

J. Michael Locke

Musings

#161: Musing January 14, 2022

Time to go “risk on.” IMO it is clear that Omicron represents the transition of Covid to an endemic virus like the flu. Following the patterns in South Africa and the UK, we are going to see a rapid decline in cases and hospitalizations in coming weeks. After two years, we know what the future is going to look like – no more 9 to 5 in the office, telehealth for basic medical appointments, more population in “scenic” areas and less in dense major cities, more population in warmer places like Florida and Texas, hybrid learning in schools, more time and money spent at/on home, labor shortages, inflation (7% in December) and higher interest rates. All of this will drive greater technology adoption and offshoring to lower cost labor markets. Place your bets / make your investments accordingly.

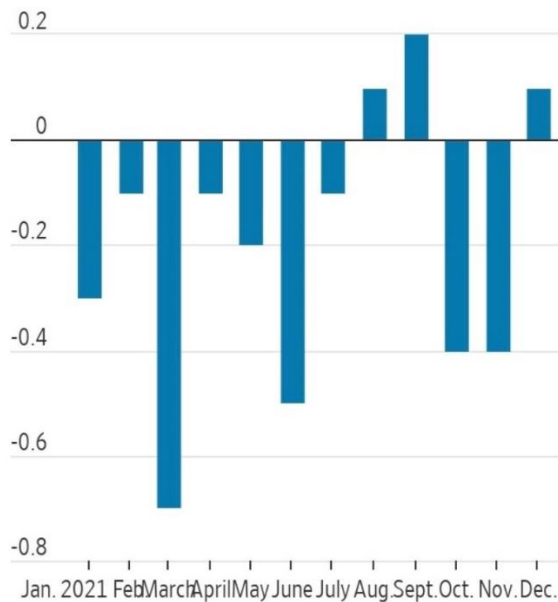
Not that we need to spend more time with technology. According to Datareportal (thanks Pat Wilson), we now spend 42% of our waking lives online, the same amount of time as sleeping.

Omicron has shown the importance of having the right KPIs (key performance indicators). The reporting on number of infections or positivity rate is not particularly meaningful (especially with at home tests which don’t get reported). The hospitalizations metric got misinterpreted as it reported the people in the hospital *with* Covid and not necessarily *due to* Covid. Deaths still a good metric and it has not spiked.

Important to get good metrics and reporting in place on employee retention with labor shortage. Look at annualized turnover (turnover for month x 12 divided by total employee count) broken down between voluntary and involuntary. You don’t want to hold on to subpar performers so you want some involuntary turnover where folks are pushed out but you want to minimize voluntary turnover. I would argue that 5-10% annualized turnover on each is a good target. Also break it down and look at turnover by department/division/function as well as by tenure with the company. Make sure to measure against the population within that segment – to say 25% of departing employees were from a certain department is meaningless without knowing what percentage of employees are in that department. It is tough to have business models with extreme turnover (amazon, mcdonalds, childcare can exceed 100% so most employees don’t last a year). Experts estimate that turnover can cost 1.5-2.0x the annual salary of the position with recruiting costs, training costs and lost productivity.

Employees are going to keep demanding higher compensation because in “real terms” they are going backwards as inflation exceeds wage increases. Below is graph from WSJ which shows real earnings changes (compensation increase minus inflation). We have real risk of wage/price spiral:

Percentage monthly change in real average earnings for all employees, Jan.-Dec. 2021



Source: Bureau of Labor Statistics

The pandemic has been tough on college enrollments. Undergraduate enrollments decreased 3.1% from last year and have declined by nearly 7% since pandemic began.

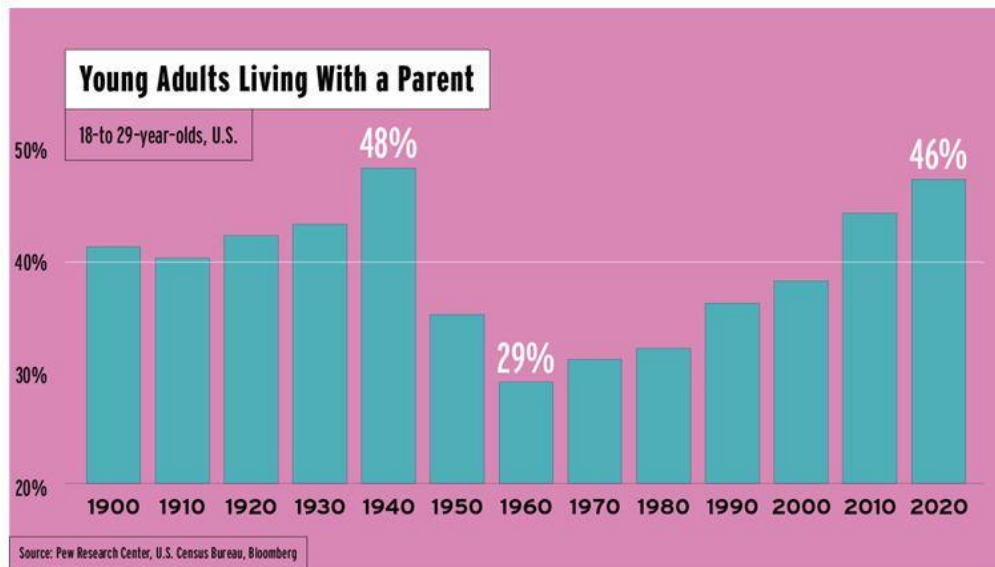
IMO, the pandemic has provided transparency on the quality of leadership of education institutions and the culture of schools. Well-managed schools have figured out the testing and other protocols to stay open for in-person learning. Schools that are run for the students (vs the faculty) are in person. I recommend future college students and parents ask current students and parents about the last two years for an easy proxy on good schools.

Remember the difference between marketing and advertising. Too much time, attention and money is spent on advertising (especially broadcast TV). Consumers are increasingly “referral focused” where their purchases are based on what their network of influencers say (supercharged by social media connectivity). An ad during the football game is basically irrelevant and wasted money. On the other hand, marketing needs more investment. A high-performing marketing team is the interpreter of what is happening in the market. What is going on with competition, how best present your services to activate and create demand, and what segmentation (size, location, demographic) makes the most sense. Manage your Google reviews.

Did you know that apps like OpenTable charge the restaurant a booking fee of roughly \$1.25 per person in the party? App still gets paid even if reservation cancelled. Book directly with restaurants.

Good quote (thanks Cooper Schodrof): *“A true leader has the confidence to stand alone, the courage to make tough decisions, and the compassion to listen to the needs of others. He does not set out to be a leader, but becomes one by the equality of his actions and the integrity of his intent.”* ~GEN Douglas MacArthur

If your young adult is still living at home, don't feel bad. You are almost a majority (Scott Galloway chart):



From the wtf world of NFTs, ownership of this “piece of art” just sold for almost 10k?



We are in an ugly world right now. Conflict everywhere. Lost community with social isolation and demise of institutions like church. Be a source of positivity and kindness. Fight your road rage temptations. Greet the stranger. Hold the door for someone.

jml