22 May 2020 bulletin

Coronavirus, communications and the built environment

The future of networking

ING's fifth fortnightly intelligence bulletin focuses on the future of networking and its relationship to changing working and spending habits in addition to our regular focus on communications and the built environment. Previous bulletins have dedicated sections to culture, creativity and collaboration. These bulletins provide a temperature check on the innovations and emerging trends relevant to the built environment sector as it focuses on recovery. Several organisations have asked us to expand these bulletins with recovery audits to help them uniquely target challenges they face. If you are a brand, organisation or city navigating this fast-changing reality, let us know how we can better support you in remaining resilient in and beyond these atypical times. As COVID-19 continues to impact how we communicate and transact some sectors able to respond more quickly provide a snapshot of what is to come.

GLOBAL: UNLOCKING THE WORLD

Many European countries continue to reopen parts of their economies, with Slovenia the first European nation to declare an end to the pandemic. Italy has sped up efforts to ease lockdown conditions. Spain, where an antibody study suggests five percent of the country had contracted the virus, has added a four-week phasing down of restrictions. Kuwait and Qatar will jail those not wearing face masks in public; expect more countries to mandate face masks or face coverings to reduce transmission and give people more confidence to interact with others as lockdowns ease.

Austria will use helicopter money to revive hospitality in Vienna; the €50 restaurant and cafe voucher may be one of many schemes to change buyer behaviour back to spending in shops. This is a reversal of incentives to overcome the perceived hurdle of online shopping. Travel 'bubbles' between Lithuania, Latvia and Estonia and New Zealand and Australia, allowing business and tourism to resume, may be the reward for nations that have controlled the spread of the pandemic and prioritised longer-term measures to keep populations safe. Taiwan hopes it will be able to shorten traveller quarantines to make short business trips viable. India's stimulus package at 10 percent of its GDP is the largest for a developing nation. China, which like India is still expected to post positive growth for 2020, may be entering a pattern of rolling regional lockdowns to keep most of the country open. Sweden's economy will contract a similar amount to neighbours despite having a more moderate response, suggesting global collaboration will remain to key to recovery. Brazil's controversial response has seen it become South America's hotspot. Kenya has declined a G20 offer to suspend debt payments suggesting it might create unnecessary crisis; East Africa is also one of a few global regions expected to post GDP growth this year. Boosting regional trade in Africa, the largest free trade bloc, is seen as an alternative to stimulus packages. A €500bn aid package is seen as key to an integrated European Union recovery.

GOVERNMENT: BUILDING CONFIDENCE

The change from 'stay home' to 'stay alert' messaging in England devolves the decision-making of how to safely ease lockdown conditions to individuals (and organisations), but also indicates how difficult it may be for government to move beyond single slogan campaign mode. Allowing unlimited amounts of exercise may create opportunities for people to consider and practice safely re-engaging with the world beyond their homes; exercise may also be important to reduce the risk of some COVID complications. Despite a recovery strategy, the lack of clarity highlights that coming out of lockdown in a safe way may prove more challenging than implementing it. Different guidance for Scotland, Wales and Northern Ireland, while adding further complexity, may provide the first examples of more granular and regional management as data on the R value improves and contact tracing rolls out. Providing data on how many have recovered in the UK may be a further important step in increasing people's confidence. The approval of an antibody test may be another important step in more confidently easing lockdown conditions. The UK's lagging of many other nations may help ensure the risk of a second wave of infections – real and perceived – does not come with negative economic consequences.

The furlough scheme has been extended until the end of October. Employers may possibly need to carry up to half the cost of the scheme from August, providing an opportunity to refocus business activities while retaining key staff. If the scheme is not completely wound down before October, specific sectors or jobs may be targeted for support to reduce mass redundancies. The mortgage payment holiday has been extended by three months.

Local councils in the UK may need to find a new way to fund themselves as real estate investments underperform and business rates contract. Rethinking the mix of uses in town centres beyond retail and services and increasing the density of the surrounding residential offer may become increasingly relevant. While higher taxes and/or increased borrowing may be required at a national level, local level innovation may provide alternatives to unlock value by better integrating land, buildings and infrastructure, and the possibility of more creative town centre regeneration. This could include identifying central locations, reconsidering the role of manufacturing within and outside centres, and using social distancing as a motivation for hub-and-spoke offices.

Schools are set to reopen in phases from 1st June, which may make it easier for many to return to work, but there is resistance to this. It is likely that parents voluntarily keeping children at home may make it easier to respond to social distancing requirements, however, some schools may still stagger the return of individual grades.

COMMUNICATIONS: CONSOLIDATION AND RECOVERY NARRATIVES

Major organisations around the world are investing in internal communications strategies and content as the crisis creates a whole new set of scenarios and concerns for staff: health and safety, furlough, and remote working challenges like isolation and flexibility with home schooling. Some are even investing in recovery audits as they recalibrate business targeting with a possibly shifting sense of values and purpose. Creating a great employer brand and keeping staff healthy, motivated, and informed not only boosts productivity and creates loyalty but is key to client and customer retention. As personal risk thermometers move daily and sometimes hourly, organisations are starting to communicate return to the office strategies, sometimes acting as a replacement to at times confusing government information, particularly in the UK and the USA. Some of this may include encouraging furloughed staff to avoid engaging in activities that could be paid work for others and at least part-paying those willing to work for free where feasible. Kickstarting compensation across as many sectors and industries as possible will become increasingly important as the world unlocks recovery.

Aligning internal and external communications is also key, as journalists are watching what companies say *and* do, particularly when it comes to the UK's major furlough scheme and C-suite renumeration. A shrinking consumer base means that customer and brand loyalty will help carry brands through the crisis, and as a result the fashion industry has called for an ethical overhaul – even as Amazon (and possibly Facebook too) opens up its market to clothing and offers a storefront option. We can expect the rise in social activism content seen in cities to consolidate further.

COVID-19 hasn't stopped new media companies forming and staff movements. The Times Radio station will launch in summer helmed by Stig Abel. Initially touted as an ad-free cross between Radio 4 and LBC, the station announced at a virtual launch this week that it will create a tone of "warmth, authority and flexibility" avoiding adversarial phone-ins and instead harnessing the intelligence of its listeners on calls. John Pienaar and Aasmah Mir are the recruits from the BBC, and Tom Newton-Dunn will be replaced at The Sun by Harry Cole as he leaves to join the station. The station will be funded by The Times and sponsorship deals. Radio time has grown since the beginning of the crisis and may become an increasingly important outlet for content during and immediately beyond the crisis. Digital radio has also seen a boost to a long-term growth trajectory, with 67 percent of the population listening weekly.

TikTok, like radio, has benefited from rapid growth and now has over one billion users, yet Instagram still leads for sponsored content. Buzzfeed, however, will close newsrooms in Australia and the UK after American advertising revenues dried up after lockdown. Known in the UK for producing strong political journalists, it is betting big on its reputation for quizzes, creating a version where you can engage in multi-player games with friends.

Quibi, the mobile-centric streaming platform devoted to short-form programming is now live in the UK. Developed by Hollywood veteran Jeffrey Katzenberg and backed by a raft of investors from Silicon Valley and international film studios, the platform aims to capture a 25-to-35-year-old, multicultural, diverse millennial audience with shows running from seven to ten minutes in length. The platform will tackle comedy, drama, reality shows, documentaries, and news, and boasts some major early signings and partnerships.

In the last ten years, the time we spend watching video on our phones has grown from six minutes per day to close to 70, and Quibi aims to bring both a technological and content leap to this screen time. Quibi's phone-only content will be beautiful, studio quality, in either landscape or portrait modes, and with new levels of interactivity. Steven Spielberg's planned horror series, for example, will only be available to stream after sunset based on the location of the user. The investment in slick content for the phone is in direct contrast to TikTok's user generated, wilfully amateur content. Despite investing around £1bn in commissioning, early figures suggest that Quibi is yet to take off. However, the major investment in mobile-only formats is likely to impact on video aesthetics in the same way audio designed for headphones has.

NETWORKING: REMIXING OUR CONNECTIONS

The exchange of ideas, creative pursuits, and practising self-confidence are just some of benefits of building strong networks. However, networking does not come naturally to most people. The challenge for many in the present context is maintaining networks previously generated through physical interaction while concurrently reading people we have never met in contexts we do not know and on 2D screens. While some people may feel they have been interacting in this way before the crisis, for most people networking will feel different from what they know and possibly quite daunting. Organisational culture, geography and age may play a role in determining who benefits most from these changes. Calls from home may also shift the balance of symbolic power associated with the design of phsyical space. Digital meetings may limit social awkwardness, while technology may help create a level playing field for asking questions. It is a great time to try new formats, but following good etiquette is key, as is supporting the host with your own social media.

Businesses are having to move beyond established networks although employing people from universities will likely remain important ways of accessing networks. Agility in making new connections may be vital for companies to sustain themselves or transition to recovery. Embracing digital networking and training programmes may increase the diversity of reach and access new ideas but doing so will require integrity and planning. Creating strategic content to maintain contact with key audiences and engage with new ones is key as the sheer concentration of coronavirus conversation creates a vacuum for quality content. Shorter, smaller and more regular webinars or online talks where participants can network with others in separate rooms may become the norm to maintain the momentum normally achieved in large annual events. This format has become the staple of larger online gatherings: a standard presentation or Q&A with guest speakers, room for questions with unmuted microphones to feel more human and/or using chat live or in advance, and then a kind of speed dating format in a breakout room. Getting the timing and numbers right is key – four to five people with ten minutes seems to work well

The Venice Architecture Biennale would have opened this week, with participation from around the world reflecting Hashim Sarkis' theme How Will We Live Together? The vernissage attracts thousands of curators, institutions, critics, journalists, architects, and urbanists invested in international architecture, providing a compressed four-day opportunity to consolidate relationships, meet new people and engage with important issues and provocations from the pavilions themselves, making it possible to rapidly extend networks considerably. Yet it seems unlikely digital formats will be able to provide a substitute, partly because our capacity to be inspired over long periods seems limited on Zoom given cognitive dissonance, while humour may not translate as well.

LinkedIn is particularly useful for repositioning individuals, and ING has been working with organisations to boost the confidence of employees tasked with digital networking and marketing. Those navigating the new digital landscape of job seeking may benefit from exploring temporary network opportunities, but this will require greater understanding of different sectors and how they interact. In the longer-term, built environment organisations will need to both increase their findability, but also emphasise how they are connected to myriad industries and sectors. More than even, the world's most valuable sector may need a narrative to achieve its networking ambitions.

Cities concentrate global business, transaction flows, culture, and innovation, and provide the backdrop for many of the world's most established networks. Digital networks continue to sustain cities by projecting local knowledge and expertise. However, cities also gain resilience by building stronger collaborations with residents, which will become more important as places localise production. Talent is attracted to the networking opportunities global cities like London, Paris and New York, and also major regional centres provide. Social distancing and economic uncertainly may require cities to think carefully about how they continue to brand themselves. Future-looking, consolidation of urban traditions, the importance of civic or social values, and sustainability are some of the messages cities will likely draw on to project their uniqueness. It has taken cities decades to be recognised at global policy tables; city networks will need to give focus to responding to anti-urban narratives to ensure cities retain a primary role in recovery and solving longer term challenges like climate and inequality.

Physical spaces will need to invest in improvements and emphasise how they still provide the best contexts for networking. The acceleration of networking technology, like houseparty, Holla and Clubhouse allow users to network with an element of chance, as other users are able to enter chat rooms at random. However, these digital tools may still unintentionally sort out the kind of diversity that is found in many cities around the world.

Networking is having uneven impacts on different generations. Older generations are turning to technology to maintain familial and social networks, increasing their digital literacy, while younger generations are learning in virtual class rooms and socialising through platforms like Roblox where 59 percent of users are under 13. Yet, younger generations may have to navigate many of the same challenges as adults working remotely, including an increase in traditional journaling and using texting counselling. This early learning of how to generate networks without physical engagement may put them at a long-term advantage, increasing their competitiveness, but may also limit their reach. Inequality is resurfacing as the digital divide becomes more problematic, leaving those behind who do not have digital access. Integrating essential services may require overcoming both hardware and proficiency barriers.

Managing individual and organisational digital footprints may become increasingly important for achieving networking ambitions. Our digital trail may hold us accountable at worst or simply make it difficult for people to find us. A considered approach to online profile management may also lead to more thoughtful conversations and stronger networking opportunities.

While this new way of networking may not be long lasting, those who want to fully leverage the future of networking will need to invest time in both physical and digital networking. Many organisations are already investing in training for their staff. As our digital literacy grows, video calls may become more humanising, especially if private space becomes more accessible and less taboo. Resilience will require balancing traditional face-to-face communication with the evolving forms of digital engagement. The good news is this may help us save time

BUILT ENVIRONMENT: INVESTING IN THE RETURN

Mapping out user experience journeys may be helpful in identifying the potential pinch points that may make it more difficult for people to feel they can return to work or engage in non-essential activities or transactions. Safely and sustainably increasing 'footfall' into buildings will require coordinated efforts between landlords, tenants, and operators to ensure a consistent safety message is communicated.

A phased return to sport and recreation and limited interaction outside houses creates opportunities to build confidence in leaving home. These safety bubbles may be important for longer term reintegration. Pavement widening and pedestrian-only zones like Bristol is planning and emergency cycle lanes provide further safety measures to travelling to work or shops. Employee bike benefits, cycling guides, bike registration, confidence training, banning and disincentivising cars, and experienced riders sharing tips with new riders in their organisations or being patient on the roads may be key to adding more cyclists. Limiting on-street parking, while prioritising delivery vehicles will be key to safely incorporating logistics into these changes. Establishing etiquette between pedestrians and cyclists may be an important step in sustaining these changes long-term. Easily available PPE on streets, shops and offices, and their use, may be an important signal that it is safe to explore further. Making public transport safer as usage tracks up may require innovative use of data and dynamic pricing to flatten out demand. Funding chronic underutilisation will, however, eventually require operators to find ways to get more people safely back on trains, trams, and buses. This could require shifting people off the busiest parts of the network to walking or cycling. In the longer-term, any reduced travel demand from flexible working may provide opportunity to increase residential densities near current and future stations and consolidate localisation by integrating last mile assets. Some of this may be above ground as drones get more positive press.

Creating completely COVID-free workplaces may be difficult, however, practical steps for the safe return to work are expanding. Rethinking the open plan may be necessary as more people engage with plexiglass dividers in shops and become to understand this as a normal piece of infrastructure. Banking, property, automotive and architects were among the first sectors to signal a return to work after lockdown. This may provide some vital relief, albeit minor, particularly for reopening shops in commercial centres with limited residential footfall. Well thought-out internal communications, including making return voluntary for employees finding it challenging to work from home, may be a key step in building up confidence to return to work. Developing a broader narrative of why offices and other spaces designed for work are valuable for company culture and social interaction, an important symbolic space, to maintain local knowledge or for serendipitous knowledge exchange, may be important as arguments for shrinking space expand. This is also key to encouraging demand for reassigning spare capacity in the short-term as deals are cancelled and leases are reconfigured downwards. Organisations opting for long-term or permanent remote working may need to employ help to ensure they are still able to correctly read the mood in the centres where many of the clients are likely based. However, in some instances sustained remote working may actually allow for closer engagement with client teams, boost flexible office space demand and help reduce some of the inflationary effects caused by clustering many high value jobs like in the San Francisco Bay Area by dispersing the labour force across wider regions.

There will be fewer cranes in central London even as construction sites are allowed wider operating hours, however, as least some of this activity may move to secondary locations. This could provide opportunities for redistributing property wealth. Better rent collection in many smaller UK cities like Cambridge, Bristol, Sheffield, and Birmingham may increase the argument that localisation of investment portfolios could be more resilient against similar future shocks. Local governments may need to work harder to ensure they counter fragmentation risks.

The UK's largest private real estate transaction for a student accommodation portfolio and a social housing trust collecting 99 percent of Q1 rent indicates how some built environment sectors are largely unaffected by the pandemic. Manchester's tech cluster is seen as a sign of resilience. RICS lifting material valuation uncertainty clauses from certain property types is another step towards proving a more nuanced narrative of the health of the built environment. Continuing to assess the impact of other forms of disruption may become increasingly important to long-term planning. A move to fibre, for example, may open up space formerly used for copper exchanges. Companies betting on easy wins in necessary recapitalisation or purchasing discounted stocks may need to be sensitive to avoid inclusion in a wider narrative of profiteering-from-crisis. Companies taking public support through the crisis or seen to benefit unduly from it may come under significant scrutiny, particularly around future executive pay and shareholder dividends.

Cities from Barcelona to New York may need to consolidate messaging around their essence as they position themselves for recovery and to thwart end-of-the-city narratives. Digitalisation may, however, make it less easy for global centres to extract rents from global transaction flows, which may have a significant impact on valuations from real estate to jewellery. ING's ongoing research into how online conversations are impacting cities as brands indicates that countries with highly visible cities also attract higher GDP. Increasing awareness of place may be one of the single most important measures local and national leaders can take as part of recovery planning, particularly as global city rankings and digital visibility appear to converge over time. Leveraging regional and national city networks may be more important than realised: Germany now has more cities represented in our latest report on Europe's most talked about cities than the UK. As conversations continue to shift, ongoing monitoring of conversations is important to understanding change. For organisations, understanding the broader networks they are tapping into may become increasingly important.

PLANNING FOR CHANGE

Planning inquiries may face delays of up to five months as the Planning Inspectorate gears up capacity for digital hearings. MHCLG has introduced temporary regulations giving local authorities flexibility to increase working hours on construction sites; to defer Community Infrastructure Levy payments to facilitate site starts; and new guidelines to publicise planning applications through social media and other digital means. However, Government's Planning Practice Guidance on neighbourhood planning has been updated to emphasise using other means like calls or post to ensure proactive engagement with those without Internet access.

Local Authorities nationwide, supported by £2bn in national government funding, are promoting active travel and bus-only routes to provide alternatives to commuting by private car and the associated increase in congestion and pollution this would cause. This also supports running public transport under capacity to maintain social distancing. E-scooters may be legalised nationally if trials brought forward to June are successful, which could require additional parking in buildings for scooters as well as bicycles.

MARKET: RECALIBRATING VALUE

The UK's two percent Q1 GDP contraction is lower than countries that implemented lockdowns earlier. The 1.7 percent drop in household consumption highlights the extent to which purchases stopped, particularly as lockdown was only for the last week of March. The confidence to make diverse spending choices will be an important part of economic recovery; expect campaigns highlighting the cyclical risks to everybody of stopping payment for some goods and services. Some of these initiatives may be global, like buying cancelled clothing stock from Bangladesh, even as supply chains localise to offer greater resilience. Just in case strategies are further increasing local inventory needs. This may accelerate the conversion of strategically-located retail parks into warehousing. Investments in environmental, social and governance (ESG) portfolios continue to outperform.

Despite expected delays, SONY's next generation PS5 may provide richer virtualisation opportunities. The rapid growth in Netflix and Disney streaming services suggests an opportunity for the 'free' Internet to mature into being seen as hosting legitimate services and intellectual property worth paying for. Supporting this shift is an important consideration for organisations seeking to reinvent or augment their offering digitally.

FINAL THOUGHTS

A 76-year-old gym teacher has turned an inner-courtyard and overlooking balconies into an aerobics studio in Buenos Aires. As we repurpose more shared spaces, including using roads for cycling, we may need to find new ways to be kinder to one another. The pandemic may accelerate change in alarming and confusing ways, but it is the long-term dynamism in places that creates opportunities. Reinvention is normal and an opportunity rather than a failing of place. A successful old harbour became a popular China Mall before being reinvented as a lively public space.

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