Information from Cartus on Relocation and International Assignment Trends and Practices

achieving cost savings through policy design—part two

As companies expand their global footprint and talent becomes increasingly mobile, optimizing costs within relocation programs is not merely a financial consideration but a strategic imperative. Balancing the provision of top-tier relocation experiences with prudent financial management is essential for sustaining competitiveness. In part two of this white paper series, we look at ways organizations have realized cost savings and efficiencies through policy adjustments and redesign.

If you missed it, read part one of this two-part white paper series, highlighting effective methodologies to adopt when redesigning mobility policy.

case studies and tips

example case: benchmarking household goods support

This example demonstrates the importance of regularly benchmarking policies and how quickly things can change. The client's policy had worked well for them in the past, but as with all organizations, they were keen to identify opportunities for cost savings, and household goods costs came under the microscope.

Cartus reporting showed household goods shipments represented 6% of the client's total international relocation program cost. However, the services were used by 93% of assignees, with high levels of satisfaction.

By benchmarking the client's policy against a selected pool of relevant companies, Cartus determined that the current entitlement was considerably above market norms. Examination of the weight of shipments and the type of containers used identified correlations between family sizes and container sizes, which were above typical market parameters. Our analysis of these patterns enabled the client to make use of a local "discard and donate" program, which supports local communities and reduces the size (and cost) of household goods shipments. In addition to benefiting worthy charities, this program reduces dependence on packing materials and fuel.

The results of the analysis and benchmarking exercise were extremely positive. The policy was adjusted in line with best practice, cost savings were made, and the impact on assignee satisfaction was contained.

tip - storage in transit: Consider limiting storage in transit. With advanced planning, assignees will most often assume a rental property in the host location for a short period before quickly taking long-term occupancy. If there is a particularly tough market where housing is extremely challenging, storage could be approved on an exception basis.

tip - miscellaneous expense allowance (MEA): We recommend benchmarking the amount you provide as an MEA and reviewing the approved exceptions. If your MEA is above market, or you are authorizing expenses for services that the MEA should manage, consider reducing it or taking a firmer stand on granting exceptions.

tip - non-standard HHG: Review your policy for transporting non-standard" household goods that require costly third-party services, including disassembly and reassembly. These goods may cost more to transport than to replace at the new home and could be covered by the MEA.

tip - air shipments: If your policy provides for an air and surface shipment, consider excess baggage for a single assignee versus an air shipment due to cost implications. For relocating families, use standard air container references to provide a more defined allowance, which is easier to visualize. They can mark the dimensions and understand that whatever they ship by air must fit that defined space.

example cases – temporary housing

Limited availability and high rents in the temporary housing sector led us to seek new solutions for a client with increased demand in specific locations.

Cartus worked with one of our network suppliers and secured a "block" of apartments. Block bookings are a viable solution when you have a steady stream of assignees moving to a particular area and can keep the "block" of apartments occupied by rotating assignees in and out. Securing a block for long-term use delivered significant benefits to the client:

- Favorable rates because the client financially committed to units for an extended term, in this case, 12 months.
- Complete control over availability and access to the building
- The ability to choose a building that meets their requirements, e.g., location, capacity, facilities, and sustainability criteria.

The client was responsible for paying for the units, whether occupied or vacant; therefore, planning was critical. However, this could have been mitigated by asking our supplier to try to let unused accommodations. To maximize the financial benefits, the client also required assignees to stay at that particular property.

We have now taken this approach for several clients with large populations of assignees needing temporary housing in high-demand locations within Ireland and India. As another example, Cartus worked with their supplier in India to build a similar custom solution for a client, which proved successful because Cartus' supplier partner:

- Had on-the-ground engagement with local vendors
- Was able to work with stakeholders in their time zone in real-time
- Negotiated favorable rates to meet challenging budgets

- Expedited the front-end process, including identifying a suitable property and negotiating contracts, to accommodate a fast turnaround

example cases: long-term housing

maximizing the benefits of currency fluctuations: Embracing a data-driven approach, several clients have been able to monitor currency fluctuations in key locations and found that cost savings in rents could be achieved in the event of a decrease in the host country currency value by renegotiating leases off cycle. For one Cartus client, annualized lease cost savings of almost US$200,000 were achieved on fewer than ten leases.

co-living: By assessing the demographics and move patterns of its assignee population, a client was able to reduce rental costs by 50% in target locations by offering shared properties to short-term assignees moving on their own, where appropriate. Other clients have also looked at how to drive assignee behavior by offering—in certain locations—lower-level assignees (where appropriate) the option of shared accommodation if given a cash-back option or reward.

tip - know your market: Understanding local market practices when deciding on accommodation type is critical, e.g., in locations where a 12-month minimum lease is in place, like Nigeria, it may be that temporary or serviced accommodation is the most cost-effective option for short-term assignees. Of course, when relocating employees to locations like Nigeria, safety and security issues need to be vetted as part of the selection process.

example case: school fees

Cartus undertook a project for a client relating to schooling options in the UK. The client's existing policy supported state schools only. However, securing places in these schools was challenging, and families reverted to sending their children to private schools, seeking approval for the costs as exception requests. The combination of no guidelines for approving private school costs and limited availability at state schools meant there was a significant difference in fees between the various international schools being chosen by families. As a result, schooling costs were challenging to control and forecast for the company.

Data was gathered on all the schools being used by assignees in the host location and the spread of their relative fees. Capping school fees to the median price currently being approved by the exception provided the opportunity for cost savings of approximately 20% of the total spend on schooling globally, as well as a more streamlined exception approval process with limited effects on family satisfaction, thanks to the more than adequate range of private schools available.

destination services

tip - tailoring program length: Clients typically offer a standard three or four-day package for all locations. However, some locations are not subject to the same challenges in terms of housing and other services provided. The assignee's experience, knowledge, confidence, and circumstances may also allow for a shorter program. We recommend clients consider tiering the length of the program dependent on geography and specific assignee needs. One Cartus client with assignees relocating to Japan saved USD17,000 over a 12-month period by tailoring their program length in this way.

tip - lease negotiations: Negotiating lease savings is routine for Destination Service Providers, but when market forces mean demand outstrips supply, adding value in this way is much more difficult. When rent reduction is minimal or impossible, Cartus' Destination Service Providers have other ways of delivering quantifiable savings, including:

- Rent concessions
- Pet fee concessions
- Inclusion of insurance

final thoughts

Mobility cost containment via policy design is an ongoing process that needs strategic planning, data analysis, and creative solutions. As your organization expands its global footprint, explores new markets, and competes for talent across borders and cultures, a successful mobility program that is competitive and aligned with your corporate culture, values, and strategy is likely to be more nuanced than previous iterations.

However, by optimizing policies, you can achieve valuable cost savings while maintaining assignee satisfaction and duty of care. A well-executed policy tailored to your organization's unique needs will contribute to the overall success of your program and your bottom line.

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