

FIDI 2020/21 STATE OF THE INDUSTRY REPORT

January 2021

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FOREWORD

It brings me a huge sense of relief to put the year 2020 behind us. Here's hoping that 2021 is nothing like it.

Back when it first started, none of us expected the COVID-19 pandemic to last this long, but it just kept grinding on, month after month, all year long. So, of course, the crisis affected all our businesses' results, and this report reflects that.

There are three main parts to this report: a financial overview; a look into technological trends; and organisational changes, particularly diversification and consolidation.

The industry saw many major organisational changes speed up this year, on the one hand consolidating, but at the same time diversifying. As international borders closed, picking up domestic moves and storage became, for many of us, the only way to keep going. The tech and blockchain trends we saw happening before COVID also sped up, with the health crisis pushing the industry to quickly find

creative ways to work remotely and use online tools, to keep relations with our customers strong.

What I find especially interesting is the industry financial overview. Well before COVID-19, the sector was pressed by especially tight profit margins. Two years ago, we started a pilot programme of financial audits due to increasing customer demand for knowledge on the financial health of all business partners, a demand that has grown now more than ever. In fact, we already started to see it reflected in the request for proposal [RFP] process at some customer companies. Having that stamp of approval from an independent third party is going to be invaluable in gaining post-pandemic business.

This report couldn't have happened without important contributions from around the world, and I want to thank everyone who played a part in bringing it to life.

I hope that 2021 is a great year. Best wishes to all!



Ebru Demirel,
FIDI President



INTRODUCTION

The COVID-19 pandemic started a process of monumental change in industries of every kind, but, for global mobility, the impact is being felt particularly deeply. The crisis has severely affected the main requirement for this industry to prosper – free and regular movement of people, internationally and within countries. It has brought about a re-evaluation of many aspects of the business, including health and safety and financial stability, which is still ongoing.

Well before the pandemic, however, a process of significant transformation in the sector was under way. It was driven by several factors, but particularly by consolidation and the formation of vast relocation corporations, and the pending award of a single-provider contract for US military moves.

RELOCATION GIANTS

RMCs were already making up a high proportion of the movers' customer base, bringing with them intense competition for contracts, higher compliance and other administrative requirements, and pressure on margins. Now, a new round of proposed mergers and acquisitions, involving businesses including Relo Group/BGRS and SIRVA/Cartus (this one was eventually not realised), has presented the industry with an existential risk.

These deals have absorbed both RMCs and smaller moving businesses that are able to service the RMCs' moving requirements – and, as such, have threatened to erode large chunks of movers' existing business. Whereas RMCs challenged movers to take on industry best-practice standards and increase service and quality to succeed, these new, vertically integrated mobility giants have presented them with an urgent question of survival.

At the same time, there has been further blurring of old lines between relocation and moving. This has seen traditional movers expand into destination services and emerging disruptors enter the market with new tech, promising more user-friendly servicing of customers' needs. Traditional 'mover' and 'RMC' categories have become less useful, having largely been written over by a variety of different business models.

A TWIST IN THE TALE?

The COVID-19 pandemic may have provided a further twist, with the unravelling of the planned Cartus/SIRVA deal one of the early indicators. It temporarily stalled the process of

consolidation, exposing frailties across the mobility industry, where – as cash has become king, agility essential, and jobs have been stripped back to the basics – some companies specialising in the physical side of moves have found themselves in an advantageous position.

CONSOLIDATION CONTINUES

From here, despite the unknowns, progression of further large-scale mobility alliances will continue, albeit with additional caution. Such deals may well form part of business strategy in direct response to the challenges the pandemic has presented.

Some mobility leaders say they expect the industry to follow the same trajectory as other international business sectors, continuing a process of consolidation until four to six major players are left, controlling, between them, a majority share globally.

Alongside them, we will see a diverse spread of regional and sector-specific niche players with whom these giants will need to work to provide their client base with a comprehensive, good-quality service. Standardisation of worldwide practices and certification will have an important role to play in this process.

Mergers and acquisitions will bring further investment and new players that will have a transformative effect on the sector. For some firms, they will bring a welcome injection of new ideas and access to resources that improve the relocation industry's customer focus, while, for many movers, they will present a threat to core parts of their service delivery and a challenge to adapt.



“In 10 years, our biggest competition may be new market players and competitors that today don't yet exist”

Joleen Lauffer, Executive Vice-President, AiRES



“The relocation industry is not fully consolidated compared with other industries where the top five or top six players control in excess of 50-60 per cent of the market globally or regionally. There is room for way more consolidation beyond the recent deals”

Yann Blandy, CEO, Santa Fe

US MILITARY MOVES

The award of the US Department of Defense (DoD) military moving contract by United States Transportation Command (USTRANSCOM) was beset with delays during 2020. Having initially been given to American Roll-on Roll-off Carrier Group (ARC), the contract was rescinded after complaints and a Government Accountability Office (GAO) report on the process. A new schedule was put in place that pushed the date back to early June 2021.

When finalised, the contract will result in a reduction from 950 providers to a single business, which will be responsible for managing an estimated 600,000 domestic and international shipments every year, and be worth around US\$20 billion over a 10-year period.

While the contract does not change the total number of military moves, the new structure has significant implications for the shape of the mobility industry in the US, notably quickening consolidation within the business overall. The single awardee of the contract will be responsible for servicing a huge volume and, accordingly, will be offering large subcontracts for other providers. This, in turn, can shape movers' supply chain relationships and the way they bid for requests for quotations (RFQs) into the future.

Meanwhile, the deal is likely to create wider uncertainty and disruption in the US moving market, as those companies unsure of continued work on military jobs turn their attention to the corporate or direct consumer sector – where competition is already intense.

The sheer size of the USTRANSCOM award will affect the industry worldwide. A US government report, published at the beginning of the tender process,



“I think we’ll see larger companies purchase RMCs as a way to diversify... new ownership and diverse resources will help propel the industry forward with new ideas and in new directions”

Bill Mullholland, Owner and Director, ARC Relocation

found that more than two-fifths of military household goods were not delivered on time and around 21 per cent of moves incurred at least one claim for loss and damage. The new contract aims to combat this and will ratchet up the imperative for international movers to provide top-quality services.

ATA ASSIMILATES AMSA

Consolidation in the US and other markets will clearly impact on the industry's membership bodies. In August 2020,, the American Moving and Storage Association (AMSA), which represents more than 3,000 members, joined the American Trucking Associations (ATA) as the Moving & Storage Conference. It meant AMSA was incorporated as ATA's newly established Moving & Storing Conference to highlight moving and storage issues. This trend has implications for other membership organisations, including FIDI.



“COVID has accelerated many corporation’s strategic plans, including the use of technology and data, assignee experience at work as an HR tool, compliance and PII. For the moving community, virtual surveys, digital signatures, use of apps to communicate, and other contactless service delivery tools will continue to grow in demand, even post-COVID”

Derrick Young, Director, Transportation Governance, BGRS

COVID-19

When coronavirus emerged and rapidly spread across the world at the beginning of 2020, the outlook for international moving and relocation appeared bleak. National borders closed, governments introduced severe restrictions, and employees returned home to their families, many for good as the result of company closures.

The mobility industry was immediately tasked with solving problems on a scale it had never experienced before, which included navigating the rapidly evolving situation to progress the movement of shipments that had been stranded in transit. Throughout the year, it has catered for stop-start demand, which has sometimes fallen below – but often exceeded – the usual seasonal patterns, and varied widely according to region. Even with the rollout of the first COVID-19 vaccines, restrictions will persist, and mobility will be working within – and helping clients deal with – a fluid administrative situation for months, if not years, to come.

A FOCUS ON EFFICIENCY

Firms across a range of international industries have been forced to re-evaluate their business practices to mitigate for the uncertainty introduced by COVID-19. Efforts to focus on recalling debt, maximising efficiency and reducing costs wherever possible have become urgent. In mobility, where having multiple creditors and debtors and prolonged payment terms had become the norm, this movement towards boosting liquidity in the business was long overdue.

There have been casualties, with some high-profile liquidations during the year, and concerns that others may follow. However, companies that seized the opportunity to overhaul their efficiency are now operating on a leaner basis, with tighter control of fixed costs, which will place them in a more advantageous and competitive position in the future.

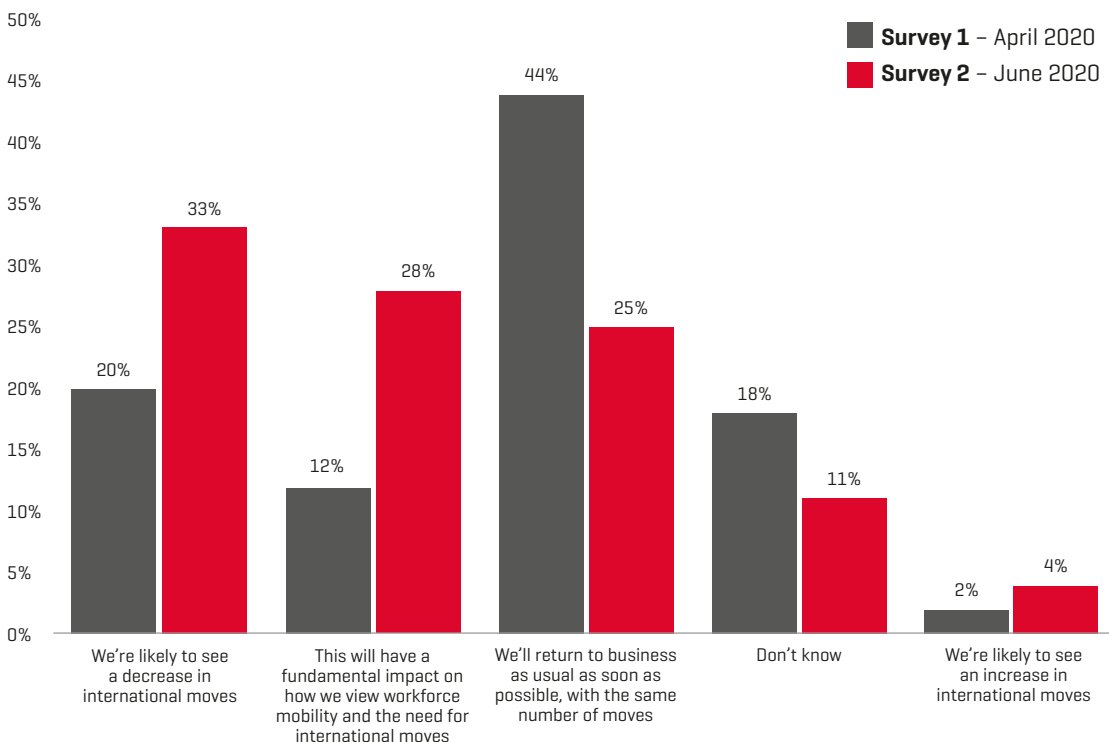
These more efficient businesses have found it easier to assimilate the significant new costs added by the pandemic, including the introduction



“There are practices and disciplines that large companies use – but you don’t need to be a Cartus to maintain those disciplines. You can translate them into a smaller environment to make your company better and stronger for the future”

Mark Oakeshott, Mark Oakeshott Consulting

Q: What impact do you think the COVID-19 outbreak will have on mobility at your company in the future?



Graph from PWC study, June 2020:

<https://www.pwc.co.uk/services/human-resource-services/insights/covid-19-impact-on-global-mobility-workforce.html>

of staff personal protective equipment (PPE), additional health and safety measures, and the rolling out of remote-working capability. These costs have been further magnified by the additional time it now takes to complete most jobs because of working with reduced, socially distanced crews, and to plan in general because of the more complex operating environment.

PARAMOUNT DUTY OF CARE

Overnight, COVID-19 dramatically heightened the industry's duty of care for its staff and customers. Worried clients now want absolute assurances that they, their families and their goods will be kept safe wherever they are moving in the world, measured against the very highest standards. In an industry already benchmarked by the way it looks after its people, health and safety has become the ultimate differentiator when clients are choosing their moving partners and other mobility service providers.

COSTS ARE INCREASING

Meanwhile, international logistics have become problematic, adding time and cost to the mobility process. At one point in 2020, international air travel fell to five per cent of pre-pandemic levels and it remains critically low. So, freight capacity previously available on commercial flights has shrunk, increasing the requirement for movers to use exclusive freight providers. Supplemental costs on moves involving air freight have increased significantly – by three times, according to one report. While increases in the cost of sea-going shipments have been slower to materialise, containers being delayed or quarantined have created a global imbalance in this freight type, with containers accumulating at certain ports and large shortages occurring at others. Although international maritime trade was expected to fall by 4.1 per cent over the year (according to the UNCTAD *Review of Maritime Transport 2020*), a recovery is forecast, which – combined with the ongoing imbalance and fallout from the pandemic – is likely to keep prices high.

The higher cost of logistics, the additional complexity and time needed to manage moves, and regularly changing



“The crisis has pinpointed the inherent risk of complacency in otherwise successful companies. Constant innovation, development and expansion of service products, including virtual solutions to improve our service delivery, will be key areas going forward”

Sara Lyrum Kronkjaer, Group Director, Aspire Mobility

dynamics have increased costs to movers, at least some of which have had to be passed on to clients. ‘COVID supplements’ have been suggested to help cover fluctuations in price, but it seems likely that, as the effects of the pandemic are here indefinitely, higher prices will be, too.

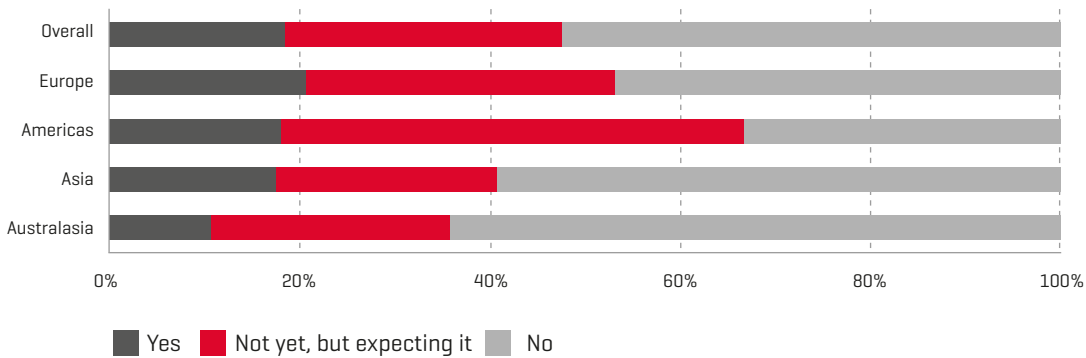
Savvy movers have looked to establish open communications with their customers, so they can implement workable solutions for both parties. This also applies to other areas where COVID has increased focus and, therefore, raised costs, including safety, compliance and all-round quality. Recent years have been characterised by heavy downwards pressure on price; however, driven by providers and customers, the emphasis has now shifted towards quality first.

A SHIFTING APPROACH

Change within international client businesses triggered by the pandemic has led to a widespread re-evaluation process of employee relocation, with the aim of reducing costs and increasing efficiencies. Many multinationals implemented hiring freezes in the wake of COVID, and SIRVA’s annual mobility report stated that 72 per cent of mobility stakeholders cannot quantify their companies’ spend for each staff relocation. With expat hubs such as Dubai or Hong Kong among the most expensive in the world, businesses may have good reason to reassess their approach.

As international businesses have reappraised their programmes, they have looked at the relative costs across the range of employee relocation types. These include: permanent employee

Companies required to cut global mobility costs because of the pandemic



Source: ECA International report on COVID-19 impact, August 2020

moves, which can minimise the cost of ongoing support and administration; shorter moves of up to a year, which can be less complicated and don't involve moving family or buying a home, for example; and other models that seek to reduce the cost of ongoing support.

High relocation overheads, and the cost and other risks entailed by supporting expat workers while the pandemic is ongoing, coupled with stricter immigration requirements for foreign workers in countries such as Singapore, has shifted some companies towards local staff recruitment. This can provide the added advantages of ready regional, cultural and native-language knowledge, and decrease wages significantly when compared with staff from overseas.

VIRTUAL POSSIBILITY

International firms have debated

for some time the advantages, or otherwise, of virtual working and virtual assignments. However, as the COVID-19 crisis unfolded, these online methods became critical to them continuing to operate, while expat life became challenging and international travel impossible in many regions. The forced change of focus has given first-hand understanding of the benefits of virtual working. It has allowed businesses to address the immediate issues caused, and prepare themselves for the next phase, lowering costs, removing barriers – such as those caused by more stringent immigration regimes – and, in general, reducing the risk of operating globally.

Online working has offered additional possibilities for employees, such as opportunities to work on overseas projects while remaining at home, or to work out of a third country. In turn, this has widened



“A real bonus to come out of this crisis is that we, as an industry, have really pulled together. In terms of exchange of information, everybody’s been totally open”

**Simone Percy,
DASA International**

Additional technology solutions implemented



Source: ECA International report on COVID-19 impact, August 2020

the pool of talent available to businesses, expanding recruitment drives to include well-qualified employees who do not want to relocate. It also allows them to cater for and retain staff anxious to remain close to home and their families.

NEW NICHES

This has given quick-thinking movers the chance to carve out new niches – offering services such as office-to-home transition moves (and, as lockdowns have eased, home to office) and socially distanced/COVID-safe office set up – and to position themselves as specialists in making staff safe, comfortable and efficient, wherever they are working.

ONLINE LIMITS

For all the advantages firms have experienced of working virtually, they have seen its limitations, too. The online environment doesn't work for every type of job, for example, and the reporting, HR, management and other procedures and processes at some multinationals may not adapt well to this kind of working. There may also be tax liabilities triggered for companies, by increasing the number of people working out of a single country rather than spread over several countries, and for employees.

Giving employees the freedom to choose where to work can sometimes increase costs and complexity. While, in the short term, virtual working has worked very well for many companies, questions remain about the long-term effect of isolation on employees' mental health and company culture.

MOBILITY: A STAFF BENEFIT

For many companies, giving staff the chance to travel, to see and work in different countries, plays an important role in attracting the calibre of people they are looking for. Working online can remove a key benefit – and while forward-looking companies have sought to enrich their employees' careers in alternative ways during 2020, many are likely to want to reinstate some overseas assignments as soon as practical.

In short, the pandemic has presented companies with an additional tool that can reduce the cost and increase assignment options for international work, while mitigating risk and boosting resilience.

While the nature of international work has been changed for good, virtual working will not replace traditional assignments, but rather complement them as companies move towards a best-practice rather than one-size-fits-all approach to employee mobility.

DIGITAL VISIBILITY

For some time, movers have faced a threat from the digital know-how of large RMC operators on one side and industry disruptors on the other. Catering for clients who are increasingly tech-savvy and cost-conscious, they have created a pressing need – now intensified by COVID – for movers to reach clients online. With digital offering the safest and most immediate platforms to find, assess and compare services, movers must invest to ensure they are visible and accessible, and to compete with emerging, tech-centric and developing RMC businesses. FIDI's new Technology and Innovation Committee is one of the initiatives taken to help Affiliates understand and adopt emerging digital practices.

AGILITY IS KEY

Businesses that define themselves by their flexibility, agility and proactivity are likely to thrive in the new landscape, where widespread regional differences exist and remain highly fluid. Some FIDI Affiliates reported that the crisis has led to approaches from large multinational firms that needed fast action and localised expertise, and the formation of exciting and profitable new relationships from which they felt they would have



“You should have taken this time – and you can still do it – to look at your business and see if you can reimagine it somehow. We all know that our industry, as a whole, was not in the best of shape, and, hopefully, we all know what those weaknesses are. This is a great time to perhaps start again from scratch and reconsider what your business concept is”

Jesse van Sas, Secretary General, FIDI

previously been excluded. Companies that are adapting their businesses quickly to the new environment, such as the COVID-safe office movers, can also do well. Using their existing resources [trucks, offices and people, for example], networks and field of expertise, smart movers will be looking to reinvent their service offering to fulfil needs and take up emerging opportunities.

Just as smaller movers, in recent years, have been challenged to adopt the disciplines and good business practices of larger players, as circumstances change rapidly and continuously, larger corporations are now being challenged to develop the responsiveness and adaptability that have enabled some smaller operators to succeed during the pandemic. With an intense focus on cost savings wherever possible paring mobility jobs back to the basics, this could present difficulties for providers of a wide range of ancillary relocation services, including RMC companies.

MEMBERSHIP RULES

The pandemic has stressed the importance of strong international industry links, with Affiliates reporting that business-to-business communication – facilitated by groups including FIDI’s regional associations – have been vital to keep on top of aspects such as the latest regulatory requirements for moving into and out of different parts the world.

Membership associations have faced a significant learning curve, needing to understand and react to the implications of COVID-19 for the businesses they represent, and fast, adapting communications channels and events, and the services and information they provide to members. This, as evidenced by AMSA’s membership of ATA, may include organisations going through processes of consolidation.

While reappraisal of FIDI’s brief in response to developments in the mobility industry was in progress, the COVID-19 crisis has changed its timetable from important to urgent. The early days posed a significant challenge for FIDI, forcing it to cancel, rework and replan for occasions including its annual conference, general assembly, delegates’ meetings, Academy seminars, FAIM audits and multiple other

face-to-face events, while challenging it to step up the volume of real-time information and analysis it provides to its Affiliates. It launched a series of well-attended webinars on the effects of COVID-19 on the industry and its response, negotiated the postponement of the conference, hosted a virtual general assembly and other web-based meetings, and developed the FAIM 3.2 Remote Audit scheme, to allow all audits to take place online for 2021. Over nine months, FIDI has simultaneously been tasked with reducing overheads, reformatting the delivery of most of its services, introducing new services, and increasing communications, while continuing to look after the day-to-day running of the organisation.

Accordingly, FIDI’s external projects that are focused on increasing efficiency and transparency will become more important. This includes the Moving and Mobility Standards Alliance (MMSA), set up in collaboration with IAM and OMNI to standardise processes and communications. Internally, FIDI’s drive towards adapting its service provision to cater for its traditional movers, but also those operating RMC and other emerging business models, will progress faster – as will its plans to roll out a netting programme to its membership and streamline its communications platforms.

As the mobility industry has changed during 2020, so FIDI has continued to adapt to keep up to date with – and help its Affiliates respond to – industry trends. This includes working towards standards that cover areas of evolving importance, such as technology, and working and diversifying its offer and membership, to cater for emerging players and new service areas.

This will be set against a background of reviewing and stripping out costs and maximising productivity, with an increased focus on FIDI’s financial stability, and supporting its membership in this area, too. The FAIM Financial Assessment and planned introduction of a netting scheme is part of this; and the newly formed FASI Committee will help reshape the FASI programme. This strategy will maintain FIDI’s continued financial viability, efficacy and leading position within the industry.



“Confidence will be more important than ever before... we now have to take care of not only our clients’ belongings, but also of their safety and the safety of their families. The agenda has changed completely”

**Alain Taieb, Chairman,
Mobilitas Group**

WHERE NEXT?

The worldwide mobility business was experiencing crises well before the COVID-19 pandemic, including issues of identity, ongoing erosion of margins, and exposure to credit risk. The pandemic brought existing issues to a head, exaggerating stress points for both businesses and clients, and making a best-practice approach to health and safety and financial operations essential.

As lockdown measures ease, restrictions on travel across international borders and customer anxiety will remain, to some degree, for years. The changes companies make to adapt to this, and to stay solvent and operational, will have a lasting impact on the industry.

In the long term, there will be changes in the volume and nature of assignments, and the locations. Traditional international assignments will run alongside flexible, hybrid programmes and virtual-only programmes, with decisions on which option taken on a case-by-case basis. The mobility industry is uniquely placed as an authority on global movements to

advise corporations on this process – how to attract, deploy and retain staff with their relocation programmes, and navigate the more complex legislation that now exists when employees and their possessions cross international borders. It has a central role to play in defining the new world of work.

With cost savings and efficiency to the fore, often facilitated by service-orientated tech solutions, traditional movers are also in a stronger position as they provide the customer-facing core of the mobility process. As one commentator recently said, the mover could soon ‘be the only live person in the entire relocation’. Technology cannot move furniture or make small talk with a transferee family – this is the exclusive role of the mover, which can be the difference between a move that is judged as successful, or otherwise.

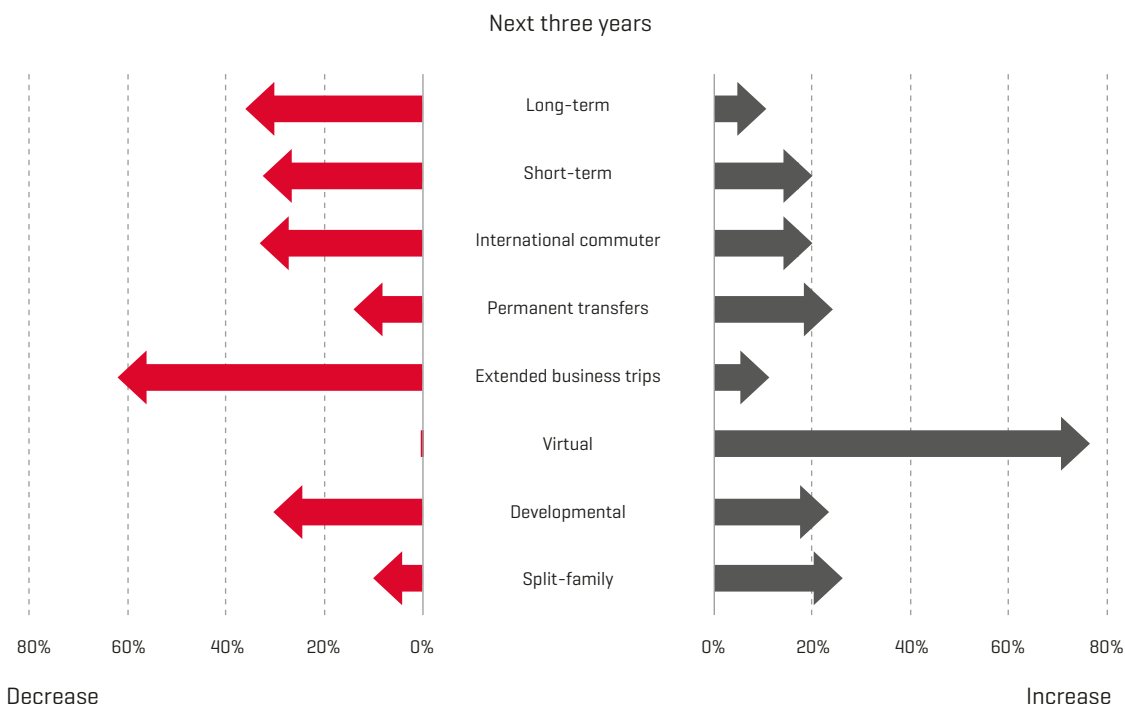
With duty of care now so vital to moving jobs, alongside continued global consolidation where movers are tendering regularly for contracts



“This is going to force us to examine things like our cost structure, our operational structure, look for any efficiencies, with a sense of urgency that we wouldn’t have if we weren’t in a crisis”

**Rob Chipman, CEO,
Asian Tigers Hong Kong**

Change in number of assignments by type (compared with pre-pandemic plans)



with larger gatekeeper providers, there will be a more intense drive towards quality as a differentiator – rather than bidding processes simply becoming a race to the bottom. Those who have built reputations by providing the best possible service over many years have a lot to offer in this environment.

The pandemic has provided a stern test, and while there have been casualties, some have thrived, notably agile firms that have reacted quickly to the fluid environment, developed new services for emerging needs, and given expert help to those who had been caught out. Global mobility providers have been forced to embrace innovative alternatives to keep services moving, and will make them more open and adaptable to cope with future change. The stimulus was unwelcome, but the result may promote the emergence of a leaner, more

efficient industry that is much better placed for survival.

Moving firms of all shapes and sizes have been given a priceless opportunity to re-evaluate their model. They have had the chance to strip out costs, boost efficiency and to understand better that – for all the far-reaching change the industry has experienced – their companies are not a ‘lowest cost wins the job’ add on, but really are the heart of the business of moving people, their families and personal belongings. They are the interface with the customer, providing the hands-on service and care.

What began as a huge threat has brought with it an incredible opportunity to address the significant issues that were troubling it beforehand, and to emerge a better, more efficient and successful business. FIDI is encouraging its Affiliates to make the very best of it.



“In the office, in the home, in the warehouse, there are good practices that are going to become standard – and these standards will be the minimum requirements across organisations. It will be imperative for all FIDI Affiliates to be able to adapt their organisations to standards that become just simply the entry point”

Dale Collins, President Global Transportation Services, Graebel Companies Inc

CREDITS

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Rob Chipman, CEO, Asian Tigers Hong Kong

Dale Collins, President Global Transportation Services, Graebel Companies Inc

Ebru Demirel, President Asya International Movers and FIDI President

Joleen Lauffer, Executive Vice-President, AiRES

Sara Lyrum Kronkjaer, Group Director, Aspire Mobility

Bill Mullholland, Owner and Director, ARC Relocation

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Simone Percy, Managing Director, DASA International

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