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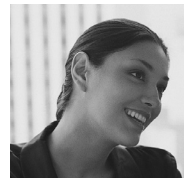
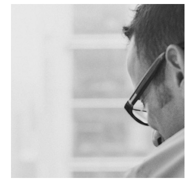
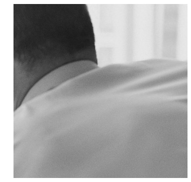
Relocation Management

COMMENTARY ON THE EROSION OF SERVICE

by Pat Moore

We all should thank Jim Simon for his bold assertions in the May 2007 issue of Mobility ["The Erosion of Service in the Relocation Industry"]. Certainly it's an attention grabber. And, while I generally agree with his insights, I believe some salient questions need to be considered by readers. I do not mean to be critical at all; he has opened a general dialogue for all of us to challenge ideas and come up with solutions.

Query #1 Are relocation executives accustomed to that "simpler time" prepared for this new situation that Simon has outlined? If previous contracts were "highly lucrative and profitable," maybe this is just a normal adjustment based on a mature business model.

I wonder if there actually is a standard or accepted measure of the financial health of the industry.

At least we can agree that our fate is our responsibility and solutions are needed. We also may have to adjust to a lower-margin environment. There are many low-cost providers that provide excellent service. GEICO, for example, is a low-cost, high-service quality insurance provider—with humorous ads to enjoy, as well.

Perhaps there is a great leap forward in technology that the right investment will bring about. And we should not assume that innovative solutions are out of reach. A closer look at the fundamentals of our business processes may yield benefits, too.

Perhaps most of all, we need to help procurement and purchasing folks understand our business—its nuances and trends. Driving down cost is not their only goal: it only seems that way. A better quality service experience at the lowest practical cost may be a better description. Do you think a purchasing manager would not be criticized if most transferees have a lousy experience?

Query #2 Is the environment stable or is it going through fundamental changes?
Much has changed recently that we all need to take into account. The real estate industry downturn is apparent even to the monastic community. Home equity lending has consumed much of the value gain achieved by homeowners. Creative financing allowed many to stretch into homes they couldn't really afford. All of these factors put upward pressure on transferees' expectations on home values.

But there are two overriding factors we need to wrestle with—the impact of simplistic, back-end risk management, and the fact that real estate commissions are under assault in many markets (Bring back the corporate fee!).

The article by Timm Runnion, CRP, on fixed-fee pricing ["The Effect of Zero Fee on Relocation Service Quality," Mobility, July 2007] illustrated some points relating to both issues. The processes and disciplines around fixed fees are intended to address some of the items noted. Managing risk is not—or should not be—fundamentally different for traditional relocation versus fixed-fee risk transfer programs. A fair and balanced homesale transaction may include a heightened sense for real estate loss on sale and carry cost risk.

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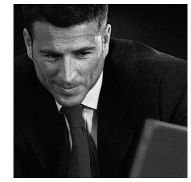

COMMENTARY ON THE EROSION OF SERVICE

by Pat Moore, continued

There also is the practical aspect of managing transferee expectations. Our role is to present a realistic picture, one that reflects the situation on the ground and not an analyst's hypothetical. If we merely act as passive intermediaries, we will not fulfill our role in serving the corporate client. Recent data illustrates how rental costs and home values have diverged, which many believe is a useful way to assess home price risk.

With all the data now available on local real estate markets, folks can do a much better job of alerting clients to problem areas. Those "ever-rising" home values deserve a more careful look—this means more careful attention to list prices, and consultation with tools as back-up with the transferee. As for real estate commissions, any downward pressure poses a fundamental threat to a third-party company's revenue streams.

In this environment, vendors need to become more consultative resources to those managing policies and programs. As we all come up to speed on service level agreements (SLAs), we need to take the next step to real analysis—the thinking that is informed by data, and that results in program enhancement, better results, and more satisfied customers. Product ideas from related industries need to be considered for insertion into relocation management; for example, lender valuation products may be used by the relocation industry to enhance accuracy and manage costs.

Query #3 Does the decision process and its underpinnings need to adapt to the new situation engendered by the dynamics we all face?

It is hard to be sympathetic to one main point of the Simon article; that the price squeeze has caused relocation providers to skinny down beyond the bare minimum. Why don't third-party companies set a walk-away price and when the client's price goes below it, well, walk away from the deal. Three things will happen:

- the winner of the skinny contract will lose in the long run;
- procurement will notice when many providers walk away from the deal; and
- more disciplined businesspeople will win by rational pricing.

Transparency may be the best antidote for both sides. The most efficient provider who also preserves service levels will win the most business. Those that do not adjust will lose business. Isn't that how it's supposed to work?

While it may be true that it is difficult to truly measure caseloads, it is high time for the industry to arrive at some benchmarks. The banking industry publishes peer rankings for many common functions. Because much of our work is financial services—handling cash, expense management, real estate sales, mortgages—there is at least a point of departure.

Perhaps it is time for benchmarking surveys that measure key factors common to all relocation events. With 120,000 transactions per year just in homesale, there is an ample database for some useful reference measures.

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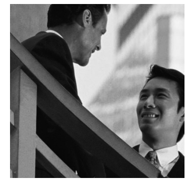


COMMENTARY ON THE EROSION OF SERVICE

by Pat Moore, continued

Let's not forget in all of this chatter about data and measurables that it is our people who make the key difference. With the right training and tools, and good leadership, those people on the floor who guide the transferee through the journey of a relocation are the essence of our success. They need to get better all the time to advance the cause, too.

Do we redefine our business? Maybe not; maybe only fine-tuning is necessary. Should we think of ourselves as being in the financial services business and all that implies? I will tell you why I like the relocation business so much: it is an interesting combination of personal service and complex financial interactions that, properly managed, promotes the hopes and dreams of our customers. Should we expect more from better vendor management and analytics? Will the effect of globalization require more integration with domestic services? Time for big questions and smart answers.

All industries go through cycles. Ours, to a great extent, is lashed to the wheel of real estate and that industry is shifting uncertainly. We all need to rethink our model. We need to test assertions about poor service, margins, and so forth with quantitative measurement. Most of all, we need to start managing the risk we are hired to handle by starting at the front end. That will be more effective than trying to build the sandbag dyke after the river crests.

So let's move on to solutions and not fret over the good old days. Change management is hard, but we'd better become very good at it, very quickly.

Patrick Moore - CEO of Real Living Relocation Management

Chart of Home Price Changes vs. Rents 2000-2006

2000-2006 MSAs	Average Annual Percentage Increase in Home Prices	Average Annual Percentage Increase in Rent Prices
Los Angeles-Glendale, CA	16.9	7.6
Chicago-Naperville, IL	8.1	2.5
Phoenix-Mesa-Scottsdale, AZ	13.5	4.2
Miami-Miami Beach, FL	17.7	3.3
Detroit-Livonia-Dearborn, MI	2.8	0.7
Seattle-Bellevue-Everett, WA	9.6	2.3
Philadelphia, PA	10.9	1.4
Nassau-Suffolk, NY	12.5	1.6
Las Vegas-Paradise, NV	13.7	3.7
Washington-Arlington, DC/VA	14.8	6.9

Sources: OFHEO, Mortgage Banking