

Corona virus Impact Assessment – Professional Services & Travel Industry

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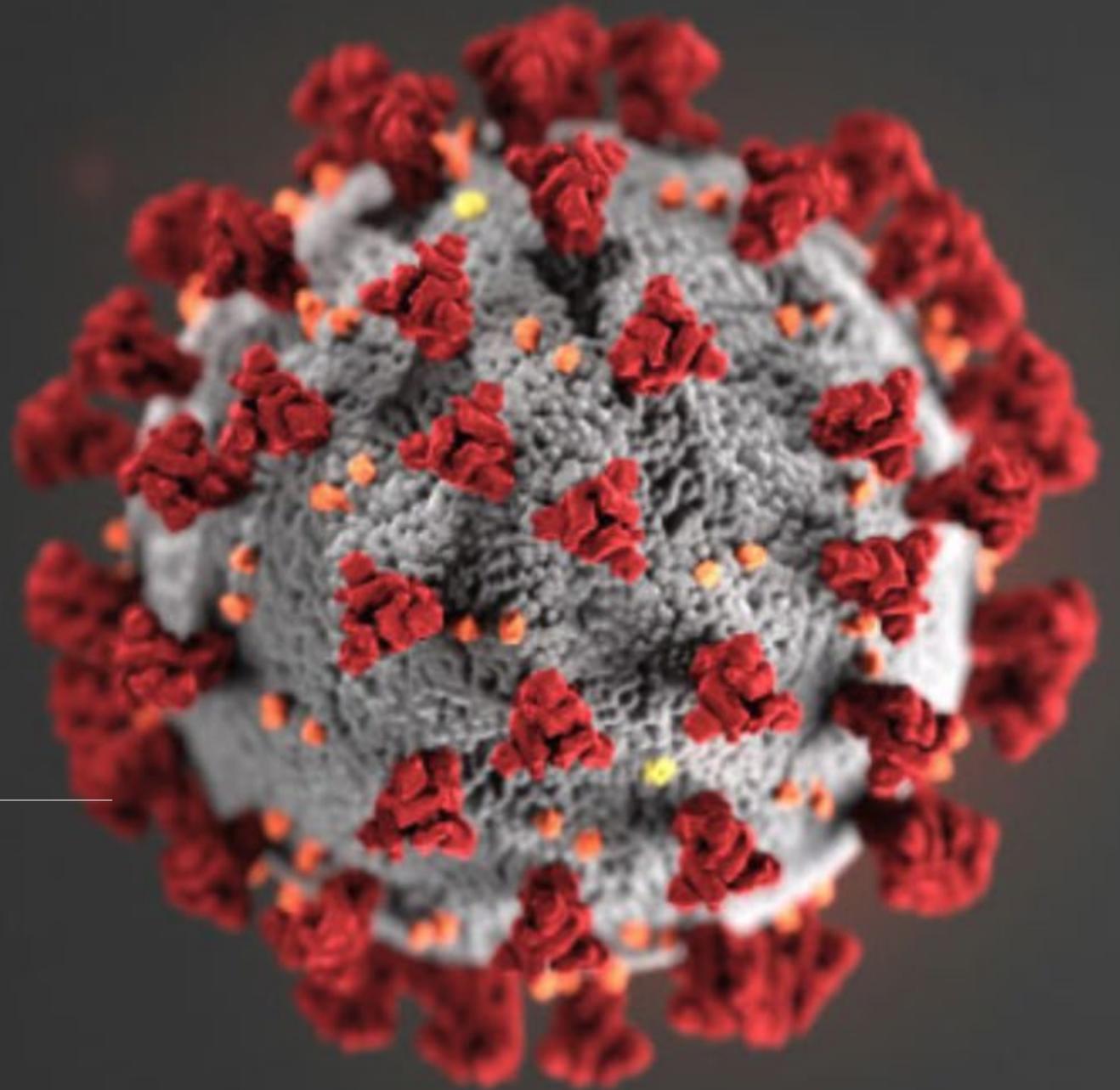


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→ Corporate Travel

Impact of COVID-19 on Corporate Travel (1/2)

Key Highlights:

The impact of the COVID-19 outbreak on travel across the globe has been significant, causing the postponement and cancellation of incentive travel programs.

Major Risk Factors

Industry Risk Drivers	Comments	Risk Probability		
		Almost Certain	Likely	Possible
Demand – Air travel	Demand for air travel is affected globally			
Demand – Hotel booking	More cancellations on hotel bookings			
Air fare	Air fares may go down as oil prices have declined sharply due to reduced demand for jet fuel			
Hotels rate	Hotel prices will go down as supply outpaces demand			

Category impact

Key Categories	Impact Level	Comments
Airlines	HIGH	Highly impacted as companies are cancelling their travel plans
Hotels	HIGH	Restriction on travel will impact hotel bookings
Car Rentals	LOW	May get affected due to travel cancellations

Key facts:

- Decrease in Air fares as a result of reduced demand for gasoline, diesel, and jet fuel
- Decrease in Hotel rates due to less demand



Impact of COVID-19 on Corporate Travel (2/2)

As concerns grow about the continued spread of the COVID-19 across various regions, the global travel industry will face disruptions for next 3-4 months. Around the world, flights are being cancelled, trade shows are being called off and businesses are cutting back on employee travel

Impact to Corporate Travel industry	Measures to be taken by companies	Outlook
<p>Airlines</p> <ul style="list-style-type: none">Airlines around the world have been making steep cuts in international flights.Airlines in Asia Pacific is affected strongly, while travel to Europe, the Middle East and other global destinations is starting to slump too.According to IATA, global airlines industry is expected to witness 19% loss, which equals to \$113 billion in passenger revenue, if Corona virus spreads further <p>Hotels</p> <ul style="list-style-type: none">Global hotel industry's profit is expected to decline by 11-29% YOY in 2020.Cancelling of hotel bookings caused a fall in hotel occupancy rate across APAC, EMEA and Americas.Major hotel chains like Hilton, Marriott International and Accor etc. have waived cancellations on all bookings to or from countries with the biggest outbreaks so far.	<ul style="list-style-type: none">Companies should create a pandemic reaction plan. Firstly, establish a working group of employees from across the organization to author the plan.Update internal travel approval procedures. Consider business interruption issues specific to the industry, business and location and establish procedures that can be enacted on a moment's notice.Evaluate travel restrictions on weekly basis until the situation normalises.Travel bans need to be imposed until 'Safe to Travel' official announcement from the governmentRegional public health policies, disease dynamics, and administrative guidance will create recovery dynamics that vary by location, rather than following the geographical structure of companies.Stricter requirements should be enacted by various subnational governments and private organizationsFrequently check travel advisories from the Centres for Disease Control and Prevention (CDC) and the World Health Organization (WHO).Travel suppliers - Many airlines are cutting capacity and taking emergency measures to reduce costs. Global hotels can focus more on ensuring domestic market exposure to encounter internal travel restrictions	<ul style="list-style-type: none">The disruption is expected to continue for next 3-4 months, where it may not be viable for companies to visit any affected countriesCarriers with weaker business models or liquidity profiles are likely to be hit harder and take longer to recover. Losses have added up to many regional and global air carriersCompanies can rely on technology tools (like Owl labs meeting cameras or Zoom-enabled meetings) which helps to keep their employees connected and perhaps even represent some savings for travel in later quarters this year.Air fares may go down as oil prices have declined sharply due to reduced demand for gasoline, diesel, and jet fuel

→ Fleet Management

Impact of COVID-19 on Fleet Management (1/2)

Key Highlights:

There has been a sharp reduction in the vehicle sales across the world due to the COVID-19 outbreak, the impact comes from the disruption in production and complete stop of marketing activities such as car shows. Corporates across the globe are postponing their vehicle purchases due to fear, and cautious wait and watch approaches

Major Risk Factors

Industry Risk Drivers	Comments	Risk Probability		
		Almost Certain	Likely	Possible
Demand for Fleet Vehicles	Demand for fleet vehicles has reduced globally			
Residual Value	OEMs are expected to offer high discounts, residual value to reduce			
Lease Price	Expected to go up as residual values and profitability reduce			

Category Impact

Key Categories	Impact Level	Comments
Car Manufacturers	HIGH	Sales plummeted as production was halted, marketing activities are stopped and buyers are taking a wait and watch approach
Leasing Companies	MEDIUM	New leasing activities are halted, Profitability is expected to reduce, this in in turn have an impact on lease prices in the future
Alternate Mobility (Ride Sharing, Car pooling)	HIGH	Alternate mobility services like carpooling was affected due to social distancing protocols. However, a spike in demand is expected once situation becomes normal

Key Facts:

- Sharp reduction in fleet activities across the globe due to production cuts, reduction in demand for travel and social distancing protocols
- Residual value of vehicles are expected to go down in the coming months as car manufactures are expected to offer high discounts



Impact of COVID-19 on Fleet Management (2/2)

Demand from organizations have reduced as they are taking a wait and watch approach. Once the virus spread is over, new challenges are expected from the economic impact of the pandemic

Impact to Corporate Travel industry	Measures to be taken by companies	Outlook
<ul style="list-style-type: none">▪ In the short term, an increase in lead time is expected as most of the car manufacturers have closed their plants in the affected countries▪ B2C segment is affected the most now, some of the organizations are inking fresh deals as they are able to obtain good deals▪ Once the pandemic is over, economic challenges are expected, which can stand as a hindrance to demand for fleet vehicles▪ Organizations are expected to extend their buying cycles by holding on to their assets for longer time▪ Car manufactures and dealers are expected to offer higher discounts on vehicles to increase sales▪ This can result in reduction in residual values and affect the profitability	<ul style="list-style-type: none">▪ Organizations to have a close watch on the TCO of the vehicles and utilization rates▪ Plan for higher budgets from increased lease prices▪ Implement car sharing with adequate safety measures▪ Organizations can swap high mileage cars with low mileage cars, which can help them to extend the buying cycle▪ Carpooling and ride sharing programs to be minimised in the short run▪ Once the pandemic is over, organizations can take measures to improve the total cost of mobility by adopting ride sharing, car pooling, mobility budgets and other alternate mobility models, which helps them to reduce the overall fleet budget	<ul style="list-style-type: none">▪ Extended lead-time is expected for vehicle deliveries and vehicle service due to production cuts and labour shortage▪ Service costs are expected to go up due to the additional costs associated with safety equipment and sanitisation▪ Similar to 2008 global financial crisis, fleet industry is at the beginning of a cycle, which can extend for few years▪ Car manufactures and leasing companies are expected to offer flexible payment terms and extended lease contracts▪ Delayed payments from the two critical segments – SMEs and B2C can have significant financial burden on the leasing companies

→ Meetings & Events

Impact of COVID-19 on Meetings & Events (1/2)

Key Highlights: With Travel restrictions, shutting down of venues, cancellation of events, banning of public gathering by most governments, the Meetings and Events industry is currently facing a stagnation.

Major Risk Factors

Industry Risk Drivers	Comments	Risk Probability		
		Almost Certain	Likely	Possible
Demand for Face to Face Meetings and Events	The demand to Face events is stalled or postponed for a later date			
Supply of Venues	With ban on public gatherings, event cancellations, venues are all facing major downturn			
Unwillingness of attendees to participate	Due to the fear of getting infected, attendees participation has gone down			

Category Impact

Key Categories	Impact Level	Comments
Venues	HIGH	Venues will be severely affected as there will be more cancellations and lesser lead booking time. Venues will also have to mandate check ups for safety of the attendees
Exhibitions and tradeshow	HIGH	Major tradeshow and exhibitions are cancelled or postponed across regions in order to safe guard the attendees
Virtual Meetings	HIGH	Key meetings and events happening in the affected areas are transferred as virtual meetings and this trend is expected to continue for a longer term

Key Facts:

- The demand for face to face events in the ongoing pandemic period is almost nil.
- Companies are signing webcasting and virtual meeting contracts with such providers
- Venues and Hotels have faced huge cancellations and are now taking legal counsel to meet the losses as well restructure their cancellation policies



Impact of COVID-19 on Meetings & Events (2/2)

Meetings & Events Industry is affected majorly due to the outbreak. Events are cancelled or postponed. However, the market for Virtual meetings seems to be on the rise

Impact to Corporate Travel industry	Measures to be taken by companies	Outlook
<p>Event Cancellation & Postponement</p> <ul style="list-style-type: none"> Events across all the regions are affected. With restrictions on public gatherings and travel, organizers are either cancelling or postponing their events to later half of the year. Attendees are discouraged to participate in any gathering Keynote Speakers withdrawing from major events There was a 500 percent increase in major event cancellations and postponements in Feb-Mar. In Europe alone, 260 conferences have been canceled due to coronavirus. <p>Increase in Virtual Meetings</p> <ul style="list-style-type: none"> Virtual meetings are a great opportunity for planners and can offer a viable alternative, since many countries have imposed travel restrictions. Event planners should start brainstorming on transforming virtual meetings into virtual experience in order to engage the attendees and achieve the objective of the meeting. Companies are using virtual meetings in order to keep their businesses running While a number of events, including Facebook F8 and Adobe Summit, will still have an online component, that effort does not negate off the significant economic loss from canceling the physical event. 	<ul style="list-style-type: none"> Companies should create a pandemic reaction plan. Firstly, establish a working group of employees from across the organization to author the plan. Evaluate travel restrictions on weekly basis until the situation normalises. Regional public health policies, disease dynamics, and administrative guidance will create recovery dynamics that vary by location, rather than following the geographical structure of companies. Stricter requirements should be enacted by various subnational governments and private organizations Frequently check measures advised by the Centres for Disease Control and Prevention (CDC) and the World Health Organization (WHO). Review all contracts for the force majeure clause and any event cancellation insurance: Contracts and insurance needs to be reviewed to determine if the “threat of a pandemic” and communicable disease are covered regarding a reason for termination or reduction of the event attendance and attrition. Legal counsel must be taken to minimize the loss. Include a risk management policy statement: This statement must include the considerations of protecting the health of all attendees, including those who have not been vaccinated, have a compromised immune system or who might be feeling sick when they arrive at the event in case the event is not cancelled. 	<ul style="list-style-type: none"> The disruption is expected to continue for next 4-6 months, where it may not be viable for companies to host any events in any of the affected countries Event Management Companies with weaker business models or liquidity profiles are likely to be hit harder and take longer to recover. Companies can rely on virtual meetings and virtual events. Companies are switching their events to Virtual in order to meet their business objectives. Eyepharm, a large event for pharmaceuticals in Barcelona have been transformed into a complete virtual event. This was also minimize their losses and can carry forward the meeting budget to the next year.

→ Legal Services

Impact of COVID-19 on Legal Services (1/2)

Key Highlights:

There has been a sharp spike in legal work, mostly on the adherence to health and employment laws. Other prominent legal issues revolve around contracts, cyber security and M&As.

Major Risk Factors

Industry Risk Drivers	Comments	Risk Probability		
		Almost Certain	Likely	Possible
Demand for Legal Services	Demand for Legal Services has risen globally			
Legal Services Billing Rates	The billing rates may rise after the health crisis is over, as the law firms may be faced with a deluge of legal work			

Category Impact

Key Categories	Impact Level	Comments
Traditional Law Firm Industry	MEDIUM	Law firms took time to switch from a traditional brick mortar to an online work mode, which led to hiccups in work conduction
LPOs	MEDIUM	LPOs suffered a lag due to change in working dynamics
Virtual Law Firms	LOW	Since they already worked online, Covid situation did not impact their operations too much.

Key Facts:

- Rise in Legal work for in-house counsels and healthcare attorneys to maintain adherence to corporate health and employment laws
- Potential rise in legal work due to contract issues, cybersecurity and M&As.



Impact of COVID-19 on Legal Services (2/2)

With COVID-19 affecting every industry, the legal services are no exception to it. Law firms and Corporate legal teams are being faced with challenges at varying levels and degrees, where the onus of adhering to health laws, employment laws along with minimizing potential financial risks fall on them.

Impact to Corporate Travel industry	Measures to be taken by companies	Outlook
<ul style="list-style-type: none">▪ In the short term, clients across a range of industries are trying to understand the questions revolving around the legal impacts of the COVID crisis.▪ They are looking at the intricacies of employment law on how to protect them and react to the latest government announcement about workers. Having their staff work from home is creating its own set of issues, such as what companies should do about cybersecurity and data privacy and confidentiality.▪ Contract issues are arising, which include how to approve and sign a contract if there are no directors in the office. There are also some corporate governance issues such as how do governance and oversight bodies continue if they are all virtual, and how can directors discharge their duties if they can't hold board meetings or annual general meetings.▪ Corporate clients with mergers and acquisitions deals underway are looking to understand about material adverse change clauses and the right of the counterparty to change or exit the deal▪ Health care lawyers have been in high demand in recent weeks	<ul style="list-style-type: none">▪ The immediate steps to be taken by the company in-house counsels is to address the steady stream of questions from workers about the implications of coronavirus, particularly as it relates to the safety of their workplaces.▪ In house counsels of the companies must advise employees worried about symptoms they are experiencing, or are fearful of experiencing down the line if they remain in their workplace, to request their management provide reasonable accommodations as required by law▪ The management and the General Counsel must have regular online meetings to be updated on the current Covid situation and must brainstorm on the possible effects on their legal scenario, and must work on their strategies in accordance to minimize potential risk.	<ul style="list-style-type: none">▪ Law firms and other legal entities are bracing for a possible recession, potentially a lengthy one, sparked by the fallout from coronavirus▪ The cancellation and postponement of major conferences, trade shows and other such large scale events might generate legal work extending beyond the coronavirus pandemic▪ Long after this health crisis gets over, courts are expected to be grappling with a large number of litigation disputes concerning whether parties are excused from performance of their contractual obligations during this health crisis▪ The litigation finance industry is gearing up for a steady stream of coronavirus-related activity▪ Insurance-related disputes are likely to spike in the near term while a fall in the economy might generate much more activity in the bankruptcy/insolvency space

➔ Management Consulting

Impact of COVID-19 on Management Consulting (1/2)

Key Highlights:

Growth in consulting sector is likely to take a dip as there will be a decline in the client activity in 2020 . It is likely that the demand for independent consultants might increase as they need not travel and can offer services at a lower cost.

Major Risk Factors

Industry Risk Drivers	Comments	Risk Probability		
		Almost Certain	Likely	Possible
Demand for Management Consulting	Demand for consulting services might decline due to cost cutting by client firms.			
Consulting Billing rates	The consulting firms might lower costs by taking up a digitally centred approach and cutting down on travel expenses.			

Category Impact

Key Categories	Impact Level	Comments
Traditional Consulting Firms	HIGH	Most of the businesses will be adversely impacted by COVID-19 and hence, the clients might cut down on their cost in the coming years. This will reduce the demand for consulting services.
Independent Consulting Firms	MEDIUM	Independent consulting firms might leverage the situation as an opportunity as they have lower overhead costs and hence can provide services at lower rates.

Key Facts:

- Demand for consulting is expected to decline as clients would cut down their non-essential spending
- Consulting firms might take up a digitally centered approach and provide services at a lower cost due to elimination of travel expenses.



Impact of COVID-19 on Management Consulting (2/2)

Management Consulting, one of the industries which involves extensive travel, has been adversely impacted by COVID-19. Additionally, the anticipated economic slowdown indicates that challenging years are ahead for consulting firms.

Impact to Corporate Travel industry	Measures to be taken by companies	Outlook
<ul style="list-style-type: none">Travel restrictions due to COVID 19 has impacted the management consulting industry wherein professionals spend 80 percent of their working lives away from home.Organizations are stabilizing their bottom line by eliminating discretionary expenses by limiting hiring and use of external advisors. This will reduce the demand for consulting services and cause a revenue dip.	<ul style="list-style-type: none">Organizations should hold their expansion plans. Thus they can cut down on related advisory services.Businesses can leverage alternatives to tier 1 consulting firms such as engaging with regional/ boutique consulting firms or independent consultant who can provide similar service at a lower cost.Organizations can also explore low cost options like asset based consulting.	<ul style="list-style-type: none">In the year leading an economic slowdown, the revenue growth of consulting firms usually declines, as clients reduce their spending on non-essential services. Hence consulting firms are preparing for a reduced income growth in the next couple of years.Businesses might need help from strategy consultants to survive this slowdown.Traditional Consulting firms are bringing up virtual consulting platforms to provide services at a lower cost. Australian consultancy Bendelta has launched their virtual platform- <i>Reach</i>.Businesses might look out for quality advisory services at a lower cost. Independent Consulting Firms can leverage this opportunity.



شركة المعرفة
K•CORP

Knowledge First

T: +971 50 7383984

Email: info@kcorp.net

Website: www.kcorp.net

