

FURNITURE RENTAL'S INCREASING ROLE & BENEFITS IN GLOBAL RELOCATIONS



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Furniture Rental's Increasing Role and Benefits in Global Relocations

By Kenneth S. Barron

With an increase in international employee relocations, many companies and their employees are renting apartments and homes as a cost-efficient and convenient alternative, especially in today's challenging economy. In addition, many companies are incorporating furniture and home accessory rental into their relocation policies as a core service offering.

Companies seizing new business opportunities in the global marketplace rely on the necessity to recruit and rapidly deploy employees and project teams. Failed deployments are costly for companies, and few experiences can be more stressful for an employee and family than relocating to a new country.

Considering furniture rental as an option in the original home while household goods are shipped to the new location, or renting furniture in the new location for temporary assignments can be a cost-saving alternative for companies and ease the transition for employees and families.

More than 1.5 million workers relocate for their jobs each year, according to the Worldwide Employee Relocation Council (ERC), an industry workforce mobility association. The number of international relocations continues to rise with the expansion of the global enterprise, growing international business relationships and a multi-cultural workforce. Yet, finding and retaining the best employees is more challenging today than ever before, and relocating employees vastly increases the costs and challenges.

Demographic trends are working against companies in the "talent war." Older working populations are shrinking as the baby-boomer generation reaches retirement, and generational attitudes toward work are evolving as well. Attitudes about loyalty and long-term employment with a company have shifted. More employees are willing to change companies when they believe that their company is not taking care of them.

Economic instability and societal changes are driving employee preference to rent rather than purchase a home. The continuing instability in the housing market makes many employees unwilling or unable to relocate as they struggle to sell their homes or secure employment for their spouse. The high cost of housing makes purchasing a house impractical for many young employees, and home ownership

inhibits the mobile lifestyle many young employees prefer. In response to these trends, companies are adapting relocation policies to meet these changing needs by expanding services for this upwardly mobile population.

For longer term assignments (6-24 months), unfurnished apartments or rental houses offer employees the ability to select a neighborhood that suits their lifestyle and creates a “home away from home” based upon individual needs and tastes that also best fit their pocketbook. Frequently, coordinating the installation of rental furnishings in advance provides even greater savings.

With unfurnished apartments or houses, companies and employees have more options to select an ideal location. Unfurnished apartments or houses are more cost effective than hotels and, in many cases, than corporate housing or serviced apartments. In addition, they may provide greater privacy, independence and overall convenience, including an often cited benefit of employees being able to cook their meals.

Furniture rental often eases the relocation stress for employees and families in transition, and provides an alternative to the high cost of shipping furniture to support temporary assignments. It can eliminate the need for temporary living, such as hotels, in both the departure or destination location, which eases and accelerates the transition into a new home and location. Families can settle into their new homes right away and employees can immediately be more productive in a new job.

Even in the case of longer term temporary assignments, furniture rental can be advantageous compared to the costly shipment of household goods. Furniture rental can supplement a household goods move whereby the transferee can move into their permanent accommodations upon arrival instead of paying for duplicate housing. Settling into the new country will not require two moves and acclimation to the new environment is faster.

Policy Considerations

In previous decades when employees took an international assignment for three years or more, they routinely sought permanent housing. Many of today’s employees don’t want to be away from home for more than a year. Currently, almost 75 percent of international relocations are for less than three years with approximately 32 percent lasting less than 12 months.

Policy design is as critical to effective relocation as services and administration, so companies are also upgrading their relocation policies. International assignments have many variables. Policies should be creative and flexible in each of their components. Variable factors that impact policy at every level include: family profile, departure location, destination country and its culture and language, corporate budgets, the next likely location of the employee, and the length of the assignment.



Assignment length is a good example of a variable factor impacting international policy design, especially regarding the furniture and household goods decisions. For example, an employee on a short-term assignment (one year or less) would not ship household goods from Los Angeles to Tokyo. Furnished housing is available in the new destination, and the living space is likely going to be smaller, making it impractical and cost prohibitive to use furniture from the Los Angeles home.

In addition to weighing the costs of shipping household goods or renting furniture, decisions on household goods must take into account personal, cultural, functional and practical factors. Intangible costs, such as making the transition as smooth as possible for employees and families, are considered primary corporate objectives to ensure a successful relocation. Furniture rental can help to alleviate some of these additional considerations including:

Housing size – Living spaces vary significantly by country and city. Locations with high population density typically have smaller living spaces.

- Is furniture used in the originating location being shipped functional in the new location?
- Is there going to be too much furniture or not enough furniture?
- Should only personal effects be moved?
- Should all or a portion of the furniture be shipped with the remainder stored in the origin location?
- Should all goods be shipped and a portion used in the new home and the remainder stored in the destination location?

Culture – Assimilation into the culture and experiencing the lifestyle of the new location is important to the success of the employee and family's relocation experience.

- Would the family be better served with furnishings reflecting the local culture?
- Would the employee and family feel more comfortable having personal goods from home in the new location?
- Should a portion of the most personal household goods be air-shipped (for example, 1,000 pounds) or enough to satisfy personal "comfort" needs?

Temporary Lodging – Renting furniture can eliminate the need for the high cost of temporary living, which could exceed \$10,000 a month for lodging and meals, in either or both the departure and destination location.

- Would the employee and family have an easier transition without temporary living? For example, if the new home is selected, can it be immediately furnished to avoid incurring temporary living costs while waiting for shipped furnishings?



Typical Household Goods Assistance

Global or international policies generally include an allowance for the shipment and storage of household goods. Allowances can vary with assignment length, weight of goods (total or by individual), and container size. For example,

Air Shipment Transportation Weight Allowance Family Member

- 250 – 600 pounds Employee
- 150 – 300 pounds Spouse
- 100 – 200 pounds for each additional dependent
- 600 – 1,200 pounds maximum per family

A range is given, since weight varies by assignment length, as well as by individual (a policy would typically set an exact weight). Maximum limits may also be given in container size, or a combination of the type of container and weight.

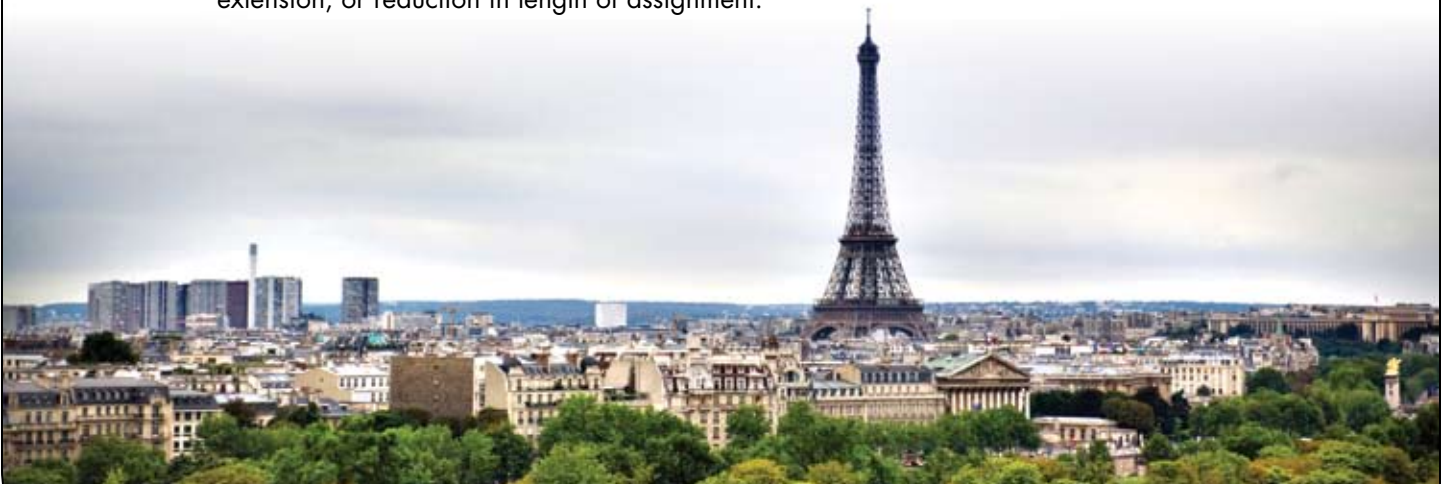
Surface Shipment Transportation Weight Allowance Family Member

- 3,000 – 6,000 pounds Employee
- 1,000 – 2,000 pounds Spouse or each additional dependent
- 10,000 – 15,000 pounds maximum per family

The ranges given cover the most likely policy amounts, and allow for variances in the same policy by length of assignment. A short-term assignment may not allow for any surface shipment.

Additional considerations should be evaluated that may add to the overall total cost of shipping household goods, including:

- Furniture that does not fit or work in the new location, so that it must be stored and new furniture rented or purchased.
- Policies that give an allowance for the purchase of household goods in the new location.
- Policies that allow up to 20 percent additional weight on the return trip or next assignment location.
- The impact of exchange rates on costs
- Cost increases over the period of the assignment length due to general inflation, fuel costs, local economic conditions, tariff changes, etc.
- Professional assignment changes that require an additional assignment before return or an extension, or reduction in length of assignment.



Cost Analysis

Each assignment requires a cost analysis incorporating all alternatives and cost components, including shipping, storage, rental furniture, housing options, and the impact on “other costs,” such as temporary living.

The cost of shipping household goods to and from global locations can easily exceed \$50,000. Costs may include services for preparation of goods for air or surface (ocean or land) shipment, freight, customs, terminal handling, duties and taxes, insurance, storage that may be needed on either or both ends based on timing of shipment and home availability, and other costs such as crating, shuttles or long carry. The actual shipment costs will also vary based on family profile, home size, current and new location.

Considering all the variables, renting furniture in the new location can generate a cost savings of up to 50 percent for one-year assignments. The break-even point for furniture rental in the new location and storing furniture in the originating location is typically in the middle of the second year or early in the third year.

Some relocation policies allow for or even dictate (by weight or container size) a partial shipment of household goods, for example 6,000 pounds with the remainder going into storage. Although that may reduce the shipping costs, it may also lead to other costs, such as the rental or purchase of supplemental furniture in the new location, the shipment back of purchased furniture, the loss on the sale of furniture not shipped back, and the administrative burden of using additional services.

Often the employee and family arrive prior to the delivery of their household furnishings. If their new home is available, rental furniture for 30 to 60 days would allow for immediate move-in. If their new home is not immediately available, rental furniture for 30 to 60 days in the departure location and shipping household goods to the new location would allow the employee and family to arrive in the destination location at the same time their household furnishings are delivered. As a result, the cost of temporary living (for example, hotel and meal costs) is avoided. The family is also spared the inconvenience of changing locations and is settled immediately upon arrival.

One relocation option combines household and furnishings: corporate housing. For long-term stays of six months or more, this may include furnishings. It is available in many locations and is an alternative to locating a home and then renting or shipping household goods. But although furnished corporate housing is convenient, it can be more expensive. The availability and costs will vary by location. Corporate housing may offer qualitative benefits, such as ease of use and service advantages, while unbundled services often present a wider range of pricing, quality, housing types and geographic locations.



Relocation Policy Recommendations

Consulting experts who can help in the cost calculations and provide services can help companies determine the best fit for corporate budgets and the well-being of employees and families during the transition. In summary:

- Cost is only one factor in the household decision.
- To meet cost and service objectives, additional factors must be considered, including: new location housing options and culture, employee satisfaction and possible need for temporary living.
- International relocation policies should be redesigned to incorporate, in one section, all components impacting “the Household.”
- “The Household” section should include all housing (both temporary and assignment) and household furnishings options.
- The assignment and family details should then be incorporated, and a “Household Solution” designed.
- The “Household Solution” will therefore be an integrated and customized plan, maximizing the cost and service value of each housing and household furnishings alternative.

A significant number of variables impact household and furnishing for international assignments. No simple formula based on the weight of household goods and the length of the assignment can be an effective cost or service solution. There is no one answer to questions of the household, the shipment and storage of goods, or rental compared to shipping furnishings.

These individual policy components and service options should be brought together into one integrated “Household” policy section and managed as an integrated household solution. This recognizes the impact temporary housing, shipment, storage and a new core service, rental furniture, have on each other when attempting to meet corporate and employee cost and service objectives. As part of the design of “the Household” solution, cost estimators should integrate all related cost factors and service options.

Rental furniture has multiple applications as a core relocation policy service. It should be considered as an option to meet cost requirements or family needs and be included as part of each household planning and decision process.

Rental furniture has not typically been part of the relocation policy core services. It is often used as a solution, if other core policy services do not meet housing-related needs or cost guidelines. But if furniture rental is integrated properly into “the Household” policy service offerings and considered during the move planning process, it can potentially create significant savings and improve the service experience.



Kenneth S. Barron is managing director of global relocation and client services for CORT, the leading rental furniture and housewares provider in the United States for more than 35 years. CORT, a Berkshire Hathaway company, operates a global network of furniture rental partners in 50 countries encompassing EMEA, Asia Pacific and the Americas. CORT established operations in the United Kingdom earlier this year with Roomservice by CORT. For employees relocating into the United States, CORT also provides a broad range of relocation and destination services.

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