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A New Paradigm for Relocation?

by Frank Patitucci, CEO



There is good evidence that a paradigm shift is occurring in relocation. If so, it could result in an entirely different operating framework for employers and relocating employees — and the service providers who serve both. Technology is the primary driver of this change, but many other forces are also at work.

This paper explores and speculates about the differences between the existing framework and the new one that appears to be emerging. In doing so, I try to take a broad perspective. Nevertheless, the reader should know that my primary vantage point is from that of an industry service provider.

The Last Paradigm Shift

The last paradigm shift in our industry can be characterized by the advent of the Relocation Management Company (RMC). This occurred in the late 1980s and early 1990s when employers began outsourcing the employee relocation process.

Prior to that, the RMCs primary function was to support the employer's home sale program by purchasing homes when relocating employees were unable to sell them.

With this shift, the RMC became responsible for managing all of the activities involved in relocation. In addition to home sale, their new tasks included policy compliance, supervising household goods shipping, arranging temporary accommodations, recording and reporting expenses, etc. Over time, the RMCs also developed global program management capabilities.

Along with this shift, came more compliance requirements and performance accountability for the RMC. The selection of an RMC to manage an important and expensive corporate activity has lead to more scrutiny. The selection process has become more rigorous and complicated, involving participants from the client’s purchasing and finance departments, among others.

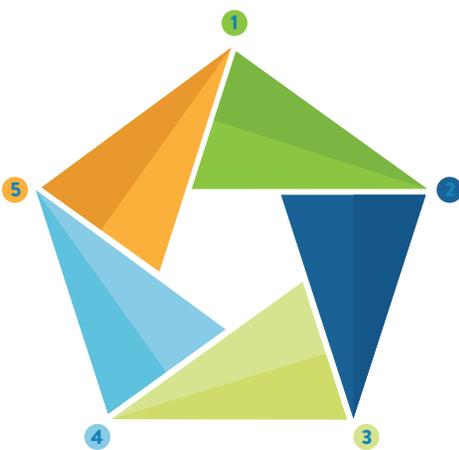
The current paradigm has two other important characteristics. The first is the predominant ownership of the largest RMCs by the businesses that benefit the most financially from a relocation: real estate brokerage companies and household goods companies. The second is that RMC revenue has shifted away from fees charged directly to the client, to “indirect” revenue in the form of referral fees from real estate agents and a “percent of spend” for other services.

IN FIGURE 1, I SUMMARIZE THE PRIMARY CHARACTERISTICS OF TODAY’S OPERATING FRAMEWORK ALONG WITH A LIST OF WHAT THESE SAME AREAS MIGHT LOOK LIKE IN THE FUTURE.

Five Signals of Change

There is always a degree of change going on at any time in every industry. The problem is to sort between “the signal and the noise.” (This is the title to an excellent book about prediction, written by Nate Silver, 2012).

The “signals” are those events that predict change, whereas the “noise” represents distractions with no long term consequence. Here is a list of what I see as signals that indicate a shift to a new paradigm is occurring:



1

Expansion of Policy Tiers / Increased Policy Exceptions

In order to control costs and to better align assistance with needs, employers create multiple policy tiers to apply to different levels of employees and different types of moves. Yet, exceptions continue to be the rule. These trends represent the inability of the current process to match what the employer is willing to pay to what the employee really needs

2

Proliferation of “Lump Sum” Payments

Some employers are moving to lump sum payments to employees to spend (or not spend!) as they see fit to complete their move. But, a lump sum approach is more a symptom than a solution. When you cannot accurately determine what an individual employee needs to complete a move, an easy solution is to give them some money and hope they do the right things to get themselves moved.

3

Increased Focus on Cost Control

Just when we thought the last drop had been squeezed out of the service provider turnip, corporate clients ask for additional cost reductions. We can't take it personally, because it is not just our industry. Many B2B businesses, like employee relocation, are very competitive; and employers, especially large ones, can take advantage of their leverage. Cost control is a reality that will only get more intense.

4

Reduced Internal Commitment

At the same time that employers are asking more of their RMCs internally, they are making less and less of a commitment. Increasingly, relocation is a part-time function for an HR administrator. These administrators want relocation to take care of itself and not interfere with their more important responsibilities.

5

Non-Traditional Entries in the Industry

“Disintermediation” is the key word here. In simple terms, it means “get rid of the middle man!” Other industries have seen this happen in recent years, most often caused by a technology-based company from outside the industry. (Think Amazon and selling books). There are a number of such companies that have begun to offer services today in the relocation industry. Will they “disintermediate” the current suppliers?

FUTURE TRENDS

With these trends, we can begin to formulate what our industry may look like in the future. Below, I summarize what I believe will be the major characteristics of our next operating framework. In Figure 1, I have provided a more comprehensive list aligned against the characteristics of the current model.



Employee Control

Assisted by technology, employees will have the primary role in managing their own services as they go through a relocation process. Some will call it “employee empowerment.” Others will call it “self-service.” In any event, employees will not need, or want, a relocation consultant to help them. They will manage the process themselves and deal directly with all service providers, on their own schedule.



Policy Flexibility / Needs-Based Assistance

Multiple, detailed policies could disappear altogether. Current policies use entitlement language to define the assistance available to the employee, even if the employee doesn't need it. In the future, the relocating employee will select, or be offered, specific services from a menu of service components. The final list will be determined by a combination of an employee needs assessment balanced against what the employer is willing to pay.



Cost Controls / Budgets

The cost of a specific relocation in today's environment is a result of the policy framework and decisions made by the employee. In the future, the employee management of their own move, domestic or global, will be governed by a budget with a line-item for each of the components approved for the move.

Merger of Global and Domestic Services

Most of the differences between global and domestic service delivery will disappear. Yes, there will always be differences caused by culture, language, and the legal requirements associated with international relocation. But, a combination of technology and employee management of the move will eliminate the need for assistance from a specialized global consultant.

Technology Platform

The new way of doing business will be made possible by a comprehensive technology platform that allows the employer, with fewer resources, to manage an extensive, decentralized relocation program. The technology will most likely be provided by the RMC. It will be fully integrated with client HR and financial systems. It will manage all work flow, among all participants. And most importantly, it will provide employees with the mobile tools to manage all aspects of their own relocation, 24/7.

A VERY INTERESTING FUTURE

Our industry has undergone many changes over the years in response to both internal and external forces. We have responded to challenges created by our corporate clients, by the economy, and by changes in tax laws and government regulation. There are always challenges; and frankly, that's what makes it worthwhile, interesting, and fun. Today's challenges are no different.

AREA	CURRENT MODEL	NEW PARADIGM?
Policy Approach	Multiple tiers based on position and move type. Entitlement language.	One policy containing a menu of types and levels of assistance. No entitlements.
Assistance for Employee Cost	Based on defined policy components.	Based on needs assessment and estimated costs.
Control Approach	Pre-negotiated rates for Supplier Services. Ultimate costs based on employee decisions within policy parameters.	Pre-negotiated rates for Supplier Services. Line-item budget based on realistic costs approved at time of authorization.
Authorization Process	Centralized, policy driven. Little input from Employee or B. U. Manager.	Decentralized, based on employee needs assessment. Employee & B. U. Manager participation. B. U. Manager makes final decision.
Exception Management	Major job for Prog. Manager. Can involve B. U. Manager, Employee, and RMC.	Minimal. Employee manages move within pre-approved budget.
Technology	Usually provided by the RMC. Helps Consultants do their jobs, provides Employee with service information, status updates & expense management. Data and reports for Prog. Manager.	Provided by RMC. Comprehensive platform. Fully integrated with Client systems. Manages all work flow among all participants, mobile, 24/7, including all financial transactions and reporting. Data & reports for Prog. Manager.
Client Internal Management	Prog. Manager with transactional responsibility and program oversight.	Prog. Manager with program oversight. Transactional decisions decentralized to Employee & B. U. Manager.
Global Services	Provided by combination of a Global Consultant and in-country local Service Suppliers. Brick & mortar locations in selected time zones.	Provided through technology, mobile apps, 24/7, plus in-country local Service Suppliers. Global and domestic service delivery merge.
VIP Services	Highest policy tier, supported by experienced Relocation Consultant.	Tailored assistance by component based on needs & wants, supported by experienced Relocation Consultant.
Home Sale Programs	Relocation Consultant manages process working with employee and client. Combination of GBO & BVO.	Probably little change.
RMC Service Model	A Relocation Consultant, or call center, is in direct contact for Employee.	No consultant or call center. Employee manages move via mobile portal, 24/7.
Service Suppliers' Service Model	RMC or Prog. Manager assigns. Transaction direction by Relocation Consultant.	RMC or Prog. Manager evaluates and qualifies. Service Suppliers work directly with Employee.

TERMINOLOGY

Client: Generic term referring to the corporate client, or employer, as an organization.

Prog. Manager: Human Resources person responsible for corporate relocation program and the primary contact for RMC and Service providers. Employee: Relocating employee and family.

B. U. Manager: Manager of the business unit of the relocating Employee and the unit that is usually charged for the employee's relocation.

RMC: Relocation Management Company. The company with overall responsibility for assisting the Employee to successfully complete a move. Most likely responsible for selecting and managing all or some of the Service Suppliers.

Relocation Consultant: A professional employee of the RMC that assists the Employee through all of the steps necessary to complete a move.
Service Supplier: The provider of a specific service directly to the Employee, such as household goods, temporary lodging, destination services.

Global Consultant: A professional employee of the RMC that assists the Employee through all of the steps necessary to complete an international move. A similar role to that of a Relocation Consultant.



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