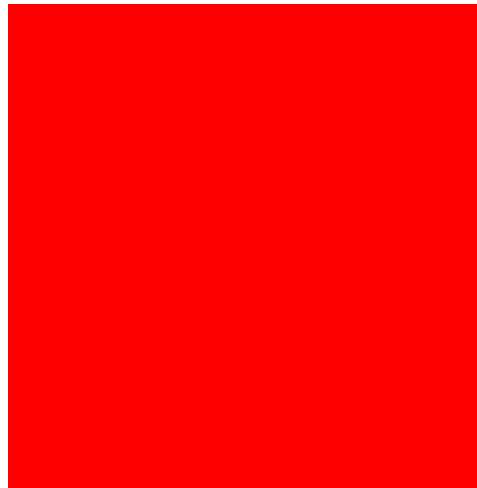
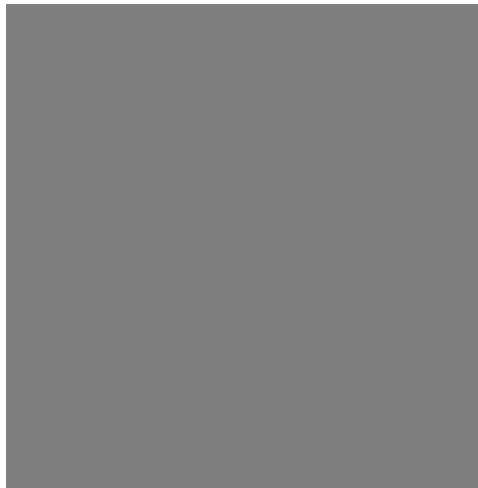




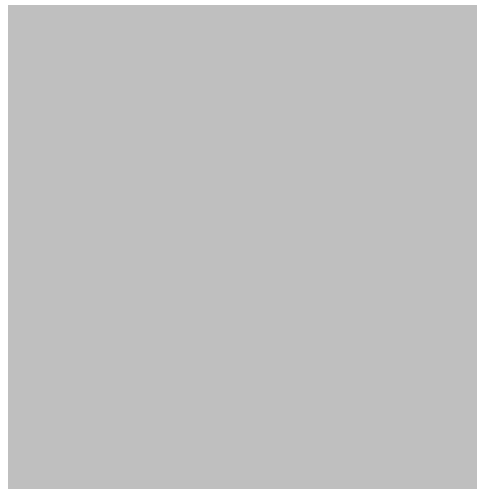
R3Location

Reliability Reputation Relationships



Mobility TR3nds

Mobility Trends and
their implications for
the relocation industry
December 2012



“A **must read** for anyone
involved in the relocation industry
in London”

Robert Potter, Group HR Director, JLT Group Plc



Introduction

A Focus on the London Market

Over the last twelve months, R3Location has been deeply focused on the London Market. It has used this experience and knowledge, coupled with an in-depth analysis of the main trends within global mobility and relocation reports, to provide insight into the major trends (and likely implications) affecting the relocation industry in the Capital.

A thR3e-pronged approach

In compiling this report, three major elements of analysis have been employed:

Research: We have analyzed several reports published in the last 15 months to highlight **mega-trends** affecting relocation in London.

Rationalization: Thanks to your help, we have **validated** these mega-trends through a mini-survey back in October of this year.

Reflection: We have consolidated our findings in this free report to provide **insight** into the London relocation market.

Thank You!

We hope you enjoy reading this report, and we thank you for your time in helping us better understand some of the key trends affecting London and the relocation market within it.

Marco, Anna and Simon

The Management Team

ThR3e Mega-Trends

The relocation industry in London, in providing in-country support to international assignees, is directly affected by major trends affecting the global mobility market. The trends arising from the intelligence gathered can be encapsulated into three groups, which we call mega-trends; they are:

■ The Economic, Market and Cultural environment

The economy as a whole, growth (or lack of it!) and causes of short and medium term fluctuations in the market clearly play a major role in how organizations address the way in which mobility is managed. Cultural mega-trends, such as the changing demographics of international assignments, also fit nicely into this category, as they relate to this macro-environment.

■ Policy and model of operation

The competitive structure of the relocation industry continues to evolve, including the way in which general policy development is used to manage international relocations and how HR and global mobility functions is shifting to better adapt to current and future challenges.

■ Cost and regulatory compliance

There is little doubt that the increasing number of regulations and need for operational transparency means compliance and regulatory controls continue to have a major influence on the relocation industry as a whole. How compliance capabilities and resources are used, though, is beginning to change.

“ Our aim is to share best practice and to continue to improve services through deep knowledge of the market ”

Management Team, R3Location Limited

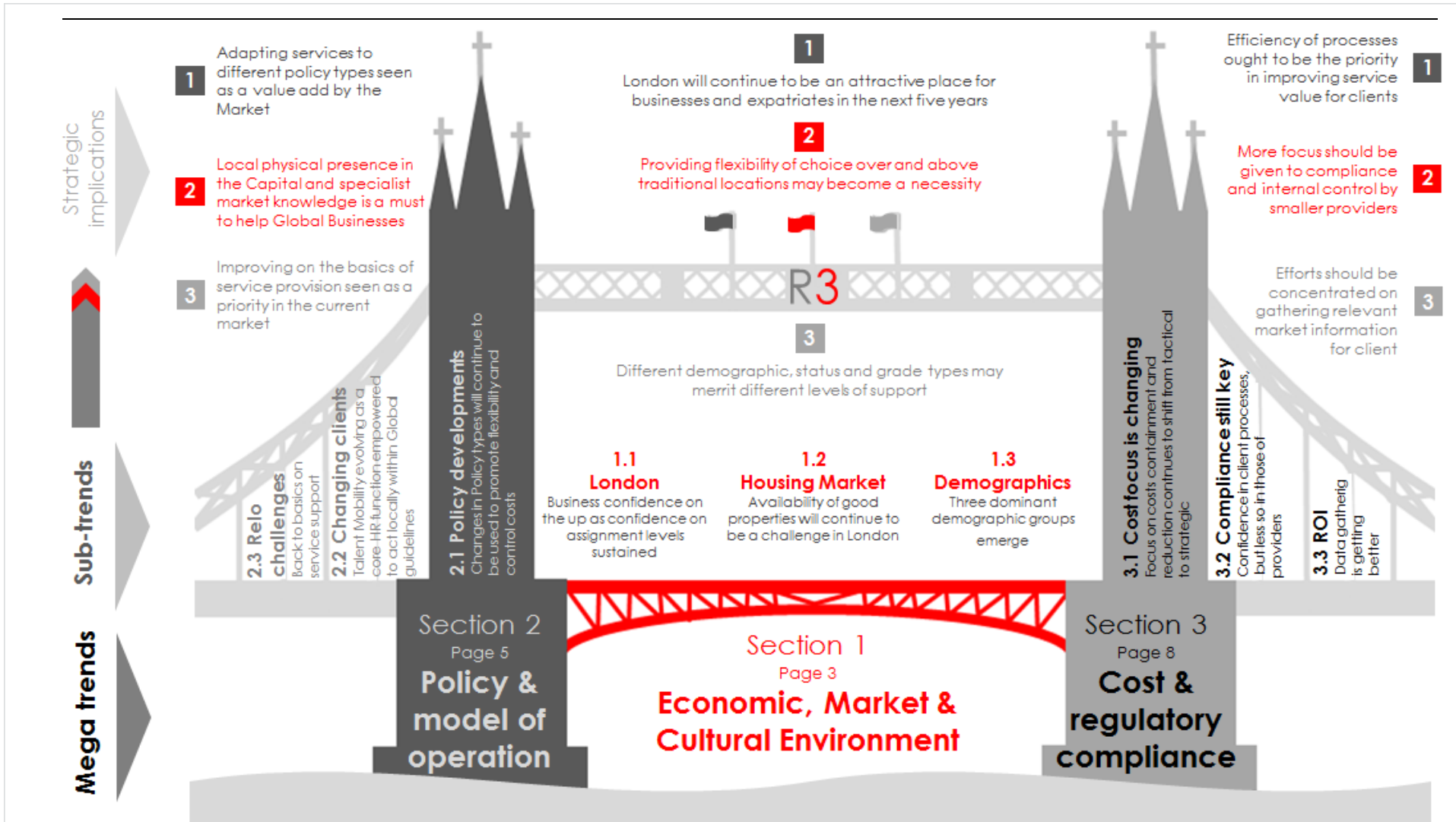
Index

Introduction	1
Summary	2
Section 1	
The Economic, Market and Cultural environment	
London	3
The Housing market	4
Demographics	4
Section 2	
Policy and Model of Operations	
Policy developments	5
The changing face of clients	6
Understanding relocation challenges	6
Section 3	
Cost and Regulatory Compliance	
Cost focus is shifting	8
Compliance still key	8
Control environment	9
Conclusion	9



Summary – Bridging the knowledge gap

Many reports are published on the trends and changing nature of international assignments and global mobility. As a London specialist of destination services, we felt that a gap existed between the market intelligence of worldwide mobility and that of a prime local market. This report attempts to **bridge** that gap and provide thought leadership on the implications of global trends to a local market as important as that London. Our aim is to share best practice and stimulate debate in an effort to promote better services to corporates and global assignment management companies. What follows is our interpretation of mega-trends, and their possible implications for the local destination services market in the Capital.



Section 1

The Economic, Market and Cultural environment

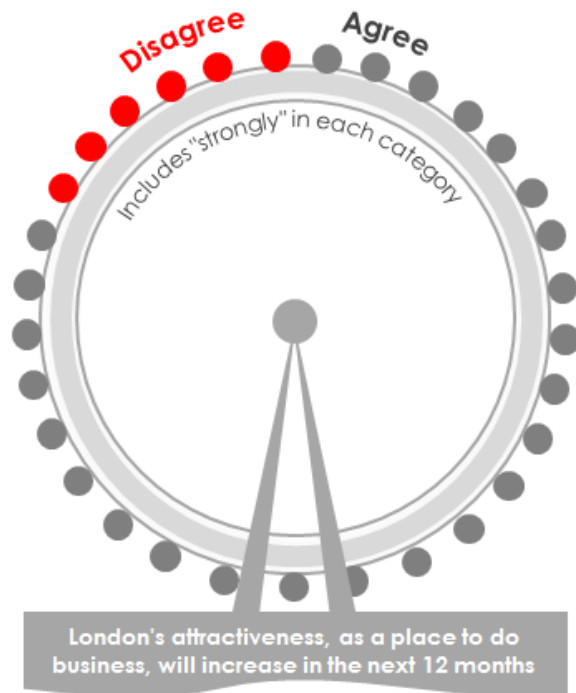
1.1 - London

Business confidence still high

A recent leading report found that business confidence in London "fell back into negative territory this quarter (Jun-Sep 12)" and remains below the levels seen in 2010 and start of 2011. However, the report also found that some growth for firms in London has been holding up well recently despite adverse international economic conditions.

And most of you seem to agree that London's attractiveness, as a place to do business, will increase in the next twelve months, as can be seen from **graph 1.1 – London's attractiveness**.

Graph 1.1 – London's attractiveness



83% strongly agree and agree that London's attractiveness, as a place to do business, will increase in the next 12 months

London remains one of the most frequently selected locations for international assignments (mostly third, closely following the US and China), with one other major Asian destination being a distant fourth; this despite the recent challenges faced by European Union countries. In addition, London's stature as a global Financial Centre (rated level at the top with New York as Global Leaders) is unlikely to change in the medium-term. Growth rates of emerging new locations are unquestionably higher, but there is still some way to go to disrupt, in absolute terms, the major mobility axis that exists between New York and London.

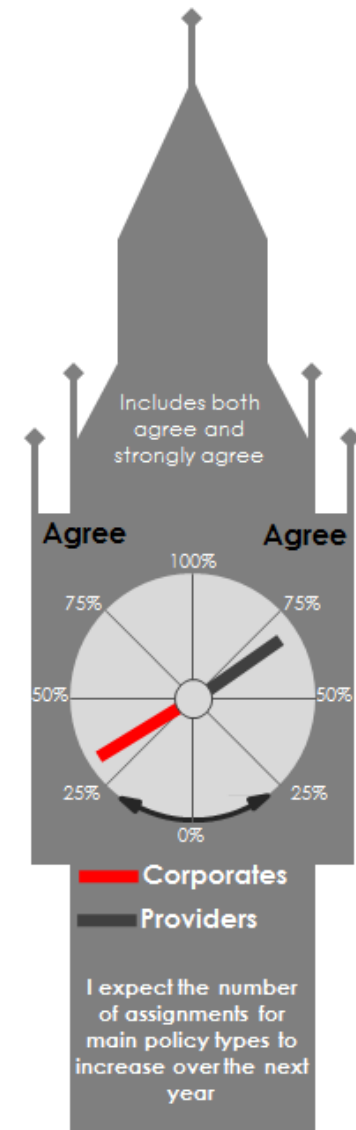
Mixed feelings for assignees' numbers

All of this is positive for the relocation market in London. There is a general consensus within industry-focused surveys and reports that assignee population is growing again for the first time in some four or five years; and an expectation across many reports that the growth will continue over the foreseeable future.

Our survey found mixed-results in this area. Whilst some positive expectation for growth in number of assignees exists, it varies when comparing Corporates' view with that of Service Providers as **Graph 1.2 – Assignment levels** shows.

“London has been holding up well despite adverse international economic conditions”

Graph 1.2 – Assignment levels



“ One size fits all approach to relocation support is becoming increasingly unsatisfactory ”

Implications - London

London will remain a key location for international businesses in the medium-term, and growth in international assignment will probably extend across all policy types. As such, Corporates and service providers to the relocation industry must maintain a robust level of investment in resources and capabilities to cater for a mature and sophisticated relocation market where a “one size fits all” approach of delivering support is becoming increasingly unsatisfactory.

1.2 - The Housing Market

A growing population

It is estimated that London will be home to nearly 9 million people by the end of this year (up from 7.8 million in 2009). This growth, coupled with the current financial climate on lending, is having an impact on the availability of quality rental housing stock. International assignees are increasingly competing with some segments of the indigenous population and supply of good stock is a limited commodity in London, in particular in those areas that have been popular with expatriates in the past such as Kensington & Chelsea and St John's Wood.

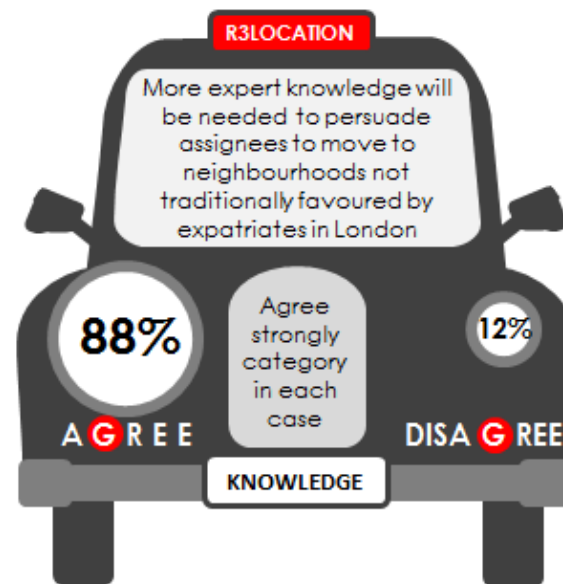
High demand, low supply

A combination of scarce supply and high demand has pushed prices up, particularly in London's prime locations. This trend is unlikely to reverse and will affect affordability of housing in areas traditionally favored by international assignees, and/or a more frequent need to review adequacy of housing budget allowances.

We have seen evidence in the last three years that more flexibility is needed from assignees to move to less traditional areas. Wider spectrum of choice requires broader familiarity about London. Most of the people surveyed agreed that more expert knowledge will be needed to persuade assignees to move to neighborhoods not traditionally favored by expatriates in London over the next twelve months, as can be seen on **Graph 1.3 – Expert Knowledge.**

88% strongly agree and agree that more expert knowledge will be needed to persuade assignees to move to less traditionally favored neighborhoods

Graph 1.3 – Expert Knowledge



Implications – Housing Market

Providing a wider flexibility of choice of where in London assignees chose to live may well become a necessity for anyone involved in supporting mobility programs. As the pressures of limited supply and increased demand require assignees to look at areas not traditionally favored (stock availability and housing budget come into play), organizations need to ensure they build ongoing capabilities to gather deep local expertise of different areas of London. Physical office presence in London is a must in developing wider and specialist knowledge relating to the housing market in the Capital.

“ Providing wider flexibility of choice of where assignees chose to live may become a necessity ”

1.3 - Demographics

Four main age brackets

There are broadly four main brackets of age groups on international assignment at present (20-29, 30-39, 40-49 and 50+ years), two-thirds falling (in broadly equal parts) within the 30-39 and 40-49 bracket, and over 20% in the 50+ bracket. With age expectancy on the increase, and pressure on retirement age to be extended, these generational patterns are likely to be maintained in the future, and it is possible that the 50+ will continue to increase over the next 10 years as has been suggested by a recent mobility study.



“ Services ought to be more tailored to different policies and demographic types ”

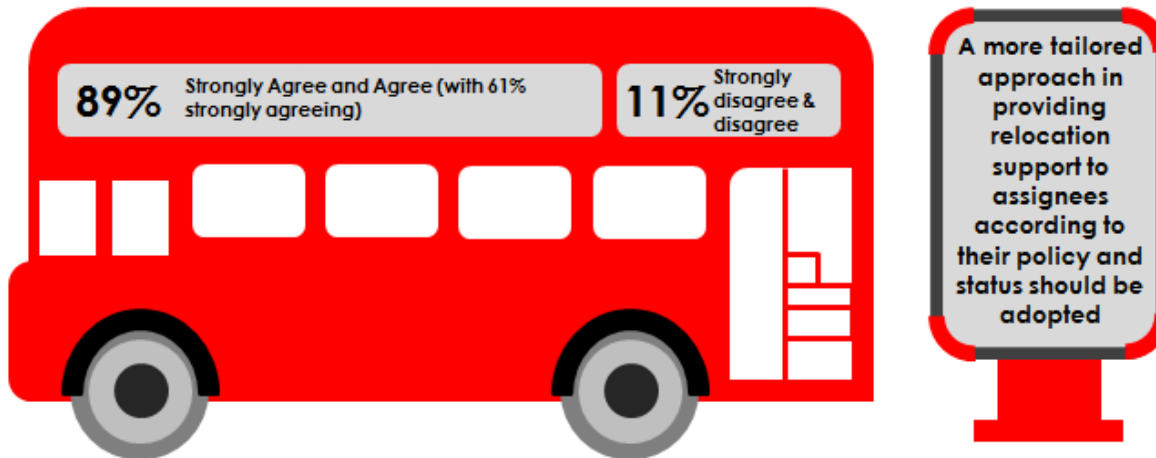
Three categories of status

These four generational types include singles, couples and couples with children. Studies vary in estimating the proportion in each group (some by as much as 16% per group). In general terms, they represent a material proportion of the population (say 1/3rd each).

Conclusion – Demographics

Policies have been changing to fit different demographic group for some time, but our survey indicates that more should be done to actively adapt support provided to assignees (See **Graph 1.4 – Tailored Approach**), in particular in how relocation services are tailored to the different demographics and policy types present in the market. The “one size fits all” relocation support that has become the norm over the last five years, in an attempt to lower costs, is becoming less and less attractive and feasible in a very complex and changing market place such as London.

Graph 1.4 – Tailored Approach



Section 2

Policy & Models of Operations

2.1 - Policy Developments

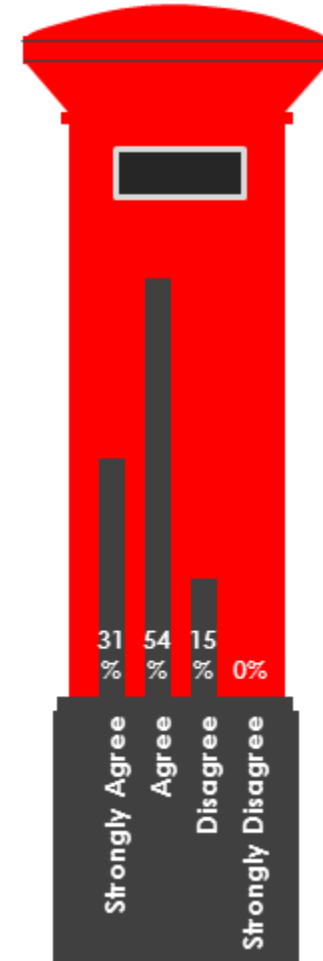
Policy Types

The last five years have seen a change in the mix of policy types utilized by multinationals. The general view is that this has been motivated by two key drivers: cost containment/reduction and promoting flexibility. Whilst most surveys agree that long-term assignments will continue to be dominant in global mobility management, there are suggestions in some reports that the type of assignment being considered in the future may continue to shift from the long-term assignment to more effective use of short-term and commuter assignments.

Policies as strategic tools

One aspect of development seems to hold true: changes in policy types will continue to be at the forefront of the strategic effort to promote flexibility whilst keeping costs under control – as our survey, and **Graph 2.1 – Use of Policy Types**, confirms.

Graph 2.1 – Use of Policy Types



85% strongly agree and agree that changes in policy types will remain popular to promote flexibility whilst keeping costs under control



“ Different levels of seniority should attract differentiated relocation support ”

Implications – Policy Developments

Expatriate support by Providers may not yet have caught up with this changing Policy-mix. The market is well versed in providing support to long-term assignees, but may be falling short of expectation with regards to adapting services to differing policy types, and more importantly, different profile and different level of seniority of assignees within them.

2.2 - The Changing Face of Clients

Evolving HR

The market and the Policies it supports are changing. As a result, so is the HR function within it. The increase in both complexity in international assignments and how they are managed may have initiated the shift in emphasis of how mobility functions are managed – adapting to this new and changing environment has seen HR adjust towards a more focused talent management strategy, with the global mobility function becoming increasingly more strategic within multinational companies. Talent mobility, in other words, is becoming a core discipline with its own place within HR.

Global mindset, local management

The first priority of many HR departments has been to build a global mindset and global operation for their functions. Organizations generally, and large multinational more specifically, have to think about their workforces in a global way, build global tools and best practices yet empower local managers and HR teams to act locally within global guidelines.

Centralize vs. decentralize

This may well explain a recent drift reported in more than one study that the trend to centralize international assignment management, mostly driven by a desire to cut costs, is reversing. Increasingly, companies are adopting more local management structures, but within stricter global guidelines – and there are indications this will continue in the foreseeable future, though clearly this differs across organizational sizes, regions and industries.

16% decrease in companies managing mobility centrally (switching mostly to local models) from 2011 to 2012 according to a leading survey report

“ Companies are adopting more local management structures, but within stricter global guidelines ”

Implications – Changing face of clients

It is perhaps counter-intuitive to suggest that you have to be a local expert to help global business; but that is very much the reality of today's global market place and this is true of relocation as well. As far as London is concerned, being an expert means adding value through expert knowledge of the local market place. For destination services, this can only ever be achieved by having a physical presence in the Capital, and the desire to use only the best local providers and consultants.

2.3 - Understanding Relocation Challenges

It starts with physical presence in the Capital

Physical presence helps companies understand their clients and their changing priorities. Providers must adapt to support Corporates, and to improve on their ability to solve the challenges arising in relocation today and in the future.

Going back to basics

When asked about relocation challenges that are critical to companies, by far the most cited reasons revealed by our survey were the quality of relocation support received and a lack of adequate resources both in-house and outsourced - **Graph 2.3 – Relocation Challenges** (overleaf).

Substandard quality of service and **L**ack of adequate resources were the two most cited challenges in our survey.

This perception may be an indication of two forces at play.

Focus on cost over the last five years

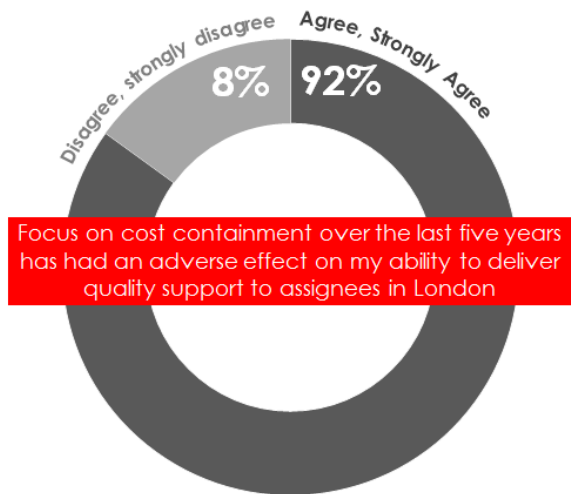
It is a real possibility that the focus on cost containment and reduction experienced in the last five years has had an impact in how organizations and assignees are experiencing relocation support across policy types.



“ Innovation and a deep understanding of clients has never been more important ”

Graph 2.2 – Cost Containment below shows how many of you feel that the focus on cost containment over the last five years has had an adverse effect on your ability to deliver quality support to assignees in London.

Graph 2.2 – Cost Containment

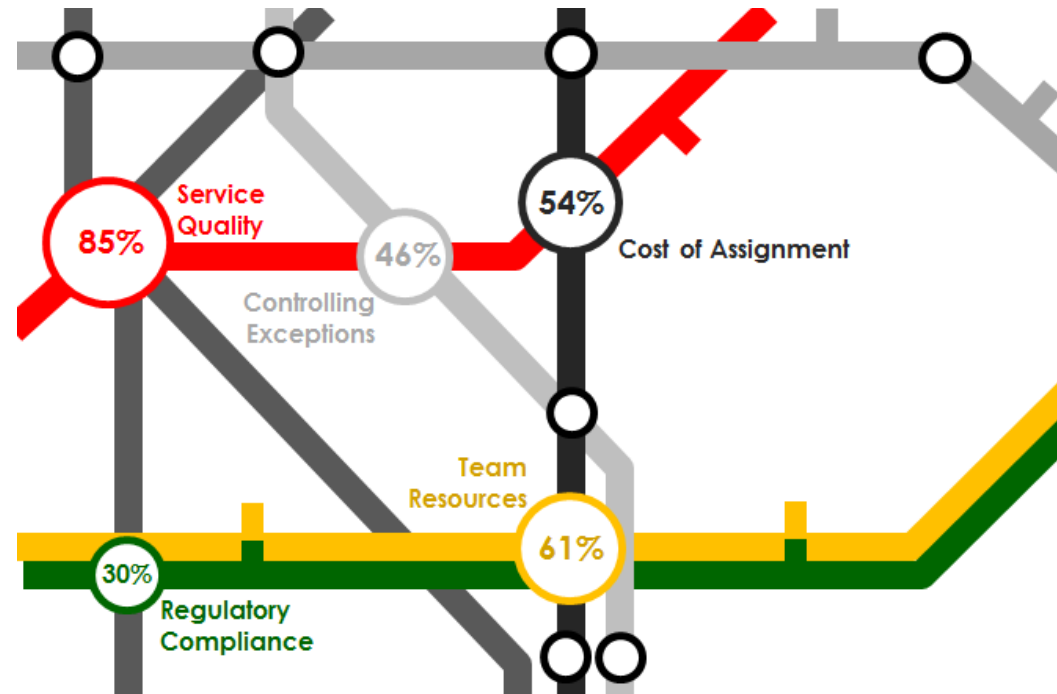


Lagging know-how

The capabilities and know-how required to provide effective support in a low cost environment within mobility functions (whether in-house or outsourced, both at local and regional level) may be lagging behind the recent rapid changes in the relocation industry. Companies may still be using old methods to provide contemporary support in this area.

Graph 2.3 – Relocation Challenges shows the most commonly perceived relocation challenges faced by our respondent.

Graph 2.3 – Relocation Challenges



Implications – Understanding challenges

Innovation and a deep understanding of clients has never been more important than in the fast-paced, online world in which we are operating at local, regional and global levels. Organizations involved in supporting international assignees and their HR departments need to quickly adapt to how they deliver value to businesses. Understanding business challenges and how they impact clients and HR team, is a great place to start.

Integrating this know-how as a strategic capability means that local providers will need to become much more sophisticated in how they address the needs of two, often conflicting, set of stakeholders: HR and international assignees.

85% perceive the quality of service support to be a challenge hindering successful relocations



Section 3

Cost & Regulatory compliance

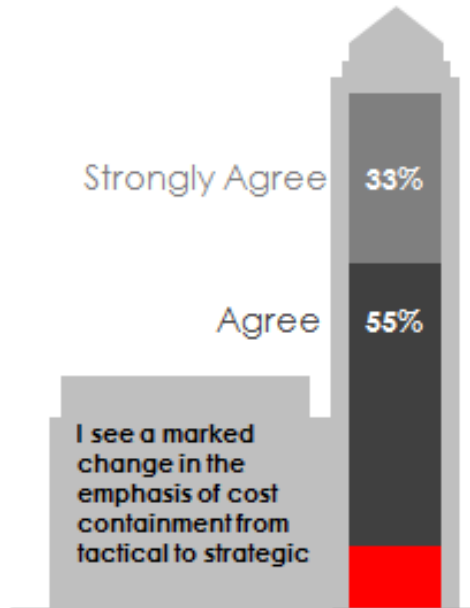
3.1 - Cost Focus is changing

Striking a better balance

The economic climate over the last five years has seen organizations focus on costs at every level of the value chain. There is every indication that this is set to continue. However, as the outlook becomes more optimistic, companies are looking at striking a better balance between the need to remain competitive globally by moving talent where it is required and controlling costs associated with mobility. As a result, we are seeing the focus of cost control shifting from tactical (for example driving down supply chain costs) to strategic (for example policy development, candidate selection and retention of talent).

And you seem to agree – as shown by our survey results and **Graph 3.1 – Cost Focus Shift**.

Graph 3.1 – Cost Focus Shift



88% strongly agree and agree that focus on cost containment is shifting from tactical to strategic

Implications – Shifting cost focus

The management of cost remains a priority for multinationals. But there is a real sense that the focus has shifted to ensure that cost reductions are achieved through efficiency of processes. Everyone involved in the mobility world needs to better align itself organizationally to be able to demonstrate better value for each £1 it invests in providing services to the industry. Delivering a better relocation experience for less is possible only through a deep understanding of client needs, and innovative processes to deliver high quality services at local level.

3.2 Compliance still key

Confidence in own processes

Compliance with internal control environments and external regulations remains important for multinationals. There is good evidence to suggest that companies feel they are managing their own compliance far more adequately now than was the case in the past.

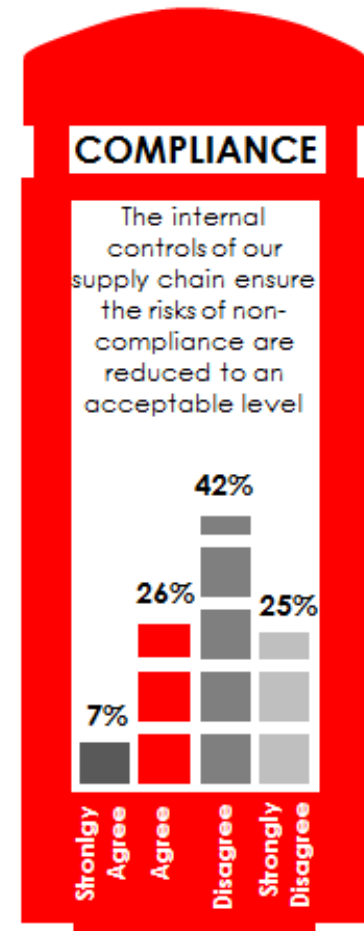
But less so in those of providers

With regards to compliance, you are only as strong as your weakest link. Organizations still have a degree of uncertainty as to the effectiveness of control environments of their supply chain.

“ Delivering a better relocation experience for less is possible through innovation and know-how ”

When asked about their confidence in the internal control environment of their supply chain to ensure the risks of non-compliance are reduced to an acceptable level, our respondents still lacked a certain degree of assurance (see **Graph 3.2 – Internal Controls**).

Graph 3.2 – Internal Controls



“ Smaller providers ignore compliance and integrity of their internal controls at their peril ”

77% feel internal control of supply chain is not adequate to manage risks of non-compliance

Implications – Compliance

Whilst large multinationals have invested significantly over the last five years in ensuring compliance is managed more effectively and efficiently, smaller organizations may well be lagging behind, or may perceive the need for tight internal control to be less of a priority than it actually is. Smaller providers to the relocation industry in London may well have sub-standard internal control environments which in turn is putting their clients at risk. They ignore this issue at their peril.

3.3 - Return on Investment

Measurement still challenging

Measuring the benefits and costs of international assignments continues to be a challenge. The use of metrics for attributing a value to retention, performance management and a complex cost environment remains conceptually and practically difficult.

Better use of technology

What we have seen, and what many reports agree on, is that better, more aligned technology has enabled organizations to gather data more consistently across the globe. This is an area of continued focus, as process efficiencies discussed above include the standardization of software relating to global mobility.

Implication – Return on Investment

There is some way to go before multinationals feel confident about the criteria and their accurate measurement to start using ROI on a wider, broader scale. As far as destination services in London is concerned, we feel a real need from clients for provider to play a greater role on the gathering and provision of relevant data relating to expatriates and their management.

“ Process efficiencies include standardization of software relating to global mobility ”

Conclusion

In our attempts to provide thought leaderships on the implications of global trends to a local market as important as that London, three key mega trends and related sub-trends have become evident:

Economic, Market and Cultural Environment

London will continue to be an **attractive place for businesses** and expatriates in the next five years. However, it is likely that providing **flexibility of choice** over and above traditional locations may become a necessity in an increasingly congested London, where different demographic, status and grade types may merit **different levels of support**.

Policy and model of operations

Adapting services to different policy types may become more important as a result of market and cultural pressures. As Global mobility becomes fully integrated within strategic HR, value-add from providers will have to originate from **local expertise** more so than in the past. Such expert knowledge of the Market can only be gained through **strong local physical presence** in the Capital.

Cost and regulatory compliance

Knowledge and expertise, however, should not come at the expense of **robust compliance**, especially as far as smaller local providers are concerned. **Better internal controls**, and **efficiency of processes**, ought to be the priority in improving service value for clients going forward.

We have enjoyed working with you all on this project and look forward to your continued views and feedback.



The best things in life R3

About Us

R3Location is an exciting company that offers an exceptional range of services to companies moving key executives into London and the South East of England.

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