

The Impact of HIV/AIDS on Retailers

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A scan of press releases and research reports relating to HIV/AIDS and the retail sector reveals one simple truth... Retailers have done very little to protect themselves against the harmful effects of the epidemic.

The business community and general population typically have the same attitude towards the threat of HIV/AIDS. There is denial amongst those most at risk, refusal to talk openly about the issues and safeguards. Most individuals prefer not to know the full extent of the problem and there is a general failure to change behaviour and recognise that each institution is as vulnerable as the next.

It is important that retailers identify the impact that HIV/AIDS will have on an individual business. An effective response to the epidemic can only be achieved by convincing all stakeholders of the severity of the problem. A greater understanding of the impact is also required in developing an appropriate response to the epidemic.

How will HIV/AIDS Impact Retailers?

The cost implications of the HIV/AIDS epidemic on individual companies are well documented and impact the business internally in two key areas: Increased Costs and Decreased Productivity. These are factors over which the individual company has some measure of control. Beyond these factors there is a third area at the macro-level over which companies have significantly less influence.

At the macro-economic level HIV/AIDS will have a considerable impact on businesses through its effect on the size and profile of the consumer market, prices, levels of savings, spending patterns and skills levels.

The most striking statistic quoted in AIDS research is the reduction in the population growth by nearly 20% by 2015. This will be accompanied by a fall in disposable income as employment levels drop and interest rates rise. Retailers will be competing for a smaller market with less money to spend. Already we are seeing saturating levels in key retail markets, HIV/AIDS will compound the problem and force smaller operations either out of business or into mergers with larger more hardy competitors. The future consumer market will also be characterised by a shift in consumer spending patterns, more dramatic than we have seen in the past. Spending on foods is expected to drop in line with the fall off in population and GDP growth. Clothing and furniture retailers will see a drop in discretionary purchases mainly at the lower end of the market.

HIV/AIDS will impact credit retailing through the threat of non-payment of accounts. Typically credit retailers write off overdue debt on the death of the account holder. Often retailers provide burial and funeral insurance as part of the credit package; underwriters of these accounts are already seeing a rise in the number of claims.

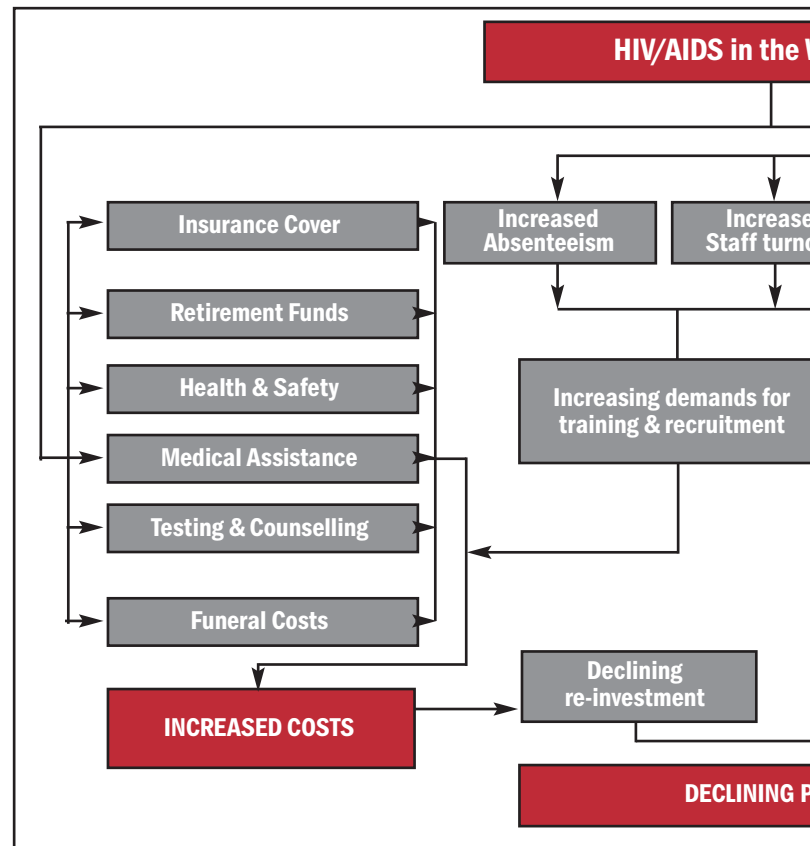
Further to this, retailers not only have to be concerned with their own markets and workforce, but those of their suppliers as well. Efficiencies are made and lost in the procurement process; poor planning by suppliers will leave them vulnerable to spiralling costs, reducing their ability to compete. Inflationary pressures in the supply chain will feed through into the retail market.

How has business responded to the epidemic?

Larger retailers have made more progress in responding to the potential threat of the HIV/AIDS epidemic. However while close on 80% of listed retailers claim to be actively administering AIDS policies, only around half of these have made any public announcements to this fact. Even where companies have, the details are often sketchy.

The most common form of AIDS interventions in the workplace has been the implementation of AIDS awareness and education forums. This is a great starting place for most companies as a preventative measure to curb further infections within the workforce. An even more powerful application of this tool is the extension of awareness into the greater community in which retailers operate. A select number of retailers have taken this a step further with the provision of testing, counselling and support facilities in the workplace, both to employees and their dependents. In some cases this has included the provision of antiretroviral drugs for infected mothers. In this way retailers help quantify infection rates, while managing the disease. UNAIDS stats show that employees with AIDS begin to cost companies during the last two years of their illness. By extending people's life expectancies, companies improve productivity and delay these additional costs.

Where companies have been less forthcoming is in detailing how they intend to cope with the disease at a strategic level. Some of the strategies being

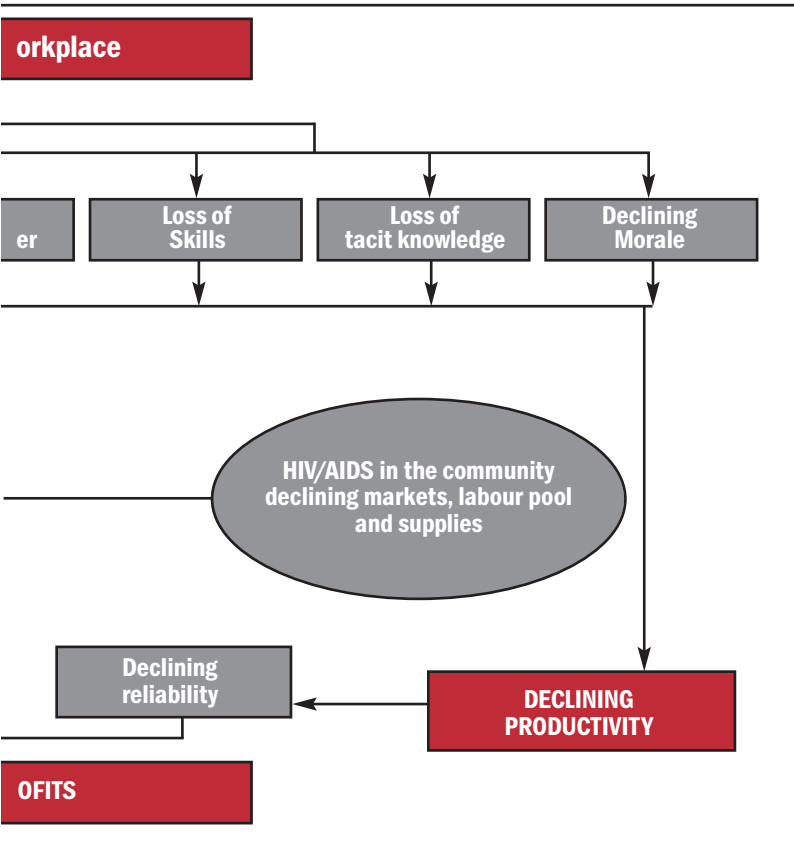


implemented by retailers include:

- 🛒 Targeting lower risk consumers, and rationalising operations in high risk areas
- 🛒 Brand extensions into new services aimed at the broader market (e.g. Financial Services)
- 🛒 Expansion through international markets into countries with lower infection rates.
- 🛒 Tightening of credit granting facilities



On a whole, retailers' responses have been low profile for a number of reasons:


- 🛒 **Unable to grasp the extent of the problem and how it will impact individual businesses.** One of the biggest problems is the inability to accurately quantify the effect the disease will have on operations. By not being able to estimate the cost, firms are unable to determine



Source: UNAIDS

what resources should be dedicated to tackling the disease.

-  **Lack of agreement between key stakeholders**
 Infighting between key stakeholders creates problems when trying to tackle the problem. A lack of agreement on how to approach the epidemic creates serious delays in issuing a response.
-  **Not seeing any visible effects**
 Frightening statistics are bandied about the press, but the effects will not be seen for 3 to 4 years. Businesses not convinced of the true extent of the problem have chosen not to address it until they see greater evidence of an impact on their markets.

 **AIDS is a problem of the future, more pressing concerns at present**

The retail environment has been through a torrid time, AIDS is by no means the only issue of concern for retailers. For many there are more visible and pressing concerns that occupy the time of senior management at present.

 **Impact on the investment community**

Companies fear that open discussions around the effect of AIDS on their businesses will have a detrimental affect on the investment community. For these companies silence is far more appealing than risking public exposure.

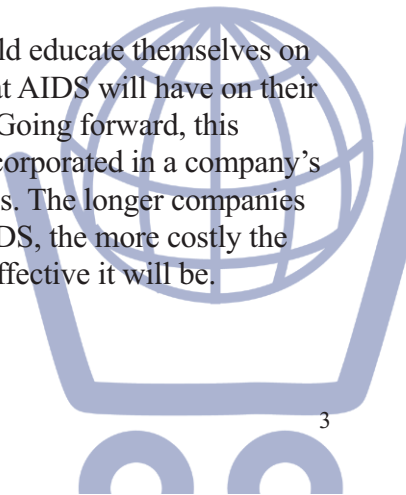
 **Won't affect us**

A small group of companies are also of the impression that the epidemic will have no significant impact on their operations, due mainly to their position in the market. As has already been discussed, this view is both dangerous and incorrect. Although the virus may have no direct impact on ones market, indirect threats impact supply chains, workforce dependents, and the knock on effects of the impact on competitors.

What else can be done?

The most pressing concern at the moment is the lack of factual data. Most information relating to infection rates and impacts is based on aging figures and actuarial projections. Business is best placed to assist in quantifying the extent of HIV/AIDS in the workforce.

Individual businesses should educate themselves on the extent of the impact that AIDS will have on their markets and stakeholders. Going forward, this information needs to be incorporated in a company's strategic planning processes. The longer companies wait to act against HIV/AIDS, the more costly the intervention, and the less effective it will be.



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Greater co-operation is also required within industry groups. Only by sharing information can retailers get a more complete picture of the extent of the AIDS virus and its potential impact on the retail market. Co-operation needs to extend into areas such as Best Practice in dealing with the disease on an industry wide scale.

What are the implications of not acting?

For some companies denial of the problem is seen as a preferable option, it is less traumatic and in the short term less costly. However there are potential hazards to the individual company which go beyond the more obvious macro-economic implications.

Poor image in the investment community

While most companies remain tight lipped over their response to the HIV/AIDS epidemic, the investment community will put increasing pressure on companies to publicly reveal this information.

With little information, the market fears the worst

At present accurate information is hard to come by, with most data projections from actuarial models. Many of these predict doomsday scenarios on nationwide scale, however this is not necessarily true on a local business/community scale. It will be in the interests of businesses to release their HIV data to separate themselves from those who will be seen as increasingly at risk.

Liabile for negligent actions

Stakeholders who experience losses from the actions, or inactions, of a company may seek recourse in a world where business is becoming increasingly accountable for its conduct.

A final word

HIV/AIDS represents a great human tragedy, and by an ironic twist, the sheer weight of information compelling people to act against the disease, contributes instead to a feeling of helplessness and inaction.

However retailers can take comfort from the information coming out of other industry segments. Reports from the mining houses are promising, while the power sector estimates that it has actually managed to reduce the infection rate amongst its workforce.

Still there is much work to be done, AIDS will be with us for many years to come, and impacts everyone in very different ways. It is up to each business to determine how it will impact them, and how best to safeguard themselves against the crisis.

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