e.g. Apple and HP Inc.²
- US-based social and information platforms, such as Google, Facebook, and Twitter, continue to wrestle with misinformation about the virus, although they are taking steps to minimize false information.³
- Streaming, gaming, remote work and enterprise software segments, which are seeing increased adoption from people staying home, are heavily occupied by US players with global reach.^{4,5}



EMEA

- The ICT sector in Europe has a large presence in IT services and consulting as well as telecom infrastructure, both of which could face some headwinds from COVID-19.⁶
 - Several major IT services and consulting firms are based in Europe (e.g., CapGemini and Accenture). Consulting firms have historically taken hits during downturns, though Accenture's Q2 performance was better than some analysts expected.¹⁶
 - Infrastructure companies, such as Ericsson and Nokia, could face supply challenges.⁷
- However Europe's tech industry also has select players in other domains, such as SAP (enterprise software) and Spotify (streaming), that may not face major headwinds in the near term and may see increased adoption.⁸



APAC

- Some factories in China, such as the FoxConn plant that makes iPhones, are reopening, re-initiating some supply chains.⁹ However, a decline in global and regional demand could still hurt APAC tech manufacturing; Apple only sold 500,000 iPhones in China in Feb 2020.¹⁰
- Like elsewhere, in China, B2B segments have seen increased adoption. US conferencing app Zoom went from 180th to 28th in total app installs in China in Feb 2020, and Chinese messaging apps also recorded a boost.¹¹
- China's 5G rollout has reportedly slowed down due to the outbreak.¹²
- South Korean tech companies, such as Samsung and LG, have faced production setbacks in China, South Korea and India.^{12, 14}
- Some tech firms, within and outside APAC, are moving manufacturing elsewhere in APAC such as to Vietnam and Thailand.^{12, 15}



Analyst Note

Emerging Global themes from above coverage

Impacts on technology and telecommunications sectors vary somewhat by region. In North America there have been some setbacks. However the tech and telecom industries, and some of the larger individual players, in North America are highly diversified. As such, while some sentiments have been negative, others have been cautious but not alarmist (as not all subsectors are equally impacted). APAC tech and telecom is also diverse and shares some similar considerations to North America, though larger players, such as Alibaba, Tencent, Baidu, are more localized (bringing slightly different business considerations). EMEA is split between large players in sub-sectors that may be more vulnerable to the situation surrounding COVID-19 and smaller players in a variety of other domains that may be less exposed.

Sources: (1) [Forbes](#), (2) Company announcements, (3) [The Verge](#), (4) [Variety](#), (5) [The Guardian](#), (6) [HuffPost](#), (7) Company websites, (8) [WEF](#), (9) [NPR](#), (10) [Yahoo Finance](#), (11) [Tech Crunch](#), (12) [Market Watch](#), (13) [E&T](#), (14) [ZDNet](#), (15) [CNBC](#), (16) [ZDNet](#)



ICT: The So-What?

Near-Term Risk Outlook, Risk Mitigation and Opportunities



	Level of Risk		Potential Disruptions	Risk Assessment	Risk Abatement and Opportunities to Help
» Telecom	Near-term risk Low to Moderate, varying by sub-sector	High Impact Region North America, EMEA, APAC	<ul style="list-style-type: none"> Equipment supply, customer difficulty paying bills 	<ul style="list-style-type: none"> Possible delay in 5G network rollouts Reduced revenue for operators from some customer segments that lack funds to pay bills Reduced on-premise business demand 	<ul style="list-style-type: none"> 5G value propositions surrounding COVID-19 Alternative supply chains and deployment strategies Data usage has increased in some segments Some operators offering cost reduced services
» IT, Enterprise Hardware	Low to High, varying by sub-sector	North America, EMEA, APAC	<ul style="list-style-type: none"> Supply chains, delayed product launches, product availability, less in office demand 	<ul style="list-style-type: none"> Potentially fewer in-office IT solutions Likely changes in enterprise user device needs as they go mobile and remote 	<ul style="list-style-type: none"> Adjust to companies changing IT and device needs and help them in these shifts, companies may also have other IT considerations in their operations changes Cloud adoption and digital transformation may accelerate Partnerships with enterprise software and streaming segments
» Consumer Hardware	High	North America, APAC	<ul style="list-style-type: none"> Delay in product launches and product shortages 	<ul style="list-style-type: none"> Reduced sales, disgruntled customers Demand and consumer interest in hardware may be unpredictable in the current environment In-store distribution channels have reduced 	<ul style="list-style-type: none"> Emerging manufacturing regions (e.g. Vietnam, Thailand)* Understanding shifting user habits (e.g. gaming or streaming) and new distribution and advertising channels (such as ecommerce)
» Digital Platforms	Low to Moderate	North America, APAC	<ul style="list-style-type: none"> Misinformation campaigns 	<ul style="list-style-type: none"> Reduced consumer trust in digital platforms Increased risk to public health and safety 	<ul style="list-style-type: none"> Companies offering PSAs and helpful information regarding the virus on digital platforms, as well as lending technical, data and AI expertise to combat the virus Growth in certain digital segments, e.g. gaming and streaming
» B2B Software	Low	North America, EMEA, APAC	<ul style="list-style-type: none"> Disruption in supporting infrastructure and toolkit supply 	<ul style="list-style-type: none"> Companies facilitating work from home may see increased usage of their services, though they may need to make some considerations regarding changes or disruptions to other areas of the tech ecosystem 	<ul style="list-style-type: none"> With increased remote work, companies in and around the B2B space must correspondingly adapt to this new landscape, as must companies traditionally outside this space looking to enter it

Sources: Evalueserve Analysis,, Company websites and announcements, [TrendForce](#), [CNBC](#), [Fast Company](#), [The Verge](#)

*Some firms were already shifting manufacturing away from China, the crisis surrounding COVID-19 has accentuated some of these shifts



ICT: The Next-What?

Long-term Sector Implications for Professional Services

Telecom

- The outbreak could slow 5G rollouts, but may also present a value proposition for 5G, particularly as more users go remote. Professional services firms can help telecom firms identify alternate supply channels and 5G deployment strategies.
- Telecom firms may see increased traffic in some segments but also reduced customer spending power. Professional services can help telecom firms accordingly strategize around this increased traffic, manage losses in any segments, as well as continue to identify areas where telecoms can help the situation surrounding COVID-19.

IT, Enterprise Hardware and Software

- Professional services firms can help IT, enterprise hardware, and B2B software firms navigate their clients' changing IT, device, and user experience needs. They can also help end user companies in these changes. Professional services firms can also assist these segments with supply chain alterations.
- Professional services firms can help firms outside the B2B space, both in software and hardware, identify areas within the B2B space.
- Changing IT needs may lead to additional considerations, such as cybersecurity or operational changes, for firms.

Consumer hardware

- Companies are likely to look for new distribution/advertising channels. Professional services firms can help in these efforts, and they can also help consumer tech firms adjust their supply chains.
- Some consumer hardware sub-segments face uncertain demand, but others could have unrevealed consumer interest, such as gaming consoles. Professional services can help consumer hardware segments prepare for reduced sales but also identify shifting consumer interests. These could also influence near term product strategies (e.g. expanding on or highlighting the health features of a device).

Digital Platforms

- Digital platforms will need to manage fallout from any misinformation campaigns. Professional services firms can potentially help in these efforts, through, for example, brand management strategies.
- Professional services firms can help digital platforms understand segments that may see a rise in demand, such as gaming or streaming, and other companies in the platform ecosystem navigate the changing landscape.
- Lastly, professional services firms can help platforms with efforts to mitigate the virus, either via platforms' tech capabilities, PSAs or public health information.

To Watch Out For

Despite an economic downturn, there may be a place for professional services in the ICT space during the COVID-19 outbreak given changing enterprise operations and consumer tech habits.

Long Term: Digital Platforms and Telecom operators have a neutral long term outlook. Many US operators have large debt, but it is unclear how the crisis will impact their bottom line. Despite near term challenges, Telecom and IT infrastructure will likely see a return of supply chains and sustained demand. Consumer hardware faces more long term uncertainty – if users do not return to pre-crisis buying habits due to long term economic fallout.

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