

The Changing Nature of Corporate Relocation

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The world of the globally mobile employee has changed significantly since companies first recognised the importance of relocation support back in the 1970's. Today, an industry has grown around the needs the expat family, supporting every aspect of the international assignment, from homefinding and area orientation, to partner employment support and educational consultancy. However, as in other dynamic service based industries, the breadth and delivery of relocation support services have changed according to the needs of the clients and the economic climate.

The relocation industry is built to service the needs of the expat in the destination locality and as a result, the transferee's primary needs are best met by local experts. Consequently, the industry is built on networks of local suppliers of destination services, working as sub contractors to the very large relocation management companies. One of the most obvious trends of the past 10 years within the industry has been the consolidation of local networks into slick and efficient supply chains. Take an example;

A global bank, with its European HQ in London, has a global relocation service contract with one of the large relocation management companies (RMC's a full list of which can be found on the ARP website at www.arp-relocation.com). The bank want to move six employees to Frankfurt. The HR department in London contact the RMC and brief them on the transferees needs and dates. The RMC will now contact their partner company in Frankfurt (the Destination Service Provider or DSP), who will deal with all of the contact and settlement work with the transferees when they reach Germany.

The networks which service the RMC's and in turn, the transferee, are made up of professional local relocation specialists. The RMC's all have quality control measures in place to ensure a consistency of service across their global network. Closer control over these networks has become a feature of the industry over the past decade, and many of the largest RMC's have given themselves a greater local presence in order to ensure quality and therefore keep and attract more clients. The RMC's tend to be very loyal to the network partners, but this loyalty comes at a price. RMC's demand high levels of IT support for example from their network providers so they can offer relocation tracking services to the corporate client. This means, to go back to our example, that the partner company in Frankfurt, may well be requested by the RMC to install a costly IT database management system, through which they can offer online tracking of the employees relocation process to the HR department of the client.

RMC's may also ask that their network partners undertake recognised relocation training, such as the European Academy of Relocation Professionals CERP programme (www.earp.eu.com). This helps to increase the professionalism of the network partner, but also helps to ensure the same high levels of service across the network. This commitment to training by the DSP can be very costly, but is a worthwhile investment if they are to continue to handle all of the relocations coming into their area through the RMC.

In the past, the relocation model was very different in Europe. It was rare to find large relocation companies using extensive networks of local suppliers. It was far more common for companies moving employees to go direct to a local supplier in the town or city where the employee would be living. Although with today's model of larger companies subcontracting the work to a local supplier, the result is the same for the employee, in that they receive local information and support from local experts, the difference is the overall cost to the client.

As network supply chains have grown and flourished, the extra tier created by the RMC means that in order for costs to be controlled by the client company, the DSP's have seen their fees squeezed further and further with the result that the transferee, in general, receives a more basic service. However the great advantage for the corporate client, is consistency of service across a network and the ability to deal with a central point of contact for their global relocation needs.

However, there are still territories where this type of relocation process has yet to become the norm. In Scandanavia for example, it is rare to find companies working with the big global relocation suppliers. Instead, they work directly with DSP's in the territories to which they relocate. This means that costs are generally the same for the client, but the level of service tends to be higher. For example, an engineering firm moving a Project Manager from Oslo to Helsinki will contact a DSP in Helsinki and work

directly with them on the move. This means that one tier of expense is removed and therefore the costs to the client may be less than they would be if they were working with a global supplier. However, the company may well spend more time organising transfers as a result.

The mid to late 1990's saw a contraction of the breadth of services normally included in the relocation policies of many corporate clients of relocation companies. In the halcyon days of the 1980's, many companies would fund extremely generous relocation packages, providing homesearch, area and cultural orientation, language tuition, school search, pre departure tours for the family, partner employment support and on ongoing support from the relocation company during the entire length of the assignment. Today this is increasingly rare as companies try to control the costs involved in an international assignment. PriceWaterhouseCoopers now estimate that the cost of a two year international assignment for a company is very close to € 1 million.

In the past two years, relocation companies have seen a growth in one area of service provision; repatriation support. As the assignment comes to an end, it is now common for the relocation company to be asked to provide support to send the family home, and this can include, shutting down the house, moving the furniture, providing emotional support for the children alongside the school, and generally smoothing the process of going back. In many situations, the company may not be ready for the employee to slot back in to a defined role, and may well be waiting to move the transferee again, to another new location. This is the most dangerous time for the company in that this is when highly mobile employees are most likely to leave and go to another company. After an investment of the size now necessary to support an international assignment, it would be economically disastrous to lose that employee, and as a result, companies are more willing to support a professionally managed repatriation than in the past.

Like many corporate services, relocation and the process of international mobility will always be dominated by the bottom line, but as companies are waking up to the dangers of badly managed international assignments, so the breadth of services being purchased from relocation companies is growing once again. An international assignment which fails, is like a bad investment for a company. The most common reason for the failures of international assignments is the inability of the partner or children to settle. Where professionally managed by relocation specialists, be they global or local, the assignment has a vastly higher chance of surviving and this is why we will continue to see growth in this sector.