



NuCompass
MOBILITY

A FRAMEWORK FOR NAVIGATING THE COVID-19 CRISIS

... and assessing its impact on the
employee mobility industry

Introduction

This paper describes the management framework that NuCompass is using to plan and implement its response to the COVID-19 crisis. The COVID-19 Crisis Management Framework (CMF) is a simple but powerful tool that describes the progressive stages of the COVID-19 disease, how those stages affect the economy, and how the economic consequences are likely to impact the employee mobility industry.




This tool should be useful for relocation management companies (RMCs) as well as other businesses involved in the supply chains that provide employee relocation services, such as temporary lodging and household goods companies. Since the CMF focuses on the overall mobility industry, the last step is up to you to interpret exactly how your particular business will be impacted.

Why a framework? How does it help?

When it became clear that we were entering a serious health and economic crisis, the NuCompass management team, like everyone else, set out to determine its potential impact on the business. At that time, things were happening quickly. Travel bans were being implemented. Stay-at-home orders were being issued in some states, but not others. And there was very little information available on which to base the critical decisions that we were facing.

To understand the scope of the problem, and before making any decisions, we decided to build a model of how the stages of the crisis might unfold over time, and eventually end, based on the facts that we knew at the time. In short order, we found the framework to be an indispensable tool, not only to help make initial staffing and cost-reduction decisions, but also to give us a baseline for evaluating new information as it materializes.

THERE ARE THREE REASONS WHY THIS TOOL IS VALUABLE:

-  First, it encourages the management team to agree on a consensus vision of the environment in which decisions are being made.
-  Second, it's dynamic and easy to update to reflect the most recent information. It encourages managers to track developments and share them with their teammates.
-  Lastly, and most important, the CMF encourages transparency and consistent communications inside and outside the organization.

As business managers in times like these, we are having to make critical decisions that impact the lives and livelihoods of our clients, our partners, and our employees. Our decision-making must be based on the best information available, and our messaging must be honest, consistent, and clear.

The CMF model helps us do just that.

How does the COVID-19 CMF Model work?

The CMF Model is a practical business tool for helping to get through the crisis. In the paragraphs below, we present an overview. The Appendix – The CMF Description is a detailed description of how the model works, with reference to the timeline presented in **Figure 1**.

FROM THE STANDPOINT OF EMPLOYEE RELOCATION, THIS CRISIS HAS THREE INTERCONNECTED LEVELS:

- 1 The disease:** How will the disease progress from the onset to where it is no longer a health issue?
- 2 The economy:** How will the progress of the disease impact the economy?
- 3 Employee mobility:** How will the progress of the disease and the economy affect employee mobility activity?

WE HAVE IDENTIFIED FOUR DISTINCT ECONOMIC STAGES BETWEEN THE BEGINNING AND THE END OF THE CRISIS.

The CMF model is driven by the course of the disease; therefore, disease-related developments determine the characteristics of each of the economic stages. There is judgment required here, as different people using different sources of information will have different interpretations of how the progress of the disease translates to economic impact.

At the bottom of **Figure 1**, we record an estimate of the monthly impact of these stages on the economy and on mobility activity, expressed as a percentage reduction from what would otherwise be “normal.” For a definition of “normal,” it’s easiest to think in terms of the 2019 level of activity. **Figure 2** is a graph of these estimates.

Figure 1
 COVID-19 Crisis Management Framework
 April 2020

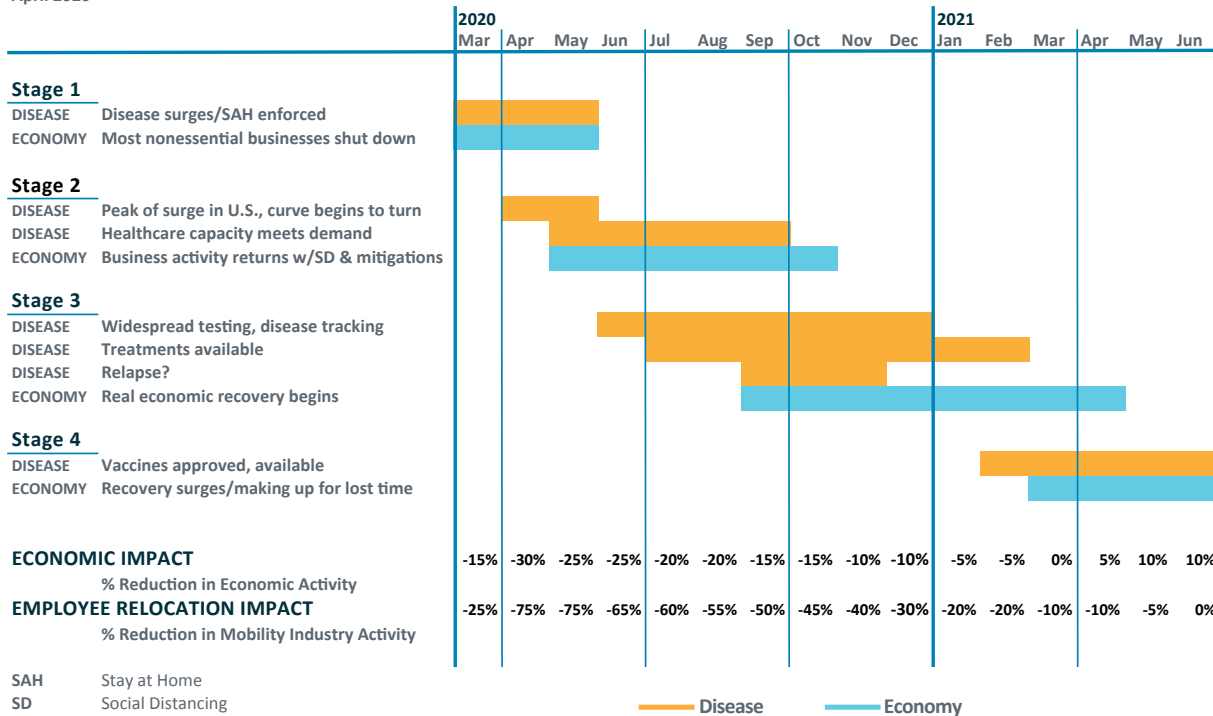


Figure 2
COVID-19 Crisis
Economic, Mobility Industry Activity



SUMMARY: ECONOMIC IMPACT

In examining the “economic impact,” the first thing to focus on is the depth of the negative impact and when it will occur. Q1 2020 was a negative quarter for GDP at -4.8%. Estimates for Q2 range from -20% to -30%. By the traditional definition this means that in Q2 2020, the U.S. economy is already in a recession. Clearly Q2 will be the worst economic quarter. Whether the negative GDP extends to Q3 is still open to question.

There is much more discussion, and disagreement, about the rate at which the economy will recover from this recession, or as we prefer to call it “business interruption.” Some economists are predicting a rapid V-shaped return. This would be very welcome, but it’s hard to visualize exactly how it could materialize given the slow progress in controlling the disease. Other economists say that it will take years, not months, to recover from unemployment rates of 15% to 20%. The estimates used in the model are in the middle range. Slow but steady growth for nine to 12 months, beginning at the end of Q2.

Lastly, on the positive side, a good argument can be made that at some point pent-up demand will spark a major economic expansion. We estimate that could occur in the spring of 2021 when the end of the crisis is clearly in sight. That said, we would be happy to be wrong and see that boom start much earlier.

SUMMARY: EMPLOYEE MOBILITY IMPACT

It has been said of our industry that “when the economy sneezes, relocation catches a cold.” In this case, relocation has caught something much worse — the coronavirus. One way to view the mobility situation is that it’s similar to the travel industry, which is taking a major blow because relocating involves movement of people and goods. Estimates show hotel occupancy rates and air travel are down 90%!

However, our experience indicates that mobility activity does not exactly correlate to the travel industry. Employee relocation is a necessary function in support of many essential businesses. In addition, some relocation services, such as moving household goods and real estate, are considered essential services and will continue in the face of serious obstacles. As a result, we estimate that a 25% to 30% short-term reduction in economic activity will result in a 65% to 75% decrease in mobility activity.

Another characteristic of the mobility business is that it tends to lag economic activity by a few months, especially on the upside. When economic prospects improve, employers initially hire from the local workforce. Relocation kicks in when those sources become depleted. We estimate the bottom of the relocation curve to be in May and June. And improvement to lag the economy by two or three months as it slowly returns to normal.

HOW DOES THIS AFFECT MY BUSINESS?

The final step in the process is to determine how the impact on the economy and the mobility industry affects your business in particular. Each business has unique characteristics in terms of its clients, diversification, geographic footprint, supply chain, etc. If, for example, a company serves essential businesses that continue to operate at 100% or more, then that business will not be as heavily impacted. If, on the other hand, your business is closely related to or serves the travel industry, the impact could be greater than the industry averages.

Conclusion

As stated earlier, the NuCompass management team has found the CMF tool to be extremely useful in helping to understand how the COVID-19 crisis is unfolding and to make the best possible decisions for our company under the circumstances. We hope that this tool can be valuable to you and your business in meeting the challenges of these unprecedented times.

About the author:

Frank Patitucci, Chairman

Frank has more than 35 years of experience in the relocation, real estate, and mortgage industries. He is majority owner and chairman of NuCompass Mobility.

Appendix

THE COVID-19 CRISIS MANAGEMENT FRAMEWORK (CMF) DESCRIPTION

This Appendix describes how the progress of the disease affects the four economic stages in the CMF tool. Figure 1 shows the timeline graphically by month, including economic and mobility industry impact.

STAGE



DISEASE: Disease surges/stay-at-home orders enforced

March–May 2020

Cases rapidly increase. Hospitals are overwhelmed. There is a general lack of medical supplies. Virus spreads. Deaths mount. This is the time of the highest level of uncertainty. Social distancing, stay at home, and work at home (if you can) are the general rules. The primary goal is to “flatten the curve,” which means stopping the rapid spread of the virus by minimizing contacts.

ECONOMY: Most nonessential businesses shut down

March–May 2020

Many businesses close down completely. Travel and tourism drop to nearly zero. Unemployment soars to record levels. The federal government’s financial response helps significantly to soften the blow, but it’s inadequate to solve the entire problem. There is maximum market uncertainty.

STAGE

2

DISEASE: Peak of surge in U.S., curve begins to turn

April–May 2020

The rate of increase of cases slows and death rates slow. The “curve” begins to bend. The worst-case outcomes are in sight, though they are different in different parts of the country. Some degree of optimism is warranted.

DISEASE: Healthcare capacity meets demand

May–September 2020

Healthcare facilities have the capacity to cope with the disease. Staffing and supplies are sufficient to treat the COVID-19 case load on top of meeting the normal demands of the healthcare system.

ECONOMY: Business activity returns with social distancing and mitigations

May–October 2020

Many businesses return to limited operations. People find ways to do business while practicing social distancing and other mitigations. Hiring is slow. Some businesses and workers decide to face the risk of the disease rather than remain shut down. Recovery is positive, but slow.

STAGE

3

DISEASE: Widespread testing, disease tracking

June–December 2020

Testing is widespread, involving millions of people per day. High-risk groups are identified, tested, and isolated. The number of serious cases continues to grow but is no longer out of control. Confidence builds that we know where the disease hot spots are located and that they can be addressed and treated.

DISEASE: Treatments available

July 2020–February 2021

Medical treatments become available that reduce fatality rates and/or reduce sickness time. Symptoms can be controlled or moderated. These are not “cures,” but they make the disease more tolerable. American ingenuity kicks in. There’s a lot of money to be made if a drug company can come up with a proven treatment. Multiple treatments are approved over time.

DISEASE: Relapse?

September–November 2020

New outbreaks occur. Stay-at-home and social distancing policies are reinstated in many areas. This stage doesn’t have to happen. However, some experts expect a relapse in the fall for one of two reasons. First, the virus may be subject to the same seasonality as the common flu, which returns each fall and fades away in the spring. No one knows for sure. Second, if we prematurely back off of social distancing or stay-at-home policies, it could trigger another round of more infections and deaths.

ECONOMY: Real economic recovery begins

September 2020–April 2021

Business gradually begins to return to “normal,” but cautiously. Travel and tourism are still very limited. Some high-risk groups (e.g., the elderly and those with pre-existing conditions) are limited in their activity. Hiring begins to make a dent in the unemployment rate. The recovery process is very slow and could be made much slower if there is a relapse. Worldwide supply-chain issues are a drag on recovery.

STAGE



DISEASE: Vaccines approved, available

February 2021

The availability of a vaccine, or multiple vaccines, is the beginning of the end. The true end occurs when a significant proportion of the population, estimated at 80%, is immune or vaccinated. Even after a vaccine is approved it will take many months to manufacture and vaccinate a significant percentage of the U.S. population. We also need to be aware that developing a vaccine by mid-2021 (12 to 18 months from the onset of the disease), would be a world record. A more typical development time would be three to four years.

ECONOMY: Recovery surges/making up for lost time

March 2021

Finally, we can be genuinely optimistic. The disease is under control. If one catches the disease there are treatments available to help get through it. Deaths from the disease are minimal. The end is in sight. The prospect of universal vaccination is in sight. Hiring is very positive. The unemployment rate declines significantly. Consumer activity begins to make up for lost time. We are entering a “boom” economy.



NUCOMPASS.COM