

State of the Industry

By Dominic Tidey

The relocation industry in all of its many sectors, can be a barometer of national and regional economic health. EuRA members tend to see the results of how fiscal policy impacts on their markets quickly, as their corporate clients respond in terms of structuring their global programmes. Since 2008, we have monitored the various European markets, seeking the opinions of leading relocation providers. Although this is far from a scientific, empirical study, EuRA members with clients across multiple industry sectors, have an inside track on how the future looks.

The economic outlook for the Eurozone at the start of 2015 was perhaps more optimistic than current events would predict. Ernst and Young predicted growth would accelerate from 0.9% in 2014, to 1.5% this year rising to 1.8% in 2016, resulting primarily from two factors, lower oil prices and the

implementation of a huge programme of quantitative easing by the ECB. However, the results of the Greek elections bringing the anti austerity Syriza party to Syntagma Square have cast doubt on E&Y's forecast. Fears of deflation and the impact of cheaper consumer prices were met with an announcement by the ECB of sovereign bond purchases aimed at keeping inflation at around 2%. Then there is the uncertain geo political situation in the Ukraine and tensions building in the Baltic States.

So with all these major factors at play, how is the relocation industry performing in Europe?

Traditionally one of the most stable areas for our industry was the Nordic region, where the economies missed the worst impacts of the 2008 crash and manufacturing and service industries remained competitive and internationally appealing. How have the last few years been here?

Åse Löfgren Gunsten is a past EuRA President and runs the largest privately owned destination services company in Sweden with supply centres in Stockholm, Malmo and



Gothenburg. One of the shifts she has seen over the past 9 years has been the incursion of the relocation management companies into a region where the model had always previously been direct supply to corporate clients;

"[2014 was a very positive and intense year. We brought onboard two new RMC's, totaling the RMC clients to 8. A lot of activity has been taking place in the Gothenburg region and we have just employed five new relocation consultants to manage the increased number of orders in all our offices.

On the negative side, we are being pressed to provide more services for less money...but that's not new.

Two of our direct clients that we lost to a cheaper moving company have now come back asking if we might

consider working with them again as the quality of the service we provided was so high. We graciously agreed.”

This is an interesting trend and moving companies tend to have two opinions about diversifying into relocation. EuRA represents a buoyant number of moving companies who have very successfully moved into relocation supply as the synergy is obvious and undeniable. But having spoken with some of them off the record, the most successful models are in organisations who have set up specialized relocation divisions, usually by recruiting dedicated relocation managers. I remember talking with a senior director at a large UK moving company who was at pains to point out how a cultural shift was necessary in order to deliver relocation services. Being able to say yes is not always easy in relocation. If the international school is full, no amount of money will secure a place for a child moving into the city. As I will look at later, further consolidations of big players in the market place are adding an interesting dimension to this dynamic.

As we all know southern Europe fared worst in the

aftermath of 2008, but things have changed, slowly but surely. The smaller economy of Portugal has recovered well, not completely, but there is an optimism at the core of the Portuguese and our experience in planning for the Porto conference has been a country that feels confident again. The mega economy of Spain continues to struggle. Property prices in the large commercial centres have a long way to go to recover and the political hot potato that is Catalan independence refuses to cool down.

Susana Bourne has worked in the relocation industry in Spain for over 15 years and seen busts and booms and back again;

“The Spanish mobility market dropped quite dramatically around 2008-2009 as a result of the general economic downturn and has been pretty slow since then, especially when it comes to Spanish inbound transfers. During these difficult times, the Spanish corporations have looked for alternative markets outside of our country and, as a result of this, the outbound moves have increased, especially to Latin America, Asia and Middle East, this being still a relevant tendency.

However, now after several slower years, the activity seems to clearly be picking up again

and it seems that the international corporations are reactivating transfers to Spain. Companies are still very cost conscious and the relocation coverage provided to the employees is normally limited to the most basic services (small home finding programs, schooling in case of children). The housing budgets are also more moderate. We also notice increase in short and medium term assignments (<12 months). The Spanish rental market has fortunately become more flexible and more housing options are available for short and medium term stays.

Immigration services have also experienced an important increase and the Entrepreneurs Law introduced by the Spanish Government in 2013 has opened the door for many companies transferring highly qualified non-EU nationals the procedures being today less complicated and time consuming.

For our organization, the past 4 years have been of important growth and we are confident about the business now that we see the market being reactivated especially since last summer.”

The other mega economy still hitting the headlines is Italy and here too, growth continues to be elusive. Maddalena

Michieli runs Professional Relo SRL providing all across the country but originating in the industrial powerhouse of Milan. Her experience has been very interesting and she has diversified her company to follow the trends she has seen since 2008;

“The year 2014 proved extremely positive for Professional Relo, which could rely on its usual, though small, growth trend. Immigration and destination services accounted for 55% and 45% of the turnover respectively, which is in line with the results obtained in the past few years. Professional Relo only works for corporate clients: 75% of our turnover was generated from direct clients and 25% from immigration and/or relocation management companies respectively.

As far as RMCs are concerned, we could see that the trend among American multinationals towards centralized relocation and/or immigration services is now spreading among European companies as well.

As a result, we noticed 3 possible consequences:

- *Losing the direct*

customer, in case the RMC should use a different Destination Service Provider and is not going to look for additional suppliers;

- *Acquiring a new indirect customer (via RMC), for which we had never worked before;*
- *Keeping the customer, which automatically converts from direct into indirect, if the RMC was already relying on Professional Relo as local DSP.*

This is quite interesting and, in my opinion, suggests that, although the sales development work done “on the spot” was, and still is, of the utmost importance, this cannot be the only company strategy, since it is also essential to enjoy a good reputation, and be well-known, among relocation & immigration management companies – both American and non-American.”

So how are things outside Europe? Dornat Venturanza has owned and operated one of the largest DSP's in Asia, based in Manila and part of the regional Reloc8 group. She has no slowing of growth in the Philippines, if anything growth has been

fast and steady;

“The constantly growing Business Process Outsourcing (BPO) industry in the Philippines has turned the country into a major player in terms of delivering offshore tech and information services. In 2011, the Philippines surpassed India to become the top call center BPO destination in the world.

The growth of the call center industry, global business services in the Philippines can be attributed to the lower operational and labor costs relative to the US or Europe. The high proficiency in spoken American-style English and idioms (Philippines was a former US colony and English is the language of instruction in schools), a constant stream of college-educated applicants, and a highly-skilled and an overall motivated workforce among a host of other tangible outsourcing benefits. Filipinos are easier to train and they possess flexibility to learn different accents of the English language. Filipinos welcome new ideas and perspectives and are open in adapting them. Labor cost in country is inexpensive; however, the quality of labor is not being compromised.

As a result of this flourishing businesses in the

country including the manufacturing sector steady growth, more expatriates are assigned in the Philippines and increasing tremendously whether on short term assignment or long term assignment. The relative increase of nationalities being relocated suggests that a variety of nationalities all over the world are now considering accepting assignments in the Philippines. This is primarily due to the good image Philippines projects to the global community as a country because of its stable economy, strong currency and relatively secured peace and order situation. The increase in the number of expats alone in their Philippine assignments shows signs of cost-cutting among companies. They are trying to minimize costs of housing allowance of assignees and eliminate schooling fees for the assignee's dependents. However this trend in expatriate assignment might also be attributed to the type of flourishing industries in the country wherein this kind of work is popular and common among single individuals and it is likely that the group will be younger, between the ages of 25 to 45."

So what trends will we see in

relocation over the coming years? Patrick Oman, EuRA President and owner of Irish Relo, has a foot in both the destination services and removals industry;

"The past years have seen tremendous activity in terms of consolidation and this looks likely to continue. The recent merger of Sterling and Unigroup creates a very large organisation with the potential to offer a seamless range of services globally. Fifteen or so years ago we saw that precedent set when Sirva and Allied joined forces and they were very successful at integrating their services to provide capabilities right across Europe, but the key is domination in the U.S. It's likely that we will see more of these kinds of consolidations as suppliers try to reach ever larger market shares at the same time as reducing costs."

In 2010 we launched the EuRA Index, a monthly analysis of how the members see the health of their businesses. Helmut Berg, the subject himself of a large DSP consolidation when his company was acquired last year by Dwellworks, provides the analysis for us on trends highlighted by both the European and Global Indices;

"How was the Relocation

Industry in 2014? To answer this question is difficult and easy at the same time. It is difficult because we do not have robust figures giving the numbers of initiations or the amount of the turnover in any currency. It is easy however, when we ask the EuRA members for their satisfaction with the business. Whether a big, medium or a small business: the accumulated level of satisfactions translates into how the development of the industry can be seen.

The EuRA Index research is the tool used monthly among our members to ask for the current business and the short term prediction. At the end of a given month we ask "How satisfied had you been with your business of the month that just ended?" The rating is from 1.00 (very negative) to 6.00 (very positive), the average is 3.50.

We ask two more questions and calculate the EuRA Index; however, I only concentrate on the question mentioned, because it gives a clear picture of the development.

The average for January to December 2011 was at 3.94

The average for January to December 2012 was at 3.79

The average for January to December 2013 was at 3.91

The average for January to December 2014 was at 3.91 as well

2014 did not show the further step forward that we all hoped for. Various political and economic turbulences to come or already boiling might have had an influence on the investment of the corporations. An ongoing trend to cut costs and fees also capped a potential uptrend. However, the fact that the year 2014 did not show lower figures than in 2013 can be seen as positive.

And is there a seasonality? Yes there is. The five highest figures (since April 2010) have been:

July 2013 4.38

June 2011 4.29

July 2010 4.28

July 2011 4.25

July 2014 4.21

So we can all look forward to July 2015.”

All in all it's very difficult to gauge the health of the relocation industry; simply by the geographical spread of EuRA Members across the 99 countries it represents, hard and fast global predictions are virtually impossible. But the health of the global markets are stronger than they have

been in a number of years, and if we take just one barometer, the number of people attending the EuRA International Relocation Congress, then the industry is clearly feeling more confident than ever!

Note: A version of this article has also been published on the OMNI Magazine.