



KARV

STRATEGIC COMMUNICATIONS FOR
AN **UNPREDICTABLE** WORLD

U.S. Post-Election Analysis

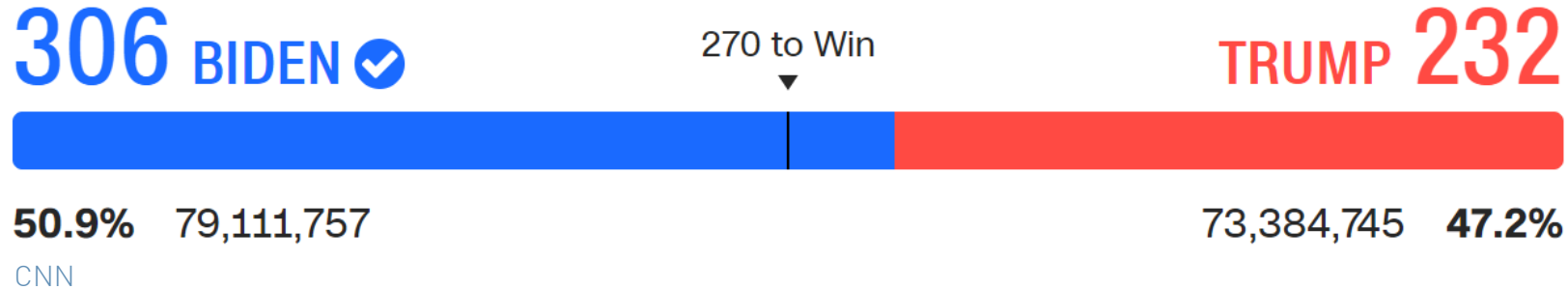
All data as of November 18, 2020

Executive Summary

Biden is declared the winner – though Trump hasn't conceded; U.S. COVID-19 cases continue to spike

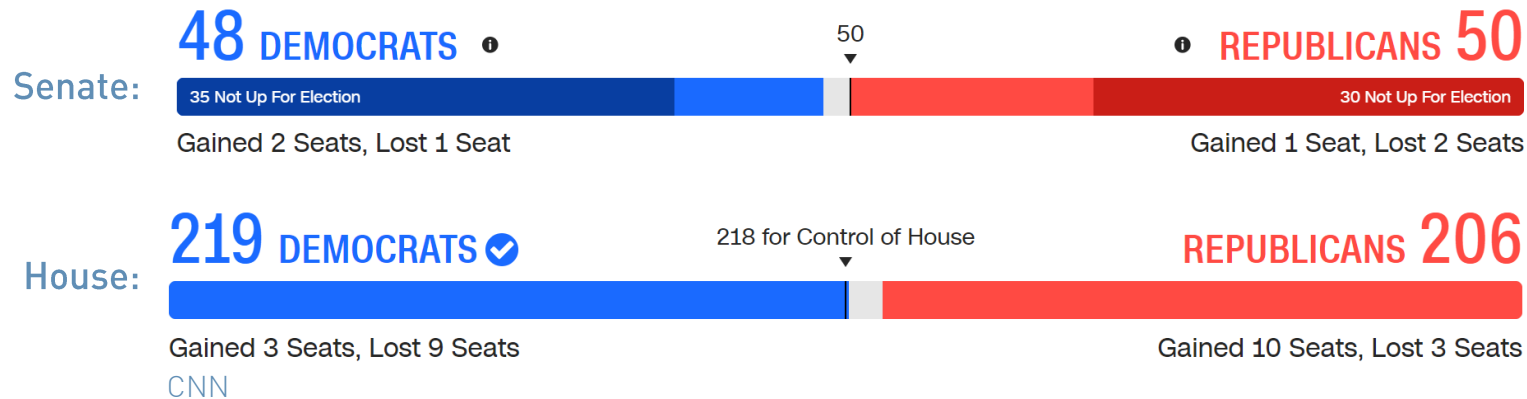
- While the Senate makeup has not yet been finalized, it is anticipated that it will remain in Republican control, meaning there will be a split government between Democrats and Republicans.
- The U.S. witnessed historic election turnout, with nearly 160 million votes cast. Though the results show that the American public remains highly divided on key issues.
- Most major foreign leaders recognize a Biden win, but President Trump has refused to concede, thus delaying the official transition. This may in turn impede the nation's ability to more aggressively deal with the spike in Covid-19 cases.
- There is concern that without a smooth transition, and Trump's purging of top administration officials, the government is unprepared for potential crises before Joe Biden is sworn in January 20, 2021.
- The U.S. stock market has rallied as it became clearer that Joe Biden would become the President, and a Covid-19 vaccine may be available in the near-term.
- The polarized nature of the American people will require businesses to navigate social issues and political engagement carefully and thoughtfully.
- Due to a likely split government, we anticipate seeing only a modest government economic stimulus program – further making a rapid economic recovery from the pandemic more challenging.

Biden Won Both Popular Vote and Electoral College Majority



- The Biden/Harris ticket currently has a lead of **almost 6 million votes** in the national popular vote, which counts every vote cast in the country.
- Biden's lead is currently 3.7 percentage points ahead of Trump – as compared to Hillary Clinton's 2.9 million, 2.1-point final margin in 2016.
- But the presidency is determined by the Electoral College. Each state is allotted electoral votes based on population; in most states, the state winner receives all of that state's electoral votes. 270 electoral votes are required to win the presidency.
- Biden received 306 electoral votes.
- The race has been called for Joe Biden by the Associated Press and all other major U.S. media outlets.

Congress: Likely Split between Democratic House and Republican Senate



- Democrats will remain with a comfortable majority in the House, despite losing several seats.
- The results of the two Georgia special election Senate races will determine control of the Senate. It is not likely Democrats could win two Georgia Senate run-off races, but expect these to be **highly visible, extremely expensive races**.
- If the Democratic candidates win both run-offs in Georgia, the Senate would be tied with 50 Democrats and 50 Republicans, with the vice-president holding the tie-breaking vote. Under a Biden presidency, this would effectively mean a Democratic majority in the Senate.
- Given the likelihood of a split government, the ability for President-elect Biden to implement considerable and rapid change will be limited.

What Did We Learn?

- **The 2020 election was remarkable:** 160 million total votes cast set a record for absolute turnout in a U.S. election, and the 67% rate of turnout among registered voters was the highest in the past 120 years.
 - It is rare and notable for a sitting U.S. president to be voted out of office.
 - Kamala Harris will be the first woman and first woman of color/Indian descent to hold the office of vice president.
- **America remains divided:** Almost half the country still supports President Trump – despite a global pandemic and deep economic recession. The two main political parties are about as far apart ideologically, on both policy and social matters, as they have ever been. Additionally, the collapse of local news has led to a nationalization of news sources, and a nationalization of issues voters hear and therefore care about. The right especially has developed a mature media ecosystem in the form of Fox News, radio, and online outlets.
- **President Trump remains in control of the Republican party:** An expected “blue wave” and repudiation of “Trumpism” did not materialize. This leaves Trump in a strong position within the Republican party, regardless of his loss. Republican politicians and candidates will likely continue to stand by him and rely on him for support and fundraising. Another Trump presidential run in 2024 is possible, or he may anoint a candidate. Note, however, that Trump is not loyal to the Republican party as an institution – and he will move forward with his own best interests in mind, not the party’s.
- **The election process worked even amidst the pandemic:** Many “nightmare scenarios” did not come to pass. The election and vote counting processes have been smooth and peaceful, even with record levels of mail-in ballots. There is no reason to suspect election fraud, despite sensational allegations of such and legal challenges from Trump and his allies.
- **Modern polling can’t reach a representative sample of the population:** Once again the polls consistently overestimated support for Democrats. The polling industry struggles to reach conservative voters in rural and suburban areas and will have to reinvent itself for the modern era.

What Comes Next?

- **Trump continues inciting distrust in the election:** As he promised he would, Trump has refused to accept Biden's win, claiming his own victory and making false allegations about Democratic voter fraud. This is unprecedented and dangerous rhetoric from a sitting U.S. president. He has also made clear he will pursue every avenue available to draw out the final outcome.
 - Trump has already requested several vote recounts and begun filing a series of what the Biden team considers "nuisance" lawsuits, with scant evidence to support their sensational claims.
- **The lawful winner of the election will become president:** Regardless of Trump's attempts to overturn Biden's victory, Biden will become president in January.
 - Crucially, most respected legal experts have dismissed Trump's legal challenges. Additionally, recounts only rarely change election outcomes, and Biden's margins in the key states were larger than Trump's in 2016 – and are almost certainly too wide to be overturned.
 - Biden is pushing ahead with compassionate and unifying messaging about his vision for leadership. He has announced he is assembling a transition team, is speaking with foreign leaders, and moving forward in a resolute manner toward assuming office in January.
- **Prepare for potential civil unrest from now until after Biden's inauguration:** The election and vote-counting process has been peaceful, with only small groups of protestors in a small number of locations. But the potential for civil unrest or even violence across the country remains as Trump's provocative rhetoric toward the ballot-counting process continues to escalate, and half of an extremely polarized electorate remains agitated about the outcome.

Preparing for What Lies Ahead

Businesses Must Continue to Monitor and Plan



Monitor conditions on the ground and on social media in case of civil unrest either in support of or in opposition to Trump



Ensure a **detailed crisis plan** is in place that outlines response protocols and identifies key stakeholders and communications channels



Have executives and other crisis-response leaders **practice** “crisis drills” to prepare for various scenarios

Read more from KARV on this topic [here](#).

Biden Administration Domestic Policy Priorities

If there is a Democratic President + Republican Senate*

- Biden's agenda will look similar to a government with unified Democratic control, but less of it will pass and the scope of policy change will be reduced.
- With Mitch McConnell leading Senate Republicans, expect almost complete obstruction in the Senate:
 - A COVID-relief stimulus bill, if one can pass at all, will be significantly smaller in scope and price. \$700-800 billion is an expected target for such a bill – as opposed to \$3–5 trillion for a Democrat-only bill.
 - Biden will push for his agenda via Executive Order, but these EOs will face legal challenges in federal courts that now lean heavily Republican.
 - In order to receive confirmation from a Republican Senate, Biden's cabinet member picks will have to be more centrist.
 - Judicial nominees from a Biden president will also face a much tougher road to confirmation.

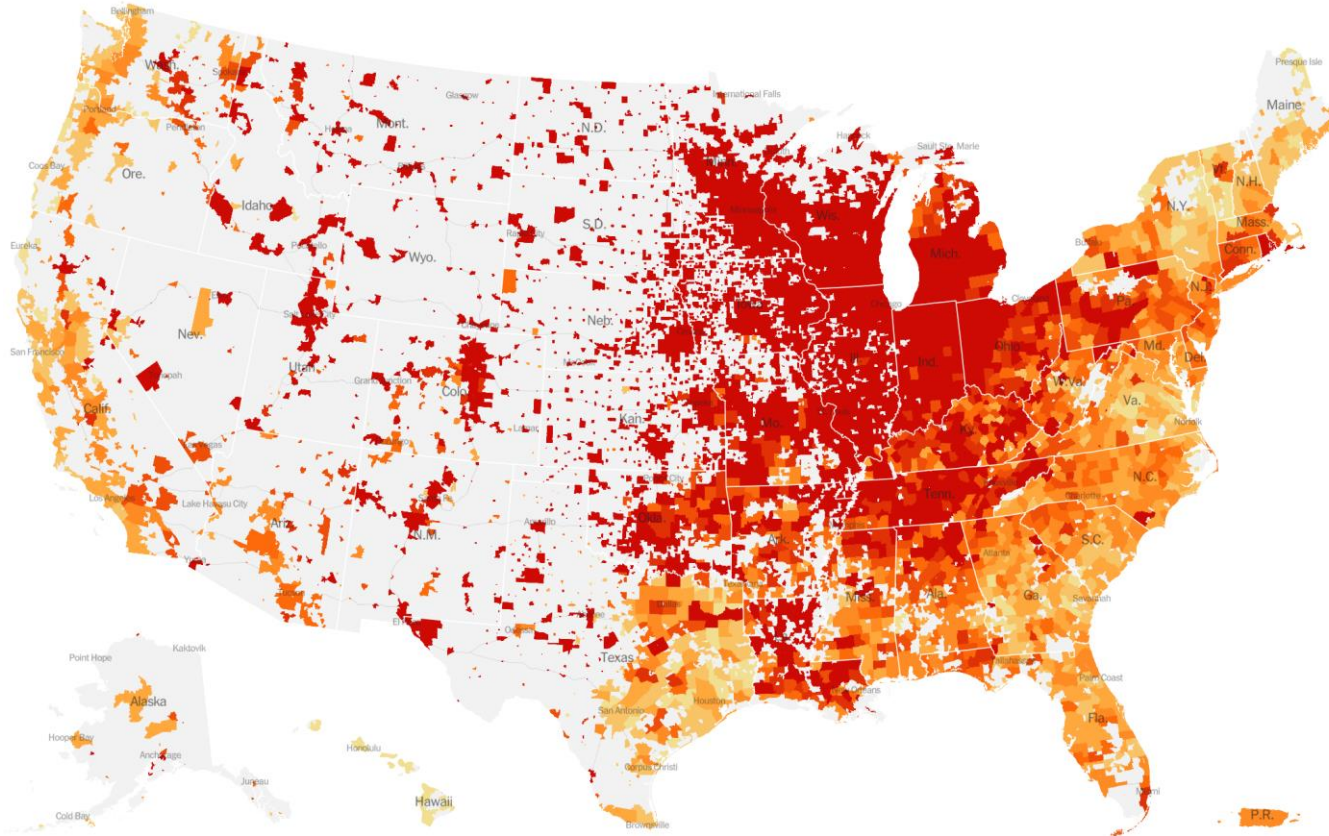
If there is a unified Democratic Government

- *First priority:* COVID-relief stimulus bill modeled after \$3 trillion HEROES Act passed by the House in May – but even bigger, and expect it to reflect other priorities like green energy/jobs.
- Big social reform packages:
 - Expanded healthcare access/public option
 - Climate change action
 - Immigration reform
 - Voting rights expansion
 - Gun control reform
 - Police and criminal justice reform
 - Tax reform/repealing tax cut bill of 2017
- Possibility for systemic reform including:
 - Filibuster reform/elimination
 - Statehood for D.C. and Puerto Rico
 - Judiciary reform/Supreme Court expansion-If Democrats control the Senate it will be by the slimmest of margins, and Biden is a centrist at heart. These realities may serve to limit the size and scope of even ambitious Democratic legislation.

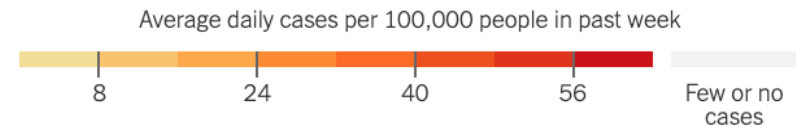
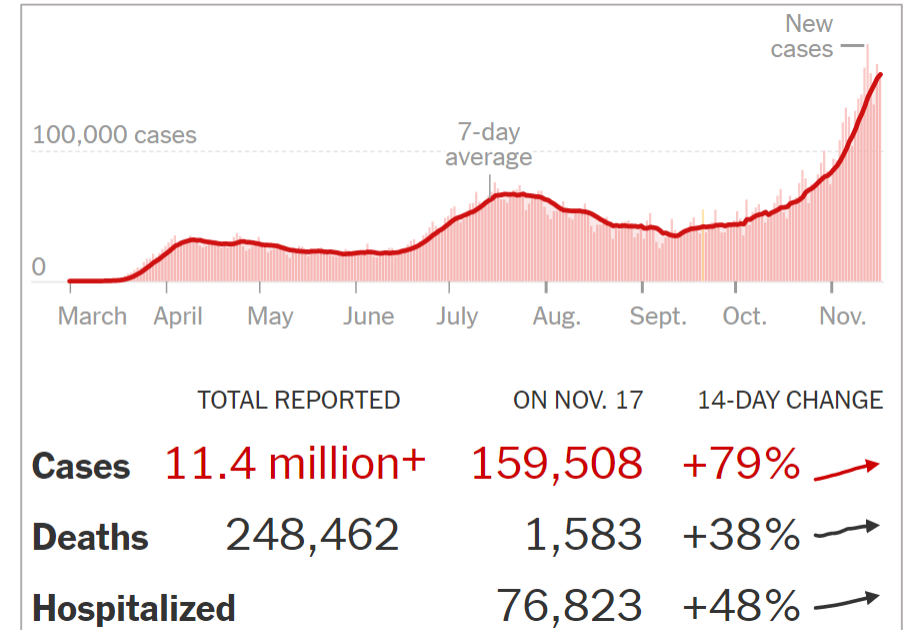
Biden Administration Foreign Policy Priorities

- *First priority:* Repair relationships with international allies and work to strengthen international organizations like NATO, the WHO, the UN, the WTO, and others that have lacked American support in the past four years
 - Biden's ability to focus on international relationships will be impeded by an urgent domestic situation – a raging COVID pandemic and economic recession – as well as by pandemic-era travel limitations
- Rejoin or renegotiate deals the Trump administration pulled out of, like the Paris Climate Accord and JCPOA, the Iran Nuclear Deal
- Working with allies, look to negotiate new trade deals – with China, and perhaps revisiting the Trans-Pacific Partnership – that include protections for the environment and labor protections
 - Biden's ability to negotiate trade deals may be hamstrung if the Senate refuses to reauthorize the president's Trade Promotion Authority (previously called Fast Track), which allows the president to negotiate deals which can be only approved or denied, and not amended, by Congress. The current TPA will expire at the end of June 2021.
- Similar goals as Trump administration with regards to China, Iran, and North Korea – but a Biden administration will assume a dramatically different tone, and aim to pursue these goals as the leader of an international coalition
- Pursue an extension to the New START treaty with Russia and pursue nuclear disarmament globally
- Restore refugee and immigration levels to Obama-administration levels
 - This may be complicated by travel and other restrictions during the coronavirus pandemic
- Work with traditional U.S. allies to address current issues and challenges such as climate change and cybersecurity
- Look to end U.S. military involvement in Iraq and Afghanistan

Current Environment – Coronavirus



The New York Times



Current Environment – Coronavirus

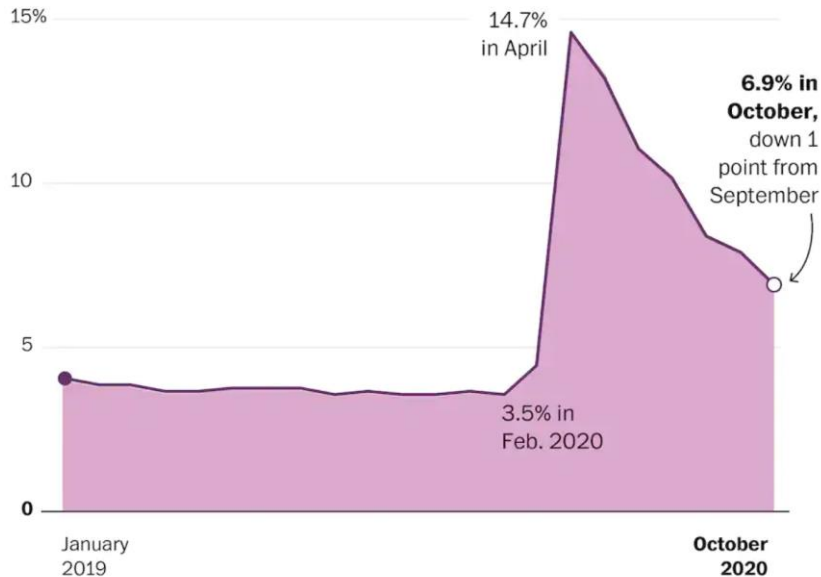
- The United States has had over 11.4 million coronavirus cases and 248,000 deaths.
- After dropping in late summer, U.S. cases are now surging again and have easily surpassed peak levels from the summer – just in time for the Thanksgiving and Christmas holiday season, which traditionally sees heavy travel and large gatherings across the U.S.
- After a decisive electoral win, Biden has a clear mandate to bring the virus under control in the U.S., and this will be his most urgent priority beginning the day he takes office in January.
- The Biden transition team has already assembling a group of scientists to help inform and implement an immediate COVID-response strategy.
- Several factors contributed to the current situation in the U.S., all of which Biden’s strategy will aim to address:
 - Delayed response from federal government, with limited guidance to states and localities
 - Widespread (and continuing) shortages of medical supplies
 - Ongoing lack of tests or delayed results
 - Inconsistent guidance and policies between cities, states, and the federal government related to social distancing/stay-at-home orders, face-covering requirements/guidance and mandated PPE
 - Case spikes in states or cities that “reopen” too quickly

Economic Impact

The U.S. officially entered a recession in February 2020 – per The National Bureau of Economic Research.

Over 21 million Americans are on some form of unemployment assistance. The U.S. unemployment rate was 7% in October from 8%. Peak COVID unemployment was just under 15% in May, compared to 3.5% in February. For historical comparison: the unemployment rate was 10% during the worst of the 2009 fiscal crisis, and 25% in 1933 during the Great Depression.

U.S. unemployment rate



Note: Seasonally adjusted
Source: Labor Department

THE WASHINGTON POST

- The ability of a Biden administration and potential Republican Senate to pass a stimulus package is critical for U.S. economic recovery.
- Key sectors impacted and likely to seek government assistance include airlines, travel and tourism, retail, commercial real estate, and restaurants.
- The U.S. has seen a rise in bankruptcy filings – and/or large layoff announcements – from both large and small businesses since the start of the pandemic, particularly from retail, travel and restaurants/ entertainment-related sectors. Companies that have filed for bankruptcy protection include J.C. Penny, Neiman Marcus, Brooks Brothers, Hertz, J. Crew, and Chesapeake Energy, among many others.
- The U.S. stock market has rallied since it became clearer that Biden would become President, and a Covid-19 vaccine may potentially be available in the near-term. This is an indication that the market believes the U.S. will see more stability going forward, both politically and related to the pandemic.

Escalating Corporate Pressures and Challenges

Coronavirus Impact

- Employee, consumer, media, and other stakeholder expectations have shifted significantly as a result of the pandemic
- Companies must make it clear to employees and customers that returning to business “as new,” rather than “as normal,” is safe and appropriate
- Organizations must monitor and accommodate new safety requirements and expectations, particularly from a new Biden administration COVID-response plan

Social Justice Movements

- Racial justice protests are leading to the exposure of inequality and discrimination in the workplace
- Companies are facing greater media and consumer scrutiny over racial equality and discrimination issues
- Consumers increasingly expect companies/brands to take stands on social issues they consider important
- The #MeToo movement continues to advocate for gender equality in the workforce

Transformation of Work Environment

- Distanced or rotating office schedules and work-from-home may become normal long-term
- The labor market may decentralize from highly concentrated, high-cost areas like NYC and San Francisco
- Businesses must find new ways to remain in close contact with remote employees and other important stakeholders
- Consumers may continue to expect the new/digital offerings many companies have implemented during this time

Shift Toward “Stakeholder Capitalism”:

- The Business Roundtable asserted in 2019 that maximizing shareholder profits should no longer be the sole objective for CEOs; instead, addressing the needs of critical stakeholders should now take priority
- Companies must consider which social issues they will engage on and why, and ensure corporate activity and communications efforts are aligned
- Recent crises have highlighted and exacerbated existing societal inequality, leading to accelerating demands for corporations to take positions, change, and enhance transparency

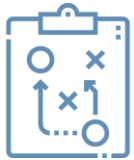
Understanding the New Environment

- **Return to Presidential “Norms” of Conduct:** On the policy and government-affairs front, expect a return to a more normal politics, with a traditional and formal presidential tone, regular White House press briefings and communications through other traditional channels, and policy designed and implemented by the various relevant agencies, rather than the “policy by presidential tweet” we have become accustomed to under the Trump administration.
- **Highly Polarized Customer Base:** On the consumer front, America remains highly polarized, and consumer values and preferences vary widely by demographic and geographic groups. Understanding who and where your customers are is more important than ever and should inform all communications strategies.
- **Greater Focus on ESG Initiatives:** Environmental, Social, and Governance issues will continue to be of increasing concern to consumers. Additionally, a Biden presidency may establish standard ESG reporting metrics, and corporations should prepare for increased transparency and accountability around ESG initiatives.
- **Carefully Choose When and What to Communicate:** While taking a public stance as a company or executive on issues that matter to your organization due to industry or ESG activity can be important, it is not necessary to respond to every new development in today’s rapid media and social media news cycles, which are often full of partial or even mis-information. Take the time to establish a full understanding of the situation, decide whether your voice belongs in the conversation, and demonstrate action alongside statements.

Keys to Success



Understand the political, economic, and cultural realities of the states and regions in which your organization operates. As this election so vividly demonstrated, the U.S. is not monolithic and outreach to the community, elected officials, and business community that works in one region may not work in another.



Invest in quality research for insights into your actual and target customer bases in terms of demographics, geography, and top brand values



Strategically determine the social issues where your brand or executives' voices matter and engage publicly on these issues thoughtfully and deliberately. Avoid jumping into the fray on other issues. (For example, see [blowback](#) to a tweet from clothing brand Gap about unifying America after the election.)



Assemble a public affairs/lobbying team with access to relevant personnel in a Democratic White House and House of Representatives, a likely Republican Senate, and, crucially, among relevant agencies with career staff and new Democratic leadership.

About KARV



We are a strategic communications firm with a focus on corporate and financial communications, crisis management and public affairs. KARV is led by a team of talented professionals with extensive global experience in a variety of industries.

Our philosophy is simple – we achieve the goals set by our clients all over the world, through an extensive network and an unbiased approach to solving problems. Many firms offer talent and experience; however, few offer talent, experience and worldwide relationships.

KARV also maintains deep relationships with Democratic and Republican government officials and their staffs – as well as with lobbyists in D.C. and many states. The experience of our senior executives in the Clinton administration may be particularly relevant to Biden administration officials.

Corporate Communications

- Strategic counsel
- Positioning and thought leadership
- Financial communications around transactions
- Message development
- Media relations
- Media training
- Internal communications / Employee engagement
- ESG/Corporate Social Responsibility

Crisis Management & Litigation Support

- Hands-on crisis counsel: KARV has proven success in guiding clients through the morass of scrutiny and questions that can emerge quickly as crisis erupts
- Litigation support: KARV devises communications strategies that help advance a client's litigation goals while anticipating likely and contingency next steps in the legal process
- Reputation rebuilding campaigns
- Crisis communications plans and training
- Recall management: logistics and communications

Public Affairs

- Issues management campaigns
- International, state and local outreach
- Executive Office and Federal regulatory agency outreach, including NHTSA, CPSC, FDA and others
- Congressional outreach
- Policy messaging and briefing materials



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